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August 28, 2017

To

The UN Global Compact

Dear Sirs,

Communication of Progress for the year 2016-17

At Tata Hitachi Construction Machinery Company Private Limited (the Company or 'THCM'), we are striving for a sustainable development by understanding our stakeholders' expectations through an on-going engagement with them. We have also considered the same in our strategic planning process, so that we can ensure continuous improvement of the quality of life of all the people associated with the company. Our strategic plan embeds ten principles of Global Compact through various initiatives and action plans to ensure that the key social responsibilities, governance issues and environmental challenges are built into the strategy map along with the market and economic issues.

We are happy to report the Communication of Progress (CoP) for the year 2016-17 showing the implementation of the ten principles and reaffirm our commitment to continue and support the UN Global Compact. The CoP reflects our commitment to share with our stakeholders on the progress that we have made in the areas of human rights, labour, environment and anti-corruption to build a sustainable future.

Warm regards,



Sandeep Singh

Managing Director



Encl: CoP for the year 2016-17

Tata Hitachi Construction Machinery Company Private Limited

(Formerly Known as Tata Hitachi Construction Machinery Company Limited)

Vill - Rupnarayanpur P.O - Jakpur P.S Kharagpur (Local) Dist - Paschim Medinipur West Bengal - 721301 India

Telephone : +91 3222 218340 / 646020

Registered Office: Jubilee Building | 45 Museum Road | Bengaluru 560 025 India | Telephone +91 80 66953301 02 03 04 05 | Fax +91 80 66953309 25325792

CIN: U85110KA1998PTC024588 | Email: tatahitachi@tatahitachi.co.in | Website: www.tatahitachi.co.in



**U N GLOBAL COMPACT
Communication on Progress for the year 2016-17**

(A) HUMAN RIGHTS:

Businesses should

Principle 1: Support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

(A1) Company’s Policies affirming the Principles:

- Human Rights Policy
- Corporate Social Responsibility Policy
- Tata Hitachi Values – Committed to respect for individuals
- Tata Hitachi Code of Conduct 2016 – Clauses 9 to 11 in section E “Our Employees”

(A2) Company’s Initiatives to support the Policies and outcomes:

- Tata Hitachi Code of Conduct 2016 (THCoC or the Code) includes a clause on Human Rights, prohibiting employment of children and use of forced labor at workplace, and advising every employee to preserve the human rights of every individual and the community and strive to honor commitments. All employees undergo training on THCoC. The Code is posted on the Company’s website and the intranet, and printed copies are distributed to the employees, dealers and major suppliers. Such employees, dealers and suppliers submit a written declaration to the Company to comply with and abide by the Code, both in letter and spirit. Systematic procedure has been established for receipt and resolution of concerns raised on THCoC by any stakeholder, duly supported by an independent platform administered by an external firm of experts. This tie up with a third-party service provider offers a confidential channel to raise any concerns, giving additional confidence to employees and partners. A summary of concerns received and closed in the last five years is furnished below:

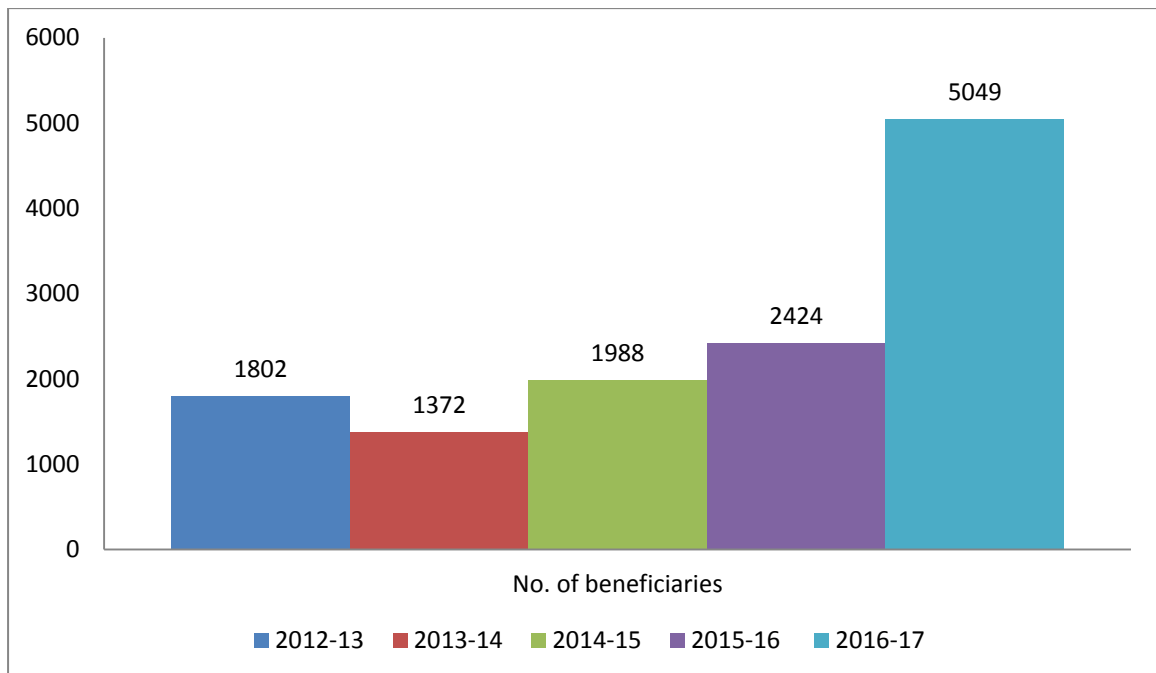
Year	2012-13	2013-14	2014-15	2015-16	2016-17
No. Of concerns received	3	5	3	2	0
Concern Closure	100%	100%	100%	50%	

