November 9, 2020

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 **BSE – 500495**	**National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051 **NSE – ESCORTS**	**Delhi Stock Exchange Limited** DSE House, 3/1, Asaf Ali Road, New Delhi – 110002 **DSE - 00012**

Subject: Sustainability Report for the financial year 2019-20

Dear Sir/Madam,

Please find enclosed herewith Sustainability Report of Escorts Limited for the financial year 2019-20.

Further please note that this report has also been uploaded on our website i.e. www.escortsgroup.com under investor section.

The above is for your kind information and records.

Thanking You,

Yours faithfully,
For **Escorts Limited**



Satyendra Chauhan
Company Secretary
& Compliance Officer

ESCORTS LIMITED
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Registered Office: 15/5, Mathura Road, Faridabad – 121 003, Haryana
CIN: L74899HR1944PLC039088

ESCORTS

OUR SUSTAINABILITY JOURNEY

FOCUSING ON PROSPERITY AND IMPACT



SUSTAINABILITY REPORT

2019-20

About the Report

Escorts Limited presents, **Our Sustainability Journey: Focusing on Prosperity and Impact** - our first Sustainability Report for the FY 2019-20, in which we disclose our sustainability imperatives, initiatives, and performance, and outline our plans to transform ourselves while positively impacting our clients and industry. The Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, 2016: Core Option, and focuses primarily on the activities undertaken during for the reporting period from April 1, 2019 to March 31, 2020.

The scope and boundary of the Report covers the operations of Escorts Limited, its subsidiaries, associates, and joint ventures in India and Poland, unless otherwise stated. The Report focuses on aspects of Escorts' business that have been identified as "material topics" through stakeholder engagement and materiality assessment. Additionally, the report is also aligned with the United Nations (UN) Sustainable Development Goals (SDGs) that are relevant to our business and discloses how we are contributing to the SDGs that apply to our context.

Feedback, questions, or comments on this report are welcome.
Please email us at: sustainability@escorts.co.in

Bharat Madan
Group CFO & Corporate Head

Escorts Limited
Corporate Centre and Registered Office,
15/5 Mathura Road,
Faridabad – 121 003
Haryana

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Message from Escorts' Leadership



Mr. Nikhil Nanda, Chairman and Managing Director

Dear Shareholders

We are pleased to present to you Escorts Limited's first sustainability report (FY 2019-20). At a time when the world grapples with several uncertainties, we are among those who have realized that ushering in sustainability as a culture is now more critical than ever. While ideas that promote shared prosperity have always been a part of our fabric, we are now embarking upon a well-defined sustainability journey with clear goals for the future. The publication of this report serves as an important first step.

Escorts' products inherently touch the lives of people – farmers, who toil for hours on farms across the country to ensure national food security; railway passengers, who travel across the country with their dreams and goals; user of our construction machinery and occupants of the building made then after, who yearn for the familiarity of their homes or offices each day. But as we keep evolving, we seek to formalize our approach and monitor our actions closely to ensure that we create positive impact on society and the environment through all our activities.

Escorts was founded seventy-five years ago, and ever since, we have managed to establish a niche for ourselves in the markets we serve – for instance, currently we hold a 11.6% share in the domestic tractor industry and 40% market share in pick & carry cranes. The position we have built for ourselves over these years, while bolstering our goodwill, has also made us more sensitive to the evolving trends in the heavy equipment sector. In this regard, we have ventured into several trans-disciplinary and trans-boundary partnerships to ensure that any innovation we introduce is tailored closely to customer needs and experience. Recent examples include our joint ventures with Kubota to set up a

50,000-capacity manufacturing plant and increasing joint exports; and with Tadano to manufacture high-end rough terrain and truck cranes of 20 to 80-ton capacity, respectively.

Moreover, at Escorts, there is a natural connection between the "customers" and the "community" since our staple business - agri-machinery - caters to farmers. Apart from our corporate social responsibility initiatives in health, road safety, water conservation, and education, we are also focusing on using our domain expertise to address farmers' needs more holistically and with a view to contribute to the Government of India's vision of doubling farmers' income by 2022. Our most recent initiative of introducing "implement banks" for farmers to borrow from (effectively creating a pay-per-use business model that leads to shared value) is testimony to this.

