

CONQUERING NEW FRONTIERS







SUSTAINABILITY REPORT 2016-17



SUSTAINABILITY POLICY

We at Ashok Leyland are committed to environmental, social and economic performance in our business towards being a sustainable organization.

Towards this, we shall

-  Fulfill the organization's compliance obligations.
-  Initiate actions to protect environment in all our activities, products and services through (a) efforts to reduce, reuse, recycle and reclaim vital resources (b) sustainable resource use and (c) protection of biodiversity in our future design and manufacturing activities.
-  Adopt principles of extended producer responsibility through lifecycle perspective.
-  Ensure addressing environmental, social, health and safety impacts of our products and services across our entire value chain.
-  Continually improve environmental, social, health and safety performance by spreading awareness and training to all our stake holders.
-  Be a preferred neighbour in our community through our proactive actions.

We will continuously propagate, our sustainability policy and our commitment to climate change mitigation, to all our stake holders viz., employees, suppliers, contractors, customers and our neighbours.

Umesh K. Dasari

Managing Director

June 2016

CONTENTS

 1. ABOUT THE REPORT 2	 2. MESSAGE FROM THE CHAIRMAN 4	 3. MESSAGE FROM THE MANAGING DIRECTOR 7	 4. ORGANISATIONAL PROFILE 8
 5. CORPORATE GOVERNANCE 12	 6. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT 18	 7. ECONOMIC PERFORMANCE 22	 8. ENVIRONMENTAL PERFORMANCE 26
 9. PRODUCT INNOVATION AND SAFETY 36	 10. CUSTOMER DELIGHT 42	 11. WORKFORCE MANAGEMENT 52	 12. OCCUPATIONAL HEALTH AND SAFETY 60
 13. INCLUSIVE GROWTH AND COMMUNITY DEVELOPMENT 64	 14. INDEPENDENT ASSURANCE STATEMENT 70	 15. GLOSSARY 77	 16. GRI CONTENT INDEX 79



ABOUT THE REPORT



We are happy to publish our first sustainability report which presents our sustainability performance from 1st April, 2016 up to 31st March, 2017. This report delineates data and information along with our plans for the future, across the economic, environmental and social pillars of sustainability in resonance with our philosophy 'AAPKI JEET. HAMARI JEET'. We have been practising sustainability for 70 years and have now embarked on the journey of reporting our sustainability performance. Going forward we intend to disclose our sustainability performance on an annual basis.

This report is prepared 'In - accordance' - Core option of the Global Reporting Initiative (GRI) G4 guidelines. In doing so we have applied the four principles of stakeholder inclusiveness, sustainability context, materiality and completeness for defining the report content and methodologies in its development. It details our performance on the triple bottom line (economic, environment and social) and includes the issues found to be material based on the interactions with various stakeholder groups of Ashok Leyland Limited. The report is also mapped to the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic (NVG-SEE) responsibilities of business in India issued by the Ministry of Corporate Affairs and complies to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on "Business Responsibility Reporting" (BRR), regulation 34. The data reported on economic performance is based on audited financial statements by the Company's auditors.

The report boundary extends to our operations in India to include the sites of Hosur (Units 1 and 2), Ennore, Bhandara, Alwar, Pantnagar and Vellivoyal Chavadi (VVC), North Chennai and our Corporate office. We have 24 subsidiaries, 7 associate companies and 2 joint venture companies as on March 31, 2017. However sustainability performance of our subsidiaries, joint ventures and supply chain partners will be evaluated for inclusion in future reports as we are in the process of developing the systems for making qualitative and quantitative disclosures for the identified material aspects as applicable to our subsidiaries and joint ventures.

We have identified and prioritised our key stakeholders and have established a positive dialogue with them to identify our material issues which have significant impact on our business and stakeholders. This report contains a Disclosure on Management Approach (DMA) for every material aspect identified during our stakeholder engagement and materiality assessment process. These DMA's are disclosed in appropriate sections of the report. Key facts and figures regarding sustainability related data for sites within the reporting scope have been disclosed as per the issues identified in the relevant sections.

The report includes forward-looking statements based on certain assumptions and management plans. In the report, these statements have been identified by words such as 'intend', 'anticipate', 'believe', 'expect', 'project', 'plan', etc., as far as possible. Should they materialise, the achievement of the projections is subject to risks and uncertainties.

To ensure consistency and completeness in our disclosures, the contents of this report and performance data has been verified by a third party. In Financial Year (FY) 2016-17, authenticity of data, information and conformance of 'In accordance' - Core option of reporting has been verified by DNV GL Business Assurance India Private Limited. The assurance has been conducted as per ISAE 3000 (Revised) and the statement provided by DNV GL Business Assurance India Private Limited, is included in the report. They have verified the report for a selected set of economic, environment and social performance related key indicators.

Your comments, suggestions and questions are always welcome in relation to this report:

Please contact us at:

Mr. N Ramanathan
Company Secretary

Registered Office:

1, Sardar Patel Road, Guindy
Chennai - 600 032

CIN: L34101TN1948PLC000105

Tel : +91 44 2220 6000
Fax : +91 44 2220 6001
E- mail : secretarial@ashokleyland.com
Website : www.ashokleyland.com



MESSAGES



Message from the Chairman



I am happy to present to you this sustainability report for the FY 2016-17.

Over the years, Ashok Leyland has played a key role in the transportation needs of the country. We have been benchmarking our products and solutions against global standards of technology and quality. Sustainability has been at the core of our corporate strategy. It is our strong belief that economic growth and resource conservation are complementary goals to support sustainable development.

The automotive industry has footprints across all three pillars of sustainability, namely economic, environmental and social. For long term sustainability, a company needs to function in a manner that meets the evolving needs of all its stakeholders in a fair and equitable manner. We recognise that sound environmental and safety management, managing aspirations of our workforce, building mutual trust and understanding with our customers and channel partners, and maintaining cordial harmonious relationship with the community, are imperatives for our business sustainability. In FY 2016-17, we have made progressive advancements across all the three pillars.

On the economic front, through appropriate product and market actions we have been consistently improving our market presence, growing our revenues and profitability and expect to maintain the momentum in the years to follow. On the social aspect, our Corporate Social Responsibility (CSR) initiatives address education, environment, health and road safety. On the environment front, we are focused on implementing energy, waste and emission reducing initiatives constantly endeavoring to reduce our environmental impact. We address the impact of climate change across the value chain and remain committed to reducing the environmental footprint across our operations and products throughout their life cycle.

Last year, our Bhandara unit won the 'Front Runner Award in Sustainability 4.0 Awards - 2017' competition organised by Frost & Sullivan and The Energy and Resources Institute. Our manufacturing facility in Pantnagar was awarded the coveted Deming prize for implementation of Total Quality Management.

I believe Ashok Leyland is making steady progress in the path of sustainable growth in a wholesome manner while being fully committed to bettering our environment and the quality of life of all our stakeholders.

I hope you find the report interesting. Thank you.

Yours sincerely,

A handwritten signature in blue ink, reading 'Dheeraj G Hinduja'. The signature is fluid and cursive, with a horizontal line underneath the name.

Dheeraj G Hinduja

Chairman

OUR VISION

To be in the

Global Top 10 in M&HCV Trucks
(>7.5T GVW)

&

Global Top 5 in M&HCV Buses
(8m and above)

in volume terms.


MANAGING DIRECTOR



Message from the Managing Director



It is with great pleasure that I present to you Ashok Leyland's sustainability report for the year FY 2016-17. This report details our overall triple bottom-line performance in the context of economic, social, and environmental sustainability. Sustainability has always been an integral part of Ashok Leyland's corporate ethos and business strategy. The future of Ashok Leyland, can only be secured by our ability to deliver value to our stakeholders and the society in which we operate.

Ashok Leyland is fully committed to performance excellence across all spheres of its business activities addressing concerns such as consumption of resources, pollution, and more importantly giving back to the societies in which we operate. The focus areas for reporting the current year's performance include our business performance, environmental performance, customer and employee satisfaction, and community service.

Under business performance we had initiatives like PRISM which were designed to address concerns of customers in a speedy and responsive manner and SPARK which enabled customers get right spare-parts within a reasonable time and cost.

Environmental concerns would mould the way businesses are run in the coming years. The global risks report by World Economic Forum for the year 2016 lists the issues of 'failure of climate change mitigation and adaption', 'extreme weather events', 'water crisis', 'energy price shock' as the top ten risks in terms of impact on societies. To play our part in mitigating these risks, we at Ashok Leyland are focused on a 'green approach'. We have initiated several measures in adding green cover across our manufacturing plants, water harvesting, recycling, and introducing alternative sources of energy such as solar power.

We also had the unveiling of 'Circuit series' of transport buses which are India's first indigenous electric bus, and the launch of 'iEGR' (intelligent Exhaust Gas Recirculation), a cost effective solution to address BS-IV requirements.

In community service, we take pride in our CSR programme called 'Road to School', which saw Ashok Leyland adopt nearly 108 schools in Tamil Nadu in supporting their infrastructural needs and Ashok Leyland employees volunteering in teaching at these schools. Our BLESSING SCHEME (Ashirwaad Yojana) started in collaboration with the Government of Uttarakhand and Training Partner NTT, with the objective to enhance skills and employability of local communities has become a benchmark for the industry.

The above initiatives not only contribute to the well-being of societies in which we operate, but also make sound business sense. It is in this context that we have started reporting our overall sustainability, by proactively disclosing the details and results of our efforts across the three pillars of sustainability.

Our reporting journey started last year with an internally circulated sustainability report. This is our first published sustainability report and conforms to 'In accordance' - Core option developed by the Global Reporting Initiative (GRI). Going forward we aim to move towards reporting as per GRI standards.

Ashok Leyland is committed to sustainability in all facets of its business which is aligned with our brand and corporate philosophy of "AAPKI JEET. HAMARI JEET" (In your success, lies our success) I would like to take this opportunity to thank all our stakeholders for their ongoing support, and look forward to ideas and suggestions for further enhancing value.

Vinod K. Dasari

Managing Director and CEO

A low-angle photograph of a modern glass skyscraper, showing the grid-like structure of the windows and the building's height against a clear sky. The image is partially obscured by a large orange and blue geometric overlay.

ORGANISATIONAL PROFILE



ORGANISATIONAL PROFILE

Founded in 1948 and headquartered at Chennai, Ashok Leyland Limited is a public limited Indian automobile company under the flagship of Hinduja Group of Companies. Our manufacturing facilities are located at different geo locations with predominance in pan India (refer page 49 of the annual report FY 2016-17 for complete portfolio). With a combined turnover of INR 2,146,793.92 lakhs our annual installed capacity is of 150,000 vehicles in India, we have an employee base of ¹10,222 staff.

For more information about us (e.g. our evolution, joint ventures, subsidiaries, etc.) and our group, we request our readers to refer to our website at www.ashokleyland.com and our Annual Report FY 2016-17 at <http://www.ashokleyland.com/performance-reports>.

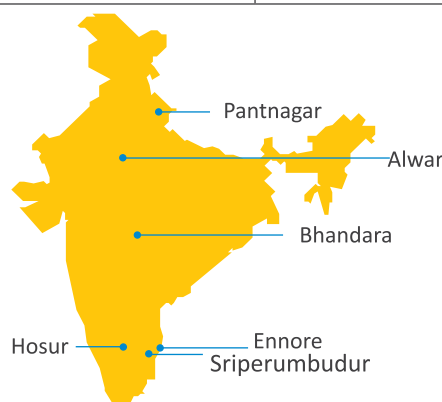
Company Ownership

We at Ashok Leyland, have emerged as India's leading player in the automotive industry since our establishment and are one of the country's most esteemed business groups. Our shares are listed on the Bombay Stock Exchange (BSE) (Script no. 500477) and also on the National Stock Exchange of India (NSE) (Script name: "ASHOKLEY"). Please refer to page 15 for the shareholding pattern of the Company.

¹ The reported number of employee base is pertaining only to Indian operations of Ashok Leyland. Since Hinduja Foundries Limited (HFL) became a part of Ashok Leyland in October 2016, we have not included the employee base details of HFL in this reporting year

Our manufacturing units in India:

Location	Operation
Ennore, Tamil Nadu	Buses, trucks, engines, axles etc
Hosur, Tamil Nadu	Trucks, special vehicles, power units and press shop
Alwar, Rajasthan	Bus manufacturing
Bhandara, Maharashtra	Gearbox
Pantnagar, Uttarakhand	New generation platforms and cabs
Foundries Division, Ennore, and Sriperumbudur, Tamil Nadu	Castings for automobiles and tractors to industrial engines, construction equipment and power generation equipment





Our Products

At Ashok Leyland, we offer a wide range of products to meet our customers' requirements and preferences. Our products are geared towards meeting fuel efficiency and promoting the safety of our customers. We put concerted efforts to innovate and manufacture products that are best suited for Indian markets. We are also working on enhancing our product and service portfolio to ensure less cyclicity.

Buses, trucks, light vehicles, defence mobility solutions and power solutions form our product portfolio.

Buses

We manufacture a variety of buses ranging from 18 seaters to 80 seaters, to suit different needs of our users with the following applications:

- City application buses
- Sub-urban application buses
- Inter-city application buses
- School / Staff / Tourist application buses
- Special application buses

Trucks

Our truck range spans from 2.5T to 49T GVW that cater to over 70 diverse applications from construction & mining to distribution trucks to long haulage vehicles & tractor-trailers.

Medium & Heavy Duty Vehicles (MHCVs)

Based on applications and GVW, our products serve the following segments.

- Haulage – 16 Tons
- Multi-axle vehicles - 25 Tons / 31 Tons / 37 Tons
- Tractor trailers - 35 Tons / 40 Tons / 49 Tons
- Tippers - 16 Tons / 25 Tons / 31 Tons / 37 Tons
- Distribution trucks (Indian Commercial Vehicles) - 10 / 12 Tons

Light Commercial Vehicles (LCVs)

Our light vehicles are utilised in a variety of applications such as intra-city and last-mile transportation of vegetables, fruits, mineral water, groceries, ice-creams, etc. Our first product the DOST was an award winning product and various products have been added since its release.





List of Memberships and Associations

We actively participate with the following associations that are working to formulate policies and regulations for improvement of environment.

- Confederation of Indian Industry (CII)
- Society of Automotive Manufacturers (SIAM)
- Indo-Japan Chamber of Commerce
- Madras Productivity Council
- Madras Chamber of Commerce

The current LCV portfolio includes:

- DOST, a friend in the true sense, provides car-like comfort, class leading payload, low turning radius and superior mileage.

- PARTNER is a next generation LCV truck. Partner provides superior load carrying capacity and a class leading comfort. Its advance ZD30 engine provides 10% higher mileage than competitor products.
- MiTR, the new age LCV bus, is one of the most stylishly designed 27-seater / 31 -seater. The ZD30 engine has Low NVH and hence the MiTR bus is extremely quiet from inside. The MiTR has first-in-class front and rear parabolic suspension for superior passenger comfort.

Defence Mobility Solutions

We pioneered the design, development and manufacture of specialised defense logistics vehicles for the Indian armed forces. We are the key supplier of logistics vehicles to the Indian Army (70,000 stallion vehicles) and one of the largest in the world. We have since expanded into specialist vehicles like Field Artillery Tractors, Missile Carriers, Bridge launchers, 6x6 and 8x8 high mobility vehicles.



The background of the slide features a close-up, slightly blurred image of a judge's gavel resting on a stack of papers. The gavel is made of dark wood with a brass band. The papers are aged and yellowed, with some text visible but illegible. The entire scene is set against a light gray background with a subtle checkerboard pattern.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

At Ashok Leyland, we believe that sound governance can be a platform to build trusting relationships with our stakeholders. We strongly commit ourselves to our values, ethics and business conduct and our corporate governance standards exhibit inalienable rights vested with various stakeholders. With a robust governance structure, we have set clear roles and responsibilities for unbiased decision making across the organisation. We recognise our stakeholders' rights and foster co-operation between them and with the company. Our directors and members of various committees of the Board have a sound understanding of issues beyond regulatory and legal requirements which accounts to enhanced stakeholders' value. Our two guiding philosophies are **work to give** and **word is a bond** which talk about our responsibility towards the society and building long term relationships with our stakeholders. Our governance standards are based on the following principles:

- Clear and ethical strategic direction and sound business decisions
- Prudent financial management
- Transparent and professional decision making
- Adherence to guidelines and continuous assessment of board processes and management system for continuous improvement.

Various committees at Ashok Leyland regularly evaluate our performance, and consider relevant topics such as human rights, environmental matters, corruption etc. in its evaluation.

Committees of the Board

We have various committees in place with the purpose of establishing strategies and directions and to follow-up on performance. Each committee has specific terms of reference/ scopes that focus on different issues related to our business. Our committees operate in co-ordination with the Board's decisions and set targets in agreement with the management. These targets are reviewed periodically and suggestions and improvements are incorporated in the current functioning.

Audit Committee

We have constituted an independent Audit Committee that adheres to Regulation 18 of SEBI Listing Regulations and Section 177 of the Companies Act, 2013 (Act) which acts as a link between the management, external and internal auditors and the Board of Directors of Ashok Leyland. The Committee is responsible for supervising the Company's financial reporting process and providing guidance to the audit function. It is also accountable for monitoring the scope and ensuring the quality of internal and statutory audits. Members of committee are

Mr. Sanjay K. Asher (Chairman of the committee), Mr. D. J. Balaji Rao, Mr. Jean Brunol and Mr. Sudhindar K. Khanna. For further details, please refer page numbers 27-28 of the Annual Report 2016-17.

Nomination and Remuneration Committee

Our Nomination and Remuneration Committee adheres to Regulation 19 of SEBI Listing Regulations and Section 178 of the Act. This committee is responsible for formulation of policies on remuneration and board diversity and for formulating criteria for evaluation of directors and the board. The members of committee are Mr. D. J. Balaji Rao (Chairman of committee), Mr. Dheeraj G. Hinduja, Mr. A. K. Das and Ms. Manisha Girotra. For further details, please refer page numbers 28-30 of the Annual Report 2016-17.

Stakeholders' Relationship Committee

We have constituted a Stakeholders' Relationship Committee that abides by Regulation 20 of SEBI Listing Regulations and Section 178 of the Act. The major function of this committee is to receive and redress the grievances of the security holders. It is also responsible for reviewing the manner and timelines of dealing with the complaint letters received from Stock Exchanges/SEBI/Ministry of Corporate Affairs etc., and the responses thereto. Members of the committee are Mr. Sanjay K. Asher (Chairman), Mr. D. J. Balaji Rao, and Ms. Manisha Girotra. For further details, please refer page numbers 30-31 of the Annual Report 2016-17.

Corporate Social Responsibility Committee

We have constituted a Corporate Social Responsibility Committee which is in line with the provisions of Section 135 of the Act read with Companies (Corporate Social Responsibility) Rules, 2014 comprising of Mr. Dheeraj G. Hinduja, as Chairman of the Committee, Ms. Manisha Girotra, Mr. Shardul S. Shroff and Mr. Vinod K. Dasari as members.

Risk Management Committee

A Risk Management Committee has been formed to assist the Board and Audit Committee in their responsibilities of overseeing Company's risk management policies and processes (including processes for monitoring and mitigating such risks) and the Company's exposure to unmitigated risks. The committee comprising, Dr. Andreas H. Biagosch as Chairman of committee, Mr. D. J. Balaji Rao, Mr. Sanjay K. Asher and Mr. Gopal Mahadevan as members. For further details, please refer page numbers 31-32 of the Annual Report 2016-17.

Technology Committee

Being a company with an aspiration to pioneer in world-class technology, we have constituted the Technology Committee.

The Technology Committee considers and approves key decisions with regard to product planning and choice of technology thereof, and help prepare the Company to be in step with or be ahead of emerging global product and technology trends. The members of Technology committee are Dr. Andrew C. Palmer as the Chairman of the Committee, Dr. Andreas H. Biagosch and Mr. Jean Brunol as members of the committee.

