

# KIRLOSKAR OIL ENGINES LIMITED

CORPORATE SUSTAINABILITY REPORT 2011-12



Enriching Lives



## THE ENGINE FOR SUSTAINABLE GROWTH



## Statement GRI Application Level Check

GRI hereby states that **KIRLOSKAR OIL ENGINES LTD.** has presented its report "The Engine for Sustainability Growth FY 2011-12" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 23 January 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of a globe.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because **KIRLOSKAR OIL ENGINES LTD.** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 11 January 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

# THE ENGINE FOR SUSTAINABLE GROWTH

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

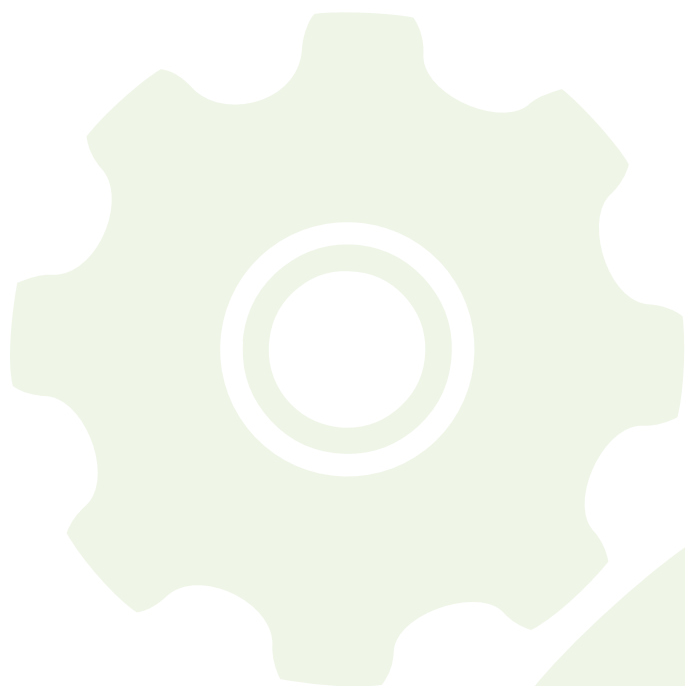
Engine for Sustainable Growth - the theme for our sustainability report, is the visualization of this very thought. Our management is the spark, the plants channel the fire (the cylinder heads), our people are the driving shafts, with different divisions functioning as the gateway of new ideas and designs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

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# STATEMENT FROM THE EXECUTIVE DIRECTOR



***Dear Reader,***

We are proud to present our third annual Corporate Sustainability Report, 'The Engine for Sustainable Growth 2011-12'. This year's report is based on the Global Reporting Initiative (GRI) G3.1 Guidelines and continues to meet the highest Application Level of A+.

We at KOEL are encouraged by the appreciation and positive feedback received from our various stakeholders regarding our sustainability disclosure. In this report, we present highlights of triple bottom-line performance and progress made on our sustainability roadmap. Key successes over

the past year include improved community perception score, adoption of BS-III emission norms and EHS certification of our manufacturing plants. Our position and progress on other stated objectives is elaborated in this report.

While India's growth rate dropped due to weakening of the country's industrial growth, agriculture and its allied sectors continued to perform well. Commodity prices continued to rise, and coupled with sluggish growth in industrialized economies and the Euro crisis, it further contributed to the sluggish growth of the Indian economy. Our growth,

in turn, was also impacted by sluggish industrial growth in key industrial sectors. The company saw a 3.8% drop in sales in the reporting period.

Continuing with our focus on product innovation, the development of a Portable Diesel Genset has been completed in the reporting period and we are currently launching it in the market. With the launch of this product, the company will enter a new market segment in India. We have also continued with the K1080 programme and substituted 6 cylinder engines with 4 cylinder engines in the 100-125 kVA power range. In addition to these key developments, our entire product portfolio for industrial market continues to comply with the Bharat Stage III emission standards of India.

We continue to frequently engage with our supplier base and train our vendors in key areas such as quality systems and Six Sigma Tools. A key development over the reporting period was the completion of vendor online payment facility which increases efficiency in our supply chain. Selective supplier funding was also carried out in the past year, improving delivery performance.

Our focus on reducing material costs and instituting effective cost control measures across the supply chain has enabled us to optimize material costs. We explored the possibility of alternate raw materials and process improvements over the past year.

We are committed to achieving optimum use of our energy resources and continuously strive to achieve improvements in process and product efficiency through the use of energy efficient tech-

nologies and renewable energy. Several energy conservation initiatives were carried out over the reporting period, driven by our ENCON cell. We have received recognition within the industry for our commitment to energy conservation. Our manufacturing plants in Pune and Kagal received the prestigious 12th National Award for Excellence in Energy Management 2011 from the Confederation of Indian Industries (CII). This is the second consecutive year that our Pune facility has received this prestigious accolade. In addition to this, the Pune and Nashik plants received the State Level ENCON Awards from Maharashtra Energy Development Agency (MEDA). Also, Pune plant received 'Best Performer Award' and Rajkot Plant received 'First Runner Up Award' in the Kirloskar Group ENCON Competition for year 2010-11.

Social responsibility is integral to our business philosophy. It is our firm belief that wealth generation should lead to social development. Over the reporting period we continued our commitment to society through several ongoing initiatives focusing on education, health, sustainable livelihoods and environment. We continued our life skills training programme for adolescents, called Saakav. We also increased community awareness on environmental issues through initiatives such as the Vasundhara film festival. Our commitment to the growth of communities around us and our responsiveness to their needs are evidenced by the increased score in our company's social perception index.

As we continue to drive sustainable growth for the company and all our stakeholders, we welcome your valued feedback.

**R. R. Deshpande**

Executive Director, Kirloskar Oil Engines Ltd.

# ABOUT THE REPORT

'The Engine for Sustainable Growth 2011-12' is Kirloskar Oil Engine Ltd.'s (KOEL) third annual sustainability report. Through this report, we have attempted to present highlights of our triple bottom line performance for the period of 1st April 2011 to 31st March 2012. We continue to focus on issues that are material to our stakeholders, presenting the highlights from the year as well as the progress on our sustainability commitments.

This report meets the highest level of disclosure (Application Level A+) as per the Global Reporting Initiative's (GRI) G3.1 reporting guidelines. In addition to providing disclosure on all core indicators, we also report on a few additional indicators, such as those pertaining to energy and product responsibility, that are of relevance to us. Wherever necessary, we have explained the assumptions and/or exceptions while reporting on the GRI indicator protocols.

The report's intended audiences are our employees, investors, customers, suppliers, regulatory authorities as well as individuals and organizations interested in KOEL's performance on environmental, social and economic aspects. We intend to continue to report annually.

On September 30, 2011, we divested our Bearings business division to KSPG Automotive India Private Limited. The scope of this report thus covers our major operating divisions on Engines - our plants at Pune, Kagal, Nashik and Rajkot. To cater to the export markets, we have sales teams stationed at Dubai, South Africa, Nigeria, Kenya and Indonesia. In some of these countries, we share office space with the Kirloskar Group companies. Our sales and support teams abroad, joint ventures, associates and subsidiaries are outside of the reporting purview.

Ernst & Young (India) Pvt. Ltd, an independent and professional services firm, has provided external assurance to this report.

Readers are welcome to address their queries or feedback to [sustainability@kirloskar.com](mailto:sustainability@kirloskar.com).



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## Disclaimer

The terms 'KOEL', 'the Company', 'we', 'us' refer to Kirloskar Oil Engines Ltd. and is used purely for the sake of convenience. All financial values are expressed in terms of Indian rupees ('INR' or 'Rs.'). Large number may be expressed in lakhs, crores or millions; these are units of numbers commonly used in the Indian sub-continent.

# ABOUT KOEL

We are India's largest manufacturer of diesel engines, incorporated in 1946 as a part of Kirloskar Group of Companies, a leading engineering conglomerate, which was founded by late Mr. Laxmanrao Kirloskar. The group with a rich heritage has passed on its core purpose of 'Enriching Lives' to us at KOEL. In serving the core purpose, our business operations are guided by the principles of Innovation, Speed & Transparency.

We have pioneered a wide range of engines that are used across all the three sectors of Indian economy i.e. agriculture, industry and services which covers engines and pumpsets for agricultural, diesel generator sets for power generation, construction, earth moving, material handling, mining, transport, off shore oil & gas. KOEL is listed on the National Stock Exchange and the Bombay Stock Exchange. Our manufacturing facilities in India are benchmarked against world class manufacturing. We have presence in the international markets, with offices in Dubai, South Africa, Kenya, and representatives in Indonesia and Nigeria along with a strong distribution network in the Middle East and African countries.

KOEL has been at the forefront of providing world-class diesel engines. We are an acknowledged leader in the manufacture of diesel engines, and generating sets. Ever since our incorporation in 1946, we have been a prime mover in the nation designing products that fulfill the power needs of the nation. In our long journey, we have relentlessly pursued our own unique code of ethics in business and strived to achieve customer satisfaction.

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## Vision

To be amongst the top ten global players in off-highway engines business.

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## Mission

In our previous sustainability report, we had stated the goal of achieving the CII EXIM Business Excel-

lence award status by 2012 as well as the goal of becoming be a Rs. 5000 crore company with 15% profitability in 2014.

In three years of participation in the CII EXIM Business Excellence, we continued to be placed at the same band. In FY 2012, we took a deeper look at our performance parameters and realized that the key bottleneck was indeed our growth and profitability – which have both remained flat over the last few years. We have developed strategies to improve internal efficiencies and have taken stretch EBIDTA targets to address this concern. Further, we are now focusing on exports and increasing capacities of our power generating sets and have set sight on capturing greater market share in the higher kVA range. The first quarter in FY 13 has shown a 15% growth, and we remain positive that this trend will continue.

We believe that the results of these changes may not immediately reflect on the balance sheets. Therefore, we have decided to participate in the Business Excellence Awards after significant progress has been achieved internally.

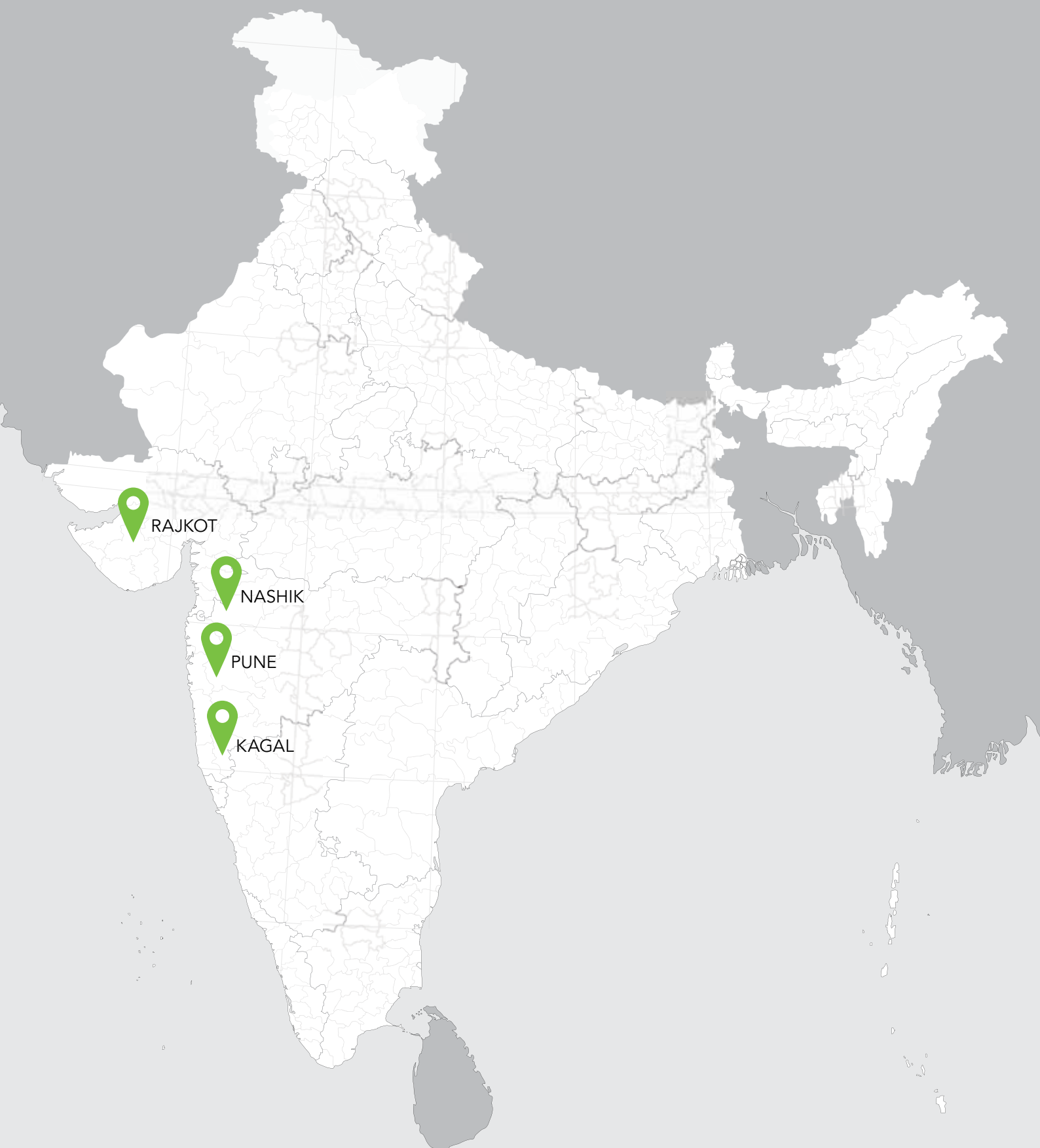
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## Values





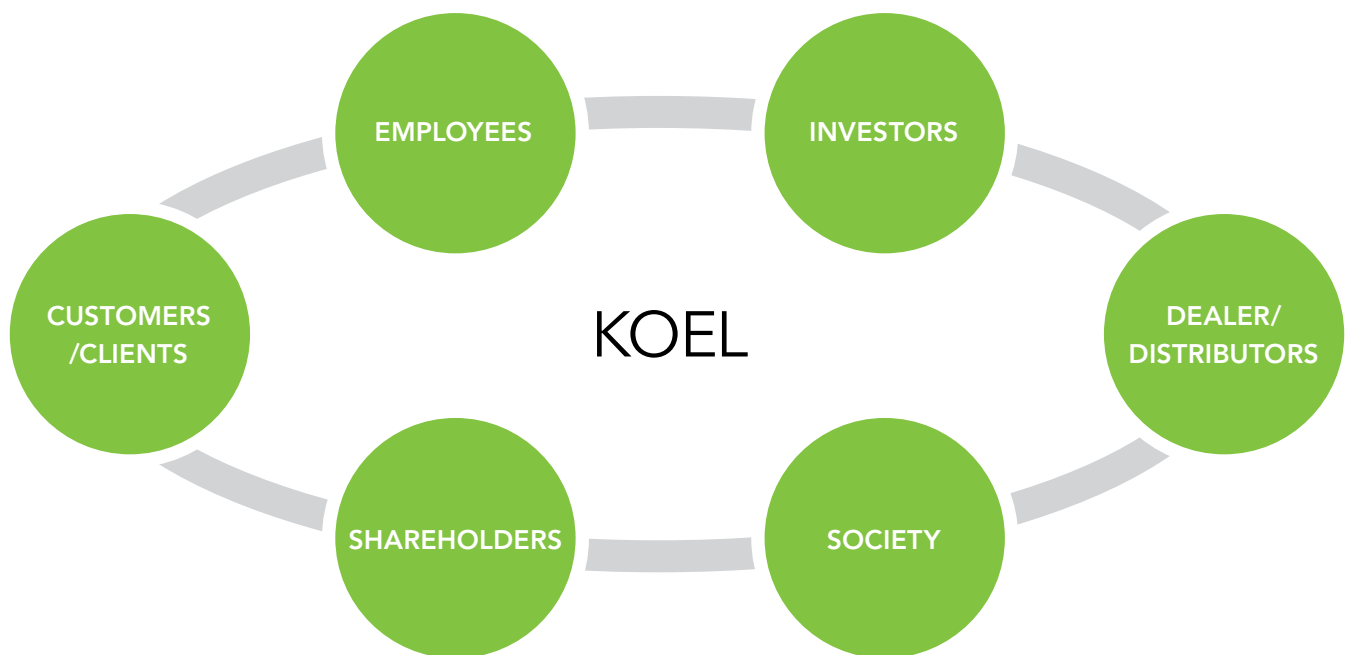
# KOEL PLANT LOCATIONS





# STAKEHOLDER ENGAGEMENT AND MATERIALITY

Stakeholders are essential pillars of our business. In last year's report, we had stated our key stakeholder categories. The identification of key stakeholders remains largely internal - heads of the different departments in our company weighted the stakeholder groups to identify the stakeholders who have a direct impact on our business. In doing so, they considered aspects such as extent of impact, frequency of interaction, systematic engagement process and identification of common concerns and aspirations. We continue to consider the following broad categories to be our key stakeholders for this year:



We interact with each of these groups in many different ways such as regular meetings, partnerships, newsletters, forums, conferences, etc. The purpose, mode and frequency of the engagement for each of these stakeholder groups is summarized in the table below and further described in relevant sections throughout the report.

We respect and act upon the messages, suggestions, comments and feedback thus received from our stakeholders. It not only paves the way ahead for our business, it helps us identify areas of improvement and deliver better quality service and an alignment with our customer needs. These elements form the core of the KOEL value system.