On the environmental sustainability front, we have implemented targeted initiatives that introduce responsibility into our product design, ensure that products can be used sustainably during their life cycle, and improve the resource efficiency of our operations. Examples include the introduction of a hybrid tractor that can be operated using both diesel or electricity depending on the function and customer preference; installation of a solar power plant with a capacity of 1.5 MW at our Faridabad plant leading to savings of 6,000 units of grid power per day at group level, and use of sewage treatment plant (STP) water for gardening which leads to potable water savings of approximately 600kl per month. Going forward, we seek to ensure that the environmental footprint of our operations is monitored at every stage of our operations and reduced to the extent feasible - as we believe this could be our small, but significant contribution to the global fight against climate change.

The impact of the recent pandemic has highlighted the need of collaboration among corporates and communities to ensure overall well-being of the nation. Accordingly, Escorts has already started cultivating a business strategy that confers due respect to the people and resources who are responsible for the thriving of our ecosystem. In this regard, we hope that this sustainability report is a foundation stone for all our endeavors towards transforming into a progressively sustainable and resilient organization in the years to come.

Happy reading!

On behalf of Escorts Team,

Nikhil Nanda
Chairman and Managing Director

"As industry leaders, it is our responsibility to stay ahead of stakeholder expectation. We have been working on our sustainability performance from a long time and this year, we have conducted a thorough assessment of our status and future potential."



Mr. Shailendra Agrawal, Executive Director

Welcome to Escorts' very first sustainability report! It is with great delight that we present this report to you, and we hope that it provides a deeper and more detailed look into our sustainability performance. Though we have reported on a few environmental, social, and governance (ESG) indicators in our annual report and business responsibility report, we are according due structure to our reporting format from this year. Process improvement and resource efficiency has always consciously been embedded into our operations, and a testimony to this is that we won the TPM Consistency Award in 2020. But as we collected the data for this report, we frequently found ourselves in your shoes because adopting this framework has brought many aspects to light to us as it would for you, as you read this report. We found that we as an organization have been putting our best foot forward so far in executing sustainability-related measures in everyday operations, and that we have immense potential to prioritize and integrate sustainability in a much more defined manner, right from the strategy stage. We have hence conducted a thorough assessment of our current state and the way forward, with each of us stepping up to act as a devil's advocate to nail down the realities. Our sustainability focus for this year, after a detailed assessment, is on the areas of creating stakeholder value, operational and resource efficiency, people and communities, and compliance and ethics. The GRI Index at the end of this report provides a list of indicators we have reported on under these themes, and in the years to come, we aim to add considerably to this list. Ingraining sustainability as a culture is a process that has already sub-consciously started in Escorts, and this is evident in some instances such as informal discussions with suppliers on the adoption of green supply chain practices, launch of an ongoing, bot-based employee satisfaction survey to ensure real-time collection of employee feedback, and in the fact that our finance function is among the key resources that are driving our sustainability journey. We believe that our place as one of the leading heavy equipment manufacturers in India puts us in a position of great responsibility; and we seek to follow through on every sustainability commitment that we have set for ourselves this year to ensure we create a positive behavioral change among everyone associated with us.

"For any organization, it is not only important to track profitability, costs, and revenue, but also important to track responsibility and sustainability. The focal point in our sustainability agenda are issues that might impact both our business and associated stakeholders."



Mr. Bharat Madan, Group CFO and Corporate Head

The world is taking a new direction towards sustainability in the light of recent events; and we at Escorts are no exception. We believe that we have as much responsibility to track non-financial performance as we have towards tracking profitability, costs, and revenue, and there is no doubt that this is one of our chief priorities for the future. In this regard, we have made a conscious decision to take stock of, report on, and monitor our sustainability data in a more systematic manner than ever before, based on the triple bottom line of economic, environmental, and social performance. While increasing stakeholder expectations on sustainability is an important driver, being part of an industry that manufactures equipment and parts essential to everyday sustenance, we are also sensitive to impact of our operations and are driven by a desire to manage them effectively. Our focus has traditionally not just been on showcasing numbers, but in creating long-term value for our stakeholders. For instance, not only do we have a detailed social security scheme for our employees; we extend our pension policy to our temporary workers as well, to provide them with financial security doing uncertain times as exemplified by the ongoing pandemic. Our investment in CSR has always been well beyond the mandared 2%; and in the next 10 years, we see it expanding to Rs. 50 crores annually. "Escorts Crop Solutions" endeavor by the Group also seeks to make smart farming accessible and affordable, reflecting our intent to increase use, and not just purchases of our products. Therefore, whether it is the community, our own employees / workers, or customers, Escorts' focus is on shared value, whereby we make a difference in the lives of all stakeholders that are responsible for our success. In the coming years, the focal point in our sustainability agenda will be to objectively consider all potential sustainability impacts that might affect both our business and associated stakeholders, going beyond the financial and strategic risks we currently take into consideration. This report is the first milestone in this journey; and we hope to build upon this progressively in the years to come.