Investment Committee

The Investment Committee considers and recommends long term strategic goals in the areas of manufacturing and product strategy. The members of the Investment Committee are Mr. Dheeraj G. Hinduja, as the Chairman of the Committee, Dr. Andreas H. Biagosch and Mr. Jean Brunol as members of the committee.

Governance Structure

1. **Mr. Dheeraj G Hinduja** (Chairman)
Promoter, Non- Independent Non-Executive
2. **Mr. R Seshasayee***
Non- Independent, Non-Executive
3. **Dr. Andreas H Biagosch**
Independent, Non-Executive
4. **Dr. Andrew C Palmer**
Independent, Non-Executive
5. **Mr. D J Balaji Rao**
Independent, Non-Executive
6. **Mr. A K Das**
Non- Independent, Non-Executive
7. **Mr. Jean Brunol**
Independent, Non-Executive
8. **Mr. Jose Maria Alapont[#]**
Independent, Non-Executive
9. **Ms. Manisha Girotra**
Independent, Non-Executive
10. **Mr. Sanjay K Asher**
Independent, Non-Executive
11. **Mr. Shardul S Shroff**
Independent, Non-Executive
12. **Mr. Sudhindar K Khanna**
Independent, Non-Executive
13. **Mr. Vinod K Dasari** (CEO & MD)
Non-Independent, Executive

[#] Appointed as an Additional Director (Independent) on January 25, 2017

^{*} Resigned as a Director with effect from July 28, 2016



Shareholding Pattern

Category	Number of Holders	Number of Shares	% to paid up capital
Promoters – Hinduja Automotive Limited, UK (Includes 329,200,140 shares in GDR Form)	2	1,433,847,039	50.38
Resident Individuals (also unclaimed securities suspense A/C)	508,425	324,717,965	11.41
Clearing Members	401	11,776,701	0.41
Financial Institutions/Insurance Co./State Govt./ Govt. Companies/UTI	23	148,448,609	5.22
Foreign Institutional Investors	48	123,714,115	4.35
Foreign Portfolio Investors	330	567,926,573	19.95
NRI/OCB/Corporate Bodies - Foreign/Bank - Foreign/ Foreign Nationals/Foreign Port Folio Investor-corporate	7,172	14,472,131	0.51
Corporate Bodies/Limited Liability Partnership	2,428	81,921,226	2.88
Mutual Funds	64	105,306,062	3.70
Trusts	46	6,867,283	0.24
Banks	33	3,878,430	0.14
Others - GDR A/C	2	23,045,500	0.81
Grand Total	518,974	2,845,876,634	100.00

Risk Management

At Ashok Leyland, we have established a robust Enterprise Risk Management (ERM) framework embodying the principles of COSO ERM framework & ISO 31000:2009 standard that encourage a sound risk culture and facilitate informed decision making.

Our risk management system is driven by our aim to protect and create value for and instill confidence amongst our stakeholders, including shareholders, employees, customers, regulators, and society. It enables us in identifying particular risk events or circumstances in relation to the organisation's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring them on a regular basis. The ERM process is integrated with our strategic business planning process and the approach is inclusive, well integrated and standardised across the organisation, encompassing all business units & functions.

Risks that are inherent to the strategy for each of the business units are identified by an external environment scan and the critical assumptions underlying the strategy are also considered at the stage of strategy setting. Both internal and external risks are considered. The ERM also supports pro-active identification of risks that would enable us to adapt to the changing scenario. By this process key risks, opportunities & trends are identified.

The ERM framework



The ERM is overseen by the Board of Directors, through the Risk Management Committee (RMC) which is responsible to ensure that the Company has an appropriate and effective ERM framework. The RMC apprises the Board on a periodic basis on the effectiveness of the ERM framework, the enterprise risks faced by the Company and how these are managed. It also reviews the organisation's risk appetite statement on an annual basis. The Steering Committee is chaired by CEO & MD and consists of core business vertical heads. The committee reviews on a quarterly basis, the enterprise risks which are subsequently tabled at the RMC.

Our performance in the last financial year was augmented by timely evaluation and responses to shifts in customer preferences, competitor actions, changes in the technology landscape, regulatory trends, and geo-political risks which aided us in becoming resilient to changing business scenario, gain competitive advantage over our peers, and protect and

create value for our stakeholders across strata. Some of the key actions implemented to mitigate risks are as under:

- Enhancement of service outlets and brand image
- Launching of new products
- Pursuing new domestic markets across the country
- Developing alternate international markets
- Focusing on cost control and debt reduction

Code of Conduct

We have adopted a Code of Conduct that aims at ensuring consistent standards of conduct and ethical business practices across the Company. Each of the members of the Board and senior management has affirmed in writing, their adherence to this Code. Any actual or potential violation of the Code of Conduct would be a matter of concern for the Company.

The code unambiguously lays down the general principles and standards that govern the actions of the Company and its employees, laying emphasis on adoption of highest standards of personal ethics, integrity, confidentiality and discipline in dealing with matters relating to the Company.

Internal Control Systems

Given the nature of business and size of operations, we have designed a proper and adequate internal control system to ensure:

- Transactions recorded are accurate, complete and properly authorised
- Adherence to Accounting standards and compliance to applicable statutes, Company policies and procedures
- Effective usage of resources and safeguarding of assets

At Ashok Leyland, we have complied with the specific requirements as laid out under Section 134(5)(e) of the Companies Act, 2013 which calls for establishment and implementation of an Internal Financial Control framework that supports compliance with requirements of the Act in relation to the Director's responsibility statement.

Our internal control framework follows the COSO (Committee of Sponsoring Organisations of the Treadway Commission) Internal control framework 2013, and supports in evaluating the operating effectiveness of internal controls in a consistent manner.

Further, through its own independent & multi-disciplinary internal audit function, we carry out periodic risk based internal audits across locations and functions, based on the internal audit plan as approved by the Audit Committee of the Board.

The internal audit function reviews compliance vis-à-vis the established design of the internal control, as also the efficiency and



effectiveness of operations. The risks identified out of the audits are reviewed periodically and mitigation ensured. The summary of the internal audit findings and status of implementation of action plans for risk mitigation, are submitted to the Audit Committee every quarter for review, and concerns if any, are reported to the Board.

Information Security

Information Technology (IT) is a key enabler and a differentiator in a competitive business environment. We have embarked on various digital transformation initiatives in making the Company an 'IT-led' business. In this journey, we have committed to implement necessary safeguards to protect our information assets and intellectual property.

We have adopted the ISO 27001 Information Security Standard to align our Information Security Management System (ISMS) with the industry best practices and have successfully renewed the ISO 27001:2013 certification for the current year.

We have a dedicated Information security function, which conducts periodic risk assessments, reviews and ensures implementation of controls to protect confidentiality, integrity and availability of information.

Vigil Mechanism/ Whistle Blower Policy

To enable our Directors and Employees to report to the management, instances of unethical behavior, actual or suspected fraud, transgression of legal or regulatory requirements or violation of the Company's Code of Conduct, we have established an avenue called "Vigil Mechanism/ Whistle Blower Policy". It is a channel to reinforce a robust implementation of the Company's Code of Conduct and policies.

It has been formulated with the aim to provide a mechanism for Directors and Employees of the Company to approach the

Chairman of the Audit Committee, as the case may be. The Policy was reviewed and approved by the Board of Directors of the Company at its meeting held during November 6, 2014. If an investigation leads the Chairman of the Audit committee to conclude that an unethical or improper activity has been committed, the Chairman will recommend to the management of the Company to take such disciplinary or corrective action as deemed fit. It is clarified that any disciplinary or corrective action initiated against the subject as a result of the findings of an investigation pursuant to this policy would adhere to the applicable personnel or staff conduct and disciplinary procedures. A quarterly report with number of complaints received under this policy and their outcome is placed before the Audit Committee and the Board. We hereby affirm that no Director / Employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the reporting year.

Management Remuneration

At Ashok Leyland, we have a Nomination and Remuneration Committee constituted pursuant the provisions of Regulations 19 of SEBI Listing Regulations and Section 178 of the Companies Act, 2013. The committee is accountable to formulate a policy on remuneration and lay down the criteria for performance evaluation. The performance evaluation is done by the entire Board of Directors and care is taken that no Director takes part in his own evaluation. The Non-Executive Directors (NEDs) are remunerated by way of sitting fee for each meeting and profit related commission. The commission to respective NED is evaluated according to the objective criteria discussed and agreed upon by the Nomination and Remuneration Committee unanimously. The aim is to engage, encourage and retain experienced and skilled individuals that the Company needs in order to achieve its strategic and operational objectives. The Committee strives to align the remunerations of Directors, Senior Executives, Middle and Lower level employees to each other.





STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT



STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder Engagement

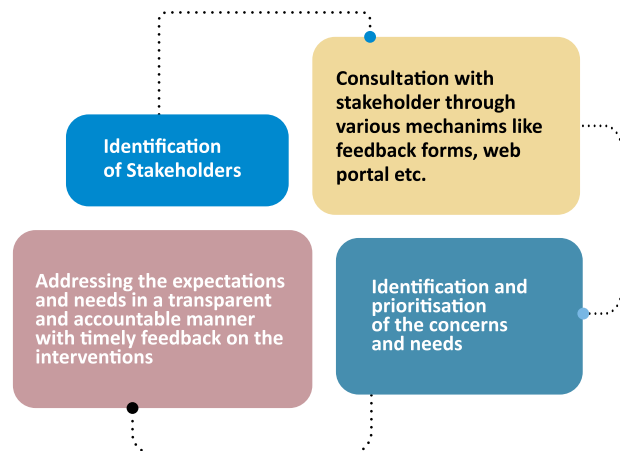
Stakeholder engagement is a process to identify people who affect or may be affected by the decision of the company. The process is a key to achieve the triple bottom line and important to our business as it helps in identifying economic, environmental and social issues that matter most to our performance and in order to improve our decision making process.

At Ashok Leyland, we understand sustainable development for an organisation depends on meeting the expectations of the stakeholders and bridging a constructive dialogue with them. It is important to understand stakeholders' views on the issues that are important to them.

Engaging with our stakeholders is a continuous process that helps us in fostering long term relationships with them. This also helps in understanding their needs and aids us in meeting their expectations. During stakeholder interactions we communicate our efforts and seek their suggestions. We conducted a separate stakeholder engagement process for our sustainability report. We have created a robust approach to engage with our stakeholders that is based on trust, accountability and transparency.

Prioritising Stakeholders

- List down all the stakeholders
- Identify the extent of impacts of stakeholders on Ashok Leyland
- Identify the ability of the stakeholders to influence the decision of Ashok Leyland
- Based on the impact and influence, prioritise the key stakeholders



Stakeholder Group	Mode of Engagement	Frequency of Engagement	Key Expectations	Feedback Assessment
Employees	<ul style="list-style-type: none"> Monthly and quarterly meet Personal review and visits Surveys Training Annual day Events 	Monthly, Quarterly, Annually and need Basis	<ul style="list-style-type: none"> Continuous learning and development Plant safety Employee safety Knowledge management 	<ul style="list-style-type: none"> Employee engagement survey Annual appraisal Chairman's award MD's townhall meetings Improvement competition
Suppliers	<ul style="list-style-type: none"> Suppliers meet Tech days Mutual visits Monthly meetings with leadership Events 	Monthly, Quarterly, Annually and need basis	<ul style="list-style-type: none"> Long term business commitments Supplier development Scheduling Economic scenario with respect to commercial vehicle industry Scheduling Honouring payment 	<ul style="list-style-type: none"> Vendor summit Workshops Strategic supplier meet
Dealers	<ul style="list-style-type: none"> Events Dealer panel engagement 	Weekly, Need basis, Annually	<ul style="list-style-type: none"> Loans Margins Show room locations 	<ul style="list-style-type: none"> Annual conference Field visit
Customers (Institutional and Retail)	<ul style="list-style-type: none"> Events Survey Ashok Leyland initiatives 	Need basis, Periodically	<ul style="list-style-type: none"> Delivery Technical communication New product development 	<ul style="list-style-type: none"> Customer satisfaction survey
Government and Regulatory authorities	<ul style="list-style-type: none"> One to one meetings Events and conferences 	Periodically, Need basis	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Compliance reports

We have identified employees, customers, suppliers, dealers, government and regulatory authorities, shareholders & financial institutions and media as our stakeholders. This report responds to the concerns of our key stakeholders. In future years, we aim to expand our pool of stakeholders engaged with and respond to their expectations, if any. We would like

our stakeholders to peruse this report and provide valuable feedback in our effort to improve our performance in future.

Materiality Assessment

Materiality assessment helps us in identifying global issues like resource optimisation, energy efficiency, skill development, business growth & profitability etc. which are important to our organisation. The analysis helps us to understand the important topics to be included in the sustainability report in accordance to our discussion with both internal and external stakeholders. These topics lay the foundation of our sustainability reporting as they reflect our vision, action plans and progress made towards mitigating they key challenges faced by us across various sustainability aspects.

The materiality assessment has been carried as per Global Reporting Initiative (GRI) G4 principles and the issues have been defined in the report accordingly. Material issues identified through the exercise conducted in 2016-17 outlined



in the materiality list have been finalised through inputs from stakeholders and discussions with the senior management.

We adopted the following process for materiality assessment:

1. An exhaustive list of material issues was identified through an extensive research of material issues reported by global peers.
2. We conducted a stakeholder engagement process by collecting the inputs through questionnaires and interactions.
3. We also sought inputs from senior management on sustainability topics which are significant to our business.
4. Following our discussions, the material issues were then reviewed and finalised by the sustainability core team.



Material Issues	Where does the impact occur (Internal / External / Internal and External)	Sections in the report
ECONOMIC		
Business growth and profitability	Internal	Economic Performance
R&D and innovation	Internal	Economic Performance
Regulatory compliance	Internal and external	Corporate Governance Environmental Performance Product Innovation and Safety
Procurement - Sourcing strategy and policy	Internal and external	Economic Performance
ENVIRONMENTAL		
Energy management	Internal and external	Environmental Performance
Water management	Internal and external	Environmental Performance
Air emissions (including GHG emissions)	Internal and external	Environmental Performance
Biodiversity	Internal and external	Environmental Performance
Waste management	Internal and external	Environmental Performance
Resource optimisation	Internal and external	Environmental Performance
SOCIAL		
Product safety and quality	Internal and external	Product Innovation and Safety
Recruitment and talent / skill management	Internal	Workforce Management
Human rights in supply chain	External	Workforce Management
Occupational health and safety	Internal and external	Occupational Health and Safety
Customer satisfaction	Internal and external	Customer Delight
Labour management relationship (Freedom of association & collective bargaining)	Internal and external	Workforce Management
Inclusive growth	Internal and external	Inclusive Growth and Community Development
Grievance mechanism	Internal and external	Environmental Performance Workforce Management
Supply chain management	Internal	Economic Performance





ECONOMIC PERFORMANCE



ECONOMIC PERFORMANCE

The FY 2016-17 continued to be another difficult year in the global economic scenario, plagued by increasing policy uncertainties, lower investments and stagnated global trade. The Eurozone growth subdued reflecting its increasing economic and political uncertainty while China continued its decline due to its unbalanced credit, housing and industrial markets. Slowdowns in Europe and China outweighed the accelerated growth in United States (US) and emerging markets. The global economic growth downturned as emerging Asia was offset by Brexit and the plateauing US market. The global commercial vehicles market has maintained its growth momentum. Sales volumes have increased from 20.3 million vehicles in 2011 to 24.4 million vehicles in 2016 growing steadily at a rate of 4% per annum.

We strive to stretch our performance boundaries year after year. Economic performance is material to us for our overall sustainability. In the reporting period, when the overall industry volume was static, and while demonetisation and implementation of BS IV emission norms had their dampening effects; we went on to gain significant market share. This was possible by taking proactive measures in the product and market areas and responding to the changes in the business environment. In the coming years, we will continue to provide thrust to the core business of commercial vehicles and build a portfolio of profitable segments.

Our Economic Performance

The financial year 2016-17 has been exceptional for us as we closed the fiscal year with record revenues of INR 21,33,167 lakhs; a growth of 7%. Our net profit stood at INR 1,22,308 lakhs, against INR 38,960 lakhs for the same period last year and recorded a 214% jump in our net profits. We were successful in clocking a double digit EBITDA performance for the 9th straight quarter and registered a 11% EBITDA margin for FY 2016-17. Our domestic market share increased across all segments and regions and posted an overall 33.8%, an increase of 1.1% over last year.

Though market remained flat for M&HCV industry with total sales of 3,02,529 units, as against 3,02,397 units for the same period last year, our total volumes in domestic market registered a growth of 4% at 1,02,313 for FY 2016-17 as against 98,809 for FY 2015-16. Our total M&HCV volume including exports increased by 3% to 1,13,296 nos, while our LCV volume increased to 31,770 units, a gain of 4%.

For FY 2016-17, the Board has recommended a dividend of INR 1.56 per share which is subject to the approval of the shareholders.

Our investments in R&D of INR 38,488.73 lakhs for the financial year 2016-17, an increase of 37.6% over the previous year. These

investments amount to 1.8% of our total turnover this year versus 1.4% in the previous year. A significant portion of this investment is towards development of advanced engines and aggregates and launch of new vehicle models.

The expenditure towards CSR initiatives was INR 833.54 lakhs. The details of the CSR amount spent during the financial year is detailed in our annual report for FY 2016-17 available on our website.

Few highlights in the economic performance for the FY 2015-16 and FY 2016-17 are:

Particulars	Economic Performance (in INR lakhs)	
	FY 2015-16	FY 2016-17
Economic Value Generated	2,011,059.44	2,146,793.92
Economic Value Distributed	1,904,500.55	2,042,612.30
Operating costs	1,581,994.43	1,680,190.73
Community investments	369.05	833.54
Payments to Government	150,377.71	168,176.99
Employee wage and Benefits	138,506.28	153,093.50
Payments to providers of capital	33,253.08	40,317.54
Economic Value Retained	106,558.89	104,181.62

Direct and Indirect Economic Impacts

Change being the constant element, we as an automotive company rely on our customers' innovative attitude and mindset. At Ashok Leyland, we put concerted efforts to adapt to rapid urbanisation, fulfil demand for improved infrastructure and increased mobility solutions and augment the company's economic value as a corporation. Our objective is to accompany expansion with sustainable growth assisting the company and allowing us to create a positive difference in the society through creation of employment opportunities and regional development. We are committed to embed sustainability principles in our operations and build healthy relationships with the local communities thereby contributing to our business advancement. We also have broader economic impacts through sound investments in different projects, community support programs and social up-gradation which eventually contributes to the overall economic development of the society.

Reaching the largest volume growth in truck sales in the northern parts of the country

Positioning a class leading 10x2 truck

Gaining market share through launch of six new products across different segments

Recognised as one of the top 40 brands in India

Grew aftermarket revenues by 31%

Supply Chain Management

The supply chain of a company like ours comprises hundreds of companies making various parts and components that are ultimately assembled in a plant. The right parts and components, of high quality must arrive at the right time, in the right quantity, and in a coordinated manner so that the assembly can be done efficiently. The chain tends to be multi-tiered and complex for an automobile industry and its effective management is essential for our business. We strive to accomplish this by our various supply chain relationship initiatives and supplier audits.

At Ashok Leyland, we ensure that all our Micro, Small and Medium Enterprises (MSME) payments are done within 45 days as per the legal standards. During the year, we have not been in violation of any legal requirements and no penalty was imposed in regards to payments.





We strengthen our sustainability objective in our leadership and management roles to maximise the value at every stage of our value chain. We strive to improve our performance and aim sustainable growth by sharing fundamental values and principles with all our stakeholders. Our value chain extends right from product development to after sales service.

Our major focus in supply chain management is on quality, delivery, cost reduction, local sourcing, managing risks and regulatory compliance. We believe in developing local markets and contribute in their economic growth and thus 98% by value of materials used in the manufacturing plants are sourced locally³. Our future plans for our supply chain include eliminating and minimising usage of packaging material like wood, plastics and cartons.