- Employee Grievance Redressal Cell, a part of the Human Resources Management department, reviews and addresses the grievances of employees.

Number of violation of human rights case reported or incidents detected - Nil.

- Established Disciplinary Procedure enumerated in the Works' Standing Orders (WSO) of the company deals with any violation on Human Rights. WSO is applicable to all employees and are communicated to all employees at the time of joining the Company.
- Contractors working for the Company are required to follow the guidelines such as the Safety Rules and Regulations, Payment of Minimum Wages Act, Provident Fund Act and on non-employment of Child Labor.
- Occupational health and safety issues related to various operations are systematically reviewed and improved through certification under OHSAS-18001, which is audited annually by an internationally accredited external authority.
- The Company conducts various training on Environment, Healthcare, and Safety for employees as well as outsourced personnel. Training on diabetes, road safety, regular medical check-up to drivers and those involved in hazardous operations like welding, painting and machining jobs. All records are kept in the occupational health centers and safety office.
- Through its CSR initiative for healthcare and sports, the Company has conducted medical checkup camps for 5049 beneficiaries, in Jamshedpur and Dharwad, offered holistic healthcare for students coming from under privileged society, and organized inter-school rural sports meets during 2016-17. The Company also organized voluntary blood donation camps, which collected 864 units of blood during the year. The Company's plant at Jamshedpur received the award for best performance for the year 2016-17 from Voluntary Blood Donors' Association, Jamshedpur.

Number of Beneficiaries: 5049



- Education and Literacy: This initiative can be singled out as one of the most important CSR initiative. The Company provided assistance in field of education and literacy through scholarships, development assistance to schools in the backward regions in the form of competitive and talent-developing programs like Jagriti, dialogue sessions, personality development sessions, in-plant vocational projects and infrastructure facilities. Some noteworthy initiatives are furnished below.
 - (a) The Company introduced a digital e-learning program supported by state-of-the art equipment at the primary school at Kharagpur. This facility is possibly one of its kind in the region and amongst few in the country at the primary school level. The program introduces digitized education format supported by modules prescribed by the Government. With the introduction of e-learning the students of the school are able to access information, educational material from all over the world and more importantly communicate with schools in the urban areas thereby addressing the pitfalls of rural and urban divide.
 - (b) At Jamshedpur and Dharwad, several infrastructural projects including building of toilets and classrooms were executed. Another noteworthy program of providing cool and safe drinking water was completed in Gyan Deep Vidyalaya School at Jamshedpur.
 - (c) As part of our sustainability program to enhance the scope of education, the Company for the first time provided a 5 KVA diesel power generator set to the SK Memorial High school in a village near Jamshedpur for uninterrupted and continuous supply of power to conduct smart edge classes. This was undertaken to address the acute shortage of power in the area which for a very long time was affecting the normal functioning of the school.
 - (d) During the year 2016-17, efforts were made to create an effective linkage between the Company's programs and the national state initiatives, which addressed the element of nation building.
 - (e) The Company's plants at Kharagpur and Dharwad have been providing bus facility to the school children in these regions, based on requirements. The above programs had benefited about 5303 students during the year 2016-17.