The inputs from stakeholders coupled with the vision of our top management and sensitivity to sectoral issues have allowed us to identify areas of primary importance to us as an organization. We continue to focus on the top four sustainability

concerns from last year:

- Employee retention and talent management
- Continuous product innovation to staying ahead of competition
- Energy conservation and gradual reduction of our environmental footprint
- Develop community services and foster holistic growth among all stakeholders

This report demonstrates our broad understanding of the sustainability context, taking into account diverse topics relevant to us and our stakeholders. This is how we have attempted to apply the four principles for guiding the report content viz. materiality, stakeholder inclusiveness, sustainability context and completeness. Performance indicators of relevance on each of these parameters are disclosed in a balanced manner, indicating both our successes and improvement areas. Our sustainability report preparation is done internally.

## Summary of Stakeholder Engagement

Stakeholder Category	Objective	Mode and Frequency of Engagement	Initiatives and Highlights
Customers	Develop relationship, Anticipate short and long term expectations, Capture day-to-day requirements, enhance KOEL experience	Annual Customer Satisfaction Survey, One to one interaction as needed, Regular Customer Meets, Helpdesk, Periodic campus, exhibitions and melas	Interaction of leaders with OEMs, GOEMs, domestics and overseas market distributors for developing long term plan, Leaders visit to domestics and international exhibitions to explore business opportunities
Dealers and Distributors	Expectations and needs sharing, Communicate KOEL policies and processes, Understand market conditions and requirements	Monthly / quarterly reviews, One-to-one interaction, Helpdesk, Regular dealer conferences and meets	Visits by functional heads, HOD CRE, QA and Application Engineering to various OEMs, GOEMs and distributors to understand training needs, identify cost reduction avenues, installing quality systems and audits
Suppliers and Vendors	Expectations and needs sharing, Quality, cost and delivery improvement, Sharing of ideas and best practices, Vendor recognition, Strategic partnerships and value creation	One to one interaction (need based), Supplier Meets (annual), Quality Audit, SQTF visit, 'Technology Day'	Initiation of joint cost reduction projects, process improvements, quality contests, developing new products, Kaizen events
Society and Local Communities	Good corporate citizen	Society Perception Survey (annual), Ongoing social welfare activities	Society related actions plans, Flagship CSR programs
Shareholders	Understand concerns and expectations, create higher shared value	Annual General Meeting, Chairman's and Director's Reports, Quarterly Results, Annual balance sheets, Press releases	Regular dissemination of financial performance data, Analyst Meets
Employees	Improve job satisfaction, Ensure career growth, training and development, Understand needs and expectations	Regular Open Forums, Employee Engagement Survey, Feedback from Unions, Apex Committees, myKOEL portal	Review of HR plans and policies, Training plans, Employee rewards and recognition, EES Action Plan, Wage Agreement signed with workers union at Nashik plant in September 2011

# SUSTAINABILITY ROADMAP AND PROGRESS AGAINST OBJECTIVES

Last year, in our 2010-11 annual sustainability report, we had charted out a roadmap to steer our sustainability initiatives in with specific targets under each of the triple bottom line over the next three years. Apart from the regular reporting on our material issues, we intend to give specific progress on initiatives based on our sustainability roadmap.

Sustainability Pillar	Goal	Target timeline	Progress in 2011-12
Financial Performance	Implementation of IFRS framework for financial reporting	2013-14	While we were building capacities for the move to the new framework, the Government of India has postponed the implementation date for this accounting framework. We will continue to monitor the developments on the regulatory front regarding the implementation date.
	Implementation of system-based budget compilation and reporting process	2013-14	We believe that the key result areas must be supported from basic tools of the organization. In this regard, we have prepared process manuals for all processes. Further, we have moved all processes towards paperless systems. Our purchase order system has been fully automated, thereby helping in system based budget compilation and reporting.
Social Responsibility	Improving Company's Community Perception survey score by 7% (year on year), over current year (2010-11) score of 75%	2013-14	We have achieved a 10% rise in overall score over last year in the independently conducted annual social perception survey.
Environmental Performance	Compliance with BS III emission norms for industrial engines	2011-12	We have successfully complied with BS-III norms for construction equipment & our engines have been well received in the market
	Compliance with CPCB Stage II emission norms for diesel gensets	2013-14	All our genset application engine models have been certified by ARAI for CPCB norms on emissions and noise levels (for power range up to 800 kW)
	EHS certification for manufacturing plants at all locations	2011-12	All our plants are now ISO 14000 and OHSAS 18001 certified for best environmental, health and safety practices.
	Reduction in carbon footprint of manufacturing facilities by 2% over that of base year 2009-10	2013-14	Our direct emissions from manufacturing facilities in FY 2011-12 were 6647.04 tons CO <sub>2</sub> e and indirect emissions were 21929.46 tons CO <sub>2</sub> . We are on track to achieve our stated goal and accordingly focusing our efforts.

# AWARDS AND ACCOLADES IN FY 2011-12

The Commendation Certificate for Strong Commitment to Excel from CII. This award is a testament to our efforts and commitment to attain world class standards of performance

For the second consecutive year, the Engineering Export Promotion Council (EEPC) conferred its award to KOEL. This award is sponsored by Ministry of Commerce & Industry, Government of India

KOEL participated in the national convention on Quality Concept 2011 organized by the Quality Circle Forum of India. Our Pune plant received the Par Excellence Award

The Pune and Kagal plants received the prestigious '12th National Award for Excellence in Energy Management 2011' from the Confederation of Indian Industries (CII)

KAIZEN on DV Cylinder Head won 1st prize at the national level in "INDIZEN 2012" contest

QCFI, Pune Chapter Trophy for the Financial Year 2010-11 for spreading Quality Circle activities across the organization

The Pune and Nashik Plants received the MEDA ENCON award

'Gurukul', the Company's training center at the Kagal plant, received 'Best Prax Benchmark 2011 Award' in the manufacturing category





## AWARDS AND ACCOLADES Contd...



# MEMBERSHIPS AND ASSOCIATIONS

KOEL is an active member of the Confederation of Indian Industries (CII), and a signatory of the CII Code for Affirmative Action. Our commitment to achieving a world class standard of performance has been recognized by CII.

Listed below are the key national and international industry bodies of which KOEL was an active member during the reporting period.

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





# OUR BUSINESS

We cater to diverse customer needs across three key sectors of the economy viz. agriculture, industry and services. We have presence in international markets with offices in UAE, South Africa and Kenya, as well as representatives in Indonesia and Nigeria and a strong distribution network throughout the Middle East and Africa. New markets in the Middle East, South East Asia and New Zealand are being explored.

To cater to the needs of our business units and to nurture functional excellence, KOEL has a distinct set of corporate functions namely Strategic Sourcing, Research & Engineering, Quality Assurance, Finance, Secretarial & Legal, Information Technology, Human Resources, Personnel and Industrial Relations, Utilities, Corporate Communications and Business Excellence. In addition, we have an innovative research and development center located at Pune, which provides the necessary cutting edge to our products.

In this report, we provide the highlights from all our business units as well as from Strategic Sourcing, Information Technology, Human Resources, and Corporate Research and Engineering functions. Though the rest of the functions may not separately feature in this document in distinct divisions, they form the backbone to our sustainability vision and strategy, and contribute to the overall reporting of our triple bottom line performance.

Our bearings business (including operations at Ahmednagar) was divested in FY 2011-12. Within the engines business, we have regrouped the Agriculture and Off Highway Business Group into separate groups of Agriculture Engines Business and Industrial Engines Business with an aim of better focusing our business strategy within these key market segments. There were no other significant changes in operations regarding size, structure or ownership during the reporting period.

PUNE



KAGAL



NASHIK



RAJKOT



# KOEL

## ORGANIZATION STRUCTURE

Atul Kirloskar  
Executive  
Chairman

Gautam Kulkarni  
Executive  
Vice Chairman

Nihal Kulkarni  
Managing  
Director

R R Deshpande  
Executive  
Director

EVP

Sanjay Parande  
CFO

SR. VP

R A Prakash Rao  
Engine Mfg. Pune  
& Kagal

VP

Shantanu Dhar  
Human  
Resources

Ambadas  
Nerlikar  
CIO

T Parthasarthy  
QA, Corp. ME &  
Projects, Business  
Excellence

M N Kumar  
CRE & AE

VP

S R Sambhoos  
Supply Chain

Sanjeev Nimkar  
PG & Ind.  
(Domestic), Cus-  
tomer Support

Cherukara  
Antony  
Agriculture BU

Sunil Walunjkar  
Exports

AVP

Sheetal Kothari  
LEBG

## ENGAGING OUR CUSTOMERS

Given our values of 'Quality First' and 'Customer Focus', it is our priority to enhance customer experience and retain their loyalty through various initiatives. We continuously strive to remain the preferred choice of the customers. Our key customers are spread across the market sectors we serve, including those who need spares and services for our products. We reach out to the end users of our products directly and through our network of dealers, distributors and OEMs.

A key highlight of our customer engagement is a bi-annual customer satisfaction survey (CSS), that we conduct through an independent agency in order to understand and enhance our customer relationship, identify shortcomings and set improvement targets. The survey is administered through direct interviews with our customers using a structured questionnaire that covers the aspects of Company Image, Business Support and Presales, Product, Order Execution and Delivery, Packaging, Service Support, Documentation, Installation, Service & Maintenance, Training, After Sales Service Process, and Experience with Sales Team. The outcome of CSS forms the basis for various initiatives to improve product specification, product quality, pre-sales as well as post sales service.

An action plan on various service parameters, based on earlier CSS findings was taken as a part of the Customer Support Business Group's KRA for the Annual Operating Plan 2011-12. Implementation of this action plan was regularly reviewed at senior level within the company, and its impact was evident in the CSS conducted in last quarter of FY 2011-12, which shows substantial improvement in customer satisfaction over previous survey. The outcome of the survey conducted during FY 2011-12 was shared with KOEL in July 2012, and is being analyzed and deliberated internally. The necessary action plan with timelines is scheduled to be finalized by July 2012.

Other ongoing modes of engaging our customers include individual customer meetings and feedback, business group specific surveys, road shows, exhibition, seminars, factory visits and quarterly client meets.

To ensure high quality service to customer, we conduct a thorough training and development program for dealership and their technicians. The training center at Pune offers different modules and has dedicated teams to manage segments of the program. The training calendar is announced at the start of the year, so



## OUR BUSINESS Contd...



that the dealers can schedule and fulfill their learning needs. On occasion, we also take dealers to overseas sites for training & best practices learning. 'Best Performer' Awards are handed out annually based on the scorecard performance of dealership. In the reporting year, a total of 335 service training programs were organized, encompassing 4882 participants.

Repeat orders on current products and addition of orders for new applications/ products testify the fact that we have never lost a single OEM customer. Furthermore, there were no substantiated complaints regarding customer privacy and loss of customer data. The targets for various parameters are derived from policies and benchmarking with competition/best in class. Wherever we are best in class, we aim to maintain a gap with nearest competition.

Our after sales network continues to expand every year fulfilling our twin objectives of being closer to our customers and providing proactive service. The presence of an extensive network, comprising 103 trained service dealers and 342 well equipped service outlets across India, illustrates our strong commitment to customer support. It enables us to provide timely

after-sales services to its customers, including those during emergency situations. Customer requests are responded to within 4 to 8 hours of time depending on the distance. We ensure high service standards at all times through regular audits of our service dealers.

To further strengthen our customer relationship and to satisfactorily meet customer needs, we have proactively introduced centralized Annual Maintenance Contracts (AMC) as well as a customer help desk to handle all complaints.

The Customer Support Business Group (CSBG) achieved sales as per annual operating Plan FY 2011-12 with a growth of 11 % over the previous year.



## AGRICULTURE ENGINES BUSINESS

The agriculture sector witnessed a growth of 2.8 % in 2011. The Indian agriculture market for engines below 20 hp witnessed 21% growth which was due to untimely monsoon and grid power deficit in many regions of rural India. Government subsidy schemes for pump sets also played a vital role in market growth. This was true, especially for portable engines for pump set application below 5 hp.

However, our Agriculture Engines Business registered a negative growth of 6% on account of the high price gap with respect to competitors (mainly Indian unorganized sector) and Chinese imports. We are currently in the process of formulating a strategy for growth to respond to these challenges and are committed to improving our market presence.



## INDUSTRIAL ENGINES BUSINESS

The industrial engines market grew by 14% during FY 2011-12. The demand for our products in this segment was dampened by the tightening monetary policy of the Reserve Bank of India and rising inflation in building material prices in the country. Our share in the domestic market declined to 30% in FY 2011-12 from 52% in the previous fiscal. However, we continue to maintain a significant position in the Indian industrial engines market.

During the Twelfth Plan, investment in infrastructure is expected to be Rs. 50 lakh crores. The India Infrastructure Finance Company Limited (IIFCL) has put in place a structure for credit enhancement to ease access of credit to infrastructure projects. Also, the government has indicated a target of covering 8,800 kms of roads under the NHDP in FY 2012-13. With these developments, the Indian construction equipment industry is expected to grow by 19 – 20% over the next few years.



## POWER GENERATION ENGINES BUSINESS

Our Power Generation Engines Business Group (PGBG) manufactures diesel engines and generating sets, which cater to a wide multitude of power generation industry, marine and defense applications as well as the telecom and other industrial segments such as retail, banking and information technology.

We supply generating sets under the brand name of 'Kirloskar Green' which is India's leading brand and one of the largest genset selling brand in the world. These are available in the range of 5kVA to 625kVA as a single unit and up to 3000kVA in multiple units. We have recently launched the 'Chhota Chilli' brand of portable gensets at present in 3.5–5kVA rating. As part of our green initiatives, we have developed gensets that run on renewable energy resources such as bio-gas, as well as hybrid power solutions with diesel gensets, wind energy, solar energy and battery bank.

At the macro level, the power situation in India has improved with decline in the peak deficit from 13.8% in 2006-07 to 10.6% during the period April 2011 – December 2011, thereby affecting demand for power generation sets. Telecom operators curtailed expansion plans in India in FY 2011-12. In order to remain competitive amidst an uncertain regulatory landscape, they increased focus on tower sharing arrangements instead of new roll-outs, thereby negatively impacting the demand for DG sets as compared to the previous year.

During FY 2011-12, we achieved a market share of 23% by value in this segment. We are pursuing a sound risk management strategy through product diversification (to include smaller KVA bracket 3000 RPM Gensets) and enhanced focus on government business.

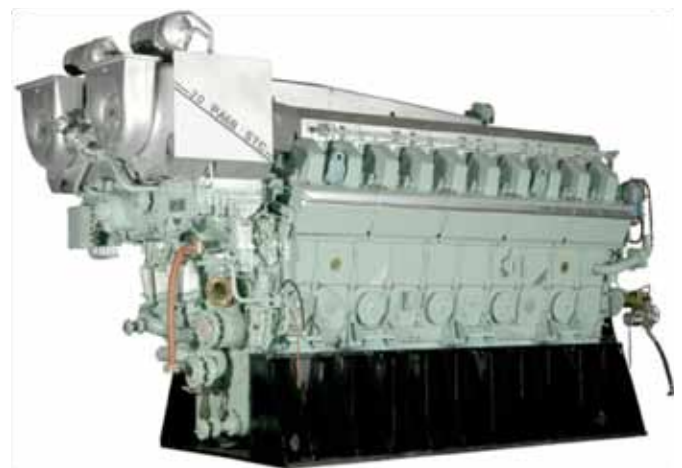
## LARGE ENGINE BUSINESS

Our Large Engine Business Group (LEBG) manufactures diesel engines in the range of 2,400 hp to 11,000 hp catering to stationary power plants and propulsion of vessels for the Indian Navy and Coast Guard. During the past year, all engines manufactured and supplied by this business were for stationary power plant application, to provide emergency power using High Speed Diesel (HSD) as fuel. Our engines for this application are preferred by customers on account of high proven reliability.

In FY 2011-12, we received an order of Rs. 396 Crores from the Nuclear Power Corporation of India Limited (NPCIL) for supply, erection and commissioning of 16 Emergency DG sets each with a power rating of 4.2 MW. This order was received under a global tender and is expected to be completed (up to installation phase) in the next 3.5 years.

We have also entered into a license agreement

with Daihatsu Diesel Manufacturing Co. Ltd., Japan, for manufacture, marketing and supply of diesel engines in India in the 610KW to 2560 KW range. Daihatsu is an established manufacturer and global supplier of diesel engines for marine and power plant applications. These engines will cater to requirements of the commercial marine segment.



## INFORMATION TECHNOLOGY

IT strategy is developed based on a) KOEL Vision, Mission and Values b) Organizational Strategy and initiatives. IT Roadmap and investment plan for 3 years is aligned with long term corporate strategies and current technology trends. IT Policy and strategy is reviewed and upgraded periodically and communicated to all KOEL employees.

During the year, various Business Intelligence portals are developed for the business leaders to have in-depth analysis which enable them to take decisions based on information. These are made available on intranet portal known as myKOEL with access control to relevant information.

### **Information Technology Initiatives in 2011-12**

There have been significant improvements in IT enabled processes through initiatives such as first phase of Tier III ready data center, electronic approval for supplier quotation of new parts / price revision etc. Data is captured in ERP and converted into information critical to business head through online BI on myKOEL.

Green initiatives from the year include:

- Converted about 130 manual processes into e-processes thereby increasing effectiveness and efficiency of process. Some of the major processes are Electronic approval for supplier quotation of new parts / price revisions and On-line performance management system
- 50% reduction in printing

Our journey towards green movement continues with initiatives such as:

- Full-fledged Tier III ready data center
- Desktop virtualization to save power
- Implementation of Office Communicator to reduce travel and communication
- Over 50 additional manual processes being converted to e-processes

The objective behind IT initiatives is to improve effectiveness and efficiency of processes through simplification, standardization and automation. Every year, IT initiatives are taken up for major improvements based on corporate objectives, strategies, departmental and function goals as well as internal audit feedback.