"At EAM, sustainability has always, inherently been present in the way we conduct business. Our focus is not just to sell products but to develop and sell solutions that impact the lives of our customers in a meaningful way."

Mr. Shenu Agarwal, CEO, Escorts Agri Machinery (EAM)

Escorts' Agri-Machinery (EAM) is the oldest division of Escorts and has been a part of the organization's legacy ever since its inception in 1948. At the core of this business lies commitment to the critical issue of food security in India, wherein 189.2 million people are undernourished according to a 2020 report of the Food and Agriculture Organization. All the solutions that we develop target at using modern technologies and tools to enable India's most celebrated and ancient profession of farming, so that both farmers and us, who benefit from their produce, can pursue collective development. Our key products, of course, are our tractors - but these are much more than just vehicles, in that they seek to become interactive experiences that boost farmers' productivity - sustainably. Keeping with this aim, we seek to enable farmers by providing them with farming information and intelligence, data that would help them increase and sustain their produce, and service modelling for helping farmers with limited capital. In a breakthrough innovation, for example, we have introduced a concept called "TRAXI", wherein farmers who own tractors and farm equipment are connected (using information technology) to farmers who do not own tractors, so that the latter can rent these when needed. This has multiple economic, environmental, and social benefits since all users of this application are benefitted economically, tractor purchase is reduced - thereby reducing energy use and waste generation, and the income and livelihoods of farmers who own or do not own tractors is augmented, leading to social balance. These are standing examples of the basic premise that our business operates upon - that we must consider all sides of a solution and its impact before designing it. However, with this sustainability report and in the years going forward, we plan to institutionalize our approach in a much more sophisticated manner, by laying the foundation for tracking and monitoring every indicator in our journey in this regard.

"The ECE division feel renewed responsibility towards contributing in the nationwide journey towards conscious establishment of required infrastructure that fulfills not only basic needs, but also fosters resilience in the face of crisis."



Mr. Ajay Mandahr, CEO, Escorts Construction Equipment (ECE)

Escorts' Construction Equipment deals in material and equipment for road building, earth moving, material handling, and other services, and we consider our work in this regard – even if it may be a small drop in an ocean – as a catalyst in building livable cities and communities in India, which may well have the third largest construction market in the world by 2025. As we move towards a new era in which we need to both acknowledge the need to fulfill our infrastructure needs as well as execute this consciously so as to ensure collective resilience, we cannot help but feel renewed responsibility in this direction. This is because our products indirectly determine the construction of safe and quality homes and workspaces that have significant impact on the everyday lives of the people who live in or use these areas. We adopt life-cycle based thinking in all our actions and operations. Take, for instance, the introduction of the "Escorts hybrid backhoe loader", which runs both on fuel and electricity based on the amount of horsepower used, and also on preference. This addresses the twin purpose of convenience as well as reduction in emissions, effectively making it a one-of-a-kind solution in the construction equipment space. Among the sustainability aspects that we consider or plan to consider in the future, safety was, is, and will be one of the prime areas of focus and we have been working closely with relevant departments and ministries of the Government of India to develop standards for safe and efficient construction technology. An example of one of our products that we have developed in this regard is the "CT Smart 15" pick and carry crane with a turning radius of 6 meters, which makes high ergonomic sense and offers ease of repair. We believe in continuous innovation based on in-depth research of market needs to ensure that we provide solutions that not only make our customers' lives easier, but better and more wholesome. Going forward, our research and development endeavors, which had already been inclusive, will also adopt the additional lens of sustainability right from the stage of product design to ensure that we not just enable, but also empower our customers.

"The nature of our business requires us to interact with diverse and critical stakeholders and hence sustainability is no longer optional. We aim to integrate sustainability in our operations starting with product, workplace safety, and supply chain."