(B) LABOUR STANDARDS

Businesses should uphold

Principle 3: The freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

(B1) Company's Policies affirming the Principles:

- Tata Hitachi Human Rights Policy
- THCM Equal Opportunity & Non-discrimination Policy

- Tata Hitachi Code of Conduct, 2016 – Clauses 1 to 4 of section E “Our Employees” relating to Equal Opportunity Employer and eliminating discrimination in respect of employment and occupation
- Tata Hitachi Code of Conduct, 2016 – Clauses 9 to 11 of section E “Our Employees” relating Human rights and abolition of child labour and elimination of forced labour
- Tata Hitachi Code of Conduct, 2016 – Clause 14 relating to freedom of association.

(B2) Company’s Initiatives to support the Policies and outcomes:

- The Company abides by the prevailing regulatory laws in India. Its Human Relations and Industrial Relations practices allow Collective Bargaining. All employees other than officers and supervisors are represented by The THCM Workers Union. Collective bargaining issues are discussed with the Union on a regular basis.

Percentage of employees other than officers and supervisors who come under unionized category (Jamshedpur) – 96%

- The Joint Management Council (comprising of representatives from both Union and the Management) meets periodically to discuss issues like productivity, quality, safety, environment and employee well-being issues.
- Periodic dialogues and meetings with the Union members, and proactive deliberation on issues of possible areas of conflict creates a congenial environment in pursuit of corporate sustainability.
- As per law, forced and compulsory labor is prohibited and the Company fully abides by the law. Grievance redressal committee and Ethics Counsellor periodically review any violation of such requirements.
- As per the Work Standing Orders, the minimum age required for employment is 18 years and hence the Company engages no child labor. The recruitment process requires furnishing of appropriate proof of age to ensure conformance to the age at entry.
- All dealers, suppliers and contractors who work for the Company are required to follow the guidelines relating to non-employment of child labor and the provisions of the Contract Labor (Regulation & Abolition) Act.
- The Company is committed to be an equal opportunity employer in terms of its policy – Tata Hitachi Equal Opportunity & Nondiscrimination Policy – which states that employment is solely based on eligibility and merit of the applicants without any discrimination against their gender, race, religion, caste, color, ancestry, marital status, nationality and disability.

- The Tata Hitachi Code of Conduct, 2016 emphasizes equal opportunities and nondiscrimination. The Company's Ethics Counsellor monitors any concerns raised on discrimination in any of its activities, services and products.

During the year, no concern was received on discrimination or violation of the Policy.