IT leaders regularly visit various stakeholders at different manufacturing locations to understand



their information needs and improvement areas. They regularly benchmark our efficiency and effectiveness of IT enabled processes against those of other companies as well as with emerging trends in IT technology. IT related workshops are also conducted with major vendors.

KOEL has decided to drive process centricity initiative through newly formed Process Engineering Department and designated process owners from various functions. This drive aims to systemize working in order to improve effectiveness of every activity, reduce waste and to bring adequate control. Creation of department level process manuals, re-engineering of critical intra-departmental & inter-departmental processes are some of the activities taken up this year.





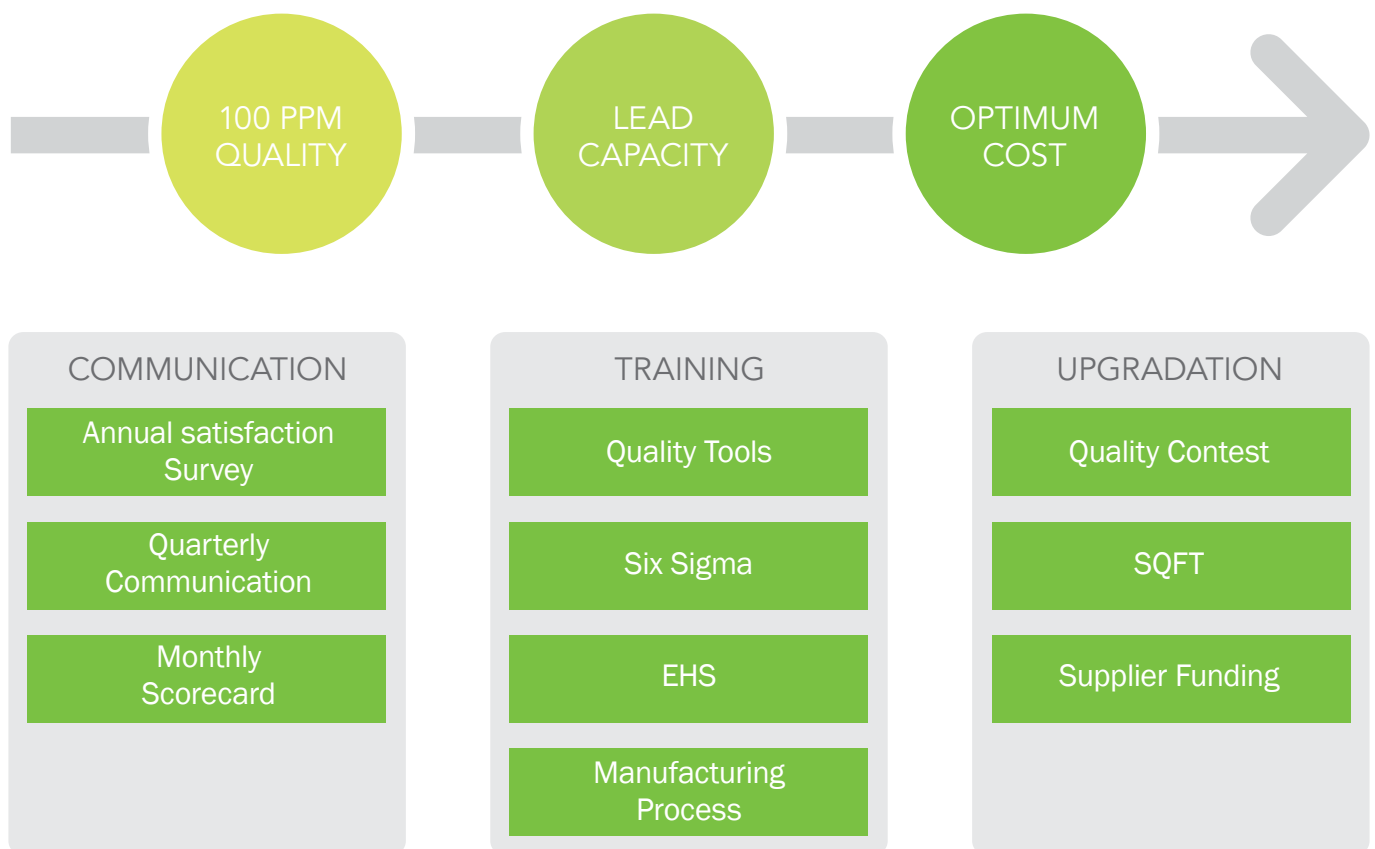
## STRATEGIC SOURCING

We have demonstrated a strong supplier engagement in the past few years and have actively participated in the overall development of our supply base. It is not only in terms of capacity improvement, but developing an overall self-sustained supply base with active participation and team building in various events and processes.

Our strategic sourcing team is actively engaging our supplier base to drive a target of 100 PPM and creating a lead capacity at an optimum cost. These initiatives have been taken up with a clear roadmap for achieving targets.

Training, communication and supplier upgradation have been the fundamental pillars for supplier development and active participation is sought from the supplier to make this a success.

Quarterly communication, which encompasses the current business environment, KOEL plans and any other initiatives undertaken during the period, is sent to all suppliers by the head of Strategic Sourcing. A monthly score card program has been launched, wherein we communicate to suppliers their monthly Quality and Delivery scores.



We firmly believe in having strong ties and partnerships with our suppliers and ensuring that they grow with us. On our CII Business Excellence rating parameters, we have scored the highest band for suppliers and OEM partnership, for two consecutive years.

This year, we have taken up initiatives with our suppliers in the following four areas:

### **Quality Improvement Initiatives**

Supplier training for quality tools and up gradation of Supplier Staff has been a key activity in last year. Specific supplier base Six Sigma training was launched in April' 11, where in 18 suppliers participated and 13 were successful in the final test.

As a part of our Quality Month, this year too Supplier Quality Contest was conducted in November for two days, which saw a very good response from the supplier base. Overall 73 entries were contributed by our supplier partners. The theme of the SQIC was 'Share, Learn and Apply':

**Share-** Share the Quality improvement case studies to all.

**Learn-** Learn from the other suppliers during 'SQIC'

**Apply-** Apply the learning's from SQIC and accrued benefits to the organization.

Out of all the submitted entries, 44 were selected by scrutiny team. Best suppliers in both groups are recognized on each day.

	Group 'A'	Group 'B'
Winner	Bosch Ltd, Aduogodi Plant, Bangalore	Kusalava International Limited.
1st Runner Up	Turbo Energy Limited.	Sanmati CNC Works Pvt. Ltd.
2nd Runner Up	Tata Autocomp GY Batteries Ltd.	Susira Industries.

Our sourcing team closely works with the preferred partner suppliers through initiatives like VA/VE projects. The focus area of these projects is conservation of energy and reduction in waste generation. We have completed as many as 180 cost reduction projects, which have resulted in sustained savings such as through use of alternate materials.

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### Technology Up-gradation initiatives

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In addition to moving as many as 52 codes to BS III industrial emission norms, we have developed 2600 new or modified parts for our engines including sputtered bearings for 4R, 6R engine models and 'gallery cooled pistons' for 4R 1080 series engines. We have also developed integrated micro-processor controller for 40 kVA to 125 kVA gen-sets.

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### Other initiatives

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#### Supplier Survey

In line with previous years, a supplier survey was conducted; the results are encouraging with a steady improvement in score on YOY basis in all aspects covered by the survey.

#### Technology Day

The 'Technology Day' consists of display of present and future products of selected suppliers as well as technical seminars on relevant topics. In FY 2011-12, we celebrated Technology Days with three suppliers – Bosch Limited, Eaton India and Mann Hummel Filters India Pvt Ltd.

#### Supplier "A" Panel Meetings

Business review meetings between the top managements of suppliers and KOEL have been initiated as part of improving critical supplier interface. This year two such meetings took place with Bosch Ltd. and Shriram Piston Rings.

The objective of the meeting was to have a better understanding between leadership team on the present business, future trends and partnership opportunities. Other critical areas like quality, technology and supply chain were also jointly reviewed.

#### Strategic Outsourcing

As part of improving the operating efficiency of our product models, strategic decisions have been taken to outsource some of the manufacturing processes and engine models.



## CORPORATE RESEARCH AND ENGINEERING

Highlights from FY 2011-12:

- Introduction of the full range of DV series from 320 kVA to 625 kVA.
- Engines up to 625 KVA were approved by IRS for Marine Auxiliary Genset
- Entering into portable DG sets segment with new brand & new business model
- Successful migration of 55 applications from BS II to BS III
- Successfully established new Varsha 5 hp pumpset model against Chinese competition
- Introduced engines for fire-fighting pumpset application in South Africa
- Flexi green generating sets for cell towers have been developed which offer 25-30% reduction in fuel consumption

Qualitative Improvements in Products:

Approaches Followed	Examples
Use of tools & techniques	Complete computerized modeling and simulation of CPP including interconnected piping resulted in improved accuracies and reduced erection and commissioning time for power plants in LEBG
Efforts for reduction for time to market	Up-gradation of Agri Engines to suit the Agro-Industrial applications
Introduction of New technologies	New packing (Rotamold) is being developed for Varsha based on supplier input to add value to customer
Using alternative materials	New composite material is used to develop KC canopy
Involvement with partners in design	All canopy design reviews with GOEM for manufacturability and through put time reduction

## NEW ENERGY EFFICIENT PRODUCTS

The approach towards energy conservation through design has two dimensions. One is to improve present designs to reduce consumption of naturally available fuel and lubricating oil. Second approach is to reduce the raw material required to develop the same power output from the engine. At KOEL, both these approaches are being pursued in line with our corporate vision of being responsible towards nature and society. Following are some key achievements in this regard:

### **Technology Up gradation**

#### **DV Series Power Up gradation by Common Rail Technologies:**

DV Series engines are developed in-house at KOEL. Currently they are available in 400 kVA (DV8), 500 kVA (DV10) and 625 kVA (DV12) ranges. These engines have the potential to generate more power i.e. having better power to weight ratio while meeting the emission norms.



High power from same engine calls for increased fuelling. To achieve this, Common Rail Injection Technology (CRDI) is being used. It allows increased fuelling at high injection pressures without change in injection duration. CRDI gives complete injection timing control which helps in optimizing the part load engine performance and emissions. It also allows the possibility of using pilot and post injections that help in controlling combustion noise and soot burning. Also no external device is required for the addressing the cold starting problem. CRDI thus allows complete flexibility and control on injection parameters at any load point (injection pressure, injection timing, and injection quantity, number of injections).

### **Four Valve Cylinder Head:**

Existing 2 valve cylinder head have been replaced by 4 valve cylinder head for the 4R1040 engine. The cylinder head of a direct injection diesel engine has to perform several functions, such as bringing charge air to the cylinder and exhaust gas from the cylinder with minimum pumping loss and required swirl and other properties of the charge motion.

Four-valve cylinder heads improve breathing capacity of engine through rapid removal of exhaust and recharging. It gives better air fuel mixing inside the cylinder, leading to better combustion. It also helps reduce exhaust emission coming out of engine. This will help in meeting CMVR stage III & CPCB stage II emission norms. Fuel consumption is also improved due to better combustion and good mixing of air fuel mixture compared with 2 valve cylinder head engine.

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### **Emissions Improvement**

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The real challenge is the simultaneous reduction in Oxides of Nitrogen (NO<sub>x</sub>) and Particulate Matter (PM) emissions. In most cases any engine modification targeted to reduce NO<sub>x</sub> emissions have a tendency to increase PM emissions. We have developed BS II engines meeting this challenge without sacrificing fuel economy, reliability and maintainability. This was achieved by ensuring optimum performance from the fuel injection system and air handling system. It entailed major work on several





components including Piston Cavity, Injector, FIP (rotary), Turbocharger, and Exhaust gas Recirculation (EGR).

#### **IRS Approval for Marine Engines:**

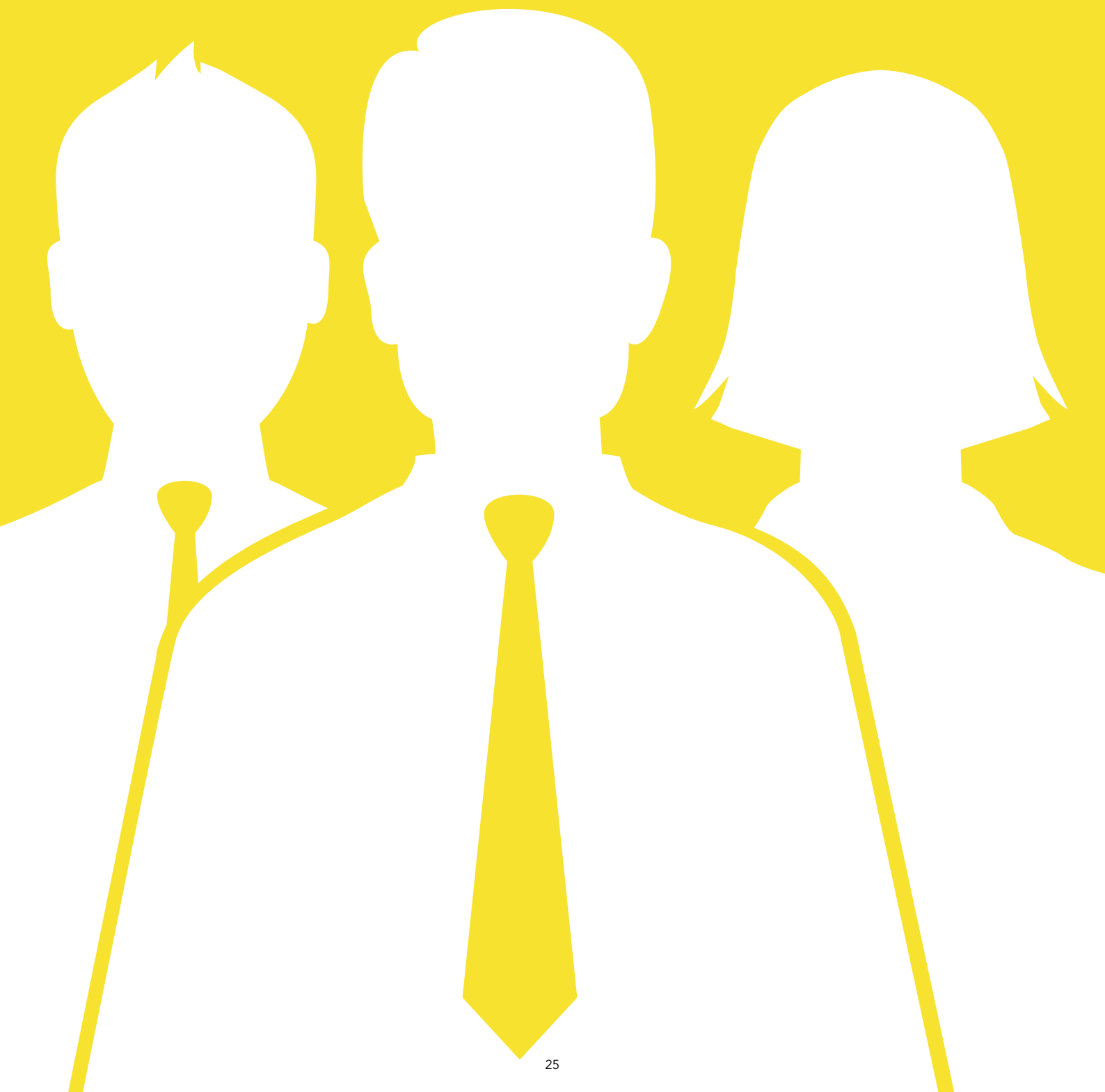
These engines are used as auxiliary DG sets. SL90, R1040 and HA engine ratings are already approved and ready for field trials. Special components have been used to meet marine application requirements such as jacketed high pressure pipe, fire resistant fuel hoses etc. Our marine engines are certified by the Indian Registrar of Shipping.

#### **Implementation for Production**

##### **Production of K1080 Engines:**

We have recently developed K1080 series engines. These are downsized water cooled, turbo-charged after cooled, inline diesel engines used for power generation application. K1080 series includes 4cylinder, 4K1080TA – 100, 125 kVA and 6cylinder, 6K1080TA – 140, 160 kVA application engines. These engines will be replacing the older bigger engines as depicted in the adjacent table:

kVA Rating	Current Engine	K1080 engine
100	6R1080TC – 6 cylinder Turbo-charged, inline, 6.48 Liters	4K1080TA – 4 cylinder Turbo after cooled, inline, 4.32 Liters
125	6R1080TA – 6 cylinder Turbo after cooled, inline, 6.48 Liters	4K1080TA – 4 cylinder Turbo after cooled, inline, 4.32 Liters
140	6SL90TA - 6 cylinder Turbo after cooled, inline, 8.86 Liters	6K1080TA – 6 cylinder Turbo after cooled, inline, 6.48 Liters
160	6SL90TA - 6 cylinder Turbo after cooled, inline, 8.86 Liters	6K1080TA – 6 cylinder Turbo after cooled, inline, 6.48 Liters



# CORPORATE GOVERNANCE

We firmly believe that business ought to be built on ethical values and principles of transparency, and that good governance is an essential ingredient of any business. At KOEL, our philosophy of good Corporate Governance aims to establish a system which will assist the management to fulfill its corporate objectives as well as serve the best interests of all our stakeholders, including shareholders, customers, employees, the natural environment, society, suppliers, lenders etc.