Mr. Dipankar Ghosh, CEO, Railway Equipment Division (RED)

Escorts' Railway Equipment Division caters to both private and public railway systems in India, China, and Africa, and engages in the manufacturing of composite brake systems and pads. Given that all our products are part of railway systems that carry lakhs of passengers each day, their quality, safety, and standards are aspects we have to necessarily ensure with utmost accuracy. We hold the ISO 14001: 2015 and OHSAS certifications, and since we cater to a range of customers, we are strictly committed in our adherence towards the quality specifications that are required to be fulfilled by them. For instance, when we supply to the Indian Railways, every one of our products goes through a rigorous trial process for an approximate period of 18-24 months before being approved for use. Every product is taken apart and inspected thoroughly, including the composition of metallurgical content, as per the specifications in each country we supply to. This means that we have significant responsibility to interact with and understand the expectations of stakeholders across various cultural contexts, in an industry that is intrinsically challenging to operate in. In addition to this, we try to interlace lean management concepts by producing multiple technology-based products using multiple processes. In the current situation, as we all put up a global fight against a pandemic that is so far unheard of, we at RED are also ensuring that utmost safety is also ensured in working conditions at our plants which were already proofed with dust-free air-conditioning while manufacturing critical products. Hence, employee health and safety, process optimization, and safety of our products are the most important sustainability considerations at the heart of our operations. As outlined, the involvement of multiple, critical stakeholders in our everyday operations means that adoption of sustainability in each and every aspect of our business is no mean task, but still a possible reality. We are gearing up to enter into a new phase of operations, marked by the publishing of this sustainability report. At this crucial juncture, we want to begin a more disciplined journey towards sustainability – to start with, by interlacing responsibility into our own operations. As years progress, however, we plan to create a positive and significant influence in the entire ecosystem in which we operate with respect to sustainability, in an incremental manner.



ESCORTS

TRANSFORMING LIVES THROUGH SHARED PROSPERITY

ABOUT ESCORTS LIMITED

About Escorts Limited

Escorts Limited is a corporate conglomerate founded in India in the year 1944. The group initiated its journey as a tractor manufacturer and soon went on to become a leading farm equipment industry in newly independent India. Currently, Escorts has three major business divisions – a) Escorts Agri Machinery (EAM); b) Escorts Construction Equipment (ECE); and c) Railway Equipment Division (RED), with their respective contributions to the group's revenue at 77%, 15% and 8% respectively. While there is a diverse range of products in all three-business division, our flagship business in India and all over the world continues to be the tractor.

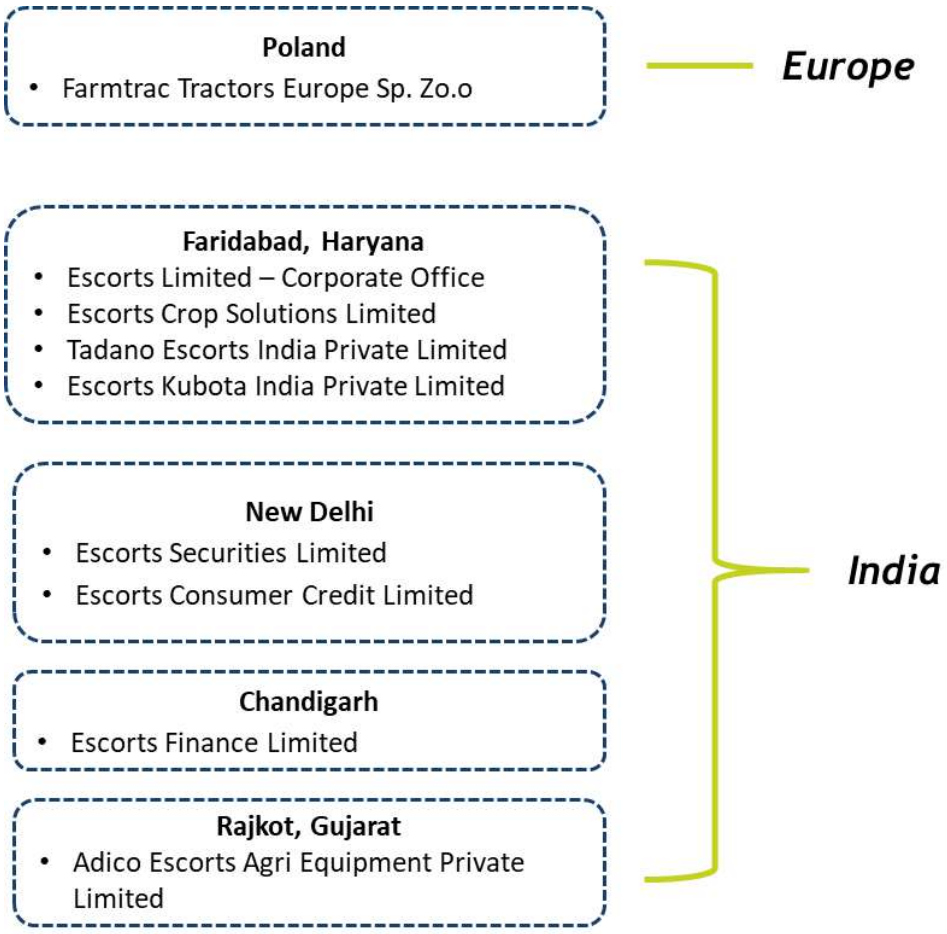
The group is headquartered in Faridabad, India with all 7 manufacturing plants located in the vicinity. Though the Indian operation also exports finished goods, a large chunk of the European and North American agriculture markets is catered to by Farmtrac Tractors Europe Sp.zoo. (FTSE), a fully owned subsidiary of Escorts Limited based in Poland. To expand its global market presence, Escorts has recently entered into two joint ventures, one with Japanese tractor giant, Kubota with the objective of leveraging its global distribution network and to jointly develop new agricultural products; and other with a construction equipment major, Tadano, to develop specialized products for high end markets.