(C) ENVIRONMENT

Businesses should

Principle 7: Support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

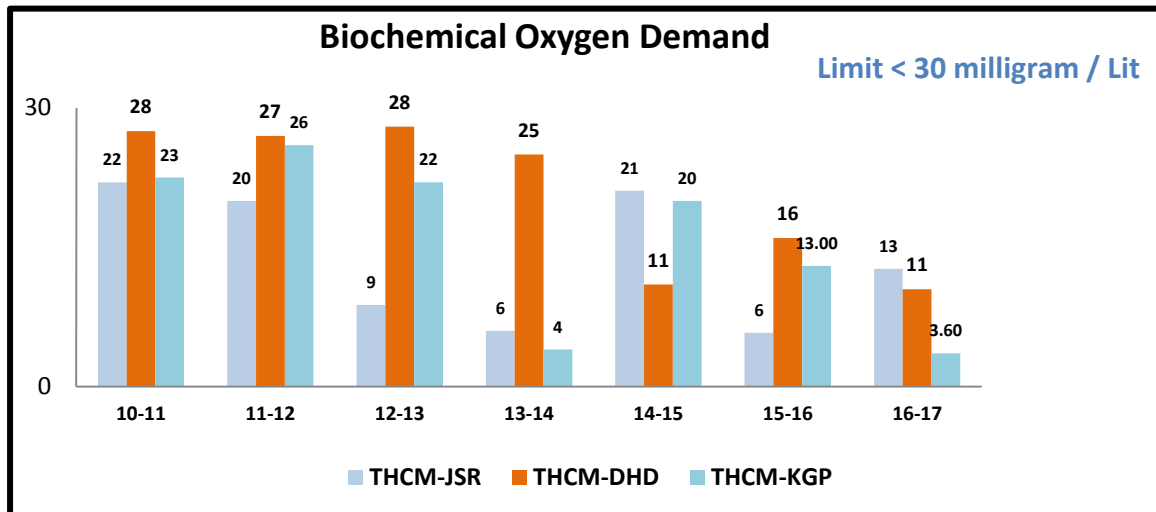
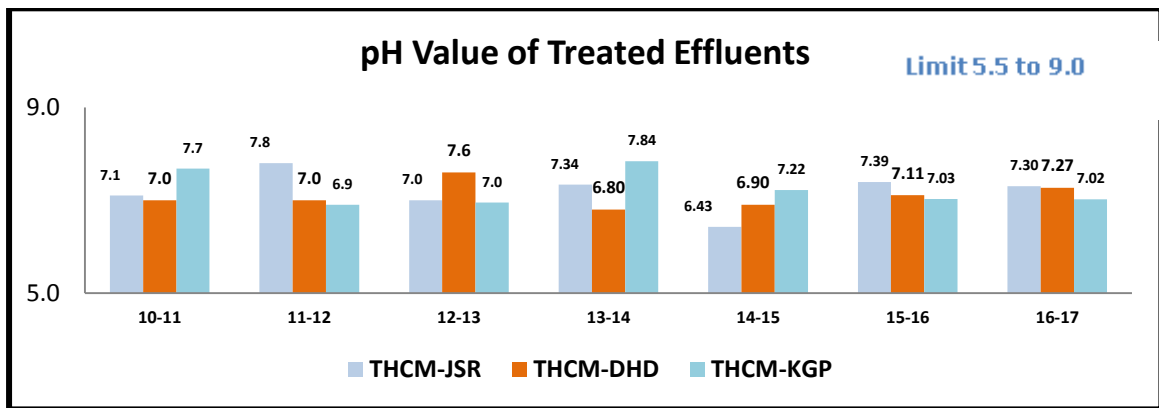
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