Supplier Audits

Before onboarding a supplier, we abide by our supplier selection policy and conduct a detailed new supplier audit. For our existing suppliers, we have regular surveillance audits.

The audits verify suppliers' process and systems for their quality, cost, logistics, development, management and category specific capabilities such as sheet metal, casting, forging and so on. There is a threshold score for each heading to pass and an overall score to qualify as a potential supplier for Ashok Leyland.

Supply Chain Relationship Initiatives

We believe that engaging with our suppliers helps in building trusting relationships with them and recognising our suppliers' efforts help us in motivating them to improve their performance.

Our various supply chain relationship initiatives are as below:

1. "A Panel & B Panel Meetings", bi-yearly "Strategic Partners Meet" and "Annual Supplier summit"- These are senior management engagement programmes with Ashok Leyland's strategic partners convened to discuss mutual business interests on a regular basis.
At our Annual Supplier Summit, each year, we honor our suppliers with Gold and Silver awards for the following categories:
 - Best Quality Performance
 - Cost Competitiveness
 - Best delivery performance
 - New Product development capability
 - Business Alignment
 - After Market Support
 - Best Debutant
2. "Gemba at supplier", "Weldone", "Castright", "Heatwave"- These are our various supply chain capability enhancement programmes.
3. Regular visits by Ashok Leyland executives to supplier sites and vice versa.

³ Local is considered as India



ENVIRONMENTAL PERFORMANCE



ENVIRONMENTAL PERFORMANCE

At Ashok Leyland, we have always been at the forefront of environmental stewardship. Environmental protection is a key component of sustainability which is driven by our Environmental Policy and Sustainability Policy. We are aware of the negative impacts our operations have on the environment and have identified energy efficiency, GHG emissions, biodiversity, emissions to air (VOCs), waste management, water management and resource optimisation as material environmental aspects.

Our focus on the ecosystem and environmental conservation is ingrained in the way we conduct our business. We believe that effective use of resources, transforming to low carbon energy sources, sound waste and water management techniques are becoming increasingly important for long term business sustainability. Therefore, we ensure that our operations are energy efficient and have low environmental impact. Through our initiatives across various material aspects – energy, water, waste, emissions and biodiversity, we have improved our performance and enhanced efficiency on various fronts.

We are focused on implementing energy, waste and emission reducing initiatives and further reduce our environmental impacts along with operational costs. We address the impact of climate change across our value chain and remain focused to reduce environmental footprint across our operations and products throughout their life cycle.

Energy Management

The consequences of climate change can now be evidently observed with global temperature rising quickly. Emission from combustion of conventional fuels like coal, diesel, etc. have direct impact on our climate. In this environment, where the world is fighting with these issues along with the concern of energy security, we at Ashok Leyland, have taken the challenge

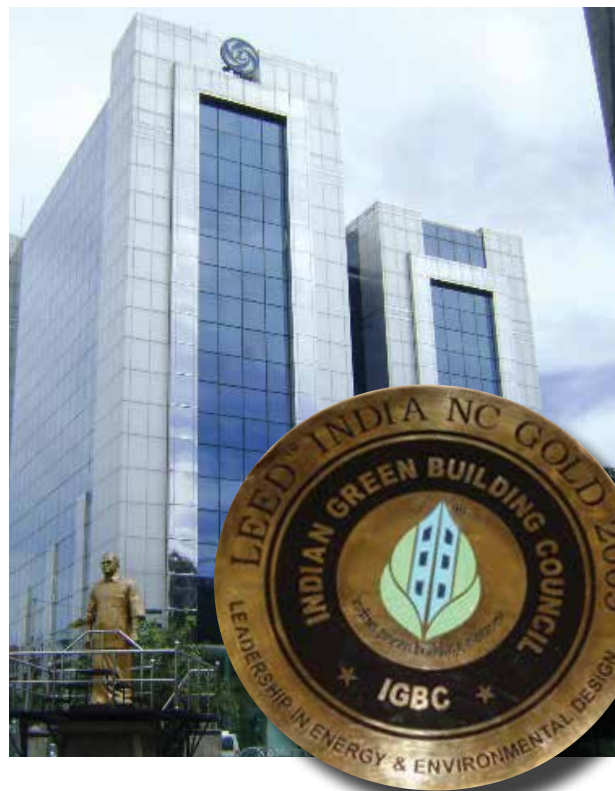


head on and tackling the issues by optimising our energy demand. Our cutting edge technology has not only helped us to reduce our energy needs and greenhouse gas emissions but has also helped our customers to reduce the same.

We continuously work towards managing our energy needs sustainably and improve energy efficiency. Our energy needs are met by a mix of renewable and non-renewable sources of energy. Renewable sources include wind energy and non-renewables are High Speed Diesel (HSD), Compressed Natural Gas (CNG), Liquefied Petroleum Gas (LPG) and Grid Electricity.

In FY 2016-17, we consumed 3,42,708 GJ of total direct energy (HSD, CNG and LPG) and 4,01,291 GJ of indirect energy from grid electricity. Our overall energy intensity for FY 2016-17 was reported as 5.25 GJ/ HECU⁴ which is 7% less than FY 2015-16.

We have introduced various initiatives to conserve our energy through conventional sources and improve energy efficiency. Through our various initiatives, we have conserved 16,633 GJ of energy in the reporting year.



Replacement of Propane to Regasified Liquefied Natural Gas (RLNG)

Propane was used earlier in the Pantnagar plant for heating application in paint process. Propane was costly and logistics and storage was difficult. Also enhanced safety precautions where to be taken while unloading the propane from tanker to bullet.

With the arrival of GAIL pipeline at Pantnagar industrial area, we converted the usage of propane to RLNG. Natural gas is safer as compared to propane. It is much lighter compared to propane and rapidly dissipates into the air when released however Propane being heavier settles down.

Propane was earlier transported from depot through road which was 300 Kms from the plant while natural gas is transported through pipeline and therefore we achieved saving in diesel consumption in transportation.

We have also achieved saving of 1 lakh kWh during winter season as vaporiser is not required in case of natural gas.

Till March 2017, we have saved 105 tCO₂e.

⁴ HECU – Hybrid Equivalent Chassis Unit. HECU factor is arrived as the ratio of cost incurred per aggregate to the average operating cost per HECU (INR 15,832 rounded INR 15,000 per HECU)





Introduction of roof top solar plant

We have commissioned roof top solar plants at our different units amounting to a total of 5 MW. We have installed the same at Hosur 1 & 2, Bhandara and Ennore units.

These installation will annually generate 15 lakh units that could result in reduction of 1,230 tCO₂e.

Introduction of heat pump in flood washing machines - Hosur 1

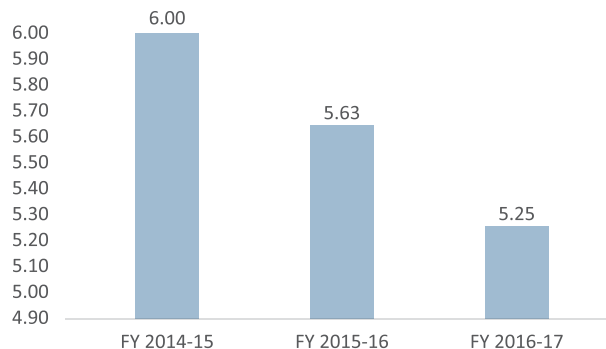
Flood washing machines are used to clean the machine components. Earlier the cleaning media was heated using conventional electric heaters which consumed 48 kW per machine of energy.

The conventional heaters are now replaced by air source heat pump. These are energy efficient pumps that absorb heat from one part and release it in another part rather than converting it from a fuel like conventional heater.

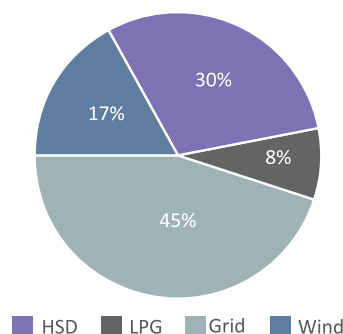
This has resulted in reducing energy consumption and thus carbon footprint. By using heat pump we have also reduced our operating cost and since they have a long lifespan, the rate of return has also increased.

We have been able to achieve a saving of 5 units per engine resulting an overall saving of 38 kW per machine.

Specific Energy Consumption (GJ/HECU)



Energy Composition



We also focus on increasing our share of renewable energy sources in our overall energy mix. We source wind power from external source at our Hosur, Bhandara, Ennore plants and VVC centre. In FY 2016-17, we utilised 150,499 GJ of energy from renewable sources which 17% of the overall energy consumption.

Energy conservation by providing Variable Frequency Drives (VFDs) for the paint shop floors in Vehicle Test Shop (VTS) - Hosur 2

Paint booth in the VTS shop consists of a 75 kW supply blower and 4 nos. of 22 kW exhaust motors. All these motors running continuously in order to maintain air balancing inside the booth. This resulted in high energy consumption.

We identified this situation as one the potential area for energy reduction and thus introduced VFD panel and booth balancing by operating the blowers on 45 Hz. The air balancing remained the same even after reducing the frequency and helped us in achieving energy reduction. This has resulted in conserving 1,12,700 kWh of energy per year.

Power consumption optimisation by use of pyro blocks

Earlier in heat treatment furnaces, the inner lining of furnaces were lined with fire clay bricks. Due to this the come to heat time was more which resulted in higher energy consumption.

We have replaced the brick lining with high density monolithic CF blocks (pyro blocks) with excellent heat reflection properties. This has resulted in reducing the heat loss and achieve more power saving.

By implementing the new lining we have achieved an annual saving of 58,000 kWh.

Improve the usage of treated effluent water from Zero Liquid Discharge Plant (ZLDP)

Before:

- Treated water from ZLDP (75 KLD) is used as feed for softener plant at paint shop.
- Good quality water (<100 TDS) is used for under quality application (softener)
- Parallely RO plant is consuming raw water (120 KLD) & generating reject water of (40 KLD)

After:

- Extended the treated water pipe line up to RO plant
- Used treated water (<100 TDS) with the volume of 75 KLD as input to RO plant
- Connected the reject water line to input tank while using treated water
- Reduce the raw water consumption by 20 KLD
- Reduce the effluent water generation by 20 KLD from RO plant

Benefits:

- Water conservation: 7,300 KL/ annum
- Reduction in Effluent Generation: 7,300 KL/ annum

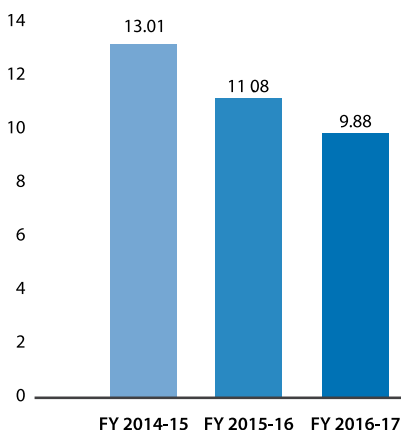
Water Management

Over the years, water has become one of the major natural resources due to steep depletion in the quantity of fresh water resources. Water management is one our major sustainability issues as the water demand is significant across all our operations. We continuously strive to reduce our water consumption and maintain a Zero Liquid Discharge (ZLD) status for our sites in Hosur (Unit 1 and 2), Ennore, Alwar and Pantnagar and endeavour to become water positive in future. Our rainwater harvesting capacity is 441,889 KL and it was observed that during the rainy season, there is overflow of rainwater.

Water is a major resource utilised during our production processes and we are committed to reduce our fresh water consumption by reusing as much water possible. We withdraw water from various sources like tankers, river, bore well, municipality supply etc. In the

places where we are located in industrial areas we source water from government supply although in FY 2016-17, our total water consumption was 13,99,857 KL which is 2% less than FY 2015-16. Our overall specific water consumption for the reporting period has reduced by 11% from 11.08 KL/HECU in FY 2015-16 to 9.88 KL/HECU in FY 2016-17 through our water conservation initiatives that include rainwater harvesting, water recycling etc.

Specific Water Consumption (KL/HECU)



Water withdrawal by source	Ground Water (KL)	Tankers (KL)	River (KL)	Municipal Supply (KL)
Hosur 1	1,58,220.00	0.00	0.00	0.00
Hosur 2	1,99,086.00	0.00	0.00	0.00
Ennore	4,12,309.00	0.00	0.00	0.00
VVC	0.00	0.00	0.00	76,710.00
Bhandara	45,152.00	0.00	69,946.00	0.00
Alwar	16,425.00	0.00	0.00	4,375.00
CPPS	23,461.00	2,398.00	0.00	0.00
Pantnagar	3,85,007.00	0.00	0.00	0.00
Corporate	0.00	6,768.00	0.00	0.00
Total	12,39,660.00	9,166.00	69,946.00	81,085.00



Wastewater Discharged (KL)	
Hosur 1	62,735.00
Hosur 2	1,25,152.00
Ennore	3,00,101.00
VVC	37,438.00
Bhandara	22,933.00
Alwar	10,820.50
Pantnagar	1,08,733.00
CPPS	6,304.20
Sub Total	6,74,216.70

Reduce the water consumption at canteen hand wash area

In canteen hand wash area, we provided 84 conventional taps that dispensed water at a rate of 12 litre per minute. For hand washing 84 KLD water was consumed which appeared to be on the high side.

We then replaced the conventional tap with water saving taps that dispense water at a rate of 4 litre per minute and thus reduced daily consumption by 15 KLD.

An overall conservation of 5,475 KL/ annum of water was achieved.

We also focus on reuse of treated wastewater at our sites with an aim to reduce our fresh water consumption. In FY 2016-17, we discharged 6,74,216 KL of wastewater from our all our units, out of which 48% was recycled. The treated water is then either used in manufacturing process or domestic purpose such as gardening and cleaning.

Biodiversity

At Ashok Leyland, we acknowledge the importance of natural resources and take concerted efforts to conserve them. We have



undertaken several initiatives to restore natural resources and minimise the impacts of our operations on biodiversity. Some of our key initiatives include tree plantation that emphasise on native species at our manufacturing sites and development of water bodies to enhance our flora and fauna.

We nurture 3,88,464 trees and saplings within our campuses. We have planted 22,590 trees and saplings across our sites in FY 2016-17. We ensure that these saplings receive appropriate inputs for growth and put in efforts for achieving high survival rates. This year we achieved 94% survival rate for the saplings planted. Run-off water is utilised for the creation for water bodies, thus ensuring water conservation. As a result of our activities, various resident and migratory birds are observed at various sites and they have now become home to different



avian fauna such as ducks, peacocks etc. The pond also supports the breeding of fishes & turtles. Our initiatives have also provided a safe habitat for Neel Gay, Rozary and species of Deer, Rabbit etc.

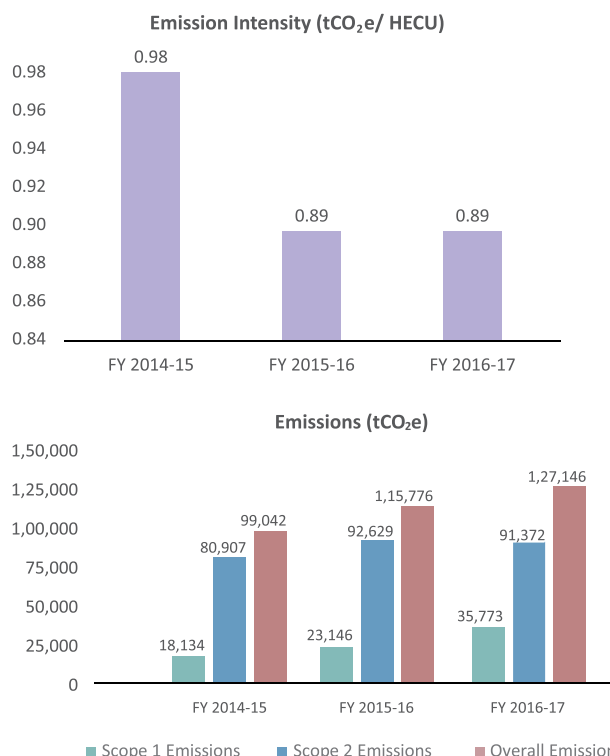
Our sites are primarily located in industrial zones and none of our plants are located in the vicinity of eco sensitive or biodiversity rich zones, except for one unit at Ennore. Our site at Ennore does not cause any harm to the surrounding biodiversity and none of the IUCN red listed species are located and affected by our operations. We consistently work towards fulfilling our commitment of minimising environmental impacts of our operations and look forward to engaging with local communities for conservation of the ecosystem that we function in.

Emissions

Climate change due to human energy intensive activities have created a real challenge and thus work needs to be done to address such risks on global scale. We must create solutions that help in reducing the adverse effects and helped to achieve our environmental goals without undermining the growth of global economy. We are part of a sector that is a significant source of emission and limiting them is a challenge for an automotive industry.

We have maintained a GHG inventory that covers our Scope 1 and Scope 2 emissions from our sites under the GEMBA initiative. The inventory is based on accuracy, relevance, completeness and consistency. The calculation under GHG inventory in accordance with the Greenhouse Gas Protocol. We constantly monitor the emission portfolio of our products as well as our manufacturing process. We aspire to continuously reduce our carbon footprint and lower our emissions. To achieve our goal of reducing emissions, we have undertaken several initiatives and implemented innovative technologies across our operations

Emission Factors considered for calculating Scope 1 and Scope 2 emissions:	High Speed Diesel: 2.68 kg/liter Compressed Natural Gas: 0.054 kg/liter Liquefied Petroleum Gas: 2.98 kg/kg Grid Electricity: 0.82 ton CO ₂ e/MWh		
Global Warming Potential (GWP) of Ozone Depleting Substances:	CFC Name	Commercial Name	Value
	HCFC-22	R-22	1760
	HFC-134a	R-134a	1300
	HFC-404a	R-404a	3922
	HFC-410a	R-410a	2088
	HFC-407c	R-407c	1774



Direct (Scope 1) and Indirect (Scope 2) GHG Emissions

Our GHG emissions from manufacturing process are from consumption of conventional fuels like HSD, LPG and usage of grid electricity. In FY 2016-17 our overall scope 1 GHG emissions were 35,773 tCO₂e and indirect GHG emissions were 91,372 tCO₂e. As compared to FY 2015-16 our overall emissions have increased by 10%.

Reduce the carbon footprint level of the plant by installation of 120 CFM compressor - Hosur 2

We are using compressed air for maintaining circulation of paints in both Cab paint and Frame paint. Earlier we were running a 500 CFM compressor to cater the above need during non-production hours and holidays.

We studied the actual requirement and identified that 120 CFM is sufficient to cater the need. We then installed 120 CFM compressor that resulted in saving of 380 CFM.

This also reduced the energy consumption and carbon footprint. We were able to save 1.97 lakh units/ annum of energy and reduction of 162 tCO₂e of indirect emissions.



The overall emission intensity for FY 2016-17 is 0.89 tCO₂e/HECU. The emission intensity in the reporting remains the same as compared to FY 2015-16.

The sources of Scope 1 emissions from our operations are consumption of fuels like HSD, LPG and CNG while Scope 2 emissions are from utilisation of grid electricity.

Air Emissions

At Ashok Leyland, we continuously monitor our air emissions and have placed necessary controls and taken measures to manage our air emissions within permissible limits. Our air emissions include Particulate Matter (PM), Nitrogen Oxide (NOx) and Sulphur Oxide (SOx) from our operations. We ensure that air emissions are compliant to National Ambient Air Quality Standards (NAAQS) 2009. The usage of Ozone Depleting Substance (ODS) has been under the applicable regulations for all our sites and these are now only used as refrigerants in air conditioning units and chilling plants.

