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August 14, 2018

To

The UN Global Compact

Dear Sirs,

Communication of Progress for the year 2017-18

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 2017-18 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 2017-18

Tata Hitachi Construction Machinery Company Private Limited

(Formerly Known as Tata Hitachi Construction Machinery Company Limited)

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U N GLOBAL COMPACT
Communication on Progress for the year 2017-18

(A) HUMAN RIGHTS:

Businesses should

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

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

(A1) Company's Policies affirming the Principles:

- (1) Tata Hitachi Code of Conduct 2016 (THCOC)
 - Section E (Our Employees), Clauses 9 to 11 cover aspects relating to Human Rights
- (2) Human Rights Policy;
- (3) Values Committed to Environment and Society
- (4) Corporate Social Responsibility Policy.

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

- (a) THCOC includes a clause on Human Rights, prohibiting employment of children and use of forced labor at workplace, and advising the employees to preserve human rights of every individual and the community and strive to honor commitments.
- (b) THCOC is posted on the Company intranet and group website, and printed copies are distributed to the employees, dealers and key suppliers. All employees undergo training on THCOC.
- (c) The employees, dealers and key suppliers submit a written declaration to the Company, confirming their resolve to abide by THCOC in letter and spirit.
- (d) Systematic procedure has been established for receipt and resolution of concerns raised under THCOC by any stakeholder. Recently the Company tied up with a third-party service provider to put up a confidential channel to raise any concerns, giving additional confidence to the employees. The number of concerns received in the last five years is furnished below:

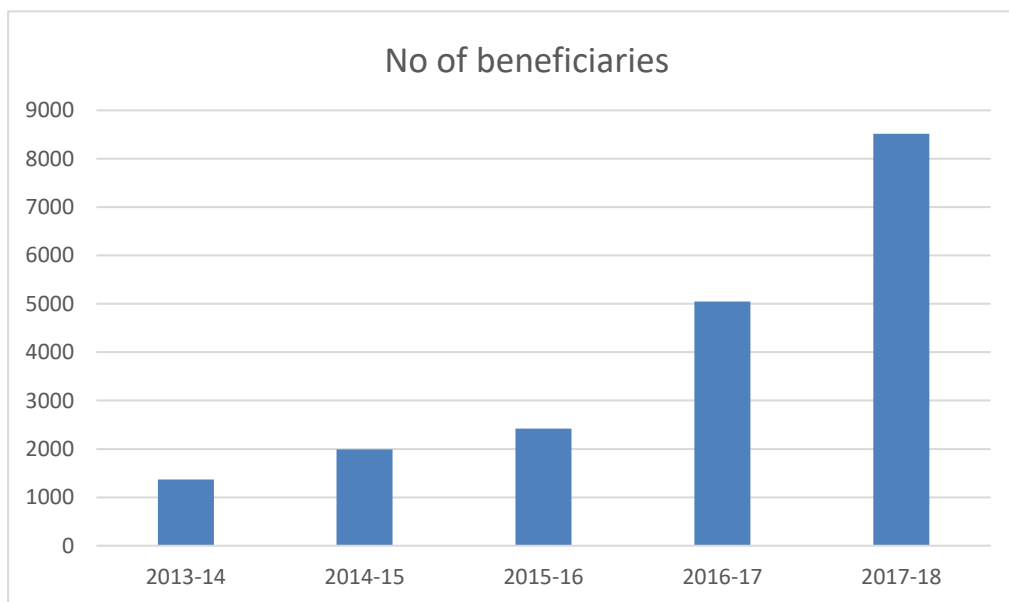
Year	13-14	14-15	15-16	16-17	17-18
No. Of concerns received	5	3	2	-	1
Concern Closure	100%	100%	100%	-	100%

- (e) Employee Grievance Redressal Cell, a part of the Human Resources Management department, reviews and addresses any grievance of the employees.
 - Number of violation of human rights case reported or incidents detected - Nil.
- (f) Established Disciplinary Procedure as enumerated in the Works' Standing Orders (WSO) of the Company deals with any violation on Human Rights. WSO is applicable to all

employees and have been communicated to all employees at the time of joining the Company, and subsequently on a periodic basis.