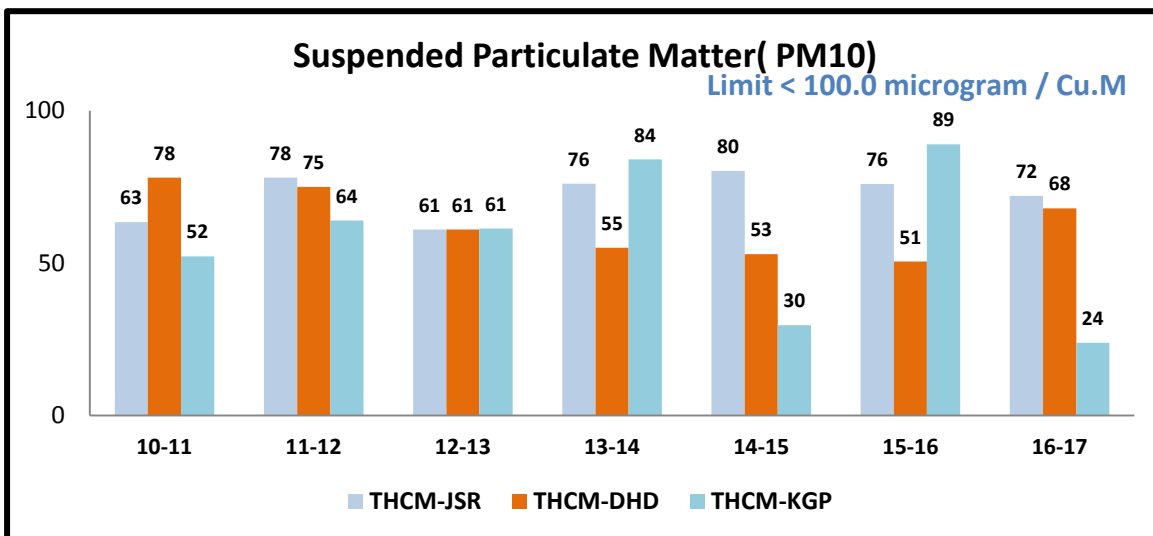
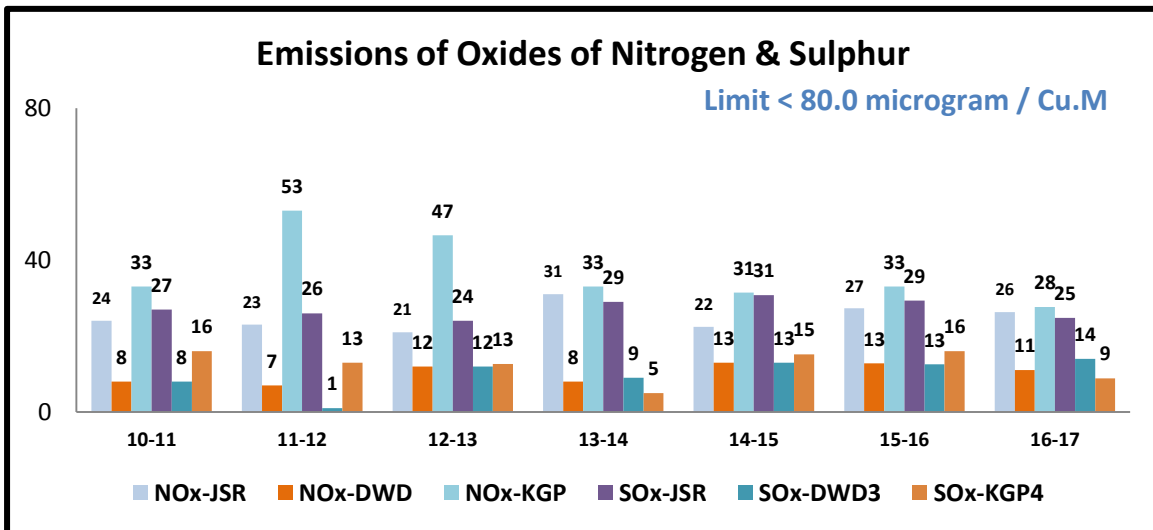
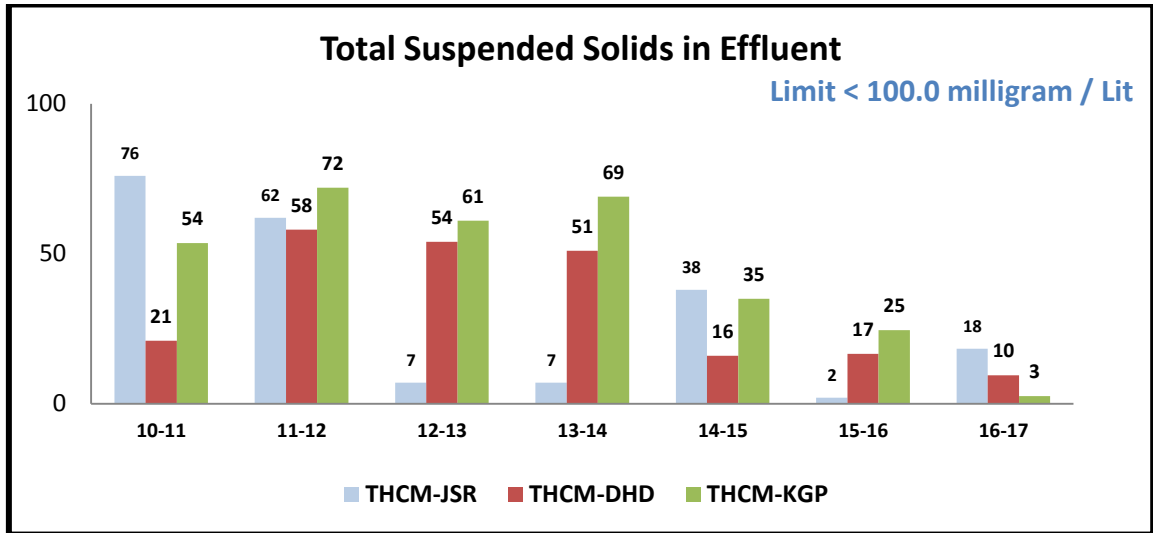
- Tata Hitachi Environmental Policy
- Tata Hitachi Corporate Social Responsibility Policy