Escorts growth journey has always been a participative one, we strive to create value equally for all our shareholders. In FY 2019-20, Escorts' gross revenue was INR 5,810 crore. The group employs more than 9,500 employees; has a roster of 1,000+ dealers, 5,500+ suppliers and contractors; and 1,200+ sales and service outlets globally. We are a public limited company, listed on National Stock Exchange (NSE) code as ESCORTS, Bombay Stock Exchange (BSE) code as 500495 and Delhi Stock exchange Limited code as 00012. The table below presents a list of our subsidiary companies, joint ventures and our shareholdings, while further details are available in our Annual Report for FY 2019-20.

List of Subsidiaries

S.No.	Name and location of the Company	Nature	Percentage of shares held
1.	Escorts Securities Limited New Delhi, India	Subsidiary	51.26%
2.	Escorts Crop Solutions Limited Haryana, India	Subsidiary	100%
3.	Escorts Finance Limited Chandigarh, India	Subsidiary	69.42%
4.	Farmtrac Tractors Europe Sp. Zo.o Mragowo, Poland	Subsidiary	100%
5.	Adico Escorts Agri Equipment Private Limited Gujarat, India	Subsidiary	40%
6.	Tadano Escorts India Private Limited Haryana, India	Joint Venture	49%
7.	Escorts Kubota India Private Limited Haryana, India	Joint Venture	40%
8.	Escorts Consumer Credit Limited New Delhi, India	Associate	29.41%

Our Global Presence



Vision and Values

Group Vision

To be among the top engineering companies in India. We shall achieve this goal by being the preferred solution provider to the needs of our customers; by practising respectful and ethical business practices; by being the employer of choice within the engineering industry; and by providing superior returns to our investors

Core Values

Our Core Values define who we want to be. These are to be upheld at all times and embedded into the DNA of the organization.

- **Respect for People** - We will demonstrate dignity and respect for people in all our interactions. We will not tolerate belittling of people, regardless of position, or circumstance.
- **Empowerment** - People at all levels must be vested with the power and confidence to take decisions concerning their area of work.
- **Transparency** - People will understand the processes and criteria used to arrive at decisions concerning them.
- **Collaboration** - We will work with our colleagues with the spirit of collaboration and mutual respect.

Strategic Values

Our Strategic Values define how we will achieve the envisioned future. These must be embedded into our manner of thinking and ways of work.

- **Customer Centricity** - Acute sensitivity to the needs and experiences of the customer shall guide all that we do.
- **Excellence** - We will strive to achieve and surpass world-class standards in all that we do.
- **Innovation** - We will use the power of technology and imagination to deliver solutions to customers' needs.
- **Agility** - We will operate in our markets with the ability to change direction and position with nimbleness and speed.

Shared Prosperity - Vision 2022

The current growth efforts of Escorts Group are driven by our business vision for 2022, which are driven by the needs of the audience we serve through our business segments. Vision 2022 has laid out the goals for Escorts Group to *power the dreams of farmer*; to become the *preferred partner in nation building*; and to *ensure safety and comfort in rail transport*. These goals also align with country-level goals on agriculture, infrastructure, and the railways, and ultimately contribute to global goals – majorly on food security.

Product Portfolio

Farmtrac Powermaxx Tractor



Escorts Agri Machinery (EAM)

This is the largest business division of Escorts Limited. The flagship products of this division are the ***Farmtrac***, ***Powertrac*** and ***Steeltrac***, which offer a wide range of tractors from 12 to 120 horsepower (HP). This division also manufactures components and supplementary equipment for agricultural machinery including sprayers, harvesters, implants, and planters (SHIP). EAM has 4 operational manufacturing plants in Faridabad, Haryana, with an integrated annual production capacity of 1,20,000 tractors. Another plant in Faridabad with annual capacity of 50,000 tractors is set up under the JV with Kubota, which is set to be operational in FY 2020-21.