Air Emission		
Type of Emission	Unit	Reported Value (FY 2016-17)
Nox	mg/m ³	104.46
SOx	mg/m ³	22.79
PM2.5	mg/m ³	0.75
PM10	mg/m ³	57.31
Volatile Organic Compound	MT	58.2
CO	mg/m ³	128.99

Ozone Depleting Substances	Unit	Quantity (kg CFC-11eq)
R022	kg	562
R404A	kg	13.5
R134A	kg	214.8
R410A	kg	10.50
R407C	kg	10

Waste Management

Being a responsible organisation, we believe that effective waste management is an important factor in environmental protection and management and we are committed to reducing and effectively managing our waste. Our waste management practices emphasise on reducing, recycling and disposing the waste in an environmental friendly manner. We adhere to the newly formed Hazardous and Other Waste Management Rules, 2016 and have also collaborated with cement plants for co-processing of the hazardous waste generated; 34% of the waste generated was sent for co-processing in FY 2016-17. We pledge by 'Zero Waste to landfill' and strive to recycle and reuse waste through initiatives such as co-processing, stabilisation of ETP sludge etc. We also recycle non-hazardous waste such as packaging material and scrap.

Our operations and processes include pressing, fabrication, and painting, assembling and testing of vehicles at our manufacturing sites. As a result of our activities, we generate solid and liquid waste of both hazardous and non-hazardous waste nature.

Type of Waste	Unit	Source	Method of Disposal	Amount of Waste (MT)
Hazardous Waste				
Used Oil/ Spent Oil/ Waste Oil	MT	Manufacturing Machine shop	Incineration, Reuse, Sold to authorised recycler	245.02
Chemical Sludge/ Phosphate Sludge/ Paint Sludge/ ETP Sludge	MT	Effluent Treatment Plant	Reuse, Sold to authorised recycler, Incineration, Sent for co-processing	572.65
Oil Filter/ Oil Sludge	MT	Machine shop	Incineration, Recycled	306.92
Discarded Container	MT	Empty barrel of oil, grease and wax	Reuse, Recycle	522.14
Used Batteries	MT	Chassis assembly, Electrical maintenance, DG house	Return to manufacturer/dealer/Sold to authorised recycler/dismantlers	39.02
E-Waste	MT	Manufacturing	Sold to authorised recycler	9.63
Other (includes waste gloves, cotton, spent ion exchange resin)	MT	Water treatment facility, paint shop process	Sent for co-processing	7.02

Type of Waste	Unit	Source	Method of Disposal	Amount of Waste (MT)
Non-Hazardous Waste				
Steel castings, MS scrap, grinding dust, Aluminum scrap	MT	Machining of components	Sold to registered agencies for recycling	9157.47
Steel dust/ Shot blast dust	MT	Shot blasting	Sold, Landfilled	182.42
Cardboard/ Waste paper	MT	Packaging/ Unpacking	Sold to registered agencies for recycling	241.635
Plastic Waste	MT	Receipt from supplier along with material	Sold to registered agencies for recycling	20.10

We believe that elimination of waste is an effective way to enhance profitability. We take all required efforts to eliminate waste generation at source and ensure that the waste generated from our operations is disposed off in an environmentally sound manner following regulatory norms.

Spill Management

Spillages have been identified as a potential risk in our operations and it is our endeavor to ensure zero spills. In this regard, we undertake several measures to avoid spills and during the reporting period there were no incidences of significant spills across our operations.

Hazardous waste reduction by procuring & storing hydraulic oil through bulk storage system - Hosur 2

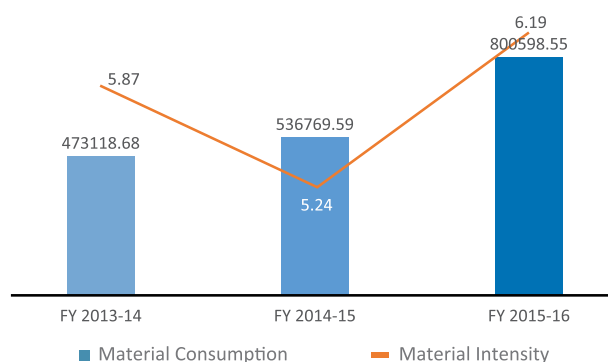
Earlier we were procuring hydraulic oil through barrels which leads to generation of hazardous waste in from of empty barrels and waste coolant. We generated around 1500 barrels per year and 3000 litres of waste coolant oil.

We have installed and implemented the bulk containers storage and procurement of Hydraulic oil through bulk tankers which has resulted in eliminating the barrels and coolant oil.

Material Management

We at Ashok Leyland consider material management to be important to our business as it helps in maintaining resources and operational efficiency that is important for efficient use of raw materials. For manufacturing of our products, our primary raw material is steel while we also use cast iron, lubricants,

Material Consumption (MT) and Intensity (MT/HECU)



paints, aluminum, copper, tyres and rubber as secondary materials. In the current reporting year we are disclosing our primary raw material consumption and strive to expand the pool in future reports. In addition, we also use aggregate materials like axle and gear boxes. These materials are either

Reduction of Electro Deposition (ED) paint consumption

We have upgraded to ninth generation ED paint from eight generation ED paint in cabins. Earlier eight generation required minimum 20μ of paint thickness to pass salt spray test. By introducing ninth generation ED paint the paint thickness of 17μ meet the salt spray test and other requirement. This has resulted in saving ED paint consumption from 3.6 kg/ Equivalent Cabin Unit (ECU) to 3 kg/ ECU. We have achieved an overall saving of 24,000 kg of ED paint.



Weight reduction in dummy axle rear hub of all MAV models

We used oil flinger in dummy axle rear hub of all MAV models which necessitated the machining of rear hub surface where flinger was mounted. This machining generated 4 kg of machining waste.

The oil flinger was then removed thereby eliminating the need of machining operation. This has resulted in material reduction of 1,09,500 kg/ annum of cast iron.

By implementing this we have also achieved reduction in hub weight by 1.5 kg and machining time by approximately 4 minutes.

Eliminate passivation process in frame pretreatment by introducing modified phosphate chemical - Hosur 2

We consumed 3000 kg of chemicals per annum for passivation process in frame pre-treatment. This also resulted in generation of 150 empty chemical container per month.

We then introduced modified phosphate chemical that eliminated the passivation process. This resulted in eradicating the used of chemical and generation of container.

This has also resulted in water consumption reduction by 180 KL/annum.

produced in-house or procured from various external suppliers. In FY 2016-17 our overall steel consumption was 38,051 MT. In the reporting year our material consumption intensity has decreased by 12% as compared to FY 2015-16.

Environmental Expenditure

In FY 2016-17 our overall environmental expenditure was INR 28,22,95,027 million which includes environmental management expenses and expenditure on treatment, disposal, equipment, maintenance and operation. We also invest in installation of cleaner technologies and treatment of emissions.

Compliance

We are committed to complying fully with all applicable environmental laws and regulations that are imposed by Ministry of Environment and Forest & Climate Change (MoEFCC) and Central/ State Pollution Control Board. In FY 2016-17 no forms of non-monetary sanctions and monetary fines were levied upon us for any non-compliance with environmental laws and regulations.

Environmental Grievance

It is our constant endeavor to conduct our business with complete transparency for which we have developed robust environmental grievance mechanism for our stakeholders. This also helps us to develop strong and long term relationship with them. In the reporting period we did not receive any complaints about the environmental impact of our operations.



PRODUCT INNOVATION AND SAFETY



PRODUCT INNOVATION AND SAFETY

As a leading automobile manufacturer we are committed to contributing towards sustainable transportation. Rising customer expectations and evolving regulatory norms such as Bharat Stage IV have resulted in the need to innovate. We strive to gain competitive edge over our peers by enhancing the quality of our products through technological advancement and our ability to innovate. Innovation is our core competency which also reflects across our entire value chain. Preparing for the next wave of growth, we are working on a portfolio of businesses with less cyclicity and launching a range of contemporary products while adopting globally benchmarked business processes.

Our unique program achieveMORE aims at increasing value to customer and consumption of raw material while Reach90 lays emphasis on increasing the reliability of our vehicles. Our research and development center is focused on making continuous improvements in product planning and developing processes to predict and address the environmental and social impacts of products over life cycle. This enables us to manufacture fuel efficient vehicles that provide customer safety with an improved performance. It is because of our globally benchmarked testing facilities that our vehicles have become synonymous with the qualities of reliability and ruggedness. The 6-poster, one of its kind in the country, is a torture track simulator for multi-axle vehicles that significantly reduces testing time. In the reporting

year, we spent a total of INR 38,488.73 lakhs on our research and development activities which is 1.8% of total turnover and all of our products manufactured were evaluated for improvement assessing their health and safety impact.

This year, we received the prestigious 2016 Deming Prize for our Pantnagar manufacturing facility, making us the first truck and bus plant in the world and also the only CV manufacturer outside of Japan to win the Deming Prize. We have always had an intense emphasis on quality processes and customer oriented approach. With large and strategic investments in technology and quality and a young and energetic workforce, the receipt of the Deming award is an important step in our ambition to become a world-leader in the global commercial vehicle industry.

During 2016-17, following are our major product launches which have special features taking into consideration the social, environmental concerns, economic opportunities.

Guru (ICV Truck): It is designed to help customers increase revenue while keeping the operating costs low. Guru achieves these through its highest actual payload, its best in class fuel efficiency (10% higher than competition) and, lower cost of maintenance. It also offers superior style comfort and safety

(sleeping provision in day cabin, factory fitted music system, LED parking lamps, fully adjustable steering wheel, fully suspended cabin for better ride quality and best in class all around visibility.

Sunshine (School Bus): It is a new paradigm in Indian School Buses where safety, fun, and visual appeal have been brought in as unique selling point in addition to the usual engineering and performance parameters. It's a telematics ready, roll over and frontal crash complaint bus with emphasis on safety of school children.

Circuit Series (Electric Bus): The first Indian OEM to launch an electric bus that was fully made in India for India. In addition to being environment friendly, (given that the traction device is electrical rather than diesel combustion), we also have doubled the efficiency in terms of energy consumption (kW/km).

Product Development Center at VVC

Our product development center is a platform promoting a full range of development among all systems and vehicles. It consists of National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited testing facilities with over 1,000 full-time engineers employed.



The various activities conducted at the product development center are:

1. Design and Simulation including the following:
 - Design and development of all aggregates including engines, chassis, gear box, axles etc.
 - Noise Vibration and Harshness (NVH) related simulation studies
 - Crash simulation for truck cabins and bus body roll over studies
 - Computational Fluid Dynamics (CFD) simulation for external and internal fluid flow
 - Multibody dynamics for vehicle kinematic simulation and Finite Element Analysis for durability

2. Testing and Validation at

- Component level
- Vehicle level
- Engine level

Few of our innovative initiatives

Engines & Aggregates	Vehicle Models
Development of BS-IV engines with iEGR	Launch of 4x2 and 6x2 tractor models of CAPTAIN platform with factory built cabs
	Launch of BS-IV haulage variants in FES trucks
Development of dual data set strategy for our range of engines.	Launch of export models for ICV bus variants and M&HCV buses
Development of new variants of ICV truck cab	Demonstration of fully-packaged EURO-VI compliant CAPTAIN vehicle

achieVEMORE

achieVEMORE is our company wide initiative driven by a cross functional team. It utilises our various tools, methodologies, techniques and best practices to reduce the bill of material cost while improving the value for the customer. In order to accomplish the objective, we have aligned Key Result Areas (KRA's) to the targets within our different business units and encouraged them to participate in the initiative. Through this we have followed a systematic process to transform from idea generation to idea implementation.

Function	Tools for faster decisions / actions
PD	Competitor benchmarking/Tear Down Rapid Average Cost Estimation tool (RACE)
Sourcing	Cost transparency through LPP, ZBC tools market analysis for alternate sourcing
Marketing	Product features categorisation: a) Above the line (ATL) b) On the line (OTL) c) Below the line (BTL)

Reach90

Mission Reach90 is one drive initiated in April 2015 to enhance the overall reliability of Ashok Leyland products. Learning from our success in other major initiative, we used a CFT model. Key objective of this drive was to achieve 90% reliability on all our systems. To achieve this, we followed a five step process for implementation and focused on two areas viz; corrective action and preventive action.



- 90% of vehicle must not return to workshops for unscheduled visits within warranty period
- No walk-home incident within 18 months in service

Sunshine

We are India's largest bus manufacturer and fourth largest in the world. We designed project sunshine to carry forward our thought of modernising the industry with our products. Sunshine offers outstanding features to its occupants and is the outcome of our thorough research and analysis of numerous stakeholder voices. It provides operating economics and unmatched reliability to customers, and comfort, safety and hygiene to children.

This next generation school bus has been built to ensure highest level of safety for its occupants and we have built it to go beyond the basic regulatory requirements by making it frontal crash protected and rollover compliant. For meeting the concerns of parents, Sunshine has been incorporated with i-ALERT, an advanced tracking software, through which they can monitor their child's movements and location, on a real-time basis. The rooted software also provides parents with pick-up and drop off alerts and can also be used by school operators to monitor the well-being of children inside the bus while tracking the condition of bus at the same time.

Sunshine comes with high-end features to enhance the comfort of children such as worldview windows to offer best-in-class visibility and ventilation, lowest fixed step entry which helps even the youngest of children to climb on their own, artistically designed cheerful and comfortable happy seats, anti-bacterial interiors which is an industry-first and many more. It provides an enhanced driving experience to drivers with its unique features such as all-round visibility of children, enhanced drive ability and maneuverability. Sunshine offers unmatched value to schools and operators through its superior product design and low operating cost. Apart from school and college buses (with 33 to 50-seater options), staff bus variants are also available.

GURU

We have upped the ante over the last few years and that has reflected in our winning product portfolio. During the year, we launched GURU, a modern day automotive with cutting-edge features in the ICV segment. ICV is one of our key focus area to achieve our vision in trucks and with GURU, we aim to elate our market share in this segment.

GURU is prudently designed and built on four important pillars: Mileage, Payload, Reliability and Comfort.

Along with the best in class fuel efficiency, GURU enables customers increase their revenue stream by offering a high payload capacity while keeping the operating costs low. Through its reliable and robust aggregates, it ensures maximum uptime and longer product life. It also offers superior style and comfort for a better ride quality and best in class all around visibility.

Mileage

In order to deliver a top-level fuel efficiency, GURU is equipped with a 3 cylinder engine with inline CRS system. The engine provides optimum power, and delivers consistent kmpl over wide speed band. It is mated to a 6 speed overdrive gearbox for higher mileage in part load, and return empty condition. This enables GURU to offer 10% higher mileage than competition.

Payload

GURU offers a high actual payload, approximately 250 kg higher



3 cylinder engine



6 speed overdrive gearbox

payload for every trip with faster turnaround time. It endows superior riding comfort through its multi-leaf suspension available in front & rear and front shock absorbers. Additionally, it is fitted with reliable and robust axles and boasts a structurally reinforced load body

Comfort

GURU also offers superior style and comfort and caters to the demand of the driver community. Its key inherent features are:

1. Sleeping provision in day cab
2. Adjustable driver seat
3. Easy-to-maintain PVC floor mat
4. Easily accessible parking brake
5. Factory fitted music system
6. 4 spoke tilt & telescopic steering wheel
7. Easy-to-understand, new-look instrument cluster
8. 12V electrical system with waterproof connectors

Moreover, its hydraulically tiltable day cabin, all metal asymmetric front fascia, larger windshield for all-round visibility, standard round headlamp and stylish LED signature lamp (parking lamp) makes its style of note.

Circuit Series (Electric Bus)



Aligning to the various government initiatives, we here at Ashok Leyland have developed the first of its kind, Indian-made 100% electric bus, which offers the latest in EV technology customised for the Indian market. Under the 'Make in India' flagship program of Government of India with a motive of 'Made in India, for India', we became the first Indian OEM to launch a circuit series electric bus.

The bus was completely designed and engineered in India considering our expertise in managing Indian operational conditions and customer specific requirements. It is equipped with a driveline motor based powertrain technology which offers consistent uptime and reliability in all conditions. The bus is particularly engineered on Indian-

specific platform to handle varied topography, gradients and usage conditions. It is developed on a simple, mass market platform which assists the operator to cater to regular mass commute customers with minimal efforts. This also makes the journey cost-effective for the operator by minimising the operational and maintenance cost. Moreover, the bus is enabled with an integrated Fire Detection and Suppression System (FDSS) as a standard part in its EV range.

We pride ourselves to present the 'Zero emission – Non-Polluting' bus in support of the government initiative of reducing 8 Lakh crore fuel import bill.

Our Pan India network will support the EV bus platform ensuring its assured service and maintenance. We have 576 service touch points and over 5,000 Leyparts present across the country. We also offer a suite of onsite service with our 'Tatkaal program' and customised training modules to drivers and technicians.

Waste collection vehicles

The Swachh Bharat mission was initiated to ensure hygiene, waste management and cleanliness across the nation by the Government of India in 2014. The Mission aims to accomplish the vision of a "Clean India" by 2nd October 2019, the 150th birthday of Mahatma Gandhi. However, collection and segregation of solid waste is a key problem in waste management. Currently, the collection efficiency is around 68% and hand- carts or large trucks are being widely used for solid waste collection. Usually the solid waste collection points are located in narrow lanes, crowded interior parts of the city or in places where the roads are improper. This makes it difficult for large trucks to navigate narrow and crowded lanes making the whole process of solid waste collection inefficient and time consuming.

At Ashok Leyland, we visited Municipal corporations and interacted with our customers to capture their voice. Taking this into account and using our core philosophy to provide innovative solutions to meet customer demands, we developed different waste collection vehicles based on DOST platform. DOST open body Garbage Tipper was designed in such a way that solid waste from the household can be directly dumped into vehicle and directly moved to dump site. Its key feature of low loading platform height eases waste collection and the vehicle is able carry waste up to 3.3 cu.m. DOST hopper was designed to move collected solid waste to larger trucks – the bin placed on the DOST is lifted and the solid waste is unloaded into the truck. DOST hopper with bin lifter was designed in such a way that the waste bin is lifted automatically by a hydraulic mechanism attached to the DOST and then the collected waste is directly moved to larger trucks.



First Electric Bus



These vehicles are embedded with inherent features like Low TCD which makes maneuvering through narrow roads easier, high ground clearance making it easier to navigate through rough roads. Some more features include class leading payload, powerful and class leading fuel efficient engine, Front Impact Absorption Bar and Brake boosters with LSPV. All vehicles have robust aggregates to handle the challenging working and operating environment associated with waste management.

Compliance

We, at Ashok Leyland, always seek to run our business in an eco-friendly manner and to conserve natural resources. We make sure that our vehicles are in compliance with all the local, regional and national laws and regulations with respect to vehicle emissions and fuel economy so as to have minimum environmental and social impacts. During the reporting period, there were no incidents of non-compliance with statutory requirements, and no monetary fines were imposed on us.



strictly adhere to Advertising Standards Council of India (ASCI) code. During FY 2016-17, there were no incidences of non-compliance with regulations / voluntary codes with respect to marketing communication, including advertising, promotion and sponsorship.



Product Labelling and Market Communication

Upholding high levels of safety and comfort for our customers has always been our priority. We strictly follow all the relevant codes and specifications with respect to labelling the products. Each of our product comes with a comprehensive service manual with complete information about the products' usage, safety, operation and maintenance. During the year, there were no incidents of non-compliance to regulations / voluntary codes concerning our product and service information and labelling.

We believe that the key to win our customers' trust is transparent communication of our products' quality and offerings and therefore, for our marketing communication advertisements, we





CUSTOMER DELIGHT



CUSTOMER DELIGHT

Customer satisfaction is central to Ashok Leyland's business philosophy. Our constant endeavour is to understand our customers' requirements and expectations and meet them through all our products and services. To improve the quality of our products and services, we maintain a constant dialogue with our customers and aftermarket in the form of regular meets, surveys, networking and various initiatives.

To ensure information security and privacy of customer data, we have established information security management systems in line with the international standard ISO 27001: 2005. We have put in place processes to protect the private data of our customers and take utmost care while handling customer data.

There were no complaints regarding breach of customer privacy and loss of customer data during the reporting period.