Mr. Atul C. Kirloskar resigned as the Managing Director of the company with effect from close of working hours of 25 January 2012 and was ap-

pointed as the Executive Chairman with effect from 26 January 2012. Mr. Gautam Kulkarni resigned as the Joint Managing Director with effect from close of working hours of 25 January 2012 and appointed as the Executive Vice Chairman with effect from 26 January 2012. Mr. Nihal Kulkarni was Executive Director upto 25 January 2012 and was appointed as the Managing Director with effect from 26 January 2012.

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## **Board of Directors**

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The Board of Directors is the highest decision making body in our organization. As of 31 March 2012, the Board comprised of 12 Directors with 4 Executive Directors (including the Executive Chairman) and 8 Non-Executive Directors. Seven out of the twelve Directors are Independent Directors. Two of our Board members are in the age group 30 – 50 years and the rest are above 50 years of age. Currently there are no female members in the Board.

Below is the composition of the Board of Directors, as of 31 March 2012:

Name of Board Member	Designation
Atul C. Kirloskar	Executive Chairman
Gautam A. Kulkarni	Executive Vice Chairman
Nihal G. Kulkarni	Managing Director
Rajendra R. Deshpande	Executive Director
Rahul C. Kirloskar	Non-Executive and Non-Independent Director
U. V. Rao	Non-Executive and Independent Director
Pratap G. Pawar	Non-Executive and Independent Director
R. Srinivasan	Non-Executive and Independent Director
Dr. Naushad D. Forbes	Non-Executive and Independent Director
M. Lakshminarayan	Non-Executive and Independent Director
Anil N. Alawani	Non-Executive and Independent Director
Dattatraya R. Swar	Non-Executive and Independent Director



Some of the key information provided to the Board on a regular basis includes the following:

- Review of Annual operating plans of business, capital budgets, updates;
- Quarterly results of the Company and its operating divisions or business segments;
- Materially important show cause, demand, prosecution and penalty notices;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- Any material relevant default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
- Any issue, which involves possible public or product liability claims of substantial nature;
- Details of any joint venture or collaboration agreement;
- Significant labor problems and their proposed solutions;
- Significant development in human resources and industrial relation fronts;
- Non-compliance of any regulatory, statutory provision or listing requirements as well as shareholders service such as non-payment of dividend and delay in share transfer;
- Information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer or Company Secretary.

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### **Board Committees**

Currently, the Board has two committees viz. Audit Committee and Share Transfer cum Shareholders' /Investors' Grievance Committee.

The Audit Committee comprises of 4 Non-Executive Directors, majority of who are Independent. The Assistant Company Secretary acts as the Secretary to the Committee. The Executive Directors and the Chief Financial Officer attend the Audit Committee meetings. The representatives of the Internal Auditors, Statutory Auditors, Cost Auditors and Business Unit/Operations Heads are invited to the meetings. During FY 2011-12, the Audit

Committee met for 5 meetings.

The terms of reference of the Audit Committee include the matters specified under Clause 49 II of the Listing Agreement entered into with the stock exchanges as well as those in Section 292A of the Companies Act, 1956.

The Share Transfer cum Shareholders'/Investors' Grievance Committee looks into the shareholders'/investors' complaints such as transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc, and the redressal of such complaints. This committee is headed by a Non-Executive Independent Director, and the Assistant Company Secretary is the Compliance Officer. During FY 2011-12, four complaints were received and were subsequently resolved.

The Company has not set up a Remuneration Committee. The Board of Directors decides the remuneration of the Executive Directors in accordance with the provisions of the Companies Act, 1956, subject to the approval of the shareholders. The remuneration to the Non Executive directors is also decided by the Board of directors, and is dependent upon the profits of the company in the financial year as well as their participation in the board meetings. This is in compliance to the sections 349 and 350 of the Companies Act, 1956.

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### **Corruption**

At KOEL, we always strive to promote a non-corrupt work environment, and consider it as an important aspect in framing our rules and policies.

### ***Risk Management Framework***

Risks are certain perceived probable events or issues which could affect the achievement of organization's long term and short term objectives. We have institutionalized a formal and robust Risk Management Framework to gauge such risks. Risk management at KOEL is a holistic, integrated and structured approach to manage risks with the objective of maximizing shareholder's value. It aligns strategy, processes, people, technology and governance with the purpose of evaluating and managing the uncertainties faced by the organization while creating value. In compliance to the Clause 49, the Board members are also informed of the risk assessment and mitigation procedures as laid down by the company.





# ECONOMIC PERFORMANCE

In FY 2011-12, we achieved sales of Rs. 2,276 crores (including sales of bearings business of Rs. 62 crores) as against Rs. 2,364 crores in the previous years (including sales of bearings business of Rs. 123 crores). This represents a marginal decline of 3.8%. The profit before tax is Rs. 281 crores (including profit on sale of bearings business Rs. 48 crores) in 2011-12 against Rs. 244 crores in the previous year.

Our performance was impacted by the industrial growth in key business sectors. India's off highway engines market slowed down to 14% in FY 2011-12, with the market demand being adversely affected by poor availability funds, delayed closure of highway projects and other factors. The off-highway market continues to be bearish and is likely to regain its buoyancy towards the beginning of the third quarter of the current fiscal. We are gearing up to effectively address the cost pressures and enhance our operational efficiency. Our engines and pump sets for the agriculture segment have shown a better performance and low total cost of ownership, and our products are priced at an average premium of 35%-40%.

We face stiff competition from low cost Chinese imports as well as from the unorganized Indian players. Availability of government subsidies for diesel pump sets in most of the agriculture market is a critical factor in generating a demand for our agriculture pump sets.

Our business plans in the telecom business were not realized due to low level of buying by telecom operators. The stationary power plant segment of the large engine business group was adversely affected by high furnace oil prices in FY 2011-12.

We have a cautious outlook on the economy for the current fiscal, considering the anticipated rise in crude oil prices and inflationary pressures in the economy. The government continues to put great emphasis on infrastructure, particularly urban infrastructure and national highways. In the power generation segment, the estimated demand-supply gap of around 8% together with improving life-

styles will sustain our business growth. We have taken a lead in the area of nuclear power by winning orders worth Rs. 396 crores to supply gensets to the Nuclear Power Corporation of India over the next 3 years.



## ECONOMIC PERFORMANCE Contd...

The table below depicts the economic value generated by KOEL in 2011-12:

Component in Crores (INR)	FY 2011-12	FY 2010-11
<b>Economic Value Generated</b>		
Revenues	2362.16	2435.37
<b>Economic Value Distributed</b>		
Operating Cost	1635.46	1681.41
Employee Wages & Benefits	175.38	178.92
Payments to providers of Capital	83.66	87.55
Payments to Government	83.79	70.68
Community Investments	2.37	2.62
Marketing, Administration & Other Expenses	208.11	218.54
<b>Economic Value Retained</b>	<b>173.38</b>	<b>194.60</b>

### **Key Developments in FY 2011-12**

On September 30, 2011, we divested out Bearings Business division to KSPG Automotive India Private Ltd., for a purchase consideration of Rs. 87 crores resulting a profit of Rs. 47.71 crores.

The Board of Directors, in its meeting held on January 25, 2012, approved a buyback of fully paid equity shares of the Company by open market purchases through the stock exchange route at a maximum price of Rs. 170 per equity share, with the buyback amount not exceeding Rs. 73.625 crores. This represents 10% of the total paid up capital and free reserves as per the audited balance sheet on March 31, 2011.

### **Employee Benefits**

Apart from all existing employee benefits outlines in our sustainability report for FY 2010-11, in FY 2011-12, we introduced a new and improved policy for hospitalization for all managers and their dependents.

### **Community Investments**

We, at KOEL, firmly believe in extending the benefits to the community as well as to the stakeholders. We have made significant monetary contributions amounting to Rs. 2.37 crores during the last financial year.





# ENVIRONMENTAL PERFORMANCE

At KOEL, we give utmost importance to our environmental responsibility. All our 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. Our environmental strategy is shaped by our Energy and Environmental, Health & Safety Policies, as well as the Confederation of Indian Industries (CII) Code for Ecologically Sustainable Growth, of which we are a signatory since 2007. In December 2011, we reviewed our Energy Policy.



Enriching Lives

## KIRLOSKAR OIL ENGINES LIMITED

### ENERGY POLICY

We, the KOEL, leading manufacturer of Diesel Engines, Gensets, and Pumpsets in the country are committed towards Nation's Mission for Enhanced Energy Efficiency by making continuous efforts to optimize use of energy and to bring about improvement in the energy efficiency in all our manufacturing processes and products.

We shall strive to achieve the above by:

- Bench-marking all our products for energy consumption by comparison with the regional and national best.
- Procuring and using highly energy efficient products and technologies in our operations to reduce carbon footprint.
- Eliminating wastage of energy and promoting reuse and recycling of resources, and be environmental friendly in our operations.
- Promoting and increasing use of renewable energy resources, within and outside KOEL.
- Adopting national energy conservation norms and codes in new building constructions as well as in existing buildings.
- Conducting periodic energy efficiency improvement studies and implementing all improvement measures and continuously monitoring gains obtained through Energy Management System.
- Involving all stakeholders including employees in the energy conservation efforts through training & awareness programs. Recognizing employee's efforts through competitions and schemes.
- Sharing and enriching our experiences on energy conservation with our group of companies and other organizations
- Complying with National Energy legislations and other related legislations.

KOEL, as a part of our energy efficiency improvement strategy, will make every effort to reduce our specific energy consumption by 2-5% per year by promoting culture of innovation, creativity and aligning commitments at all levels.

Issue No: 3

Issue Date: 01.08.2003.

Review Date: 14.12.2011.

Atul Kirloskar  
Chairman & Managing Director

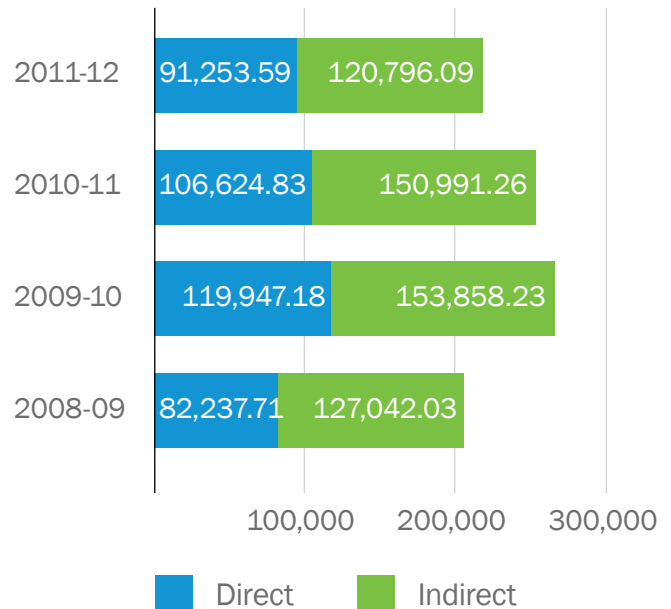


## ENVIRONMENTAL PERFORMANCE Contd...

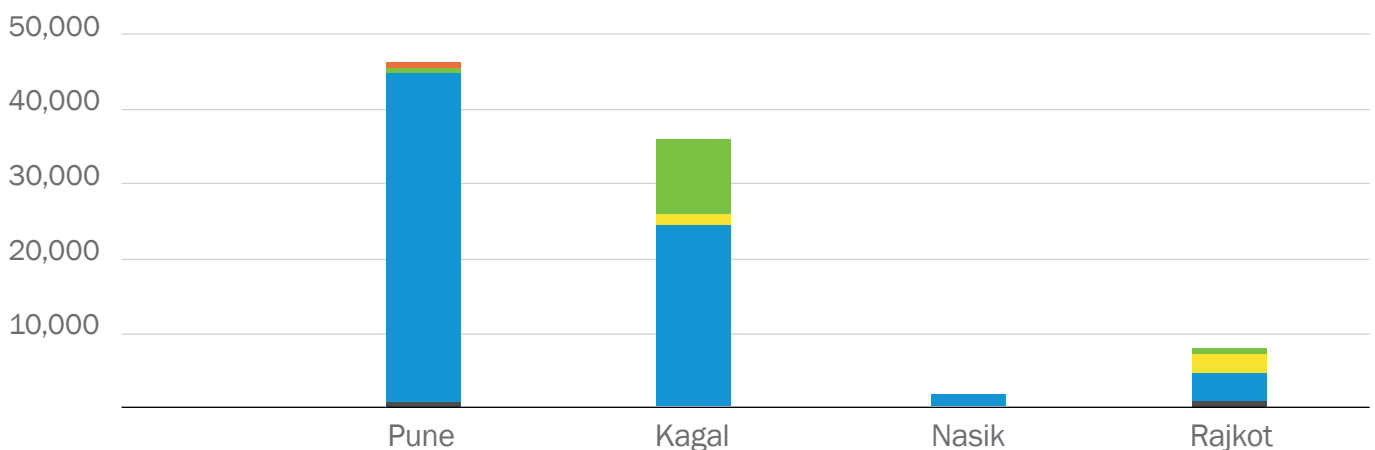
KOEL uses raw materials primarily for the purpose of casting or forging. Most of the other materials featuring in the final product are purchased as semi manufactured goods. In the reporting year, our total material use included 21856.89 tons of raw materials, 13328.27 tons of semi-manufactured items, 223.78 tons of associated materials and 28.17 tons of packaging materials. Additionally, 1916.1 cubic meters of semi-manufactured materials, 1079.08 cubic meters of associated materials and 4074448.69 cubic feet of packaging wood was used by us in the reporting year.

The total direct energy consumed across the plants in the reporting year 2011-12 amounts to 91,253.59 GJ. Diesel is the primary source of direct energy providing for nearly 82% of the direct energy consumed by the company. The graph below depicts the consumption and sources of direct energy across plants.

**Energy Consumption Trend (Year on Year; GJ)**



**Direct Energy Consumption (GJ)**



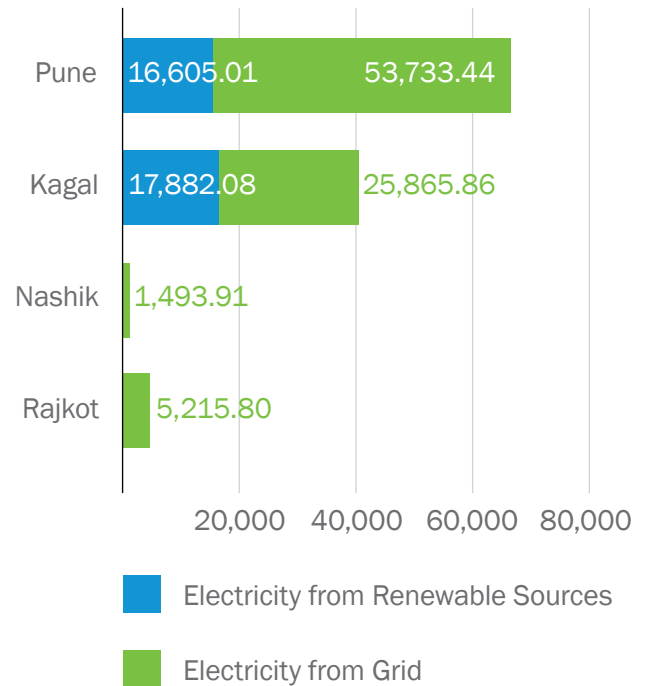
Biogas	113.86	-	-	-
LPG	143.07	10,211.74	-	63.87
Furnace Oil	-	2,140.46	-	2,579.50
Diesel	44,449.77	24,107.26	1,319.89	5,304.74
CNG	35.34	-	-	784.08

## ENVIRONMENTAL PERFORMANCE Contd...

Our electricity demand is largely met by the grid. We have been focusing on increasing the percentage of renewable energy consumed at our facilities. This year we procured 34,487 GJ of renewable energy which is 16% of the total energy consumption. The following graph below shows the split of indirect energy procured from the grid and from renewable sources of energy across the plants.

Our corresponding direct and indirect greenhouse gas emissions for the reporting year are 6647.05 tCO<sub>2</sub>e and 21929.46 tCO<sub>2</sub>e respectively.

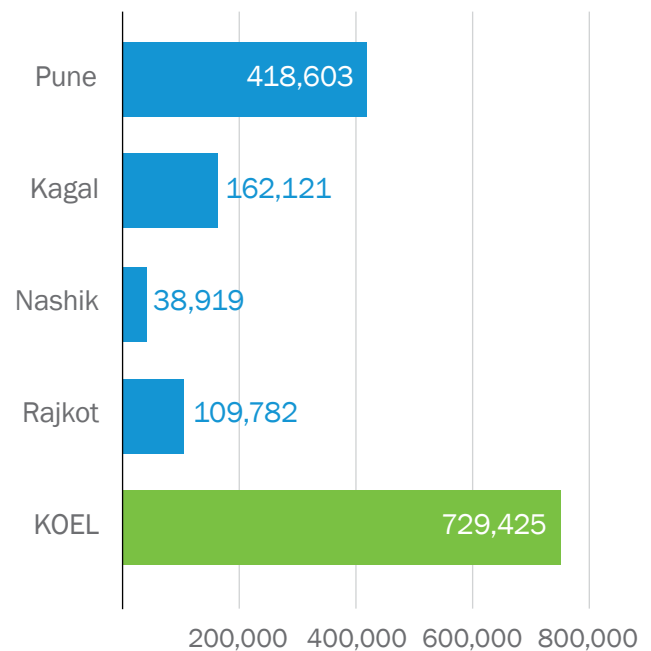
### Indirect Energy Consumption (GJ)



At KOEL, we adopt internal projects in terms on process redesigning, retrofitting, as well as enhancing the employee behavior to improve our energy efficiency. The graph below shows the result of the activities in terms of the amount of energy saved across various plants.