The Poland based subsidiary, FTES, also falls under EAM and has an annual installation capacity of 2,500 tractors. It is primarily an assembly plant, which procures most of its product components from India and customizes it to the European market. This unit operates through a distribution network in 18+ European countries and specializes in the 75 to 120 power tractor segments.

Pick-and-Carry (PnC) Crane

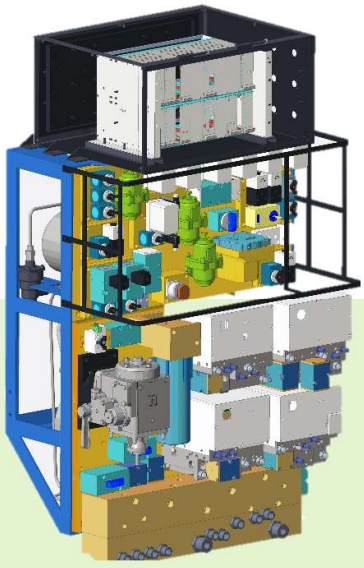


Escorts Construction Equipment (ECE)

The division specializes in cranes and other material handling equipment; earth moving equipment; and road building equipment. We are among the world's largest manufacturers of Pick-and-Carry (PnC) hydraulic mobile cranes. Earthmoving equipment include the backhoe loader, excavator, and wheeled loader while the roadbuilding equipment include compactors, pavers, and asphalt finishers. Our state-of-the-art manufacturing and assembly facility in Faridabad have production capacity of 10,000 units per annum.

Railway Equipment Division (RED)

Placed in a very niche market segment, this division caters to demand from Indian Railways, various metro rail corporations and export clients in China and Africa. It manufactures a range of railway equipment namely, brakes, couplers, gears, dampers, suspension systems, shock absorbers and rail fastening systems and other holistic systems like doors, toilets, and air Conditioning systems. These components and systems are used in passenger coaches, locomotives, fright wagons, EMU trains and metro trains. There are two manufacturing plants for this division in Faridabad with capacity to produce 9,600 AARH couplers; 2,580 SHAKU couplers; 18,000 air brakes 1,500 EP brakes and more than 9,99,000 brake blocks annually.



Microprocessor Controlled Electric Brake System (MCBS)

Industry Associations

Escorts is cognizant of its position as a leading brand in the equipment manufacturing industry. In this regard, to serve the industry and to contribute to advocacy on policies related to the farm and construction equipment industry, Escorts engages with various industry associations and participates in national and international forums and exhibitions on a regular basis. The ECE division is also working with Bureau of Indian Standards (BSI), Department of Heavy Industries (DHI), and Ministry of Road Transport and Highways (MoRTH), Government of India to develop more robust safety standards for construction equipment. Currently, Escorts is part of the following industry associations:

- Confederation of Indian Industry (CII)
- Federation of Indian Chambers of Commerce & Industry (FICCI)
- PHD Chambers of Commerce & Industry (PHDCCI)
- Indo-American Chambers of Commerce (IACC)
- The Associated Chambers of Commerce and Industry of India (ASSOCHAM)
- Tractors and Mechanization Association, Faridabad Industries Association
- Indian Construction Equipment Manufacturers Association (ICEMA)

Recognition of our Efforts

Escorts have always contributed towards the socio-economic development of our communities and our country. On multiple occasions, Escorts' efforts are recognized and awarded by leading national and international industry associations. The figures on next page offers a glimpse of Escort's journey from 2004 onwards and the figure on page after that highlights the major achievements in the reporting year FY 2019-20.

Our journey through awards and recognitions



Awards and Recognitions for FY 2019-20



Escorts Group

- Best Customer (Placement) from Automotive Research Association of India (ARAI Pune)
- Awarded the Top Contributing - Kaizen at the 12th CII National Competitive & Cluster Summit
- Awarded by the CII for Manufacturing Innovation



Escorts Agri Machinery (EAM)

- Powertrac: Euro 50 is Indian Tractor of The Year 2018-19
- Escorts Ltd. was Best Tractor Manufacturer of the year 2018-19
- ALT 4000: Best Commercial Tractor for 2018-19
- Farmtrac Atom was awarded the Launch of The Year 2018-19
- Indian Chamber of Food and Agriculture (ICFA) presented Apollo Tyres Farm Power Award for "Tractor Of the year > 50 HP" to Farmtrac 6055 T20 Tractor
- Indian Chamber of Food and Agriculture (ICFA) presented Apollo Tyres Farm Power Award to Euro 42 Plus for "Best Launch of the year"