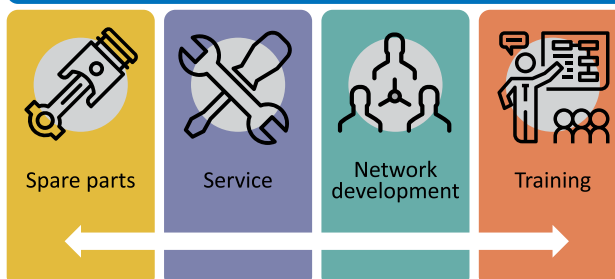
Our umbrella initiatives Leverage Analytics to drive Decisions (LEAD) and Practical Improvement in Sales and Marketing (PRISM) are structured around the 3 Cs – Customer, Channel and Company.

Practical Improvement in Sales and Marketing (PRISM): PRISM is our transformation program and consists of 22 initiatives. These are directed towards our sales, strategy, processes, market share, and customer satisfaction and dealer profitability. Through this program, we manage a database of over 9 lakh customers.

Our Umbrella Initiatives



Our after market solutions



It has generated 900,000 interactions per year and 120,000 transactions per year. This is accomplished through market mapping, sales funnels, enhanced workshop processes, discount management, customer database and beat planning.

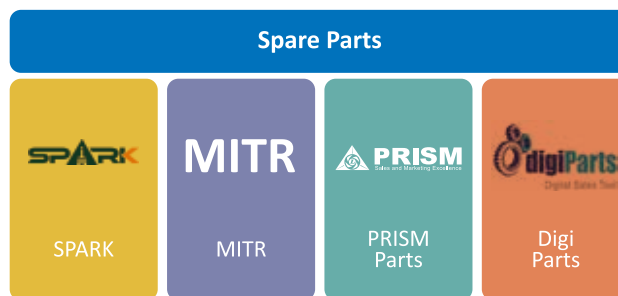
Leverage Analytics to drive Decisions (LEAD):

The LEAD initiative was driven to set a foundation for data analytics, in the year 2015-16. The main aim was to generate actionable insights from sales and service data that we accumulate and to further augment them in our systems and processes. Our understanding of sales and after-sales scenarios are obtained by data capture, analysis, action links and delivery. These are supplemented by the technology enabled organisational models and interfaces enabled by lead. As part of the LEAD initiative, about 25 different initiatives have been rolled out, covering sales and markets assessment, service and warranty analytics, pricing and dealer financials.

Evolving from a descriptive and diagnostic phase of analytics to a predictive and prescriptive phase, innovative initiatives were launched leveraging optimisation, simulation, pattern recognition, data mining and machine learning techniques.

Spare Parts

Our aftermarket comprises a vast network of dealers and part retailers. Through this network, we continuously strive to ensure that genuine parts are available to all our customers via our 2 brands: LEYPARTS® and VALUEPARTS. Timely availability of the



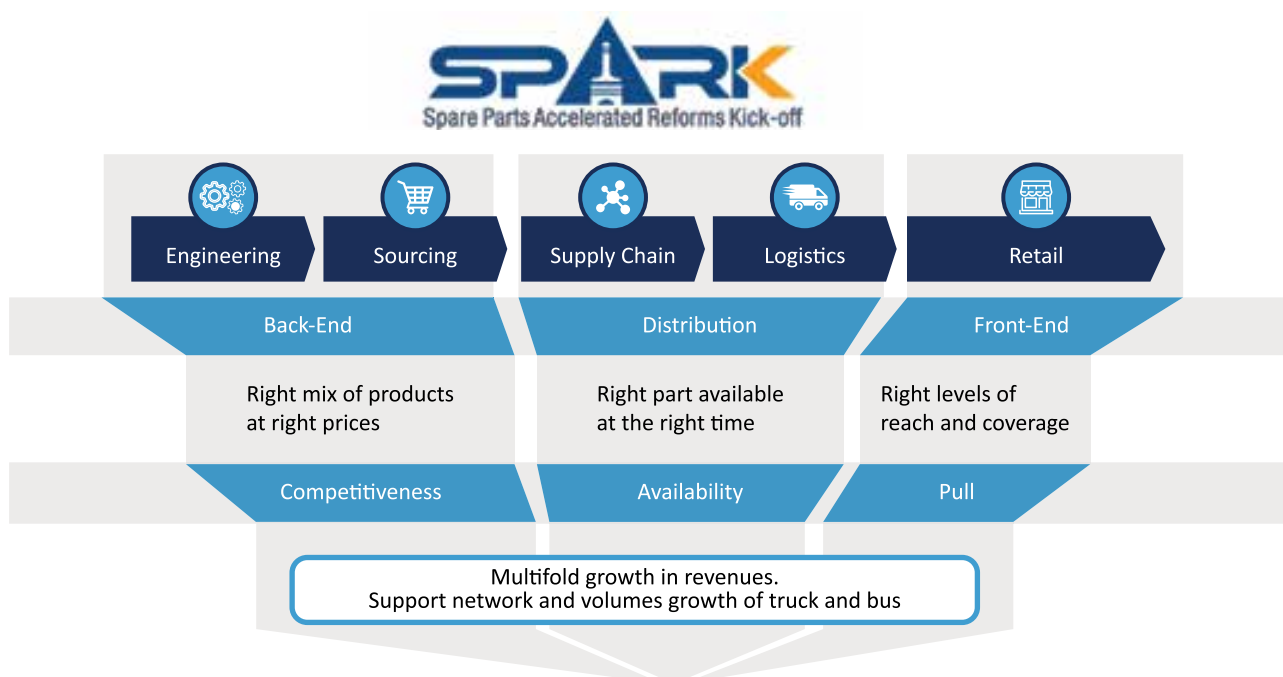
right parts at the front-end plays a major role in complementing our truck and bus business volumes. These parts are ready-to-fit and economised for the long term. We also make a wide range of repair kits available to our customers.

We have refined warehouses at Alwar and Hosur to support the sale of parts and through our spare parts business, we are able to support 7.38 lakh vehicles across the globe.

The initiatives we have under spare parts are SPARK, MITR, PRISM parts and DigiParts .

SPARK

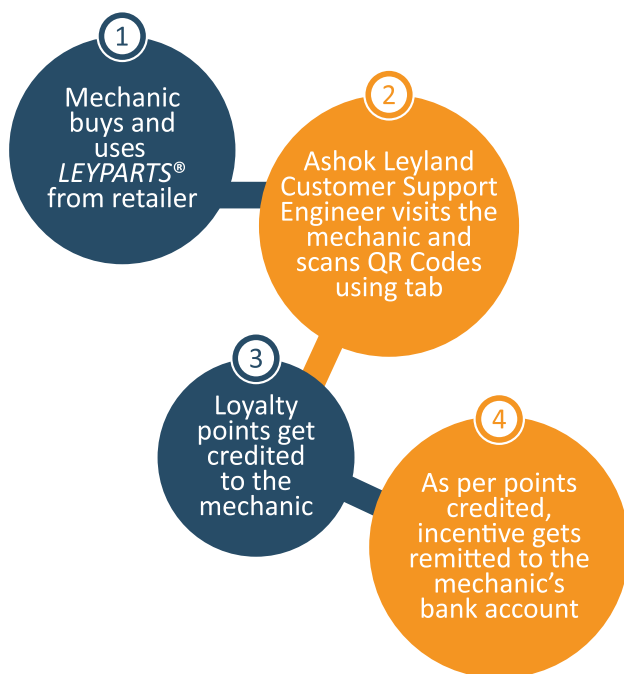
To reduce risks due to cyclical nature of vehicles business, it is necessary to increase our acyclical businesses such as spare parts multifold. SPARK initiative was started with this very idea i.e. to increase the spare parts business multifold in the coming 5 years. SPARK focused on interventions at various elements of



the value chain to ensure pull generation, increased availability and competitiveness in the market. SPARK focused on bringing in product group focus by forming product triads consisting of representatives from sourcing, engineering and spare parts departments.

Mutual Improvement through Relationships (MITR)

A multilevel loyalty program with a registered base of over 20,000 mechanics, MITR encourages and incentivises them to use original and genuine spare parts for repair and replacement, in a tamper-proof, hi-tech turn, QR code based redemption. Patrons of the scheme can redeem points as cash or gifts. Moreover, benefits like training, children's scholarships and family health insurance ensure that the mechanic's are advantaged from the association with Ashok Leyland.



PRISM Parts

"PRISM parts" is a framework we designed to put processes in place at dealer's end to boost secondary retail sales. It covers a customer database management, weekly beat plans and manpower planning. It also features a branch dashboard with issues highlighted in the daily call reports in the dashboard. These reports are reviewed on a daily basis and feedback is provided. As part of this programme, a market assessment is also done by market mapping, database review and network assessment.

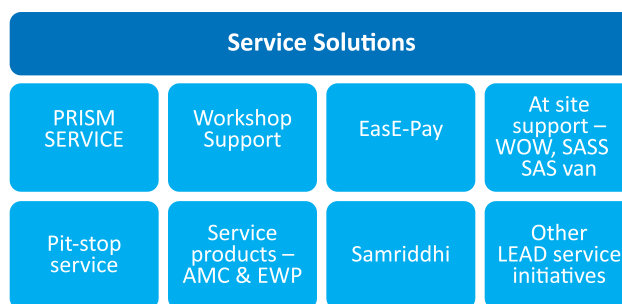
Digi parts

Digi parts, the online digital parts tool, assists the dealer parts executives and customer supports executives for all market

related activities. Apart from online sales, coupon redemption, beat plan and daily call report, Digi parts is now enriched with retailer report card, new mechanic enrollment facility, update KYC documents and many more tools that helps the users to interact with customers in a more productive way.

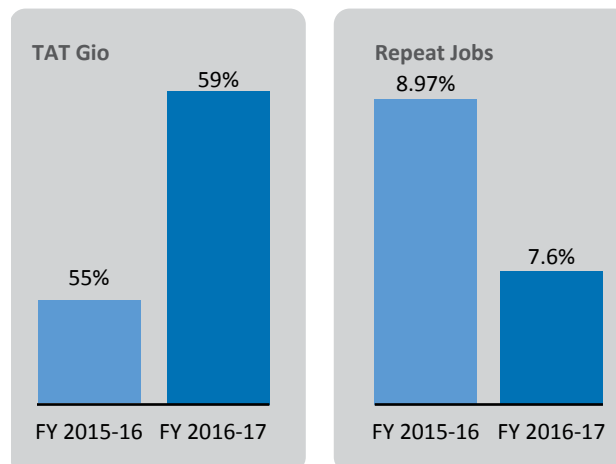
Service support solutions

We provide reliable service support to our customers through our authorised network at site service, through mobile workshops, genuine spare parts and our skilled mechanics. Through life-cycle approach, we provide support for improving reliability, customer support for vehicle up-time and end route support and channel support for process and viability.



1. PRISM Service

PRISM helps offering uniform experience for the customers across the country in our authorised network. This PRISM process has made significant changes over the past few years and provides clarity to all the stakeholders in workshops and helps improving all the service deliveries. Upfront diagnosis by technical advisors has improved identification of vehicle issues, and helped provide an accurate cost and time estimate to customers. Through telemarketing initiatives, leading to increased customer footfalls into workshops and augmented customer profitability, we have also institutionalised service marketing.



PRISM service has facilitated us to meet the top customer requirement from a workshop like faster Turn Around Time (TAT) of the vehicle, improved quality of attention and accurate cost and time estimates. PRISM has also increased the adherence to processes at front office, inside workplace and post service to in turn provide better service experience to customers.

PRISM processes enable us to interact regularly with our stakeholders regarding each service delivery, identifying the root cause for the discrepancy and take corrective action. In FY 2016-17, we reported a 4% increase over 2015-16 in TAT GIGO Adherence and about 0.8% drop in repeat complaints reported across the nation.

The TAT performance and the quality of attention (first time right or less repeat) has improved significantly as shown in the graph below



2. EasE-Pay

“EasE-Pay” is our online payment gateway to provide facility for customers to pay their service bills online from anywhere in the world.

This was intended to minimise driver to carry cash and electronically settle for any en-route service support that may be required. This also decreases the vehicle wait time at our workshops post the service with EasE-Pay, the customer can connect digitally to settle the payment.

3. At-site support

Need for at-site service support is increasing, particularly from the customers who operate vehicles in remote locations like mines, construction areas and from big fleet owners. Providing at-site support improves the vehicle uptime and cost of transportation. The at-site attention is provided through mobile service vans, Workshop On Wheels (WOW), by positioning container workshops in remote locations and through quick service bikes.

Workshop On Wheels (WOW)

WOW is a service offering that ensures customised doorstep service and ensures higher uptime. Every WOW vehicle is equipped with requisite tools, equipments, spare parts, lube, and 2-3 trained mechanics. Customers can opt for periodic maintenance services, breakdown assistance services and special repair services. The initiative has enabled us to reach remote areas where service facility is limited.



Service at Site to Satisfy You (SASSY)

SASSY is a fully loaded container workshop that can be set up with minimal support infrastructure in a very short lead time, creating 1 to 2 bay service capacity. The container is manned with 2-3 trained mechanics and provides service to our customers in remote locations.

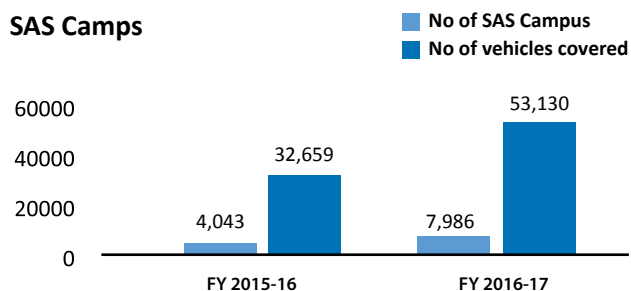
Service at Site (SAS) van

The concept of SAS van was developed with an aim to achieve customer satisfaction and thereby enhance our brand equity and future business. Our SAS van is equipped to provide following services:

- All periodic maintenance services (oil/coolant/filter replacement)
- Replacement of wear and tear parts like brake pad, brake lining
- Checking and replacement of belts, tyre rotation, control cables
- Brake bleeding
- Battery checkup
- Minor repairs
- Extended Warranty familiarisation

The LCV dealers adopt a ‘fixed day fixed location’ concept for SAS activities based on the available units in operation in respective villages and consistently conduct the services on same dates. Under this service, we conducted 7,986 camps covering 53,130 vehicles.

SAS Camps





4. Pit Stop Service

Our pit stop servicing has redefined our service support and led to deep rooted customer engagement. It is one of our primary differentiator in sales which puts entry barrier for competition and exit barrier for customer. This service is supported by a 24x7 support through skilled manpower and telematics enabled fleet management system. We have a setup of 60+ pit stops comprising Mother Pit Stop (dedicated bay, exclusive spares and float stocks, customised preventive and scheduled maintenance) and Transit Pit Stop (every 250 km en-route with skilled manpower, parts and a dedicated mobile service unit with driver) for dedicated service support to key fleet owners.

This service was initiated on Delhi-Mumbai Highway, and is now scaled up to all the highways in the country. A fleet of 2,000 vehicles is serviced through this model in the last 2 years.

5. Service products

Annual Maintenance Contract (AMC) – ‘Vishvas’ is a vehicle care solution for customers and enables customers to escape from all the maintenance work and focus on their core business.

We have two types of AMC support corridor, AMC where vehicles visit our authorised workshop for service, and At-Site AMC which provides door step services to our customers.

Extended Warranty Package (EWP) – Provides comfort to the customer even beyond the standard warranty period regarding repair of any major aggregate in the vehicle. The extended warranty period is applicable for the entire driveline and available with options of 3, 4 or 5 years.

6. Samriddhi

At Ashok Leyland, we envision exciting possibilities of growth by enlisting all stakeholders in a shared vision. Technicians form an integral part of the value chain. Their hard work and enthusiasm have consistently contributed to the growth of our organisation, ensuring an increasing number of happy and satisfied customers every year.



The brand “Samriddhi” resonates with AL brand value “Aapki Jeet. Humari Jeet”. Samriddhi is a Sanskrit word meaning prosperity. The prosperity or goodness of technicians will bring prosperity to dealers & to Ashok Leyland and vice versa.

Samriddhi is an incentive program for our Dealer Technicians to recognise and reward their commitment towards excellence and to encourage them for skill enhancement. This program being the first of its kind, in the industry has an objective to address the major concern of high attrition among technicians and to improve their commitment levels to the job.

7. i-ALERT

i-Alert is a pioneering product that helps in round-the-clock monitoring of vehicles, using real-time data analytics. It provides information on vehicle performance, predicts service requirements, helps in planning maintenance schedules for quick and efficient service at service centers, and ensures faster turnarounds, thus helping vehicles stay on-road longer.

It offers numerous benefits to our customers such as vehicle movement tracking, vehicle health status, geo fencing, route deviation, fuel level



management, stolen vehicle recovery, diagnostic alerts and reports, service reminders, driver monitoring and driving distance and time.

8. Lead initiatives in Service

Data mining and leveraging the data for improving the efficiency and effectiveness of all the service deliveries are done in a routine manner through LEAD programme.

1. Early warning system to spot product issue trends early and to provide a platform for stakeholders to conduct deeper investigations on the identified issue.
2. Service calling tool, the current focus of which is to make 'schedule maintenance' calling more effective by augmenting service revenue with priority customer calling and increase customer satisfaction by increasing customer connects.

Service revenue, service potential estimation, AMC pricing, service 360, war room tracker and dashboard, vehicle parc tagging etc. are other aftermarket initiatives of the LEAD programme.

Other than the above initiatives, we have formed a centralised Key Account Management Cell (KAM Cell) which contacts the National KAM customer's site in-charges to help assist in day to day services & resolving maintenance issues for complete at-site support for service and spares and for special attention in network. We also have a dedicated complaint management system "Leyland Direct", our 24x7 call centre that responds to external queries. In addition to this, we have an e-mail id reachus@ashokleyland.com which is monitored by corporate communication team to enable our customers to reach us via. e-mails.

Network Development

In facilitating our dealers to deliver high level of customer satisfaction, consistently, network development assists us in attaining a global reach for our sales, services and aftermarket support. Under this, we have various initiatives like customer satisfaction surveys, dealer profitability, balance scorecard and MaxIT.



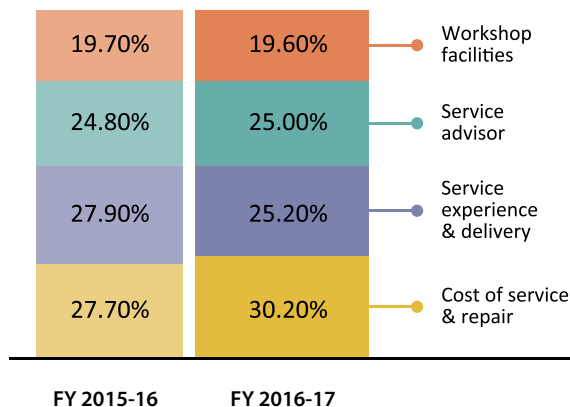
1. Customer Satisfaction Survey

Our M&HCV sales & service customer satisfaction study is a bi-annual customer satisfaction research programme for both sales and service, covering customers of LCV and M&HCV range of vehicles. We have been conducting the study since 2010.

The study comprises a service satisfaction and a sales satisfaction study. The studies are conducted by a third party. The data collection is done using Computer Assisted Telephonic Interview (CATI) based on the customer database provided by Ashok Leyland. Customers are contacted for the study through a close ended 15-20 minute questionnaire.

For FY 2016-17, Q1 & Q3 were the two quarters covered in the programme. Respondents from Q1 and Q3 were combined to form a total sample of 5,209 for Sales Satisfaction Study analysis. For service, the combined respondents for H1 and H2 were 5,292 for the year 2016-17.

M&HCV Service Satisfaction Study



Results of the study show that overall sales satisfaction index has improved to 794 in FY 2016-17, up from 791 in FY 2015-16. All regions recorded improvements. An index score of above 800 is the target that drives positive advocacy in terms of both recommendation and re-service. Hence, we have set a target to increase the index from 794 in FY 2016-17 to 850 in FY 2017-18. Similarly, overall service satisfaction index has improved to 699 in FY 2016-17, up from 673 in FY 2015-16. All regions showed improvements. We have set a target to increase the index from 699 in FY 2016-17 to 750 in FY 2017-18.