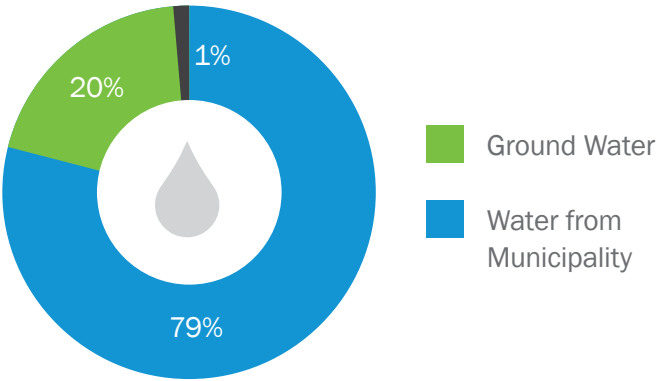
Our direct emissions from manufacturing facilities in FY 2011-12 were 6647.04 tons CO<sub>2</sub>e and indirect emissions were 21929.46 tons CO<sub>2</sub>.

### Energy Saved by Plant (kWh)



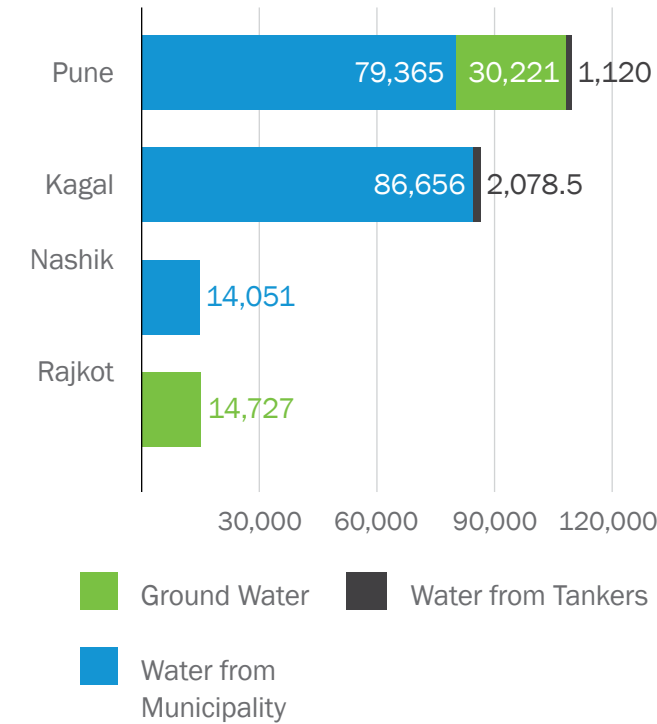
We continue to optimize our water footprint by taking numerous initiatives across the plants. We undertake regular monitoring of water usage. We have also installed a rain gauge at our Nashik operations to understand the amount of water we are conserving through rain water harvesting. Most of the water is taken from the municipality water supply, which suffices 79% of KOEL's requirements.

Water by Source 2011-12



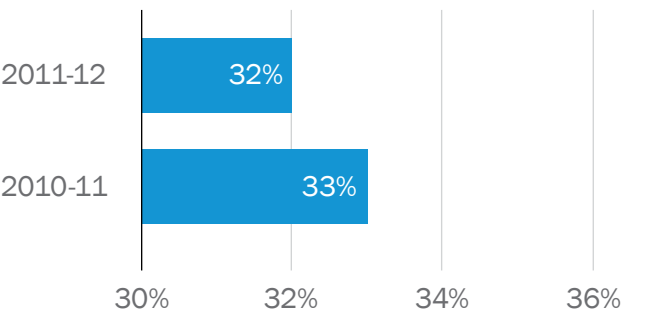
Other prominent sources of water include ground water and water procured externally from sources such as tanker. The water usage spread by location is as follows:

Water by Plant / Source 2011-12 (m³)



At KOEL, initiatives are constantly being taken to utilize the water consumed to its maximum. All the KOEL campuses are zero discharge campuses. 32% of the total water consumed this year has also been recycled.

Percentage of Water Recycled



## ENVIRONMENTAL PERFORMANCE Contd...

Ozone depleting substances (ODS) emitted during the reporting period is as follows:

Plant	Ozone depleting substance	Units	TOTAL
Pune	F22/F410 Gas	Kg	125.00
Kagal	R22-Chlorodifluoromethene Refrigerant gas.	Kg	4.00
Nashik	R22	Kg	35.50
Rajkot	R407C	Kg	11.50

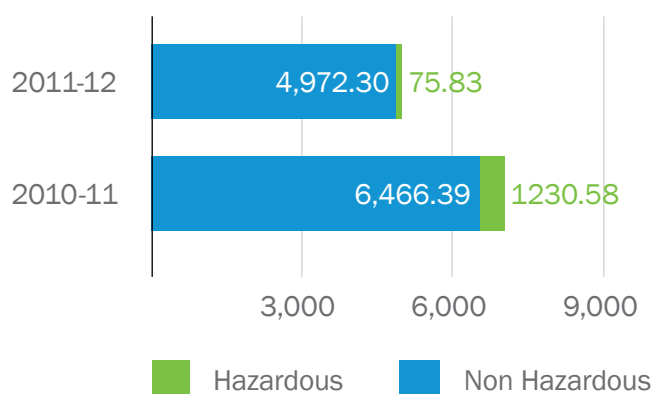
We track emissions from stack at all locations, as a part of the legal compliance requirement. The emissions for the reporting period at all our manufacturing locations are listed below:

Stack Emissions (tons)	SPM	SOx	NOx
Pune	0.3	0.0	0.08
Kagal	16.65	4.63	4.30
Nashik	0.01	0.11	0.00
Rajkot	0.03	0.03	0.00

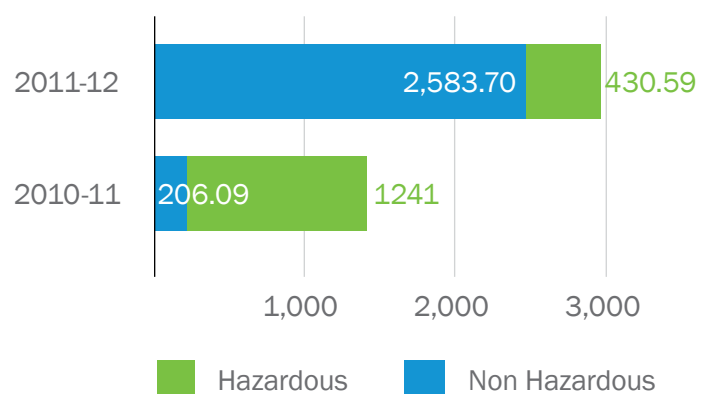
The waste disposal at KOEL is done in accordance to the regulations and through the authorized resellers and vendors. In addition to the waste disposed as mentioned in the graphs above, we also disposed around 3500 numbers of waste items that included barrels and containers.

At our Kagal plant, 100% of skids and about 40% of plastic bins/crates are recycled, while at our Nashik plant, approximately 13% of plastic rolls/bags and 7% of wooden packaging material is recycled.

### Disposal by Weight (Tonnes)



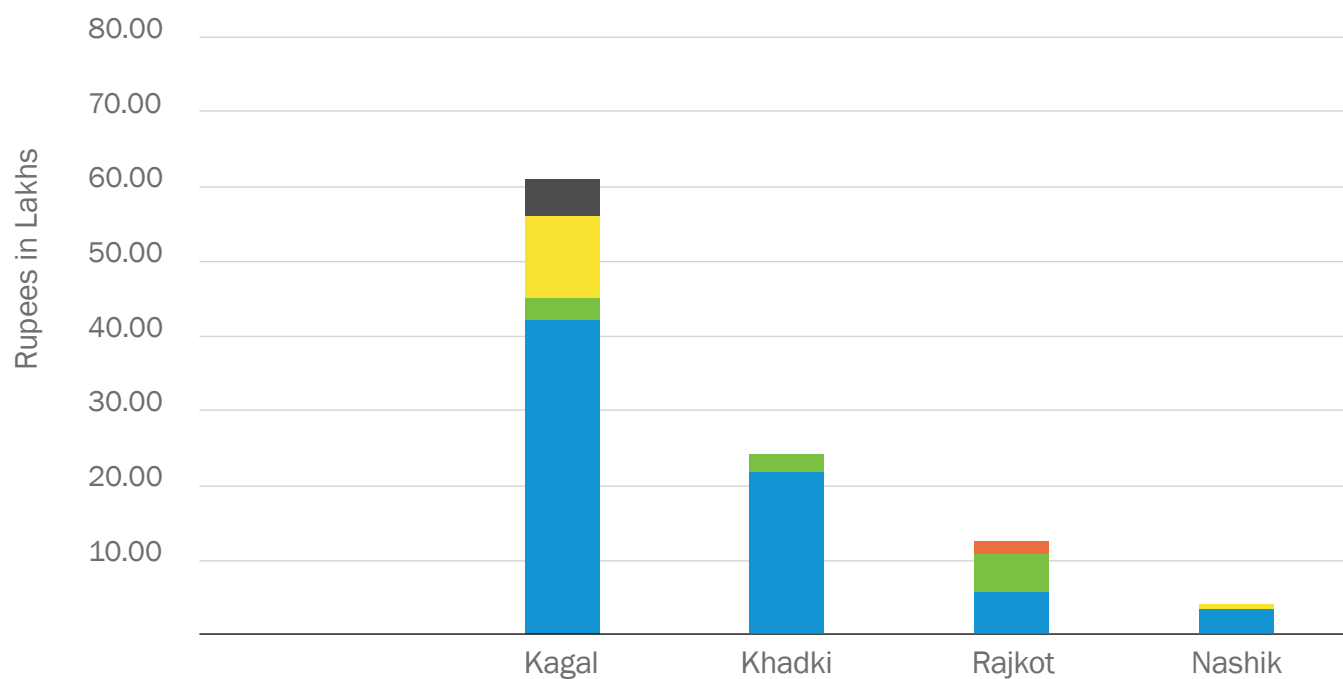
### Disposal by Volume (KL)



## ENVIRONMENTAL PERFORMANCE Contd...

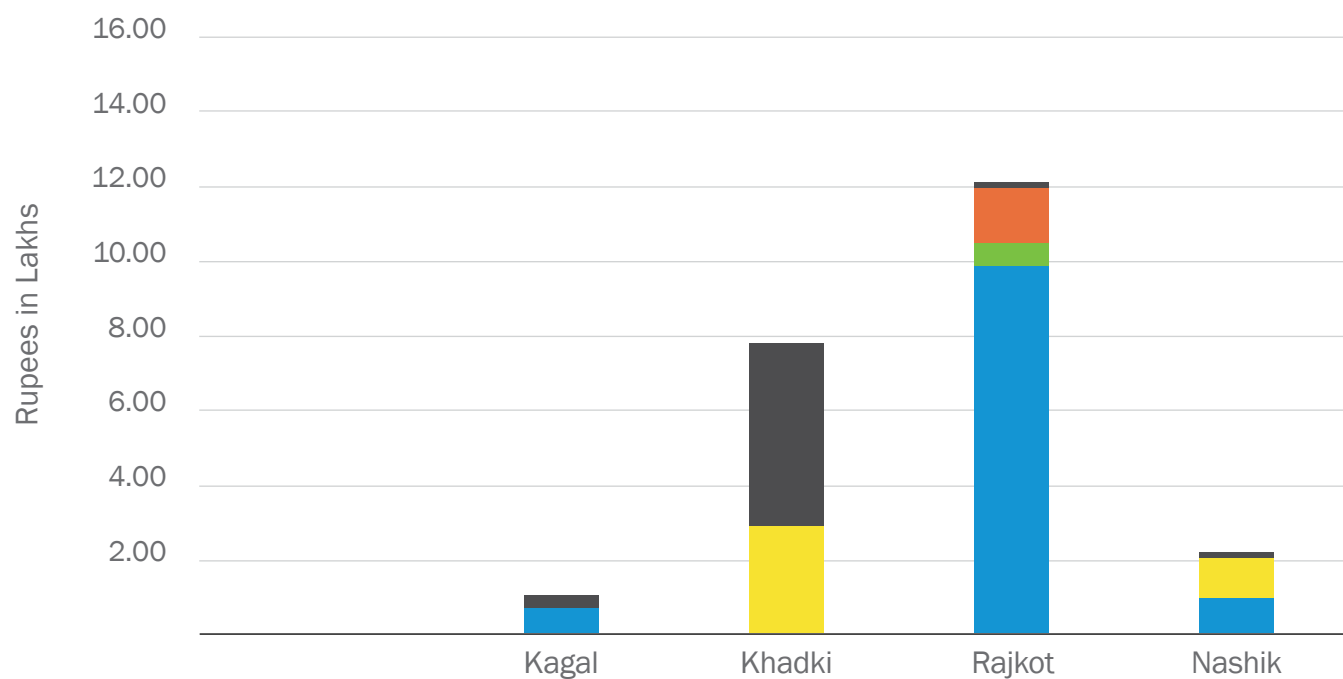
In the reporting year, the total expenditure on the on environmental protection and management activities amounted to Rs. 124.02 Lacs. The graphs below show the split of the expenditures across the plants.

### ***Environmental Expenditures on Waste disposal, emissions treatment and remediation costs***



<span style="color: blue;">■</span> Treatment and disposal of waste	42.41	22.86	6.14	3.25
<span style="color: green;">■</span> Treatment of emission	2.20	2.24	4.58	0.00
<span style="color: yellow;">■</span> Depreciation of related equipment & operating material	11.40	0.00	0.00	0.14
<span style="color: orange;">■</span> Expenditures for the purchase of environment related certificates	0.00	0.00	1.59	0.00
<span style="color: black;">■</span> Clean-up costs, including costs of remediation of spills reported in EN23	4.75	0.00	0.00	0.00



**Environmental Expenditures on Prevention and environmental management costs**

	External services for environmental management	0.06	0.00	9.88	1.15
	Personnel employed for education and training	0.00	0.00	0.69	0.00
	External certification of management systems	0.00	2.91	0.00	1.18
	Extra expenditure on green purchases	0.00	0.00	0.00	0.00
	Personnel for general environmental activities	0.00	0.00	1.44	0.00
	Other environmental activities	0.12	5.00	0.02	0.02

## ENERGY CONSERVATION (ENCON) HIGHLIGHTS



We are committed to achieving optimum use of energy in operations and bringing about improvements in the efficiency of processes and products through use of energy efficient and renewable energy technologies. Our Energy Conservation cell (ENCON) has representation from all functions and levels. It is anchored by the four pillars of centralized energy monitoring system, knowledge building, technology upgradation and green energy and products.

During the year, the following major energy conservation activities were implemented at various manufacturing plants:

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### ***Pune Plant***

- Installation of the compressed air consumption monitoring system with individual flow meters for each shop
- Replacement of the old reciprocating compressor by an energy efficient 1000 CFM screw compressor
- Installation of a solar water heating system for engine and component washing machines in place of the electrical heating system
- Replacement of eight old transformers by one energy efficient transformer of 3 MVA
- Replacement of diesel fired melting furnace by energy efficient induction furnace at the heat treatment plant

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### ***Nashik Plant***

- Renovation of test bed compressors' panel
- Installation of a solar water heating system and energy efficient light fixtures in the canteen



### **Kagal Plant**

- Installation of a dedicated Energy Saver Panel for lighting load and other single phase equipment
- Installation of an energy efficient dryer of 2000 CFM capacity
- Installation of occupancy sensors in all toilets and pathways
- PLC Logic modification done to reduce idle running of hydraulic and coolant motors at the CNC shop
- Removing the resistances for air flow and subsequently reducing the operating pressure
- Installation of Energy Saver Panel for lighting and single phase load at the casting powder coating plant



### **Rajkot Plant**

- Installation of APFC Panel to improve the power factor and energy savings
- Installation of LED light fittings in the office area
- Installation of air ventilator with transparent sheets for daylight utilization

### **Certifications**

Engine Manufacturing Units	QMS		EHSMS	
	ISO9001:2008	ISO/TS16949:2009	ISO14001:2004	OHSAS18001:2007
Pune	Yes	Yes	Yes	Yes
Kagal	Yes	-	Yes	Yes
Nashik	Yes	-	Yes	Yes
Rajkot	Yes	-	Yes	Yes



## ENVIRONMENTAL PERFORMANCE Contd...







# SOCIAL PERFORMANCE

Employees are our most valuable resource, and we continue to emphasize on employee engagement, fulfilling their learning and developmental needs and rewarding their efforts. We strictly enforce all applicable labor laws to prevent child labor and forced labor. We forbid workplace discrimination of any form including that based on gender. There was no incident of discrimination recorded in this reporting period.

At KOEL, we give the utmost importance to upholding the human rights of all our employees. Further, we deny entry to any individual seeking access to our campus on work if found to be underage.

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## ***Employee Training and Development***

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FY 2011-12 was highly eventful and constructive in terms of capability building for KOEL employees. Leadership Building interventions were carried out at three levels with a very focused and thoughtful approach:

To develop a pool of future leaders, the second batch of Leadership Development Program (LDP) was initiated for senior level employees. The program has been further extended leading to a Certificate in Post Graduate Program in Management Studies by Welingkar Institute, Mumbai. The LDP participants were provided with internal as well as external mentors for developing and implementing live projects in KOEL.