Escorts Construction Equipment (ECE)

- National 5S Excellence Award 2019 - Gold Rating in Manufacturing as per CII
- Certificate of Long Association and Preferred Partner for Steel buying From Steel Authority of India Limited (SAIL)
- Best Debutant Award for Hybrid Backhoe loader at the 7th Annual EQUIPMENT INDIA Awards 2019 which was organized by the First Construction council - Supported by Ministry of commerce and NHAI
- New Hydra Safe Crane (NXT13) awarded for the Best Design from Yellow Dot Awards

Escorts Group - International Awards

- Award for export excellence - By EEPC India
- Green Innovation Techniek Awarded Farmtrac Electric Tractor as an Innovative Product

Human Resources

Platinum category award for

- "Best ER practices and strategies implemented in last two years"
- "Best organisation culture change in Escorts"



OUR SUSTAINABILITY STRATEGY

Our Sustainability Strategy

Initiatives that promote environmental and social sustainability have always been a part of our operations for more than seven decades. While we have been working on various sustainability initiatives in bits and pieces, this year marks the formalization of this journey - wherein we seek to integrate the triple bottom line of sustainability into all our functions in the next few years and monitor this effectively.

Escorts' focused sustainability journey has begun this year - however, the thought process around becoming a more responsible and conscious organization began around two years ago, when our intent to ramp up disclosure of environmental, social, and governance (ESG) performance was affirmed by investors during our discussion and interactions. The importance of reporting on non-financial disclosures in addition to the financial ones was acknowledged, and Investor Relations teams were appointed to drive initiatives on this front.

The first step we took, thereafter, was to step into the shoes of the stakeholders associated with us while considering which aspects in our sustainability journey matter the most to our own business. Both aspects go hand in hand, and whichever actions are taken by either group has the potential to significantly impact the other's welfare.

Stakeholder Engagement

Our stakeholder engagement approach is based on our assessment of the importance of each stakeholder group to the business. A summary of our engagement mode with each stakeholder is provided below:

Stakeholder Engagement Modes

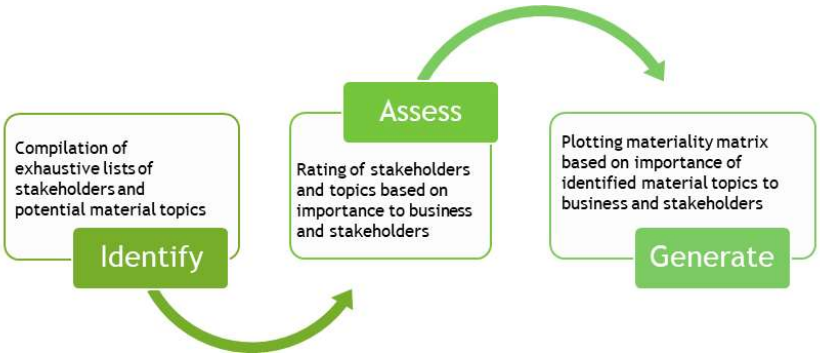
Stakeholder	Engagement Modes	Key Concerns
Customers / Dealers	• Customer satisfaction surveys once a year • Installation of "CARE" devices in tractors that allow the user to call our customer service executives if they face a challenge	• Customer trust and satisfaction • Timely and efficient addressal of complaints
Employees / Workers	• Bot-based ongoing employee satisfaction survey tool • General feedback sessions between Chairman and employees every quarter, functional heads' feedback sessions with employees • Training and safety programs conducted during induction and through the year. • Festival celebrations, games, award programs	• Job satisfaction • Fair pay and performance remuneration • Training and Development initiatives that support career growth • Safe and congenial working conditions • Non-discrimination based on color, gender, race, or caste • Prompt grievance redressal mechanisms
Investors & Financial Institutions	• Annual General Body Meetings • Monthly Interactions with investors • Public disclosure on financial performance and governance on our website	• Shareholder return • Financial and non-financial (ESG) performance of the company • Market value of Escorts' shares • Effective corporate governance