(C2) Company's Initiatives to support the Policies and outcomes:

- The Company uses proactive approach towards minimizing environmental impact in both designing of its products and manufacturing processes.
- Tata Hitachi uses environment-friendly technology in the manufacture of its products and ensures that the operation of its products not only conforms to statutory regulations but also strives to go beyond the regulatory norms. It continuously upgrades its manufacturing technology to reduce energy consumption and improve productivity and quality.
- Consumption had reduced from 1.74 KL of crude oil per Equivalent Machine for the year 2015-16 to 1.36 KL in 2016-17. The Company has also taken several Initiatives towards reduction of its Environmental Load further, like reduction of losses in use of electrical and liquid petroleum gas, etc in all manufacturing plants, with a target of reducing Specific Energy consumption by at least 5%, as per its Business and Quality Objectives for the year.
- Waste generation (tons per Equivalent Machine) had also reduced by 21.81% in the year 2016-17 with reference to the previous year.
- In line with its holding company in Japan, Tata Hitachi has also identified reduction in the emission of Volatile Organic Compound (VOC) as one of its KPI (Key Performance Index). Initiatives were taken to reduce VOC emission level (Kg per equivalent machine), which had resulted in a reduction of 12.25% in the year 2016-17 with reference to the previous year.

- In order to address any future public concern due to emissions and reduce consumption of diesel, the Company had been proactive in launching new products with Tier-II /BS III engines, and introducing Hydrostatic transmission in its new model Wheel Loaders. These initiatives had reduced emissions and increased the fuel efficiency of the Company’s products.
- Tata Hitachi, in its proactive quest to manage occupational health, is OHSAS 18001 compliant at all its plants at Dharwad, Jamshedpur and Kharagpur. The Company is also ISO 9001 & 14001 certified, which validates its commitment towards the environment.
- Presented below are key results related to regulatory compliance to confirm that the Company’s performance on all the measures is far better than the compliance levels required.





- The Company promoted Rain Water Harvesting in its plants at the Dharwad, Jamshedpur and Kharagpur plants, and in the surrounding communities. Machine coolants are collected and sent to Effluent Treatment Plant, and treated water is used in Heat Treatment plant and in cooling towers, thus conserving water and reducing the requirement of fresh water.
- The Company had worked towards stopping the depletion and receding of ground water level, especially during summer season. Dharwad plant had enhanced the capacity of its pond from 3000 KL to 7500 KL. The capacity of North side lake was also enhanced from 2000 KL to 5000 KL, besides desalting of lakes in Kelageri, Haliyal and Neralakatti villages. Kharagpur plant had created four ponds for rain water harvesting, with capacities of 5880 KL, 5250 KL, 4375 KL and 3600 KL.
- During the year, the Company had also been engaged in plantation of further trees and saplings in its plants. In addition to the existing 16500 plantations, Kharagpur planted 1100 new saplings in the year, while the plant in Dharwad planted a further 50 plants in its premises.

(D) ANTI – CORRUPTION

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

(D1) Company's Policy affirming the Principles:

- Tata Hitachi Bribery and Corruption Policy
- Tata Hitachi Gifts Policy
- Tata Hitachi Whistleblower Policy (WBP)
- Tata Hitachi Code of Conduct, 2016 – Clause 12 of section E “Our Employees” relating to Prevention of Bribery and Corruption
- Tata Hitachi Code of Conduct, 2016 – Clause 13 of section E “Our Employees” relating to Gifts and Hospitality
- Tata Hitachi Code of Conduct, 2016 – Clauses 26 to 30 of section E “Our Employees” relating to disclosure of conflicts of interest

(D2) Initiatives to support the Polices and results:

- The Company has systems of internal controls and documented procedures covering most of the financial and operating functions to prevent corruption and frauds. The systems have been designed to provide reasonable assurance about existence of proper accounting controls and the reliability of financial and operational information. Additionally some key controls in high risk processes like order to cash and purchase to payment are covered by J-SOX of Japan, which are being reviewed both by an internal cross functional team and External Auditors. In addition, there is an Internal audit plan approved by Audit Committee based on which Internal audit is

conducted by an external firm in different areas of the Company's operations and processes, based on a risk assessment exercise carried out in this regard.

- All employees are committed to abide by the Tata Hitachi Code of Conduct, 2016, and all managerial grade employees have signed their commitment to abide by it. The Code has specific clauses on Gifts, Donations and Ethical Conduct. The Gift Policy emphasizes that any gifts or business courtesies, which appear to be given as a bribe, should be firmly rejected and reported to the Management, and in some cases can be returned. The Company's Whistleblower Policy encourages employees to raise genuine concerns and provides assurance to protect the Whistle Blowers from any subsequent harassment or retaliatory action.
- Training on the Code is a part of the orientation program of employees conducted at the time of joining the Company. Also, employees go through the reinforcement training on THCoC every year.