- (g) 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 no Child Labor employment.
- (h) Occupational health and safety issues related to various operations are systematically reviewed and improved through certification to OHSAS-18001 which is audited annually by an internationally accredited external authority.
- (i) The Company conducts various training on Environment, Healthcare, and Safety for employees as well as outsourced personnel. Training on diabetes, Road safety, regular medical checkup 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.
- (j) Through its CSR initiative for Healthcare and sports the Company has benefitted 6315 beneficiaries in Jamshedpur and Dharwad through medical checkup camps and holistic Healthcare for the students coming from underserved society and inter-school rural sports meets during 2017-18.

- Number of Beneficiaries for the year 2017-18: 8315



(A3) 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 as follows:

- (a) The Company introduced a digital E-learning program supported by state-of-the art equipment at the Rupnarayanpur primary school, Kharagpur. This facility will possibly be one of its kind in the region and amongst few in the country at the primary 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 will be able to access information, educational material from world over 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, classrooms were executed. Another noteworthy program to provide cool and safe drinking water was initiated at Gyan Deep Vidyalaya, 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 S K Memorial High school in Kedo 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 last fiscal, effort was made to create an effective linkage between our programs to that of National initiatives to address the element of nation building.
- (e) The programs initiated by the Company benefited about 5303 students during the year 2017-18. The Company provides bus facility for school children at Kharagpur and Dharwad plant, based on requirements.

(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;

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

(B1) Company's Policies affirming the Principles:

- (1) Human Rights Policy
- (2) Equal Opportunity & Non-discrimination Policy
- (3) THCO, Section E (Our Employees),
 - Clauses 1 to 4 cover aspects relating to Equal Opportunity, eliminating discrimination in respect of employment and occupation
 - Clauses 9 to 11 cover aspects relating to Human Rights, covering abolition of child labor and elimination of forced labor
 - Clause 14 covers aspects relating to Freedom of Association

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

- (a) Tata Hitachi abides by the prevailing regulatory laws in India. Its Human Relations & 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 THCM workers union on regular basis.
 - *Percentage of employees other than officers and supervisors who come under unionized category (Jamshedpur) – 96%*
- (b) The Joint Management Council (Union & Management) meets periodically to discuss issues like productivity, quality, safety, environment and employee well-being issues.
- (c) 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.
- (d) As per the laws of the land, forced and compulsory Labor is prohibited and Tata Hitachi fully abides by the law. Grievance redressal committee and Ethics Counsellor periodically review any violation of such requirements.
- (e) As per the Standing Orders of Tata Hitachi, the minimum age required for the employment is 18 years and hence the Company engages no Child Labour. The recruitment process requires furnishing of appropriate proof of age to ensure conformance to the age bar.
- (f) All dealers, suppliers and contractors who work for the Company are required to follow the guidelines of no Child Labour employment and Contract Labour & Abolition act.
- (g) The Company is committed to be an equal opportunity employer and follows the Company policy called the Tata Hitachi Equal Opportunity & Nondiscrimination Policy which states that employment will be solely based on eligibility and merit of the applicants without any discrimination against their gender, race, religion, caste, colour, ancestry, marital status, nationality and disability.
- (h) THCOC emphasizes equal opportunities and nondiscrimination. The Ethics Counsellors monitor concerns raised on discrimination in 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.