2. Dealer Profitability

To augment dealer profitability, we have several network initiatives here at Ashok Leyland. The Ashok Leyland LEAD programme features dealer financial dashboards to recognise opportunities and drive operational improvements for the



dealer and increase drive service absorption ratio. A dealer financials tunable profit and loss (P&L) is used to define the dealer Memorandum of Agreement (MoA) such that the dealer earns a reasonable return. This helps us understand the optimal levels of retention and set incentives for the dealer.

The dealer financials exercise features comprehensive dealer reviews with senior leadership at dealerships on sales, service, parts and financial performance. We also identify dealers to “support” in line with the “AAP KI JEET HAMARI JEET” philosophy as part of our best Practices and Action Plan “IDEATE”.

“Winning thru Skill Enhancement” of the PRISM programme is our initiative that is aimed at upgrading the dealer sales team’s selling approach & capabilities to help them deal with evolving market landscape & competitive intensity. The objectives of the programme are to drive Dealer Sales Executives (DSEs) for solution selling and customer life time value, building competencies to adapt to the changing selling model and enhancing sales process implementation. The programme has led to a positive impact on core sales metrics in terms of increased DSE productivity, sales process implementation and hence profitability.

Clearly articulated processes & tools in place have led to bettered alignment and understanding of training needs, mechanisms to track & measure effectiveness and continuous PDCA and an overall increased motivation/ engagement of the sales force.

Our service training programme, where we develop eLearning modules that act as an interactive diagnostic tool for technical advisors, is another network initiative. We also conduct a Dealer Financial Analysis which gives a unique insight into the financial performance of dealers in an outlet.

Balance scorecard Model was developed as part of PRISM to measure and reward the compliance to PRISM processes that would impact the Dealer Financials directly.

3. MaxIT

MaxIT, a sales configurator tool, was developed to assist Dealer Sales Executives (DSE) to suggest the right vehicle for right application. It helps customers to configure their own vehicle with the various options which we provide in our products.

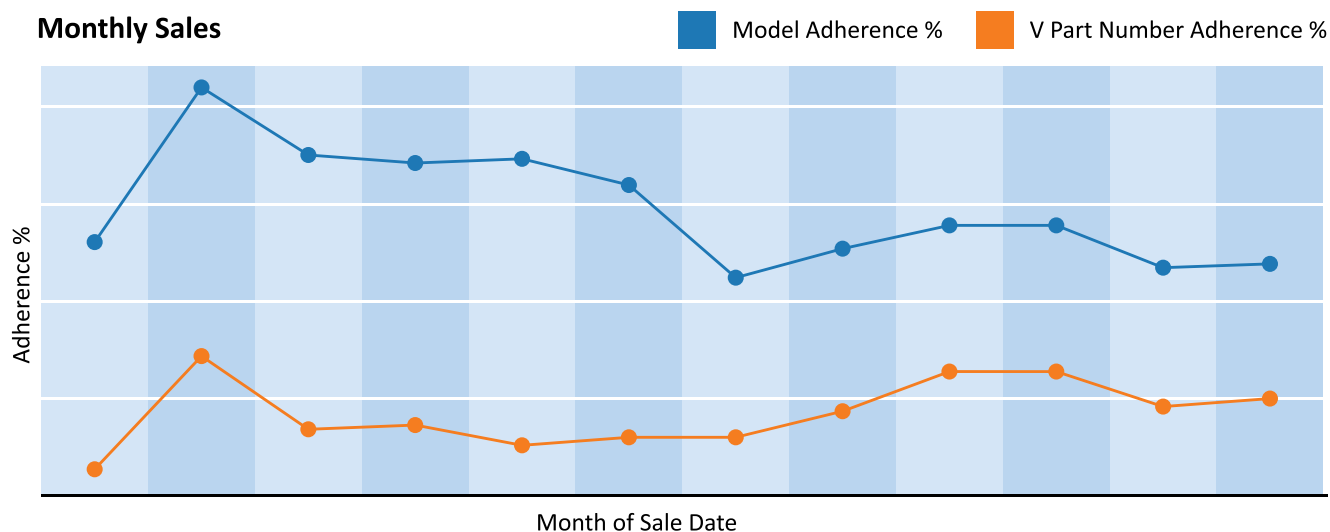
The configurator was designed based on below sections,

- Choose the model
- Select the fully built options
- Selection of service products
- Pricing and Availability
- Selection of Financial Assistance
- Order Placement and tracking

The dealer sales executives are to select the application and few business inputs like payload and loading pattern for trucks, and number of seats and fuel type for bus. Based on the business inputs, the configurator will suggest the vehicle models and provides fully built options based on customer requirements.

For the selected model, the customer is taken through service products like Annual Maintenance Contract (AMC), Extended Warranty package (EWP) and Insurance options. The customer can then choose the service products suitable for the application and know the price immediately.

MAXIT allows us to measure the sales process adherence (sales quality), thereby improving vehicle sales planning, forecasting and operations planning.



Training

We provide various training to enhance skills of drivers, dealers and mechanics who impact customer satisfaction and dealer profitability. We have various types of training programmes- Service Training, Driver Training, Sales Training and Knowledge on Wheels (KNOW).

1. Service Training

Our Service training programme is aimed at training the manpower working with our channel partners as per their roles and responsibilities to offer continual improvement in skills for higher productivity, retention and motivation. We have fully equipped training centres at Alwar, Chennai, Bhubaneswar, Nagpur, Nasik, Ludhiana, Namakkal and Pantnagar that offer regular programmes on product familiarisation, overhaul, trouble shooting and maintenance for our entire product range for both dealer and customer.

Service training is provided to all dealerships during new product and technology launch and in case of frequent complaints.

2. Sales training

We provide sales training to dealer sales executives to enhance their knowledge and skills, thus improving productivity. We offer structured sales training programmes, competency framework and assessment for Dealer Sales Executives (DSEs) that define knowledge and skill sets to help dealers to excel in their roles.

3. Driver training

We recognise that adequate training and certification should be imparted to drivers to ensure compliance with regulations and their on road safety and efficiency. Efficient driving can result in 5% or more fuel saving and reduce operating costs by 3%.

We offer driver training to fleet owners, their drivers, individual drivers cum owners who appreciate that professionally trained drivers can make a significant difference to their businesses and drivers in the unorganised sector. Thus far, over 8,00,000 drivers have been benefitted from these programs.

We have nine well-established Driver Training Institutes (DTI) in India in the following locations:

- Namakkal, Tamil Nadu
- Burari, Delhi
- Chhindwara, Madhya Pradesh
- Kaithal, Haryana



- Chhatia, Odisha
- Railmagra, Rajasthan
- Dharwad, Karnataka
- Yelahanka, Karnataka
- Vadodara, Gujarat

4. Knowledge on Wheels (KNOW)

The objective of our Knowledge on Wheels (KNOW) programme is to take the knowledge and skills to the doorstep of all users and service providers of Ashok Leyland products including customers, channel partners, MMGs, local mechanics and technicians. The program focuses on product familiarisation, maintenance, trouble shooting, minor repairs and diagnostics with state of the art tools and equipment.



Currently the programme reach is pan-India with 16 KNOWs positioned, one at each of our regional offices.

They travel with a set itinerary, monthly plan and provide training on the spot with a calendar for coverage of the identified target audience. Each KNOW vehicle is assigned with a dedicated expert trainer to deliver training as per the standard operating procedure. This is achieved through experienced trainers/instructors, who ensure effective knowledge and skills transfer. Since the introduction of the first KNOW vehicle in July 2016, over 7,700 personnel have been trained on BS IV module as of 31st March 2017.

The number of KNOWs will be further scaled up from the present 16 to 65 vehicles in FY 17-18 for a wider coverage of new product training to be provided to channel partners, customers and local mechanics. KNOWs will also be provided to international operations in the countries of Bangladesh, Nepal, Ivory Coast, Dubai, Saudi and Kenya progressively to cater to the need of overseas customers.

Training Initiatives







WORKFORCE MANAGEMENT



WORKFORCE MANAGEMENT

Our success depends greatly on the skills, knowledge, experience and commitment of our employees and we lay great emphasis on ensuring employee satisfaction and overall well-being. For our organisation to be as efficient as possible, effective staffing, forecasting the hiring requirements, retaining workforce and ensuring their work-life balance is indispensable. Hence, as a large organisation, workforce management is a material aspect for Ashok Leyland. Our efforts are directed towards hiring and retaining the best talent in the industry by providing them with an environment that supports their personal and professional prosperity. Our HR vision is “To build and sustain an agile, enabled, and empowered workforce with a global outlook, thereby leading AL from Good to Great”. We continue to update our strategies in alignment with our vision and undertake several initiatives for talent acquisition and management. We periodically review our existing systems and look forward to modification for improvement.

One of our key initiatives involves collaboration with institutes for building long-term relations through identification of campus ambassadors. In order to motivate our management staff to perform at their full potential, we initiated the Emerging Leaders Program in 2008 which was revamped last year and our first batch graduated in March 2016. We have implemented SAP SF for talent management which has enhanced cost effectiveness.



Integrated HR systems, our talent management process functions through the Hays Job Evaluation metric for evaluation at all senior levels. In order to promote innovation amongst employees, we have launched an initiative named IGNITE an innovation platform to unleash the innovative thinking abilities of employees. The Chairman's award is an initiative undertaken to encourage healthy competition among our individual employees and teams to bring out the best in themselves. An organisation-wide employee engagement survey "Expressions '16" has been initiated to gauge the engagement of our employees.

The various initiatives for talent acquisition and management have been linked to our strategy. The initiatives are aimed at the entire life-cycle of the employees. We have a psychometric tool developed to improve our capability to hire specialists and premium talent; Pre-employment medical and background checks to ensure a hassle free pre-employment experience and the building of a desirable workforce; employee referral aimed at strengthening our internal channel of sourcing and enhancing the pride associated with being an employee of Ashok Leyland.

The number of permanent employees on the payroll of the company for the year 2016-17 is 10,222⁴. We strictly comply by the strict statutory and regulatory norms in payment of wages and benefits as per State Government at all entry levels. Our entry level wages are fixed as per the minimum wages fixed by the State Government. We also adhere to the labour laws regarding collective bargaining fixed by the Government of India. In FY 2016-17, 51.21 % employees were covered under the collective bargaining process. We follow a mandated procedure as per the Industrial Disputes Act of 21 days of notice period regarding any operational change.

Workforce Breakup at Ashok Leyland

Employees by category	As on 31st March 2017		
	Male	Female	Total
Senior Management	113	1	114
Middle Management	1,527	34	1,561
Junior Management	3,212	155	3,367
Total	4,852	190	5,042

Employees by age-group	As on 31st March 2017		
	Male	Female	Total
< 30	1,223	100	1,323
30 to 50	3,071	76	3,147
>50	558	14	572
Total	4,852	190	5,042

⁴ Excludes Hinduja Foundries Limited

New Hires at Ashok Leyland

New hires	As on 31st March 2017		
	Male	Female	Total
Senior Management	12	0	12
Middle Management	104	4	108
Junior Management	413	19	432
Total	529	23	552

New hires by age-group	As on 31st March 2017		
	Male	Female	Total
< 30	178	15	193
30 to 50	341	8	349
>50	10	0	10
Total	529	23	552

Attrition at Ashok Leyland

Attrition	As on 31st March 2017		
	Male	Female	Total
Senior Management	19	2	21
Middle Management	72	4	76
Junior Management	211	22	233
Total	302	28	330

New hires by age-group	As on 31st March 2017		
	Male	Female	Total
< 30	106	15	121
30 to 50	140	11	151
>50	56	2	58
Total	302	28	330

Benefits Provided to Employees

We are determined to offer our employees with benefits and opportunities that contribute to their overall well-being. We provide our full-time employees with benefits such as maternity leave annual bonus, performance based reward, health care, life insurance, retirement provision and disability and invalidity coverage.

Human Rights

Our business approach is based on respect for human rights and we ensure that human rights clauses such as collective bargaining, equal opportunities and prohibition of child and forced labour are practised and included in all our contract and investment documents. We have a recognised union in all our manufacturing plants except at Pantnagar and the unions



are headed by a President who are top notch Union leaders in the society. We follow a democratic set up where employees have freedom to express their opinions and we emphasis on participative management. Many of the productivity improvements and welfare initiatives are driven by committees anchored by associates. Bilateral settlements are signed between the management and union every three years which covers the work conditions of the associates. We have been managing a harmonious IR climate for many years in the past except for some minor skirmishes where union follows a democratic way of showing their displeasure. (eg. Hunger strike which happened at Hosur recently and it was done by associates outside their work hours). There have been no cases of discrimination and human right breaches filed during the reporting period.

Employee Well Being

MBA Summer Internship

This program has been initiated to explore an effective low cost channel for resources and potential recruits for special projects while encouraging experiential learning among the youth. MBA interns from reputed business schools are hired and are expected to bring in new thoughts and ideas. They complete short term projects that create an effective impact on business as a part of the summer internship as per the MBA curriculum. The number of MBA internships and allocation of resources is proposed by the talent acquisition team and number of internships are approved by VP-HR post annual business needs review. There is an eligibility criteria laid down in the MBA summer internship policy for application as an intern. The interns are deployed for a period of 3 months and job descriptions are floated, post which applicants are shortlisted and interviewed. A stipend and certificate are provided to the interns on completion of the internship. The effectiveness of the internship is evaluated by the head of department and a panelist representing HR. Based on the candidates' performance, a decision on the pre-placement offer is made.

Enhancing the onboarding experience of new joiners:

This year we undertook a survey to improve the onboarding experience of new joiners. We realised that the incoming high potential talent has a tendency to get disengaged due to a lack of a defined process for onboarding. When a new employee enters a company with little or no experience, it greatly impacts both the business and the employee themselves. Since we invest greatly in hiring, we acknowledge the need to support new joiners with a formal onboarding process. Post the survey, actions were defined and implemented to enhance the process and we observed a significant improvement in the responses of new joiners. The respondents of this survey were employees who have completed a tenure of less than 6 months.

Post the survey, for each phase, processes that were challenging for new joiners were identified as "pain points" and subsequent action steps were developed and implemented. The newly implemented action steps were then checked for effectiveness through periodic surveys and significant improvements were observed in the responses received from new-joiners.

Expressions '16:

Our Employee Engagement Survey provides an insight into employee perspective and expectations. This year, we invited our employees to participate in the survey and following were the results of the survey:

1. Overall employee engagement is at 56% and is comparable to that of the industry

Strengths:

2. High pride of association with a brand like Ashok Leyland, best in the market, in terms of products, quality and customer satisfaction
3. Customer requirements are understood and incorporated in the products delivered
4. Periodic communication from top to bottom provides clarity regarding the future and growth

Areas of improvement:

5. Recognition to be given to the right people irrespective of work level
6. Team work and inter departmental collaboration needs to improve

Recognitions

You Made My Day – YMMD

The YMMD program has been initiated to foster a culture of genuine respect and appreciation for each other's efforts among employees. Through this program we aspire to enable and inculcate spontaneous collaboration at work driven by trust and respect. We aim to bring alive the tagline "Aapki Jeet Hamari Jeet" by acknowledging the spirit for camaraderie.

In the near future we wish to publicly recognise and applaud employees receiving maximum appreciation-celebrating positive



behavior, those who appreciate others – celebrate spirit of collaboration and extend the initiative to stakeholders other than employees, celebrating the spirit of “Aapki Jeet, Hamari Jeet”.

Diversity and equal opportunity

We are an equal opportunity employer and we do not discriminate on the basis of cast, creed, gender or ethnicity. We maintain a remuneration ratio 1:1 for males and females. The remuneration for any employee is strictly based on merit and is governed by the pay scale of that particular grade. Our diversity and inclusion framework aims at:

- Increasing women’s participation in the workforce
- Making the work environment more conducive for collaboration and diverse ways of working
- Creating a framework for encouraging and capturing voice towards better engagement

Currently, women constitute 5% of our employees. We have undertaken several initiatives to enhance diversity in our workforce. Our maternity policy offers 24 week maternity leave and this was implemented prior to the mandate under the Maternity Benefit (amendment) act 2017. We also promote a paternity leave of one week and in the last 2 quarters, approximately 50 employees have availed it. We are also in the process of developing a crèche for children of parents working in Guindy and Tech Centre that shall have the capacity to hold about 52 children.

‘Shristi’ is our internal women’s network formed in 2016. 190 employees are covered under this network. It consists of a governing body of 8 members. Shristi operates on 3 pillars of career development, engagement and inclusive policy.

In order to promote fair representation of women in leadership roles, we have launched a Women Leader Program. This aims at grooming women for various senior leadership roles and build the Leadership succession pipeline.

Initiatives for Talent Management, Career Development and Performance Enhancement

Chairman’s Award

This is the highest form of recognition bestowed on individuals and teams that have significantly contributed towards the strategy implementation at Ashok Leyland. It has been designed to honor the individuals/ teams that have performed exceedingly well and set examples for others to follow. These awards recognise initiatives that could be in the areas of identifying new sources of value creation or enhancing performance of existing drivers in the areas of new or enhanced products, services, processes, innovations, etc. The awards are further categorised as Hinduja Excellence Award (HEA) and Ashok Leyland Excellence Award (ALEA).



Hinduja Excellence Awards (HEA) are awarded to recognise teams/ individuals whose contribution significantly impacts the organisational strategy, at the level of overall business. A maximum of three awards can be given out under this category. ALEA are awarded to recognise exceptional achievements by teams/ individuals which have enhanced or significantly impacted the key value drivers of the organisation in terms of quality, people, brand, innovation and efficiency, demonstrating role model quality management systems, people leadership, creation of a distinctive brand identity, out of the box thinking and significant saving of resources.

These awards are applicable to all executives on the permanent roll of Ashok Leyland and its subsidiaries across the world. This could be individuals or teams that have worked on such critical initiatives.

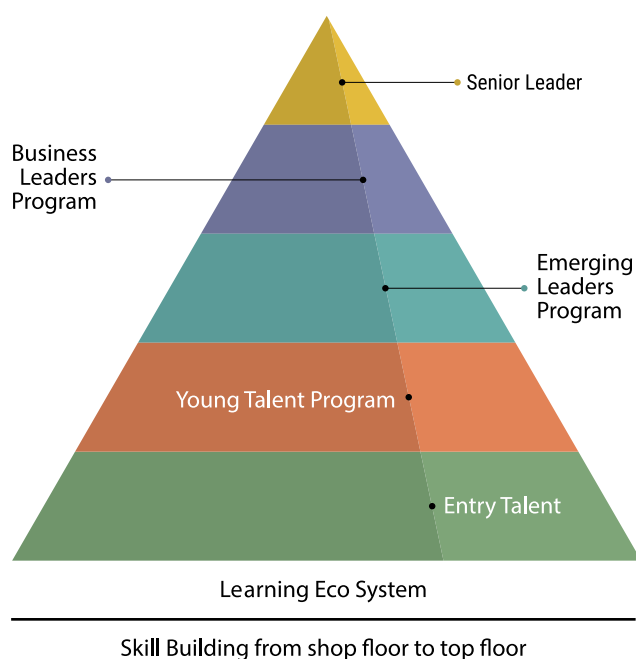
Leadership Pyramid

We have created leadership capability pipeline for our senior leaders who are agile, enabled and empowered with a global outlook. With this we identify the talent readiness among the leaders through annual succession planning and their talent reviews.

Emerging Leaders’ Programme

This programme was initiated in the year 2008 and was revamped in 2016 to compliment the changing business needs. It has been designed to generate a talent pool and a pipeline that would enable us to deploy human resource seamlessly and effectively





in critical positions at middle and senior management levels. The aim of this program is to identify high potential employees with consistently high performance and empower them with a platform and an opportunity of accelerated and holistic learning to be groomed into leaders.