The second batch of Middle Management Development Program (MMDP) for middle level was employees launched in April 2011, and was completed in February 2012. During the journey of MMDP, participants took up projects based on the OFIs (Opportunities for Improvement) identified during RKQP/CII Exim assessment for Business Excellence for the year 2010-11. These projects were evaluated by a panel of jury consisting of senior executives of KOEL, who offered their valuable support during the project assessments.

An Assessment Centre for identifying Fast Trackers at Junior Level was initiated in January 2012. A year-long individual development program has been developed for all existing Fast Trackers.

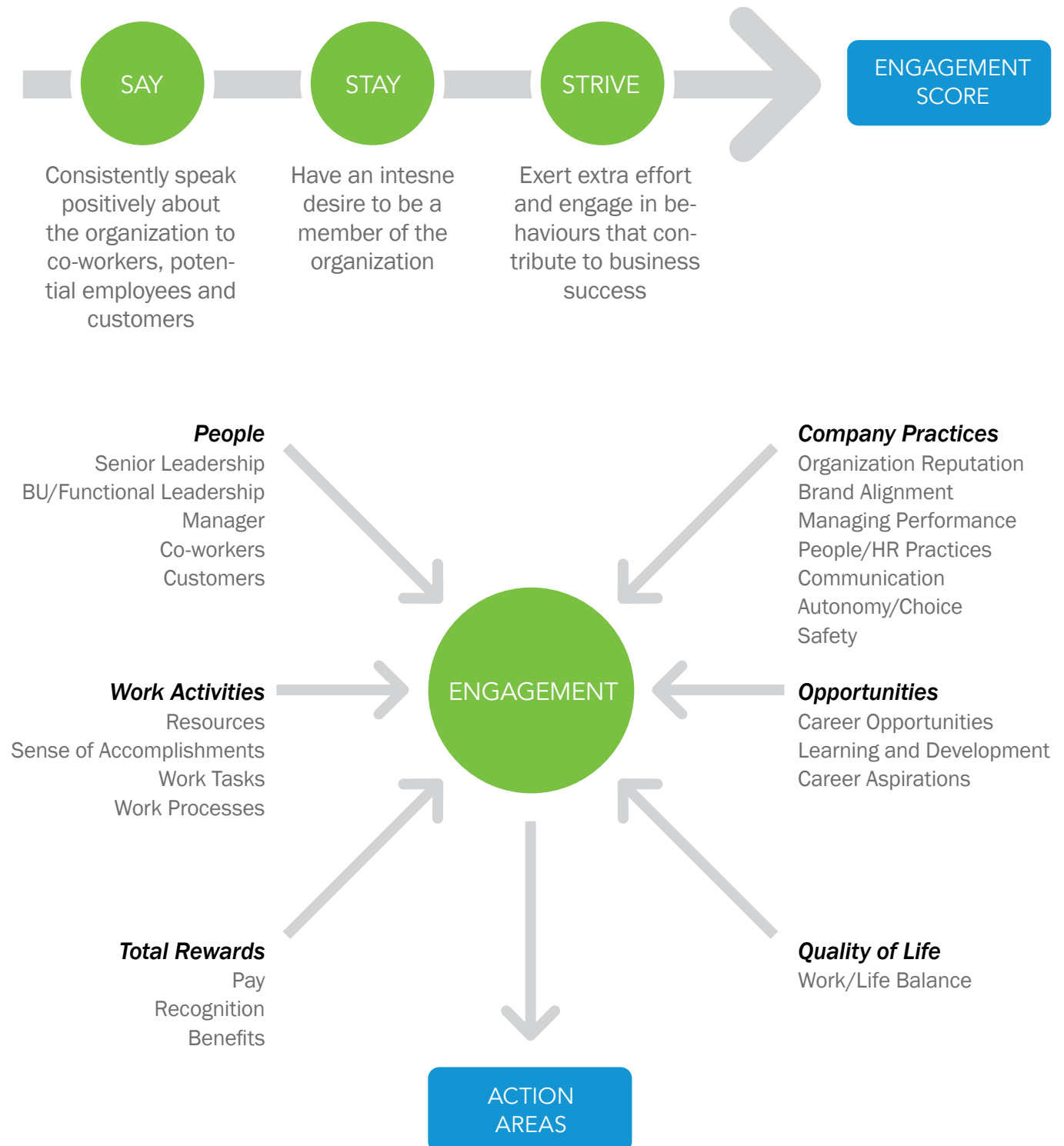
In addition to these initiatives, a quarterly training calendar is floated in the beginning of every Quarter. This consists of a blend of behavioral, technical and functional programs for managers, identified through a training need analysis on the basis of annual appraisals and discussion with Business Unit/Functional Heads. A total of 88 internal training programs were conducted last year and managers were nominated for a total of 67 specialized external programs.

Apart from this, for Team Members / Team Associates, monthly Out-Bound Training programs (OBTs) were organized for team members / team associates. These were designed to address specific issues or concerns in a work group or across work groups, at Pune and Kagal plants.

The results of previous year's Employee Engagement Survey were shared with all managers. Work-group-level action planning sessions and follow-up sessions were planned and implemented. An employee communication matrix was developed as a result of enterprise-level issues identified and speak-out sessions were organized to enhance top down as well as bottom up communication. Engagement score for managers in 2011-12 was 69%.

We value employee engagement survey as a tool that helps understand the pulse of employees to plan and implement actions in line with employee expectations. In the reporting year, we have expanded the focus of the survey from manager-employee relationship to leadership commitment, managers and HR practices in order to measure employee engagement in a well-rounded manner. The measurement tool was designed to have an action-oriented output, in coordination with Aon Hewitt.

## Employee Engagement Model



It is our constant endeavor to make our Human Resource processes more efficient and employee-friendly. As part of this effort, we have launched the Oracle Self Service HR (SSHR) through which our employees now directly have online access to all their personal Human Resources related information.

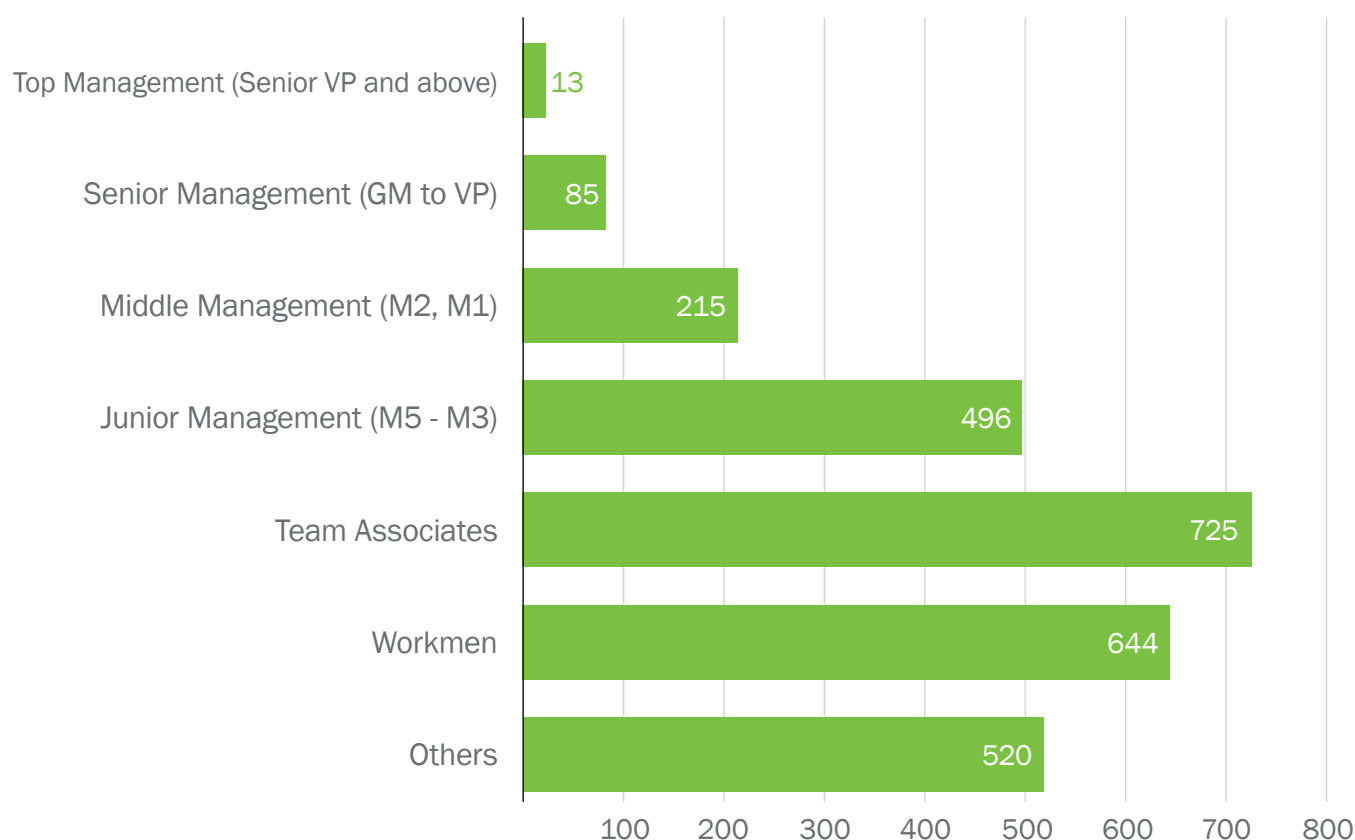
In FY 2011-12, we automated our employee performance appraisal system with an objective of making the process more user-friendly, less time consuming and paperless. It also provides enhanced accuracy and confidentiality.

Furthermore, we have integrated two of our Human Resources processes i.e. Performance Appreciation Award and On-the-Spot Appreciation Award with the help of Information Technology application. The benefits of the new online appreciation process include automated budgeting for the awards, online intimation, recommendation and approval, display in 'myKOEL' employee portal upon approval, and a paperless process. A total of 245 On-Spot Appreciation Awards and 137 Performance Appreciation Awards were given out to deserving employees in the reporting period.

### **Employee Headcount and Turnover**

The headcount of the organization for the reporting year 2011-12 was 2698 (2590 males and 108 females). Of the total headcount, employees in the officer category accounted for nearly 57% (1534 employees). There were 644 workmen and the rest 520 consist of other categories (trainees, retainers etc.). Our entire workforce in the employee (officers) category is permanent and full-time, and comprises of 1461 male and 73 female employees. Our entire reported workforce is based within India.

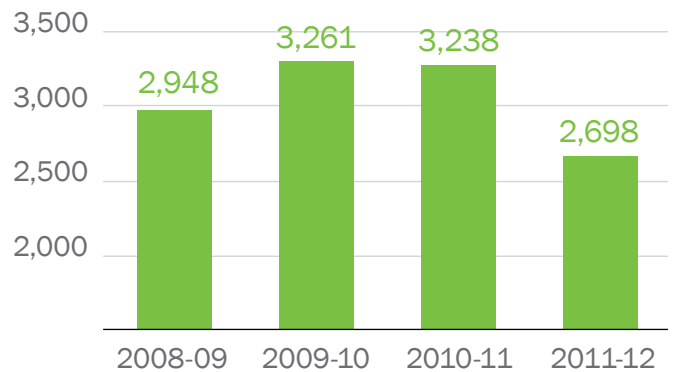
#### **Employee headcount by category, 2011-12**



## SOCIAL PERFORMANCE Contd...

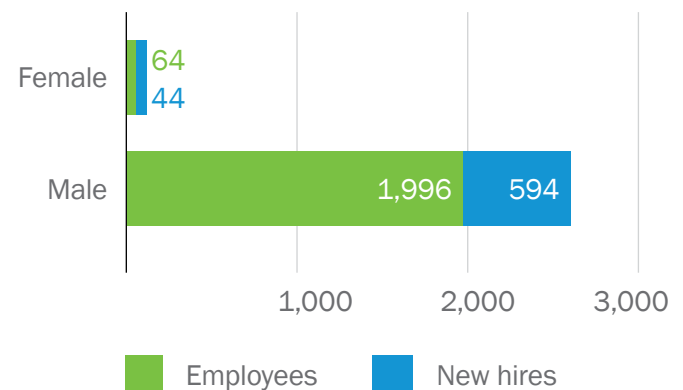
The organization has witnessed reduction in the headcount this year as compared to the previous years. This is primarily because of the divestment of our Bearings business.

### Headcount trend



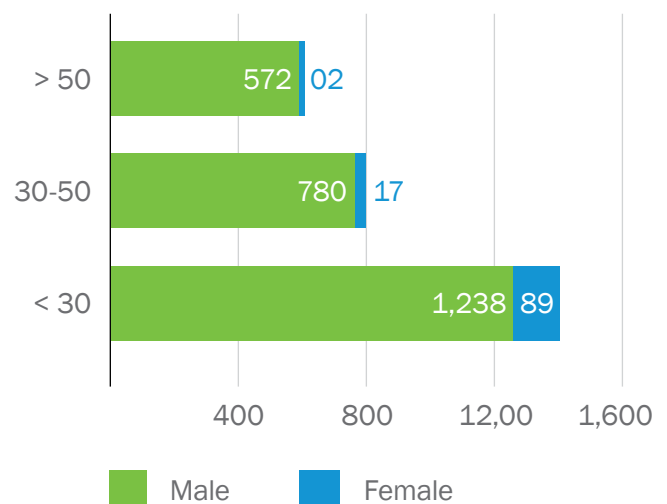
Women represent 4% of our workforce, which has improved from 3.27% in 2010-11 and 2.94% in 2009-10. This trend is indicative of the efforts being put by KOEL to bring about gender balance in the organization. Majority of the workforce in the organization is also below 30 years of age.

### Employee by gender and new hires

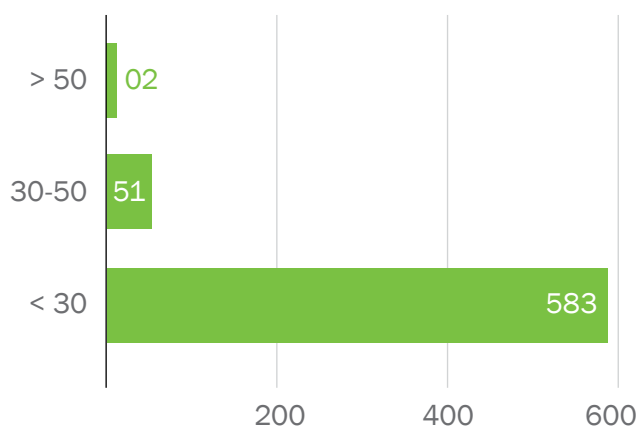


In the reporting year 2011-12, a total of 446 employees left the organization. These included 411 male and 35 female employees. Those less than thirty years of age were 315, between thirty to fifty years of age were 77 and 54 were above the age of fifty. Among those leaving the organization, 2 were from the top management, a combined of 122 from senior, middle and junior management, 63 Associates, 52 Team Members and 207 others.

### Employee distribution by gender and age



**New hires by age group**



Average hours of training in 2011-12 per employee by employee category and gender are as below:

Category	Total Mandays	Average hours per employee*
Senior Management	576	47.02
Middle Management	816	30.36
Junior Management	1001	16.14
Male	2489	28.41
Female	210	15.59

\* Assuming 1 manday = 8 hours

The ratio of basic salary of female to male employees by employment category is given below:

Category	Ratio (Female to Male)
GET	1.00
Officer/Engineer	1.40
Senior Officer/ Senior Engineer	0.85
Deputy Manager	1.00
Manager	1.23
Senior Manager	0.73



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### **Occupational Health & Safety**

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Health & Safety of our employees and communities in our surroundings continue to be one of the most critical parameters of success of our business. Enhancing safety awareness amongst employees continues to be an important under our safety training targets.

We adopted a new Environmental, Health and Safety (EHS) policy on 5th June 2012. In addition, a separate Occupational Health and Safety (OHS) Policy draft is currently prepared to align with the Factories Act requirements. The proposed OHS Policy will cover the scope, applicability, guiding principles, policy statement and mechanisms for implementing the policy effectively as well as roles,

responsibilities, authorities and accountabilities of all KOEL employees and external personnel such as suppliers, transporters, contractors and visitors on the KOEL factory premises.

Our internal EHS website underwent several upgrades in FY 2011-12. Some of the new features on this website are:

- A web page on Sustainability - FAQs, GRI G3 guidelines, Sustainability Reports of KOEL 2009-10, 2010-11.
- Links for OHS government agencies e.g. DISH (Directorate of Industrial Safety & Health Maharashtra & Gujarat)
- Training Modules such as EHS Legislation Awareness Training, EHS Internal Auditor Training Program etc.

## **KIRLOSKAR OIL ENGINES LIMITED**



Enriching Lives

### **ENVIRONMENT, OCCUPATIONAL HEALTH & SAFETY (EHS) POLICY**

We, at Kirloskar Oil Engines Limited (KOEL), are engaged in manufacturing of I.C. Engines, Generating Sets and Pumpsets. We strongly believe that, it is duty of everyone working in KOEL to implement this policy in his area of activities.

#### **We commit ourselves to:**

- Comply with all applicable EHS legislations and other requirements.
- Prevent environmental pollution due to our activities, product and services.
- Prevent injuries & ill health in our activities at workplace.
- Continually improve our EHS management system performance.

#### **We will Strive to:**

- Conserve resources such as power, water, fuels, oils, compressed air & wood.
- Minimize use and adverse impact of hazardous chemicals handled.
- Minimize generation and adverse impact of hazardous waste.

We will communicate this policy to our employees & contractors and make it available to public & interested parties on request.