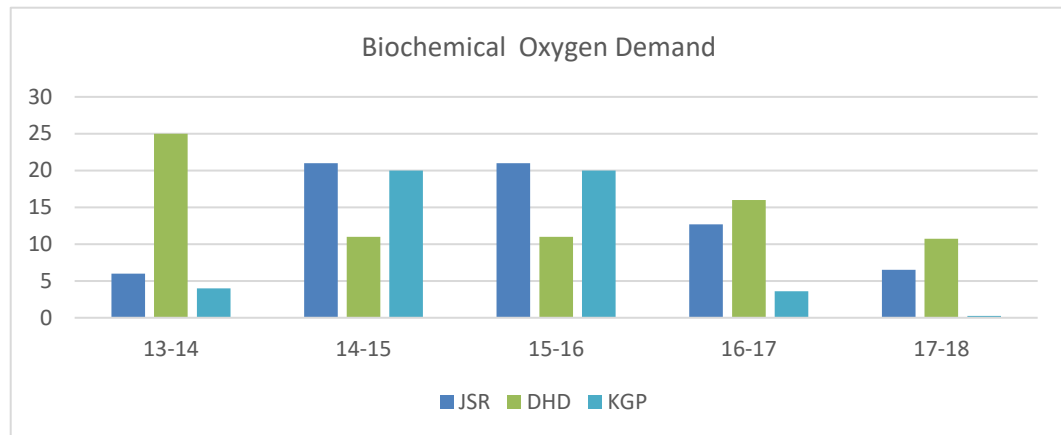
(C1) Company's Policies affirming the Principles:

- (1) Environmental Policy
- (2) Corporate Social Responsibility Policy

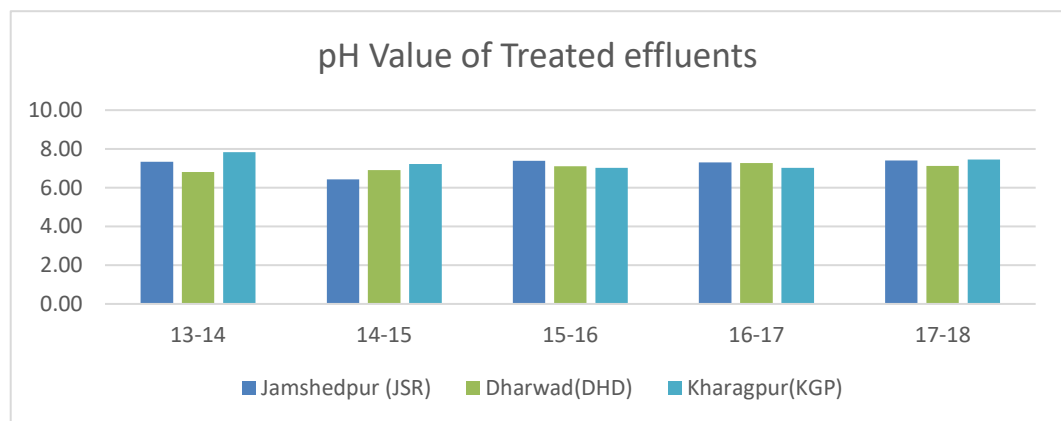
(C2) Company's Initiatives to support the Policies and outcomes:

- (a) The Company uses proactive approach towards minimizing environmental impact in both designing of its products and manufacturing processes.
- (b) 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, quality and safety.
- (c) Consumption had reduced from 1.36 KL of crude oil per Equivalent Machine for the year 2016-17 to 1.26 KL in 2017-18 which is 7%. Further as per our Business and Quality Objective to reduce 5% reduction in Environmental Load, the Company has taken several Initiatives like reduction of Electrical Energy (addressing the electrical losses and new ideas to be implemented to reduce the losses) at all 3 Manufacturing plants which resulted towards reduction of 8% reduction in 17-18.
- (d) Waste generation (tons per Equivalent Machine) had also reduced by 7% in the year 2017-18 with reference to the previous year.
- (e) 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) on environment activities. Initiatives were taken to reduce VOC emission level (Ton per equivalent machine), which had resulted in reduction of 7.5%, from 34.81 in 2016-17 to 32.23 tons of VOC per equivalent machine in year 2017-18.
- (f) In order to address any future public concerns due to emissions, the Company has been working actively on introduction of BS-IV compliant wheeled machines by the year 2020, in accordance with the Govt. notification. Work on BS-IV compliant tracked excavators has also been initiated proactively, although such notification is yet to be issued by the Govt. The company is additionally working on introducing features and aggregates like low pressure unloader control valve that lead to a higher fuel efficiency of the machines.
- (g) Tata Hitachi, in its proactive quest to manage environmental through ISO 14001 certified and occupational health is OHSAS 18001 compliant at all its plants at Dharwad, Jamshedpur and Kharagpur. The Company is also ISO 9001 certified, which validates its commitment towards the quality.
- (h) 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:

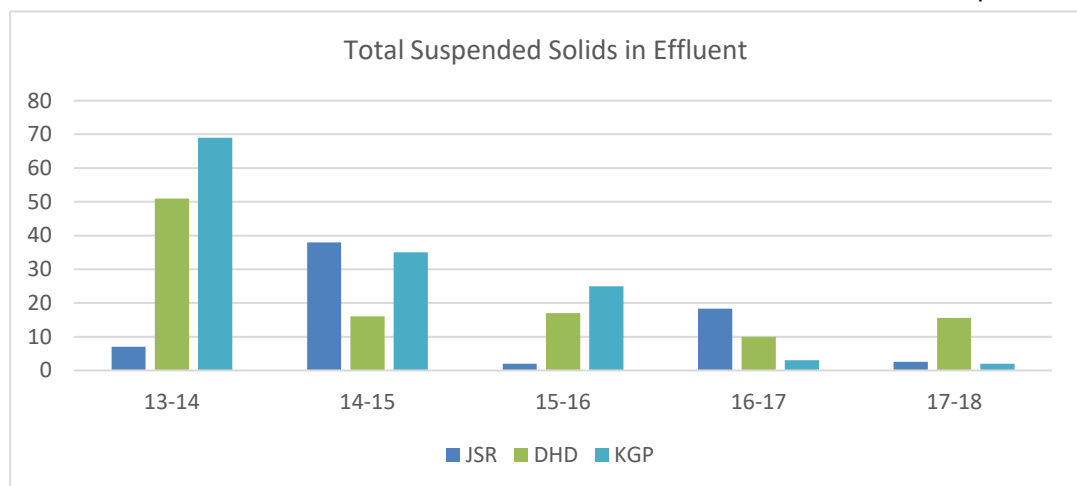
Upto- 30



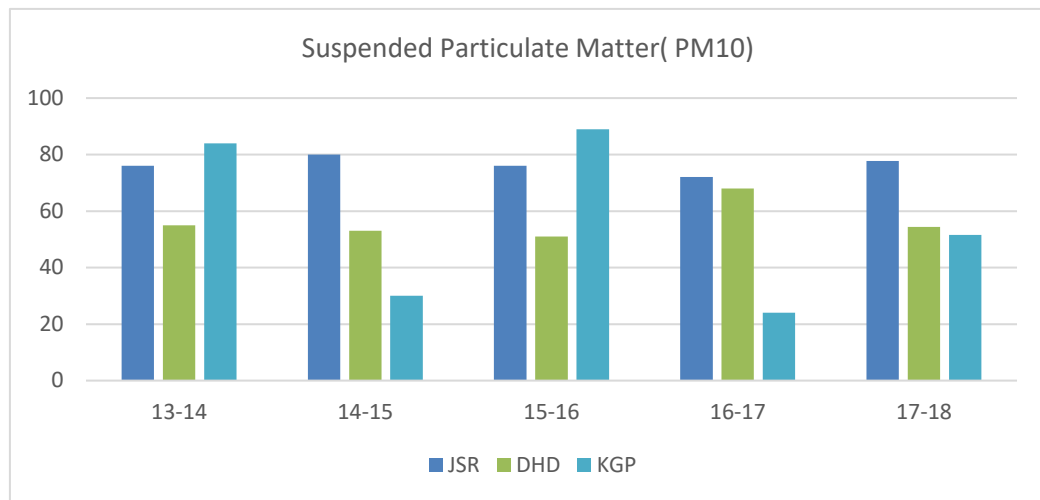
Requirement Range: 6.5-8.5



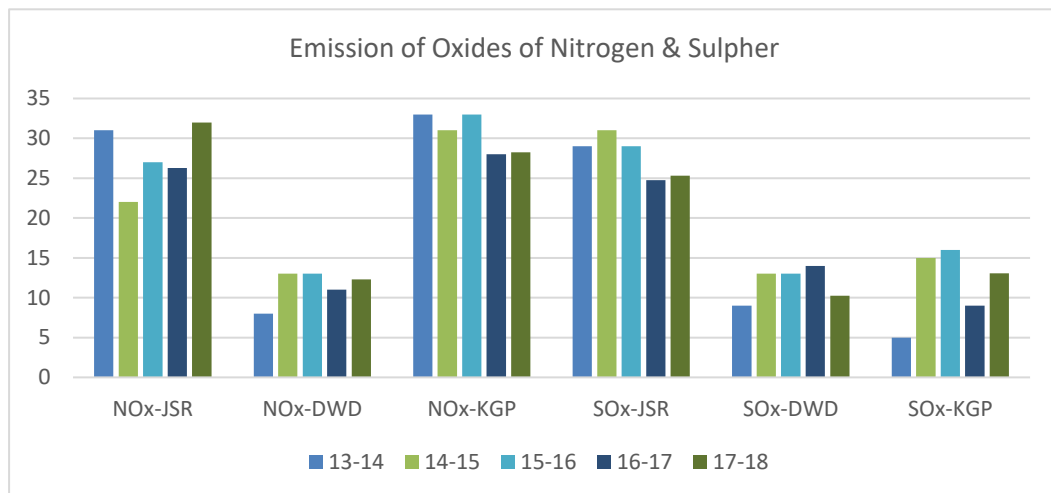
Upto-100



Upto-100



Upto - 80



- (i) The Company promoted Rain Water Harvesting in its plants at Dharwad, Jamshedpur and Kharagpur and in the surrounding communities. Machine coolants are collected and sent to Effluent Treatment Plant, and treated water is used in Heat Treatment operation thus conserving water and reducing the requirement of fresh water. In Jamshedpur plant, Machine coolant /process water was collected separately and sent to Tata Motors' effluent treatment plant (ETP), for treatment before discharge.
- (j) 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.

- (k) 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. Jamshedpur promoted tree plantation surrounding the plant and some schools on the eve of World Environment Day celebration in Jun'18.

(D) ANTI – CORRUPTION

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

(D1) Company's Policy affirming the Principles:

- (1) Bribery & Corruption Policy,
- (2) Gifts Policy,
- (3) Whistle Blower Policy (WBP),
- (4) THCOG, Section E (Our Employees),
 - Clause 12 covers the aspects relating to Prevention of Bribery and Corruption,
 - Clause 13 regulates Gifts to prevent bribery & corruption, and
 - Clause 26 to 30 covers the aspects relating to Disclosure of conflicts of interest

(D2) Initiatives to support the Policies and results:

- (a) 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 by the Internal J-SOX 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 external audit firm (Protivity) in different areas of the Company based on risk assessment in various processes.
- (b) All Tata Hitachi employees are committed to abide by THCOG and all managerial grade employees have signed their commitment to abide by it. The THCOG 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 by employees and reported to their superiors and in some cases, can be returned. The company has a Whistleblower policy which is also uploaded on its website. This encourages employees to raise genuine concerns and provides assurance to protect the whistleblowers from any subsequent harassment or retaliatory action.
- (c) Training on THCOG is a part of the orientation program of employees joining the Company. Also, employees go through the reinforcement training on THCOG every year. Employees participate in Management of Business Ethics (MBE) survey, which is used by

the leadership team to review the effectiveness of business ethics program and identify opportunities for improvement.