It is a 12 months program in which selected employees are provided with an opportunity to undergo a General Management Program (GMP) and learning in soft skills through a reputed B-school. One senior leader of Ashok Leyland is assigned as a mentor to each participant to enable effective completion of the program. The participants receive an opportunity of completing one large cross-sectional, business critical project and are

expected to chalk out an Individual Development Plan (IDP) by accessing inputs from the assessment center and mentors.

On successful completion and certification as an emerging leader, the participants are provided with:

- A merit increment on Cost to Company (CTC)
- An enhanced role in the organisation based on business needs and aspirations and
- A 3-year career roadmap which is identified and documented in the IDP, agreed by relevant divisions and monitored by the respective HR business partners and business heads

Young Talent Program

Our Young Talent Program (YTP) focuses to engage, leverage and proper our young stars towards functional/ project excellence. YTP will be run as an intensive 1 year program involving individual development planning, action planning and stretch projects, a management development program from a leading institute and various performance and competency enhancing inputs at critical inflection points. The selected candidates will go through 1 – year long interventions to enhance their leadership potential and to contribute to functional/ project excellence in the current area of work.

Graduate Engineer Trainee (GET)

Graduate Engineers are hired from reputed institutes across the country after a rigorous selection process. After a year's multifunctional training at our management development centre and operating divisions, they are absorbed into several roles across verticals and horizontals like Manufacturing, Operations, Quality, Service, Analytics and Product Development.

Diploma Engineer Trainee (DET)

DET's are meant to be the front line supervisory resources for the manufacturing, service, product development and quality functions.

Training Data in Man-hours					
Locations	FY 2016-17				
	Junior Management	Middle Management	Senior Management	Male	Female
Hosur 1	1,262	4,271	624	6,085	72
Hosur 2	5,428	0	7,028	23,712	0
Ennore	4,440	3,224	80	19,630	192
Bhandara	1,256	1,725	99	3,094	13
Alwar	866	21	91	877	101
Pantnagar	4,170	5,423	2,324	60,182	5,884
VVC	19,220	24,622	68	41,718	2,192



Diploma engineers are hired from reputed colleges. After going through a structured holistic development Program, they are absorbed into various domains and verticals across the organisation.

Training

Continuous development of our employees is crucial to retaining our workforce. We constantly strive to cover all our employees under training programmes to provide all possible support to enhance their talents and skills and enhance employee interaction and cohesion. Training is provided to employees at all the levels in our organisation, from leadership to junior management.

Ignite

We believe that a motivated workforce is capable of transforming business through innovation and we are geared towards tapping and channelising the latent talent within them. Ignite is one such program undertaken at all our locations to trigger, enable and spark innovation among our employees and encourage them to come up with breakthrough ideas that could benefit our business. It was initiated in November 2015 and covers all our employees.

This program provides the employees with an opportunity to publish or present their idea at major forums that are open to

any or all team members. Based on the uniqueness of the idea, the teams or individuals involved can acquire assistance to register for a patent. If the idea involves a product innovation, the branding/ naming of the product would be done after the project leader and the project leader would receive an opportunity to participate as a delegate in one relevant national or international symposium of his/ her choice. Through this program, we have observed an increase in submission of breakthrough ideas from employees.

The ideas showcased on this platform promote innovation and pioneering solutions, resulting in

- Sustained increase in revenues,
- Sustained increase in profitability
- Recurring cost savings

We have received 71 ideas so far, out of which 22 proposals were shortlisted and the employees who had submitted then were asked to present a detailed case study. 9 proposals were further shortlisted for presenting the ideas as a business case for a further feasibility study.

The Blessing Scheme (Pantnagar)

In line with ALP vision of "Creating Employability", BLESSING SCHEME (Ashirwaad Yojana) has been started in collaboration with Govt. of Uttarakhand and Training Partner NTTF. The objective of this scheme is to create more employable talent in Uttarakhand state. Our target for FY 2016-17 is to make 450 young persons of this region employable. Following are the features of this schemes:

- Selection and recruitment of rural unprivileged area students (Minimum 15% female employee)
- Practical oriented 4 years diploma course module with NTTF
- World Class training facilities like CNC training, auto cad, metrology lab etc
- Exposure to world class manufacturing facilities.
- Considerable investment on training



Through practical oriented course, students shall gain expertise. We have already achieved employment ratio of 22% of girl employees in plants against our set target of 15%. On completion of this training, students get employed at Ashok Leyland and in other industries.

Performance Development

We endeavor to provide feedback to all our employees on their performance. Among our entire employee population, all eligible employees undergo a formal performance review process. This year we observed concerted efforts towards cascading of goals and 4,780 of our executive population received annual appraisal this year.



People Management Capability Development Program

This program was conducted to build capacities of managers to:

- Enhance the art of giving quality and constructive feedback
- Drive high performance
- Create an enabling, engaging and collaborative atmosphere

Employee Grievance Mechanism

People Red Book

“People Red Book” refers to our process of gathering grievances reported by employees (this includes workers, staff, supervisors as well as managers) regarding administration. A policy has been formulated taking the following in to consideration:

- Employees are treated fairly at all times
- Complaints raised by employees are dealt with courtesy and on time
- Employees are fully informed of avenues to escalate their complaints/ grievance within the Organisation and alternative remedy if they are not fully satisfied with the response to their complaints
- All complaints are dealt efficiently and fairly

Every HR/ ER/ Admin department or process as it may be called, appoints a people red book administrator. Administrator ensures the proper maintenance of the red book as well as is responsible for entering the complaints/ needs of employees those does not have red book access (in case of units only). Administrator coordinates with the leadership team on one hand and with the action takers and red book coordinators on the other hand. As per the classification of grievance/ need, the person responsible primarily resolves the grievance/ need. This will be according to directions provided by the department head/ process leader. If the grievance is work related, the person assigned should take it up with the concerned officer/ supervisor, and follow up until correction is complete. In the reporting year, we have not received any employee related grievances.

POSH

This is a platform for raising work place harassment issues, awareness of Prevention of Sexual Harassment Act (POSH) in employees and adherence to compliance. It consists of the members of ICC (Internal Compliance Committee) and HR Representative. The objective of this platform is to ensure a harassment free workplace for all employees of Ashok Leyland. We had one incident of sexual harassment during the reporting period and it was resolved in the same year.



The background of the page features a light gray checkerboard pattern. On the right side, there is a photograph of a person wearing a blue protective suit and a pair of yellow work gloves. The person's hands are visible, with one hand resting on their arm. Overlaid on the left side of the image is a large, stylized graphic consisting of overlapping geometric shapes in blue and orange. The text 'OCCUPATIONAL HEALTH AND SAFETY' is written in white, bold, uppercase letters within the orange section of this graphic.

OCCUPATIONAL HEALTH AND SAFETY



OCCUPATIONAL HEALTH AND SAFETY

We are committed to safeguard the health, safety and welfare of all employees, contractors and visitors. In this regard, we are continuously enhancing our culture of safety and maintaining the health and physical well-being of employees. We have a health and safety policy which covers all the manufacturing, R&D, warehouse, distribution centers and office buildings across all our plants. Our health and safety policy is applicable throughout the company and we are constantly looking for ways to strengthen implementation of our safety related initiatives across all our manufacturing facilities.

Our approach to safety is two-fold, we have site-level programs and management systems. We integrate health and safety in our

operations such that, the risks of injury or ill-health are being reduced with interactive programs that we undertake and the safety communications we circulate. Our occupational safety program takes an account of all measures for the prevention of work accidents, work-related illnesses, and occupational diseases. The safety program consists of accident investigation, emergency response, ergonomics, hazard identification and risk assessment health and wellness, lock-out-tag-out, and continual workplace inspections. Some of the processes included in our management systems are chemical management, confined space management, and health and safety management.

The management and administration of our health and safety objectives is entrusted with the respective site level safety committees. The composition of the safety committee has been designed to ensure equal representation of both employees and management. The committee conducts monthly town halls aiming to discuss any concerns, observations, results of audits and also reviews and highlight our safety strategy. Some of the best practices our committees adhere to are transparent communication on incidents, accidents and their reporting, documenting the discussions and circulating key developments on safety improvements at the plant level, and regularly conducting training on the application of safety principles and management of safety risks.



During the year, we have taken special initiatives towards the promotion of occupational health, safety and wellbeing of our employees and communities where we operate, some of them are as follows:

- Circulation of flyers and notices on health and safety topics such as prevention of industrial accidents, wellness and mental healthcare.
- Conducting refresher training on basic first aid training and the awareness and appropriate usage of Personal Protective Equipment (PPE). Additional training conducted include driver safety for personnel involved in the operation of powered equipment, safe lifting practices, fire and electrical safety, accident response, spill response and training on machine specific safeguards.
- In order to make our employees active members in implementing workplace safety we frequently conduct toolbox talks, discussion on shop floor safe working practices, conduct fire safety demonstrations and regular mock drills, reporting unsafe acts and reduction of work place stress

During the reporting year, our Frequency Severity Index decreased by 8.7% in comparison to the FY 2015-16 values.



Our Safety Performance

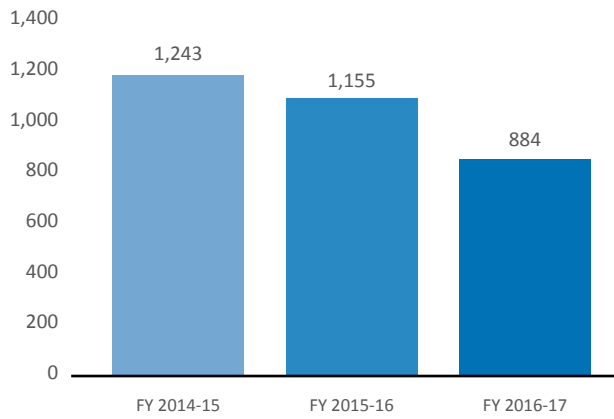
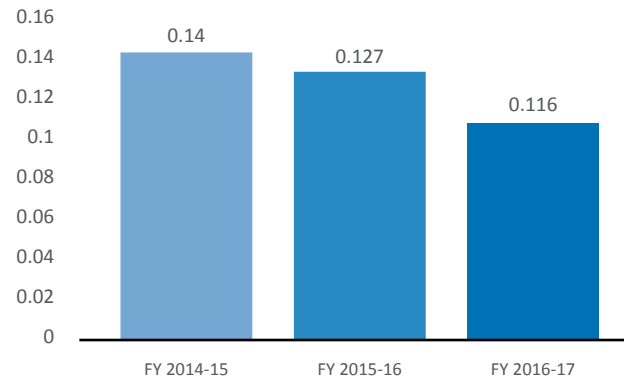
For permanent employees

Year	FY 2014-15		FY 2015-16		FY 2016-17	
	Male	Female	Male	Female	Male	Female
First aid incidents	1229	14	1141	14	881	3
Lost time case (R+NR)	107	0	98	0	70	0
Injury rate	0.01	0.03	0.01	0.02	0.01	0.00
Fatality	0	0	1	0	0	0
Lost day rate	0.002	0	0.07	0	0.003	0
Man-days lost	200	0	6377	0	291	0

For contract employees

Year	FY 2014-15		FY 2015-16		FY 2016-17	
	Male	Female	Male	Female	Male	Female
First aid incidents	99	0	107	0	86	0
Lost time case (R+NR)	4	0	8	0	5	0
Injury rate	0.003	0	0.006	0	0.005	0
Fatality	0	0	0	0	0	0
Lost day rate	0	0	0.002	0	0.001	0
Man-days lost	6	0	35.5	0	26	0



**Number of first aid incidents
for permanent employees****Frequency Severity Index**

A photograph showing four hands, likely belonging to children, holding small clumps of dark brown soil. Each clump contains a small green seedling with two leaves. The hands are arranged in a circle, suggesting a shared activity or community effort. The background is a blurred green lawn.

INCLUSIVE GROWTH AND COMMUNITY DEVELOPMENT



INCLUSIVE GROWTH AND COMMUNITY DEVELOPMENT

We strive to be a trusted corporate citizen and we hope to fulfil our responsibilities to the societies and communities in which we operate. We believe community development is about community building and upliftment across the various socio-economic groups. We consider it as our moral responsibility to make a positive contribution to the development of communities and regions where we operate.

Our efforts towards overall community development focus on the following areas, namely, basic education, and education

for the girl child, health and hygiene awareness in line with government initiatives such as Swachh Bharat, road safety measures and environment-related issues. We have identified these areas based on the needs of our communities through regular interactions and our affiliations with NGO's. We believe in supporting the social environment such that inclusive growth and corresponding community development achieve the ultimate goal of social prosperity. We are in compliance with the CSR spending of 2% as mandated by the Companies Act.

Apart from the programs grouped in the above areas, we also undertake various other projects on a need basis. In this view, we conduct various programmes with innovative solutions to address socio-economic community issues. In order to leverage our social responsibility initiatives we have tried to increase our community volunteering in this reporting year. Furthermore, as agents of positive societal change, we are committed to achieve a wider outreach of our practices that are, both, good for inclusion and business.

Education

Education systems play an important role in reform as it is fundamental to a nation's growth and development. We are of the belief that education prepares children for better future prospects and enables them to participate actively in citizenship.





Road to school

One of our most widespread programmes is the Road to School programme. Currently we have a total of 15,155 students enrolled under the programme. The objective of this programme is to improve the access to quality education while simultaneously providing necessary support for skill development, training and health of students. We have implemented this programme across six blocks surrounding our plants in Chennai, Hosur; Puzhal, Minjur, Anchetty, Shoolagiri, Natrampalayam and Thaggatty. We continue to maintain our successful partnership with Learning Links Foundation (LLF) to conduct various academic, co-curricular and extra-curricular activities.



Through our initiatives we have focused on improving the learning in the following subject areas viz. Tamil, English, Math, Social Studies and Science. In order to ensure our impacts are measureable, we conducted baseline tests for all the students enrolled in the programme.

We focus on providing holistic education to students by engaging in fun ways of learning. We believe that holistic education provides well-balanced paths for children to be prepared to face challenges along with continuous academic progress. We organise sport activities and competitions, science fairs, arts and crafts, rhymes recitation, storytelling, spelling bee, poster making, math competitions and motivational talks for the children in an effort to imbibe the culture of all-round learning. We also conduct remedial support classes for differently abled students to ensure their learning levels are continuously improving. We also give them practical training to visit Banks, Post Offices, Govt Hospitals etc.



We also ensure that the impacts of our programme are constantly improving by scheduling management review visits by senior officials to the schools. The officials interact with the children on various topics and cross check their learning levels, in addition to end-line assessments at the end of academic year.

Following are the highlights of the key outcomes of the initiative:

- In the Phase-2 of the first year of the project implementation learning improvement increases of 29% in Natrampalayam, 34% in Thaggatty, 40% in Minjur and 35% in Puzhal, 17% Anchetty and 14.5% Shoolagiri cluster were observed in comparison to the baseline assessments conducted in July, 2016.
- A reading skill improvement of 67% in Minjur and 59% in Puzhal was observed.
- Sixty-seven children in Hosur and thirty-five children in Chennai, who had previously dropped out from school, were brought back to attend routine classes.



We initiated several initiatives across various schools to fix and newly construct additional facilities to help upgrade the current infrastructure across the schools. Some of our efforts in this regard include rebuilding damaged roofs, laying down water pipelines, construction of bore wells, structural modifications such as partition boards to enable better access for students, lighting and repairs of critical hygiene elements such as washrooms. Additionally, we also provided some schools with public address systems, music systems, water purifiers etc.

Further, in order to provide rich learning experiences, 4 School Buses were commissioned for the Road To School project, to benefit 108 schools to plan and execute learning excursions and mobile library initiatives.

In addition to the above facilities we also undertook medical check-ups all the students from 108 villages and wellness sessions for students and community. Some of the highlights of the wellness programme have been listed below:

- Health check-ups were conducted for 6,215 children in Chennai and 7,500 children in Hosur which were recorded in health cards.
- Apart from providing health services we also sensitised the children and the community about health issues in collaboration with the Ennore Medical Team and District Child Protection Officer. The awareness sessions were conducted on the following topics; personal hygiene, benefits of drinking good water, menstrual hygiene, good touch / bad touch and dental care.
- A surgery was facilitated for a student with a back tumour. Additionally, in specific cases ENT treatments, neurology treatment, dermatology treatments, cardiac check-ups, surgeries for tonsillitis, cataract were conducted.
- Dental camps and dental treatment benefited 805 students from the block areas surrounding our Chennai and Hosur plants.
- We also provided first aid kits to 36 schools, prescription glasses to students on a need basis and distributed 172 water purifiers in 71 schools.

Driver Care

We at Ashok Leyland, believe in providing access to quality education and a myriad of opportunities to students. We have implemented a scholarship programme called 'All the Best' in association with the TVS dealer in Tamil Nadu. The objective of the programme is to encourage the drivers' children to pursue education. With our help, a total of 175 students were awarded

scholarships to enable uninterrupted continuation of their education until graduation in the reporting year.

Recently, we inducted the first batch of 135 youth who successfully completed the 4-year diploma in Manufacturing Engineering Program. Our Pantnagar plant has demonstrated the effectiveness of this scheme by involving solely the students trained as a part of this program to work on the assembly line operations.



Infrastructure

Community Development Scheme

With a vision to improve the quality of life, we have undertaken a number of developmental initiatives around our manufacturing sites that provide consistent support to educational, medical and charitable organisations. These initiatives, under the Community Development Scheme, include construction and repair of public buildings, drilling public bore wells, erecting bus shelters, putting up streetlights around its manufacturing facilities and providing community television sets.

Empowering Women

Empowering women through skills and smart economics is vital to end poverty and boost shared prosperity. We are continuously working to promote skill training among women



through our CSR intervention. The initiative is implemented in association with two NGOs: Seva Rural Development Society (SRDS) and Marialaya. SRDS and Marialaya provide tailoring and embroidery courses for six and three month's durations which help women to earn their livelihood. We ensure smooth functioning of the project and support NGOs in the implementation by facilitating the payment of the rent of the machines, maintenance charges and salary for teaching staff.

Health

We provide awareness on diseases like HIV/AIDS, tuberculosis, sexually transmitted infection and cancer via our project Arogya Health Centre. We have received appreciation, awards from Aaradhana social welfare. We are carrying out the activities in association with Hosur Jaycees charitable trust, a local NGO. In the reporting year, we conducted 29 medical camps in villages to screen patients for various diseases.



HIV Awareness and Nutrition Programme

Arogya Health Centre sponsored nutrition to HIV positive children under the age of 15 years. We recognise the challenges faced by people living with HIV/AIDS. Maintaining proper nutrition is vital to improve the immune systems and

help manage HIV symptoms and complications. We provide nutrition such as grains, pulses, ground nuts, jiggery and dates to children.

We also conduct HIV/AIDS awareness programmes to sensitise the community to prevent the spread of the disease and to empower people living with the disease to live with dignity. During the reporting year, 28,652 people attended our awareness programme.

We also supported the World Aids Day programme in association with the Government and various NGO's. We conducted a rally and organised a speech to help dispel the myths associated with the disease, counter ignorance, fear, stigma and discrimination of people with HIV with the help of our field officer.

Road Safety Awareness

We conducted road safety awareness campaigns at three locations around the Alwar plant at Govt. ITI Rajgarh, Govt. Primary School Deran Ka Baas and Ashok Leyland circle. As a part of this campaign we engaged persons in road safety pledges, distributed informative pamphlets on the dangers of traffic and safe practices. We also presented safety awareness videos to inform participants of the safe behavior and choices in relation to road safety.





ASSURANCE STATEMENT



INDEPENDENT ASSURANCE STATEMENT

Scope and Approach

DNV GL Business Assurance India Private Limited ('DNV GL') has been commissioned by Ashok Leyland Limited ('Ashok Leyland' or 'the Company') to undertake an independent Limited level of assurance of the Company's Sustainability Report 2016-17 in its printed format (the 'Report') for the Financial year ended 31st March' 2017 based on International Standard on Assurance Engagements 3000 (ISAE 3000) Revised*. The management of Company is responsible for all information provided in the Report as well as the processes for collecting, analyzing and reporting the information presented in the printed report. The intended users of this assurance statement are the management of the Company. Our assurance engagement was planned and carried out from May to July' 2017.