05 June 2012

R R Deshpande  
Executive Director & Occupier

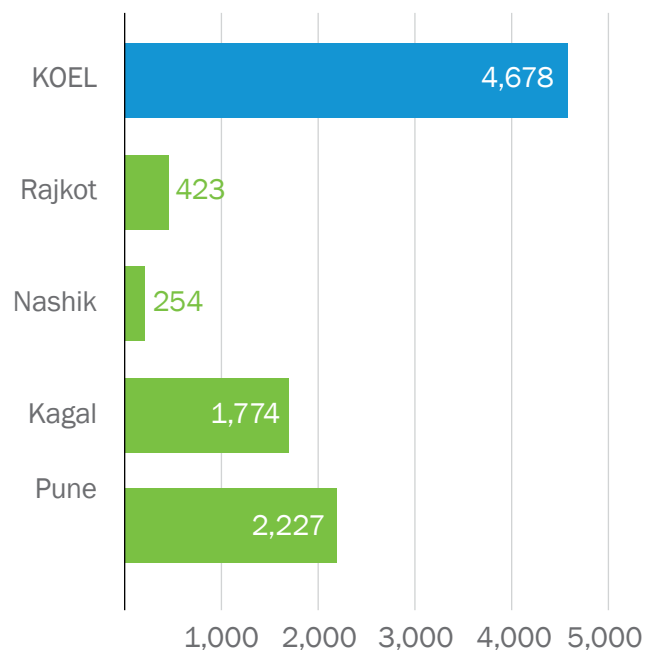
## SOCIAL PERFORMANCE Contd...

Additional planned upgrades to the website include a health awareness section, location and employee-level specific EHS Management System records, and an online accident & near-miss incident recording system.

In the reporting year, we conducted a total of 79 EHS training covering 23101 employees across categories, amounting to 23101 man-hours.

The adjacent graph presents the spread of our workforce across the plants. This includes both the on-roll as well contractual workers.

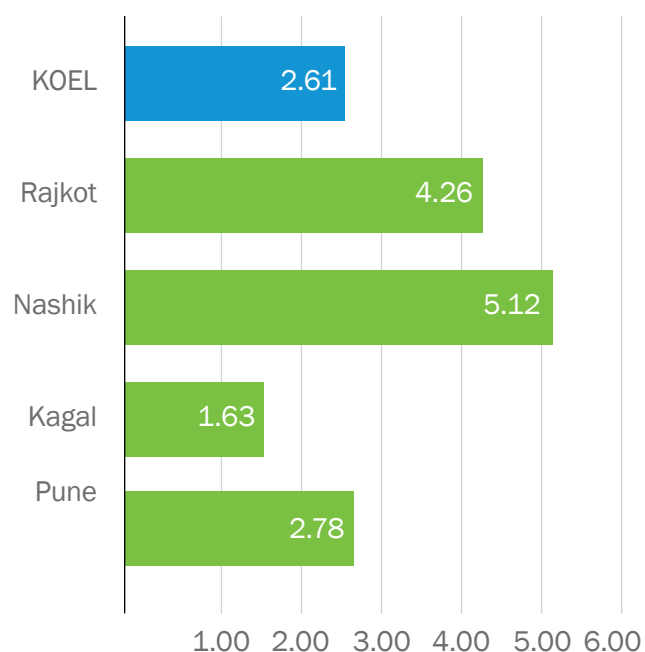
**Workforce by plant**



There is one Health & Safety committee each at each location except Pune. At Pune there are 3 factory level safety committees, one for each factory. Joint Health & Safety committees exist at each KOEL location with equal participation of Management staff & workers representatives. The Health & Safety committee, along with the Grievance, IR committees functions primarily to address the concerns of workforce. There are also formal agreements with the trade union covering Health & Safety topics such as responsibility for using Personal Protective Equipment, compliance with provisions of the Factories Act etc.

The health and safety data in the charts depicted below does not include the spares division for Rajkot, and Plant II, III and MESP related data for Kagal. Data for Pune includes all the three factories.

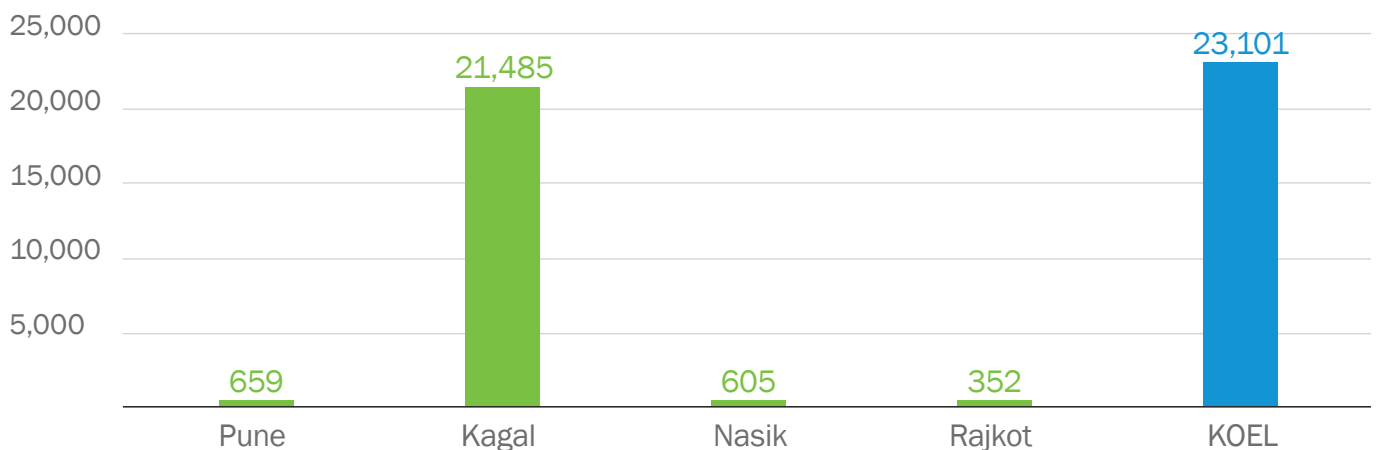
**Workforce representation in Health & Safety Committee**



## SOCIAL PERFORMANCE Contd...

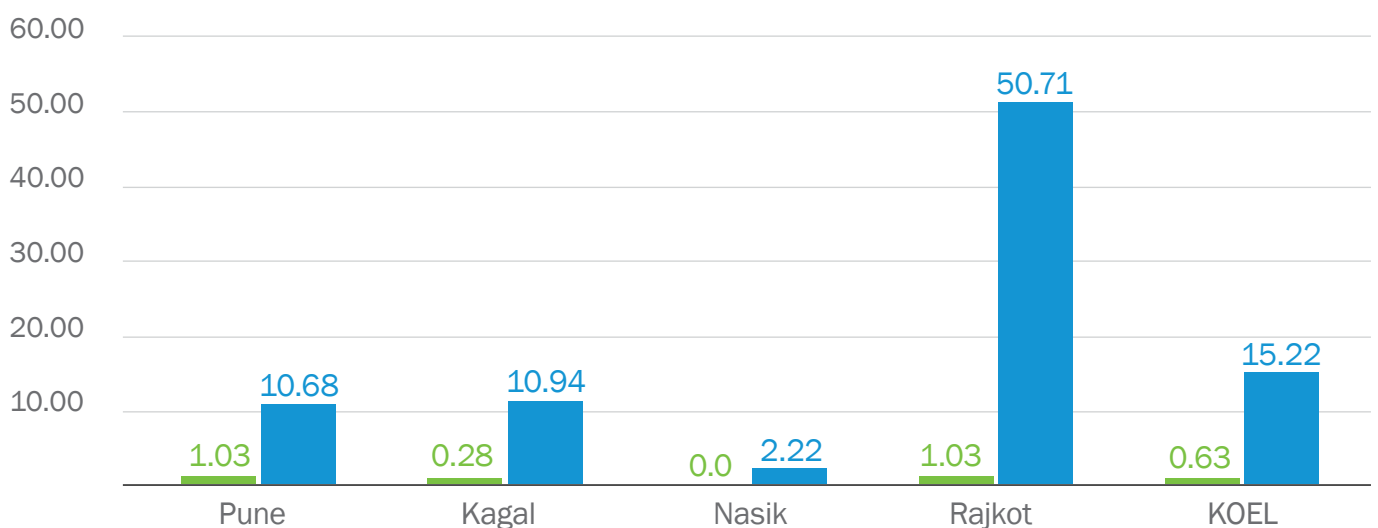
Our focus on health and safety standards has helped us achieve significant results in many areas of safety performance. We organize regular training programs on EHS. The graph below provides the man-hours spent across the facilities towards EHS trainings.

### ***EHS Training manhours 2011-12***



The number of reportable accidents reduced from 11 in FY 10-11 to 5 in FY 11-12. Similarly, the man-days lost due to reportable accidents reduced from 277 in FY 10-11 to 118 in FY 11-12. The severity rate of the reportable accidents improved from 29.04 in FY 10-11 to 14.97 in FY 11-12, and absentee rate of reportable accidents reduced from 92.33 in FY 10-11 to 39.33 in FY 11-12.

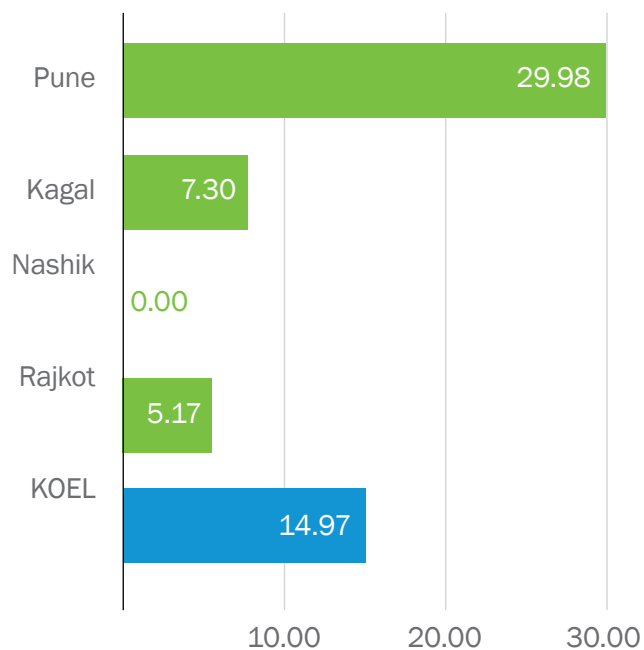
The graph below represents the frequency rate of reportable as well as non-reportable accidents for the reporting year.



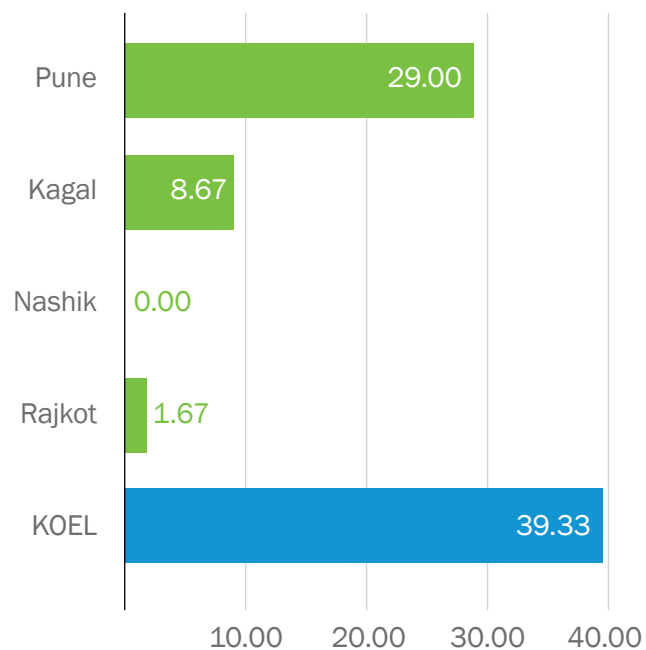
■ FR (Frequency rate of reportable accidents - Number of reported accidents per million man hours worked)

■ FR (B) (Frequency rate of non-reportable accidents - Number of non-reported accidents per million man hours worked)

**Severity Rate (SR) of reportable incidents**



**Absentee Rate (AR) of reportable accidents**







# CORPORATE SOCIAL RESPONSIBILITY

We have continually upheld our social responsibility towards society, particularly to the people living around our manufacturing setups. Every year, we carry out an independent Societal Perception Survey across all our local communities through B. D. Karve Institute of Social Sciences, Pune which is an independent and reputed institute in this field. Perception survey is a mirror which reflects the image of the company as perceived by the people residing in the vicinity of the company. Based on the findings of the survey and the felt needs of the community we undertook number of social initiatives for communities.

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## ***Social Perception Survey 2011-12***

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The objectives of this survey were to study the community perception of KOEL as a responsible com-

pany and our involvement in our local communities, and to identify the developmental needs of these communities. The 2011-12 survey comprised of 400 individual interviews (100 local community members from each of the 4 locations) and 20 focus group discussions (5 local community groups at each of the 4 locations). The four survey parameters were:

- Performance as responsible Citizen
- Involvement in the communities
- Environment & Safety Factors
- Overall Perception of Reputation

There was a 10% increase in our overall survey score over last year's results, helping us achieve our social responsibility related goal in the sustainability roadmap we had announced in last year's report.



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### **Corporate Social Responsibility Initiatives**

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Our CSR efforts are structured along four key thrust areas – Education and Training, Health, Environment and Sustainable Livelihood. Presented below are updates from our ongoing flagship CSR programs.

#### ***Kirloskar 'Vasundhara' Film Festival***

We sponsor an annual film festival called 'Vasundhara' that comprises screening of movies based on environmental issues. The program is aimed at spreading awareness about environmental issues, motivates citizens to preserve our environment for our present & future generations and has gained remarkable popularity.

#### ***SAAKAV Life Skills Training Program***

Saakav is our CSR unit's flagship program intended to facilitate the development of adolescents with the help of life skills development process & initiating a dialogue on the same with the parents

and teachers. The program has the twin objectives – capacity building of students through life skills development sessions, and sensitizing teachers and parents towards mental health needs of the students.

The student training sessions were conducted in the month of February 2012 at Irani School and Alegaonkar School in Pune, Ambad Municipal School in Nashik, and Dhanpal Bhojpur School in Kolhapur. The program comprised of one hour long training sessions for five days at each of the above schools, and covered a total of 212 girls and 240 boys. The project emphasized on some of the crucial skills necessary for the formation of a well-adjusted personality in adolescence phase.

#### ***Akanksha Foundation***

As a commitment to encourage literacy among children, we continue our partnership with the Akanksha Foundation. It is an NGO that aims to equip students with education; skills and character that they need to lead an empowered life. We support





two centers with 82 students in Pune & provide infrastructural as well as monetary assistance. Apart from this program 'Paper Bag' making, lecture on 'Non-violence', 'International Festival Day' supported by 27 volunteers & spent 334manhours.

### **WASH**

WASH initiative is an extension of our 'Clean and Beautiful School Competition Project' that endeavors to imbibe value of cleanliness among the students. In the year 2011-12, we extended our WASH reach from 7 schools to 14 schools, 44 Employee-volunteers, comprising of 12 managerial employees and 32 team members, have been instrumental in implementing WASH activities in their respectively-assigned schools. Total strength of these schools is more than 4800. WASH activities are conducted through 481 students who are WASH Club Members plus Principals, concerned teachers. In addition to 44 volunteers, 9 female volunteers pitched in as 'spot-volunteers' for the December 2011 theme of 'Adolescence and Hygiene' to facilitate and coordinate the activity.

Highlights of Wash Initiative in 2011-12 are listed below:

- WASH Management Review and Felicitation of WASH Volunteers May 2011
- WASH Principals and Teachers Felicitation June 2011
- WASH 2011-12: Reviving/creating a team of volunteers and assigning schools
- Orientation to WASH Teachers and Volunteers at Bharati Vidyapeeth's Department of Environment Education & Research
- Theme wise Capacity Building of Volunteers/ Process activities for existing as well as new/ additional schools
- July 2011 - WASH Mapping for Phase I & II
- August 2011- Clean Drinking Water session conducted at Schools
- October 2011- conducted Hand WASH Exhibition
- December 2011- organized interactive session on Adolescence and Hygiene
- January-February 2012 – WASH Mapping After and Parent Meeting of WASH Club Members





## CORPORATE SOCIAL RESPONSIBILITY Contd...



## INDEPENDENT ASSURANCE STATEMENT

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

### **Our engagement**

Ernst & Young Pvt. Ltd. ("EY") was retained by Kirloskar Oil Engines Limited ("Company") to provide an independent assurance to its third Corporate Sustainability Report themed 'The Engine for Sustainable Growth' for the financial year 2011-12 (the "Report").

The Company's management is responsible for the contents of the Report, identification of key issues, engagement with stakeholders and its presentation. EY's responsibility is to provide independent assurance on the report content as described in the scope of assurance.

Our responsibility in performing our assurance activities is to the management of the Company only, and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any dependence that any such third party may place on the Report is entirely at its own risk. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

### **Scope of assurance**

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

- Data and information related to the Company's sustainability performance for the period 1 April 2011 to 31 March 2012;
- Review of information on sample GRI G3.1 (2011) core indicators covering the Company's Corporate Office at Pune and the following three sites of operations:
  - » Khadki, Pune, Maharashtra (engines manufacturing)
  - » Nashik, Maharashtra (large engines)
  - » Kagal, Kolhapur, Maharashtra (engines manufacturing)
- The Company's internal policies, protocols and processes related to collection and collation of sustainability performance data.