We performed our work using DNV GL's assurance methodology VeriSustain^{TM1}, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

The sustainability performance disclosure in scope was the verification of the qualitative and quantitative information on sustainability performance disclosed in the Report covering Economic, Environmental and Social performance of the activities undertaken by the Company over the Reporting period 1st April' 2016 to 31st March' 2017 and based on the Global Reporting Initiative G4 Sustainability Reporting Guidelines (GRI G4) for 'In accordance' – Core option of reporting. We evaluated the sustainability performance disclosures including reported data using GRI G4 principles on defining report content and the reliability principle together with the Company's data protocols on how the data are measured, recorded and reported to arrive at the conclusion.

We understand that the reported financial data and information including CSR expenditure are based on Company's Annual Report and Accounts dated 31st March' 2017, which are subject to a separate independent audit process. The review of accuracy financial data taken from the Annual Report and Accounts is not within the scope of our work.

We planned and performed our work to obtain the evidence that we considered necessary to provide a basis for our assurance opinion. We are providing a 'limited level' of assurance and no external stakeholders were interviewed as part of this assurance engagement. A 'high level' of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Responsibilities of the Directors of Company and of the Assurance Providers

The Directors of Ashok Leyland Limited have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of the Company; however, our statement represents our independent opinion and is intended to inform stakeholders of the Company. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. This is the first year that we have provided assurance of the Report.

¹ The verisustain protocol is available on www.dnvgl.com

* Assurance Engagements other than Audits and Reviews of Historical Financial Information

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of Our Opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at Corporate office at Chennai and sample sites. We undertook the following activities:

- Review of the current sustainability issues that could affect the Company and are of interest to identified stakeholders;
- Review of management approach to stakeholder engagement and recent outputs although we have no direct engagement with stakeholders;
- Review of information provided to us by management team on its reporting and management processes relating to the GRI G4 content Principles;
- Interviews with selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the Group Sustainability Objectives for medium and long term vision.
- Site visits were conducted at manufacturing locations at Hosur -2 (including visit to social project), Ennore and Research and Development Centre at Vellivoyalchavadi at Chennai, Tamil Nadu to review process and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose the sites we visited and they were selected on the basis of their materiality to the group for sustainability impacts;
- Offsite review of supporting evidence for key claims and data in the Report. Our verification processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated Corporate level;
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation; and
- An independent assessment of reporting against the Global Reporting Initiative (GRI) G4 Guidelines, 'In accordance' – Core option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement except that the verification was limited to data and information disclosed for the reporting year 2016-17.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report together with referenced information does not properly describe adherence to GRI G4 Reporting requirements i.e. Content Principles, General Standard Disclosure and Specific Standard Disclosures as below:

a. **General Standard Disclosures:** The Report together with references to Annual Report describes Company's responses to General Standard Disclosures.

b. **Specific Standard Disclosures:** The Report describes the generic disclosures on Management Approach (DMA) and Performance Indicators for identified material Aspects as below:

Economic

- Economic Performance – G4-EC1;
- Procurement practices - G4-EC9;

Environmental

- Material - G4-EN1;
- Energy – G4-EN3,5,6;
- Water – G4-EN8,10;
- Emissions – G4-EN15,16,19,21;
- Effluents and Waste – G4-EN22,23;
- Compliance – G4-EN29;

Social**Labour Practices and Decent Work**

- Employment – G4-LA1;
- Labour Management Relations – G4-LA4;
- Occupational Health and Safety – G4-LA6;
- Training and Education – G4-LA9;
- Labour Practices Grievance Mechanisms – G4-LA16;

Human Rights

- Non-discrimination – G4-HR3;
- Freedom of Association and Collective Bargaining – G4-HR4;
- Child Labour – G4-HR5;
- Forced and Compulsory labour – G4-HR6;

Society

- Local Communities –G4-SO1;
- Compliance – G4-SO8;

Product Responsibility

- Customer Health and Safety – G4-PR1;
- Product and Service Labelling – G4-PR5;
- Customer Privacy – G4-PR8;
- Compliance – G4-PR9.

Observations

Without affecting our assurance opinion, we also provide the following observations. We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

Stakeholder Inclusiveness:

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The stakeholder engagement process is well established to identify sustainability challenges and concerns of diverse stakeholder groups and the Report brings out key concerns of diverse stakeholders. The stakeholder concerns are well identified documented and reported. In our opinion, the level at which the Report adheres to this principle is **‘Good’**.

Materiality

The process of determining the issues that are most relevant to an organization and its stakeholders

The materiality determination process was based on inputs from key stakeholders including employees, customers, suppliers, governments, regulatory bodies, media and senior management of the Company. The output of process clearly brings out material issues in internal and external context. In our opinion, the level at which the Report adheres to this principle is **‘Good’**.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report has fairly brought out key responses to the identified materiality aspects i.e. the Report focusses its disclosures on key material aspects at macro level and has not missed out responses to identified material aspects, however the Report needs to further strengthen the disclosure of management approach especially the Disclosure on evaluation of management approach (DMA-c) and identified material aspects in supply chain. The Company is in the process of developing systems for reporting on supply chain. In our opinion, the level at which the Report adheres to this principle is **‘Acceptable’**.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The Company has established manual spreadsheet-based system for capturing the sustainability performance data from primary sources for monitoring environmental, labour and social performance at the three sites visited by us. During our verification, we observed some of the data inaccuracies at the sites visited by us; these were found to be attributable to transcription and aggregation errors. These errors have been communicated for correction and corrected for sample sites visited. In our opinion, the level at which the Report adheres to this principle is **‘Acceptable’**.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

The Report has fairly attempted to disclose the General and Specific Standard disclosures including the disclosure on management approach and performance indicators for identified material aspects for GRI G4 – ‘In accordance’ – Core option of reporting for the chosen reporting boundary and the reporting of performance and data for some of the sustainability performance indicators is limited to the reporting year. In our opinion, the level at which the Report adheres to this principle is **‘Acceptable’**.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The disclosures related to sustainability issues and performances are generally reported in a neutral tone, in terms of content and presentation, however the Report could further bring out responses related to the challenges faced during the reporting period at various locations of operations in terms of location specific material aspects, sustainability goals and targets in objective manner. In our opinion, the level at which the Report adheres to this principle is '**Acceptable**'.

Opportunities for Improvement

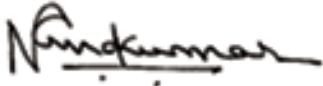

The following is an excerpt from the observations and opportunities for improvement reported to the management of the Company and are not considered for drawing our conclusions on the Report; however, they are generally consistent with the management's objectives:

- The Report needs to explicitly bring out strategic priorities under strategy and analysis, and report short, medium and long term sustainability goals and targets for identified material Aspects and disclose the same in its future reports;
- Reporting boundary needs to include all entities included in the organization's consolidated financial statement;
- A systematic process of internal audit of data management systems may be established to further strengthen the reliability of reported sustainability performance;
- A comprehensive supply chain risk assessment covering the value chain partners will help in evolving appropriate sustainability strategies to manage risks.

DNV GL's Competence and Independence

DNV GL is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV GL states its independence and impartiality with regard to this assurance engagement. We were not involved in the preparation of any statements or data included in the Report, with the exception of this Assurance Statement. We maintain complete impartiality toward any people interviewed.

For and on behalf of DNV GL Business Assurance India Private Limited

	
Vadakepatth Nandkumar Lead Verifier DNV GL – Business Assurance India Private Limited.	Prasun Kundu Assurance Reviewer DNV GL - Business Assurance India Private Limited

Bangalore, India, 08th July' 2017

DNV GL Business Assurance India Private Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.com



GLOSSARY

A/C.....	Account	DMA	Disclosure on Management Approach
AIDS.....	Acquired Immune Deficiency Syndrome	DNV GL	Det Norske Veritas (Norway) and Germanischer Lloyd
AL.....	Ashok Leyland	DSE	Dealer Sales Executive
ALCOB.....	Ashok Leyland Corporate Building	DTI	Driver Training Institutes
ALEA	Ashok Leyland Excellence Award	EBITDA.....	Earnings before interest, tax, depreciation and amortisation
AMC.....	Annual Maintenance Contract	ECU	Equivalent Cabin Unit
ASCI	Advertising Standards Council of India	ED	Electro Deposition
ATL.....	Above the line	EGR	Exhaust Gas Recirculation
BRR	Business Responsibility Reporting	ELP	Emerging Leaders Program
BS.....	Bharat Stage	ENT	Ear, Nose, Throat
BSE.....	Bombay Stock Exchange	ER	Employee Relations
BTL.....	Below the line	ETP.....	Effluent Treatment Plant
CATI.....	Computer Assisted Telephone Interview	EV	Electric Vehicles
CEO	Chief Executive Officer	EWP	Extended Warranty Package
CFD	Computational Fluid Dynamics	FDSS.....	Fire Detection and Suppression System
CFM	Cubic Feet per Minute	FES.....	Fire Equipment Services
CNC.....	Computer Numeric Control	FTE.....	Full Time Equipment
CNG	Compressed Natural Gas	FY.....	Financial Year
COSO ERM	Committee of Sponsoring Organisations of the Treadway Commission – Enterprise Risk Management	GAIL.....	Gas (India) Limited
CPPS.....	Cab Press and Panel Shop	GDR	Global Depository Receipt
CSR	Corporate Social Responsibility	GET	Graduate Engineer Trainee
CTC	Cost To Company	GHG	Green House Gases
Cum	Cubic Meter	GIGO.....	Garbage In, Garbage Out
CV	Commercial Vehicle	GJ.....	Giga Joules
DET	Diploma Engineer Trainee	GMP.....	General Management Program
DG.....	Diesel Generator	GRI.....	Global Reporting Initiative

GVW	Gross Vehicle Weight	NED.....	Non-Executive Director
GWP	Global Warming Potential	NGO	Non-Governmental Organisation
HEA.....	Hinduja Excellence Award	NOx.....	Nitrogen Oxide
HECU.....	Hybrid Equivalent Common Unit	NRI.....	Non-Residential Indian
HIV.....	Human Immunodeficiency Virus	NSE	National Stock Exchange
HoD.....	Head of Department	NTTF	Nettur Technical Training Foundation
HP	Horse Power	NVG-SEE	National Voluntary Guidelines on Social, Environmental and Economic
HPSV	High Pressure Sodium Vapour	NVH	Noise Vibration and Harshness
HR.....	Human Resources	OCB.....	Overseas Corporate Bodies
HSD.....	High Speed Deisel	ODS.....	Ozone Depleting Substances
Hz.....	Hertz	OEM.....	Original Equipment Manufacturer
ICC	Internal Compliance Committee	OTL	On the line
ICVs.....	Intermediate Commercial Vehicles	P&L	Profit and Loss
IDP	Individual Development Plan	PD	Product Development
iEGR.....	intelligent Exhaust Gas Recirculation	PDCA.....	Plan, Do, Check, Act
INR.....	Indian Rupees	PM	Particulate Matter
ISAE.....	International Standard on Assurance Engagements	POSH.....	Prevention of Sexual Harassment
ISMS.....	Information Security Management System	PPE.....	Personal Protective Equipment
ISO	International Organisation of Standardisation	PRISM	Practical Improvement in Sales and Marketing
IT.....	Information Technology	PVC	Polyvinyl Chloride
ITI.....	Industrial Training Institute	R&D	Research & Development
IUCN	International Union for Conservation of Nature	RACE	Rapid Average Cost Estimation
KAM.....	Key Account Manager cell	RLNG.....	Regasified Liquid Natural Gas
kg	Kilogram	RMC.....	Risk Management Committee
KLD	Kilo Litre per Day	RO	Reverse Osmosis
KLD	Kilo Liters per Day	SAP SF.....	SAP Success Factors
Km	Kilometer	SAS.....	Service At Site
kmpl.....	kilo meter per liter	SASSY	Service At Site to Satisfy You
KNOW.....	Knowledge on Wheels	SCR	Selective Catalytic Reduction
KRA	Key Result Areas	SEBI.....	Securities Exchange Board of India
kW	Kilo Watt	SOx	Sulphur Oxides
kWh	Kilowatt-hour	SPARK	Spare Parts Accelerated Reforms Kick-off
KYC.....	Know Your Customer	SRDS	Seva Rural Development Society
L&D.....	Learning & Development	STP.....	Sewage Treatment Plant
LCV.....	Light Commercial Vehicle	TAT	Turn Around Time
LEAD	Leverage Analytics to drive Decisions	tCO ₂ e	Tonne CO ₂ Equivalent
LED.....	Light Emitting Diode	TDS	Total Dissolved Solids
LLF	Learning Links Foundation	UK	United Kingdom
LPG	Liquefied Petroleum Gas	US	United States
LPM	Liter Per Minute	UTI	Unit Trust of India
LPP.....	Linear Performance Pricing	VFD	Variable Frequency Drive
LSPV.....	Load Sensing Proportional Valve	VOCs	Volatile Organic Compounds
M&HCV.....	Medium & Heavy Commercial Vehicle	VP	Vice President
MBA.....	Master of Business Administration	VTS.....	Vehicle Tracking System
MD.....	Managing Director	VVC	Vellivoyal Chavadi
MITR	Mutual Improvement Through Relationships	WOW	Workshop On Wheels
MoA.....	Memorandum of Agreement	YMMD	You Made My Day
MoEFCC	Ministry of Environment and Forest & Climate Change	YTP.....	Young Talent Program
MSME.....	Micro, Small and Medium Enterprises	ZBC	Zero Based Costing
MT	Metric Ton	ZD30	a 3-litre (2953 cc), inline four cylinder, diesel engine that replaced the Nissan QD engine
MWh.....	Megawatt hour	ZLDP.....	Zero Liquid Discharge Plant
NAAQS	National Ambient Air Quality Standards		
NABL.....	National Accreditation Board for Testing and Calibration Laboratories		



GRI CONTENT INDEX

GRI Content Index for 'In Accordance' - Core		
General Standard Disclosures	Page	Omissions
GENERAL STANDARD DISCLOSURES		
STRATEGY AND ANALYSIS		
G4-1	5, 6	
ORGANISATIONAL PROFILE		
G4-3	Cover page	
G4-4	10, 11	
G4-5	9	
G4-6	9	
G4-7	9	
G4-8	9	
G4-9	9	
G4-10	58	
G4-11	58	
G4-12	26, 27	
G4-13	Since this is our first year of reporting, this is not applicable.	
G4-14	29	
G4-15	3	
G4-16	11	

GRI Content Index for 'In Accordance' - Core		
General Standard Disclosures	Page	Omissions
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Please refer to page. no. 18 of the annual report FY 2016-17. Hinduja Foundries Limited, a part of Ashok Leyland from October 2016 has been excluded from this report.	
G4-18	3	
G4-19	23	
G4-20	23	
G4-21	23	
G4-22	Since this is our first year of reporting, this is not applicable.	
G4-23	Since this is our first year of reporting, this is not applicable.	
STAKEHOLDER ENGAGEMENT		
G4-24	22	
G4-25	21	
G4-26	22	
G4-27	22	
REPORT PROFILE		
G4-28	3	
G4-29	3	
G4-30	3	
G4-31	3	
G4-32	3	
G4-33	3	
GOVERNANCE		
G4-34	16	
ETHICS AND INTEGRITY		
G4-56	10	

Material Aspects	DMA and Indicators	Omissions
SPECIFIC STANDARD DISCLOSURES		
CATEGORY: ECONOMIC		
Economic Performance	G4-DMA: Page 25	
	G4-EC1: Page 26	
Procurement Practices	G4-DMA: Page 27	
	G4-EC9: Page 27	
CATEGORY: ENVIRONMENTAL		
Materials	G4-DMA: Page 36	Corporate office data has been excluded as systems are being developed and shall be included in next report
	G4-EN1: Page 37	

Material Aspects	DMA and Indicators	Omissions
Energy	G4-DMA: Page 29,30	
	G4-EN3: Page 30	
	G4-EN5: Page 31	
	G4-EN6: Page 30, 31	
Water	G4-DMA: Page 32	
	G4-EN8: Page 32	
	G4-EN10: Page 33	
Biodiversity	G4-DMA: Page 33	
	G4-EN11: Page 33	
Emissions	G4-DMA: Page 34	
	G4-EN15: Page 34	
	G4-EN16: Page 34	
	G4-EN19: Page 34	
	G4-EN21: Page 34, 35	Corporate office data has been excluded as systems are being developed and shall be included in next report
Effluents & Waste	G4-DMA: Page 35	
	G4-EN22: Page 33	
	G4-EN23: Page 35	
Compliance	G4-DMA: Page 37	
	G4-EN29: Page 37	

Material Aspects	DMA and Indicators	Omissions
CATEGORY: SOCIAL		
SUB CATEGORY: LABOR PRACTICES AND DECENT WORK		
Employment	G4-DMA: Page 57	
	G4-LA1: Page 58	
Labour/ Management Relations	G4-DMA: Page 58	
	G4-LA4: Page 58	
Occupational Health and Safety	G4-DMA: Page 65	
	G4-LA6: Page 66, 67	
Training and Education	G4-DMA: Page 61	
	G4-LA9: Page 61	Corporate office data has been excluded as systems are being developed and shall be included in next report
Labour Practice Grievance Mechanism	G4-DMA: Page 63	
	G4-LA16: Page 63	
SUB CATEGORY: HUMAN RIGHTS		
Non-Discrimination	G4-DMA: Page 59	
	G4-HR3: Page 59	
Freedom of Association and Collective Bargaining	G4-DMA: Page 58	
	G4-HR4: Page 58	

Material Aspects	DMA and Indicators	Omissions
Child Labour	G4-DMA: Page 58	
	G4-HR5: Page 58	
Forced or Compulsory Labour	G4-DMA: Page 58	
	G4-HR6: Page 58	
SUB CATEGORY: SOCIETY		
Local Communities	G4-DMA: Page 69	
	G4-SO1: Page 69	
Compliance	G4-DMA: Page 37	
	G4-SO8: Page 37	
SUB CATEGORY: PRODUCT RESPONSIBILITY		
Customer Health and Safety	G4-DMA: Page 47	
	G4-PR1: Page 47	
Product and Service Labeling	G4-DMA: Page 41	
	G4-PR5: Page 41	
Customer Privacy	G4-DMA: Page 52	
	G4-PR8: Page 52	
Compliance	G4-DMA: Page 45	
	G4-PR9: Page 45	
SUB CATEGORY: OTHER TOPICS IDENTIFIED AS MATERIAL		
R&D and Innovation	G4-DMA: Page 41, 42	
Supply Chain Management	G4-DMA: Page 26	







.....



Aapki Jeet. Hamari Jeet.

ENVIRONMENT POLICY

We at Ashok Leyland are committed to protecting the environment and will

-  Fulfill the organization's compliance obligations.
-  Adopt pollution prevention/reduction techniques in design, manufacture of our products and promote end of life disposal considering lifecycle perspective.
-  Conserve all resources such as power, water, oil, gas, compressed air etc., and maximize use of eco- friendly resources for our future design and manufacturing activities.
-  Continuously strive to minimize waste generation by all possible ways and reduce, reuse and recycle the same through a timebound action plan.
-  Provide a clean, safe and healthy work environment by spreading awareness and training.
-  Set and implement objectives and targets for continually addressing the environmental impacts.

Towards fulfilling the above objectives, we propagate, our environmental policy and our commitment to climate change mitigation, to all our stake holders viz., employees, suppliers, customers and our neighbours. We will also strive towards enhancing our environmental sustainability.

Umesh K. Desai

Managing Director

June 2016



ASHOK LEYLAND

Aapki Jeet, Hamari Jeet.

Registered Office: Ashok Leyland Limited, No. 1, Sardar Patel Road, Guindy, Chennai - 600032
Tel.: +91 44 2220 6000 | **E-mail:** reachus@ashokleyland.com | **Website:** www.ashokleyland.com



HINDUJA GROUP