### **Exclusions**

The assurance scope excludes:

- Operations of the Company other than those mentioned in the Scope;
- Aspects of the Report other than those mentioned above;
- Data and information outside the defined reporting period (1 April 2011 to 31 March 2012);
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention;
- 'Economic performance indicators' included in the Report

### **Level of assurance and criteria used**

The assurance engagement was planned and performed in accordance with International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Our evidence-gathering procedures were designed to obtain

a 'limited' level of assurance (as set out in ISAE 3000) on reporting principles, as well as sustainability performance indicators as per GRI G3.1 (2011) guidelines.

### **Key steps**

The performance of our engagement involved the following key steps:

- Interviews at the Company's plants with Site Heads, Function Heads and key personnel to understand the sustainability vision, mechanism for management of key sustainability issues and engagement with key stakeholders;
- Visits to three manufacturing plants as mentioned in the 'Scope of assurance' above;
- Review of relevant documents and systems for gathering, analyzing and aggregating sustainability performance data in the reporting period;
- Gathering selected evidences supporting claims made in the Report regarding the Company's sustainability performance;
- Review of selected qualitative statements and sample case studies in various sections of the Report.

### **Observations and opportunities for improvement**

Our key observations are as follows:

- The Company has demonstrated its continued commitment to sustainability by presenting balanced updates on each of the goals and targets undertaken on the Sustainability Roadmap;
- The Company has mapped those issues that have been perceived as priority by the Management; undertaking of a structured and comprehensive external stakeholder engagement for materiality analysis was not evidenced;
- The Company may consider undertaking periodic internal reviews of GRI Key Performance Indicators (KPIs) across its sites in order to maintain data control and reporting accuracy;
- The Occupational Health & Safety statistics at all sites were found to be well maintained. It was evidenced that the near miss incidents have also been reported;
- The Company continues to demonstrate its social commitment by engaging its local communities via community needs assessments, community perception surveys and need-based interventions;

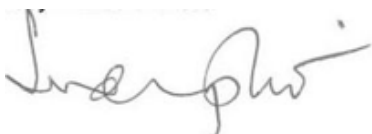
### **Our conclusion**

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

### **Our assurance team**

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our Climate Change and Sustainability Services, and undertakes similar engagements with various Indian and international companies. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

### **For Ernst & Young Private Limited**

A handwritten signature in black ink, appearing to read 'Sudipta Das'.

Sudipta Das  
Partner

17 December 2012  
Kolkata



# GRI G3.1 A+ LEVEL

## CONTENT INDEX

KOEL Annual Report FY 2011-12: [www.koel.co.in/upload/pdf/Annual\\_Report\\_2011-12.pdf](http://www.koel.co.in/upload/pdf/Annual_Report_2011-12.pdf)

KOEL SDR 2010-11: [http://www.koel.co.in/upload/pdf/sustainability\\_report\\_1011\\_KOEL\\_CSR2011.pdf](http://www.koel.co.in/upload/pdf/sustainability_report_1011_KOEL_CSR2011.pdf)

### Standard Disclosures – Profile Disclosures

Profile Disclosure	Description	Reported	Cross reference / Direct answer
1.1	Statement from the most senior decision-maker of the organization.	Fully	1-2 (Statement from the ED)
1.2	Description of key impacts, risks, and opportunities.	Fully	1-2 (Statement from the ED)
2.1	Name of the organization.	Fully	Kirloskar Oil Engines Ltd.
2.2	Primary brands, products, and/or services.	Fully	3-4 (About KOEL), 13 (Our Business), 17 (Agricultural Engines Business, Industrial Engine Business), 18 (Power Generation Engine Business, Large Engine Business)
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	3-4 (About KOEL), 13 (Our Business), 15 (Agricultural Engines Business), 17 (Industrial Engine Business), 18 (Power Generation Engine Business, Large Engine Business), 14 (KOEL Organization Structure)
2.4	Location of organization's headquarters.	Fully	Khadki (Pune, India)
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	3 (About the Report)
2.6	Nature of ownership and legal form.	Fully	26-28 (Corporate Governance), Page 26 of the Annual Report FY 2011-12 under 'Shareholding Pattern as on 31 March 2012'
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	3-4 (About KOEL), 13 (Our Business), 15-16 (Engaging our Customers)
2.8	Scale of the reporting organization.	Fully	31 (Table under Economic Performance), 46-48

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Profile Disclosure	Description	Reported	Cross reference / Direct answer
			(Employee Headcount and Turnover), Page 32 of the Annual Report FY 2011-12 (Statement of Profit and Loss)
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	3 (About the Report)
2.10	Awards received in the reporting period.	Fully	3 (About the Report)
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	FY 2011-12
3.2	Date of most recent previous report (if any).	Fully	2011
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual
3.4	Contact point for questions regarding the report or its contents.	Fully	sustainability@kirloskar.com
3.5	Process for defining report content.	Fully	6 (Stakeholder Engagement and Materiality)
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Fully	3 (About the Report)
3.7	State any specific limitations on the scope or boundary of the report.	Fully	3 (About the Report)
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	3 (About the Report)
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the com-	Fully	3 (About the Report)

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Profile Disclosure	Description	Reported	Cross reference / Direct answer
	pilation of the Indicators and other information in the report.		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	Fully	No such restatements in this report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	3 (About the Report)
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	GRI Content Index
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	3 (About the Report)
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	26 (Board of Directors), 27 (Board Committees)
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	26 (Board of Directors)
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	26 (Board of Directors)
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	27 (Board Committees)
4.5	Linkage between compensation for	Fully	27 (Board Committees)

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Profile Disclosure	Description	Reported	Cross reference / Direct answer
	members of the highest governance body, senior managers, and executives and the organization's performance (including social and environmental performance).		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	The Company has adopted a Code of Conduct for the Board of Directors and Senior Management. The Code is available online at the link <a href="http://kirloskarapps.kirloskar.com/upload/pdf/Code_of_Conduct_as_per_Clause_49_Mar_12.pdf">http://kirloskarapps.kirloskar.com/upload/pdf/Code_of_Conduct_as_per_Clause_49_Mar_12.pdf</a>
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	Currently, there are no clear processes at the Board to guide the organization on ESG issues, including those pertaining to gender and other diversity
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	4 (About KOEL). The Company has adopted a Code of Conduct for the Board of Directors and Senior Management
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	28 (Risk Management Framework)

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Profile Disclosure	Description	Reported	Cross reference / Direct answer
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	27 (Under Board Committees), 28 (Risk Management Framework)
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	28 (Risk Management Framework), The Board is systematically informed of risks through a structured mechanism. Periodic reviews are undertaken to ensure timely identification, prevention and mitigation of risks.
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	4 (Mission), GRI Sustainability Reporting Guidelines
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	Fully	11 (Memberships and Associations)
4.14	List of stakeholder groups engaged by the organization.	Fully	6-7 (Stakeholder Engagement and Materiality)
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	6-7 (Stakeholder Engagement and Materiality)
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	6-7 (Stakeholder Engagement and Materiality), 15-16 (Customer Engagement), 20-21 (Strategic Sourcing), 44-45 (Employee Engagement), 54 (Social Perception Survey)
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	6-7 (Stakeholder Engagement and Materiality), 15-16 (Customer Engagement), 20-21 (Strategic Sourcing), 44-45 (Employee Engagement), 54 (Social Perception Survey)

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

### Standard Disclosures – Disclosures on Management Approach

Disclosures on Management Approach	Reported	Cross reference / Direct answer
DMA - EC	Fully	Page 31 of our Sustainability Report 2010-11 (DMA - Economic), 4-4 (Mission), 9-10 (Sustainability Roadmap and Progress against Objectives)
DMA - EN	Fully	Page 37 of our Sustainability Report 2010-11 (DMA - Environment), 32-41 (Environmental Performance)
DMA - LA	Fully	Page 54 of our Sustainability Report 2010-11 (DMA - LA), 42-50 (Social Performance)
DMA - HR	Fully	Page 57 of our Sustainability Report 2010-11 (DMA-HR); Human Rights aspects are currently not considered in investments and procurement practices
DMA - SO	Fully	Page 62 of our Sustainability Report 2010-11 (DMA-SO)

### Standard Disclosures – Performance Indicators

Performance Indicators	Description	Reported	Cross reference / Direct answer
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	31 (Table under Economic Performance)
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	1-2 (Statement from the ED)
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	31 (Employee benefits), Page 30 of our Sustainability Report 2010-11 (Employee Benefits)
EC4	Significant financial assistance received from government.	Fully	Page 38 of our Annual Report 2011-12 (Subsidy)



## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	The term Local suppliers stand for Suppliers within India. Nearly three quarters of the monetary value of the top ten suppliers are from local suppliers. Our sourcing strategy is based on cost, quality and continuous availability, which the local suppliers have successfully delivered.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	All our facilities are located in areas where the talent pool is readily available. This helps us in supporting our preference of hiring locally, as we believe in fostering economic growth in the region we operate
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	31 (Table under Economic Performance)
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not	
EN1	Materials used by weight or volume.	Fully	34
EN2	Percentage of materials used that are recycled input materials.	Fully	No significant recycled inputs materials were used in the reporting year
EN3	Direct energy consumption by primary energy source.	Fully	34
EN4	Indirect energy consumption by primary source.	Fully	34-35
EN5	Energy saved due to conservation and efficiency improvements.	Fully	35

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	22-24 (New Energy Efficient Products)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not	
EN8	Total water withdrawal by source.	Fully	36
EN9	Water sources significantly affected by withdrawal of water.	Not	
EN10	Percentage and total volume of water recycled and reused.	Fully	36
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	All our plants are located on the MIDC and GIDC areas. None of our plants are located in areas or adjacent to protected areas or areas of high biodiversity value.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully	All our manufacturing facilities are located on MIDC and GIDC owned land. While we are constantly making our products eco-efficient (See CRE section), none of our activities have direct impacts on biodiversity in protected areas or areas of high biodiversity value
EN13	Habitats protected or restored.	Fully	All our plants are located on the MIDC and GIDC areas. None of our plants are located in areas or adjacent to protected areas or areas of high biodiversity value.
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Fully	All our plants are located on the MIDC and GIDC areas. None of our plants are located in areas or adjacent to protected areas or areas of high biodiversity value.
EN15	Number of IUCN Red List species	Fully	All our plants are located on the MIDC and GIDC

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
	and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		areas. None of our plants are located in areas or adjacent to protected areas or areas of high biodiversity value.
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	35, Using emission factors (IPCC Guidelines) for GHGs (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O) for fuels used (such as Diesel), we have established the emissions from direct energy consumption. For India, an emission factor of 0.81 tons CO <sub>2</sub> e per MWh of power generated has been used for establishing the emission for indirect energy consumption, as per UNFCCC recommendation.
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	35
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not	
EN19	Emissions of ozone-depleting substances by weight.	Fully	37
EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight.	Fully	37
EN21	Total water discharge by quality and destination.	Fully	Total volume of planned and unplanned water discharges in the reporting year = 0 cubic meters
EN22	Total weight of waste by type and disposal method.	Fully	37 (Graph showing the total hazardous and non-hazardous waste generated; Percentage of packaging material recycled); 100% of our manufacturing waste is sold to State Pollution Control Board authorized resellers or recognized agencies that dispose the wastes as per norms prescribed by State Pollution Control Board
EN23	Total number and volume of significant spills.	Fully	No significant spills occurred in the reporting year
EN24	Weight of transported, imported, exported, or treated waste deemed	Fully	No hazardous wastes have been transported outside of the Indian borders. Hence, this indicator is

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
	hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		not applicable
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Fully	All our plants are located on MIDC and GIDC lands. Besides, all our facilities have achieved the zero discharge status. Hence, this indicator is not applicable.
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	22-24 (New Energy Efficient Products)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Fully	37
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	We did not pay any fines for noncompliance with environmental laws and regulations in the reporting year
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not	
EN30	Total environmental protection expenditures and investments by type.	Fully	38-39
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	46-48 (Employee Headcount and Turnover)
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	46-48 (Employee Headcount and Turnover), All our employees within scope are within India

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	31 (Employee benefits), Page 30 of our Sustainability Report 2010-11 (Employee Benefits)
LA15	Return to work and retention rates after parental leave, by gender.	Fully	All our female employees are eligible for maternity leave. In the reporting year, two female employees availed maternity leave and returned to work, out of which one was still employed with us at the time of this reporting
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	100% of our workforce is unionized.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	In case of any changes in shift, line or superannuation, atleast 14 days and 6 months notice is always provided to the employees as per statutory requirements
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	50
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Fully	51-52; All employees covered in scope are within India; Occupational diseases and rate = 0
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	51 (Occupational Health & Safety); 55-57 (Life Skills Training, WASH Initiative)
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	49-50 (Occupational Health & Safety)
LA10	Average hours of training per year	Fully	48

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
	per employee by gender, and by employee category.		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Not	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	100% of our employees go through the annual performance appraisal process.
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	26 (Board Composition)
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	48
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Fully	Our investment agreements currently do not include human rights clauses
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Fully	There were no assessments of suppliers conducted based on human rights during the reporting period.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Partially	100% of employees are trained on the Code of Conduct, which includes aspects of human rights.  Currently, training on human rights aspects is carried out as part of employee induction trainings.



## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
			Hence, this is not being tracked separately. Going forward, we will strive to capture this data separately.
HR4	Total number of incidents of discrimination and corrective actions taken.	Fully	We have not had any cases of discrimination during this reporting period.
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	No such operations where the freedom of association and collective bargaining may be at risk. Even at plant level, we have a committee which meets periodically where the union representatives can raise any issues and seek resolutions
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	We offer employment only to individuals who are above the employable age (as specified by the law) and strongly condemn child labor and forced labor. We forbid workplace discrimination of any form including that based on gender. There was no incident of discrimination recorded in this reporting period. Our Code of Conduct spells out these policies
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully	None of our operations run a risk of forced or compulsory labour.
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully	There were no such incidents during the reporting period.
HR10	Percentage and total number of operations that have been subject to	Fully	While we have not commissioned a formal impact assessment on this issue, the enforcement of our

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
	human rights reviews and/or impact assessments.		Code of Conduct is regularly reviewed across the organization
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Fully	No such formal grievances filed in the reporting period
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Fully	54 (Social Perception Survey, that is carried out in local communities at all our plants)
S09	Operations with significant potential or actual negative impacts on local communities.	Fully	No significant potential or actual negative impacts on our local communities have been identified
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Fully	No significant potential or actual negative impacts on our local communities have been identified
S02	Percentage and total number of business units analyzed for risks related to corruption.	Fully	While there were no units specifically analyzed for corruption related risks, we subjected our organization to the TRACE check, and obtained it successfully. It involves stringent checking of top management on corruption, bribery related aspects
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	The Code of Conduct, covering aspects on anti-corruption, bribery and ethics are circulated to all employees of KOEL during the time of induction itself. The Managing Director has declared the affirmation of compliance with the Code of Conduct by the Board of Directors and Senior Management
S04	Actions taken in response to incidents of corruption.	Fully	There were no incidents of corruption in the reporting year
S05	Public policy positions and participation in public policy development and lobbying.	Fully	We are active members of several industry and trade bodies and we regularly participate in industry events

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	We have made no donations to any political parties in the reporting year
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Fully	There were no legal actions against KOEL on count of anti-competitive behavior, anti-trust and monopoly practices during this reporting period
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	We have not had any cases of non compliance resulting in fines or non-monetary sanctions
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Fully	<p>Right from research, product development, certifications, manufacturing, marketing, storage and final use and disposal, we continually strive to keep the emissions, noise, vibration well within specified limits. We are also continually trying to strengthen the protection from rotating and high temperature components. From producing supersilent gensets to gensets that can run on alternative fuels, our concern for customer satisfaction inspires us to take the aspects of impacts of our product during its use.</p> <p>Our products have received a variety of certification - FM/ UL being one. We are a ISO 9001 certified company, with all our manufacturing units being ISO 14001 and OHSAS 18001 certified</p>
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	We have not had any incidents of non-compliance with regulations or voluntary codes concerning health and safety impacts of our products and services during their life cycle which has resulted in a fine, penalty or a warning
PR3	Type of product and service information required by procedures, and percentage of significant products and	Fully	We provide information on our product, spare parts & service to the customers through various display labels on the products & its packing as

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
	services subject to such information requirements.		<p>well as through Operations &amp; Maintenance (O&amp;M) manuals of the respective products as per relevant applicable labeling requirements. This information covers Health &amp; Safety guidance for the use &amp; servicing of our product. This enables the customers to use &amp; maintain our products in a responsible manner which will have minimal adverse impact on environment, health &amp; safety during the life of the product. We obtain test certificates for engine worthiness and other safety related issues like emission; noise etc before the product is marketed through government authorized agencies. Our products are also certified by BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or European Conformity label. 100% of our products and services are subject to the specified requirements.</p> <p>Safety is integral to design process of our products. We also ensure that documentation relating to the product is sent to the customer at the time of equipment dispatch</p>
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Fully	We have not had any incidents of non-compliance with regulations or voluntary codes concerning product and service information and labeling which has resulted in a fine, penalty or a warning
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	15-16 (Engaging our Customers)
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	All our product and service related marketing communications comply with the law of the land. We do not sell any product that has been banned. We have successfully achieved the target of making all our products Asbestos free
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing	Fully	We have not had any incidents of non-compliance during the reporting period

## GRI G3.1 A+ LEVEL CONTENT INDEX Contd...

Performance Indicators	Description	Reported	Cross reference / Direct answer
	communications, including advertising, promotion, and sponsorship by type of outcomes.		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	No substantiated complaints regarding breaches of customer privacy or loss of customer data
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	No such fines paid during the reporting period

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures <b>OUTPUT</b>	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures <b>OUTPUT</b>	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators <b>OUTPUT</b>	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	





Enriching Lives

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