Governments / Local Authorities / Regulators	• Interaction at customer-level by RED since Indian Railways is a major customer • Engagement for innovation (such as creation of product quality standards for tractors / cranes with relevant Ministries) • Compliance monitoring by government on adherence to socio-economic / environmental compliances • CSR initiatives supporting local governments such as provision of vehicles to local police officials	• Adherence to applicable laws and regulations • Positive environmental and social impact of businesses • Alignment of businesses with policy priorities for industrial growth
Suppliers / Vendors / Contractors	• Annual suppler conventions • During supplier audits as and when suppliers are screened • Informal interactions between managers and suppliers / vendors / contractors	• Fair and accountable supply chain practices • Supplier financial health, reputation, and service quality • Access to knowledge on sustainable supply chain practices
Industry Associations	• Industry Association Meetings / Conventions	• Maintenance of product and service standards • Continuous innovation on the part of member businesses • Cooperation between businesses to ensure overall development in a healthy, competitive environment
Communities / NGOs	• Through CSR initiatives / activities • Public disclosure of company information on the website • Local employment	• Positive economic, environmental, and social impact of business on communities • Shared value – creation of job opportunities and livelihood avenues due to presence of business; workforce strength in business due to presence of skilled pool of candidates locally

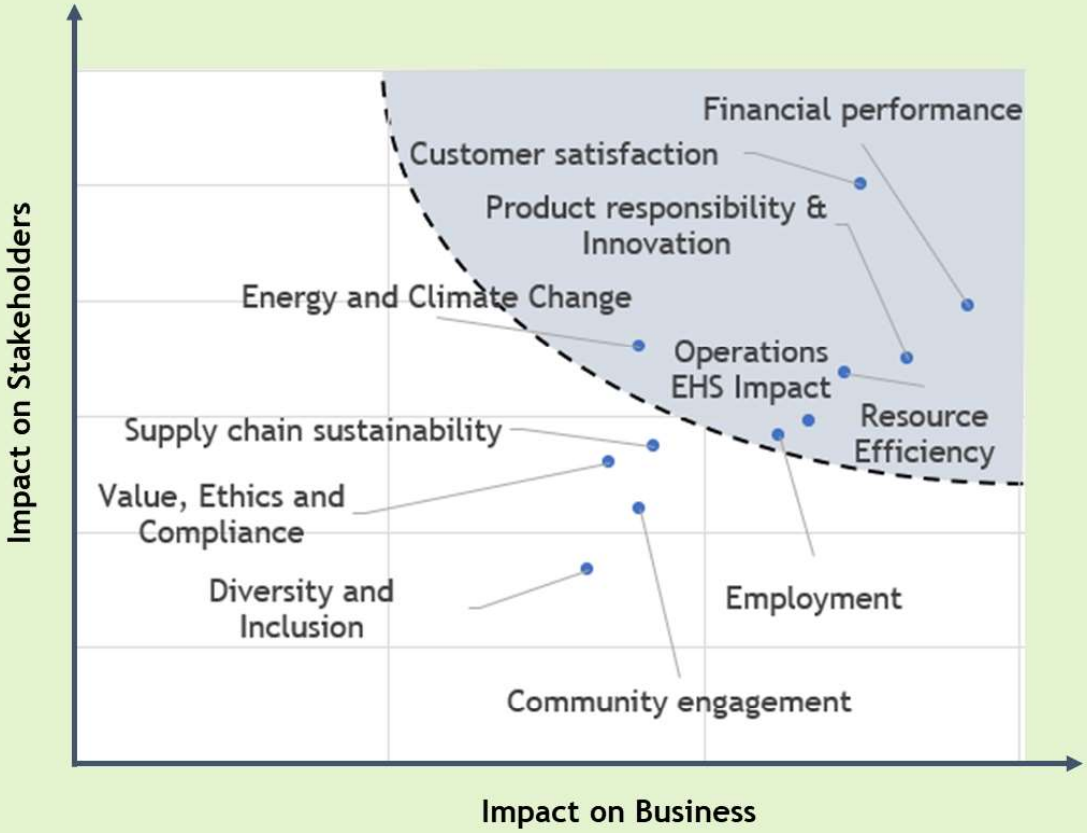
Materiality Analysis

As the first step in its pioneering journey in sustainability, Escorts conducted a materiality assessment to identify primary areas of focus for the company in the forthcoming year. Through this step, we sought to prioritize topics of importance both to Escorts and associated stakeholders, in terms of our intended goals for sustainability. A step wise procedure was followed to arrive at our list of material topics:

Materiality Analysis Approach



Escorts' Materiality Matrix

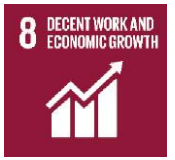


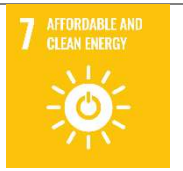
Material topics clubbed into four thematic areas

Creating Stakeholder Value	Operational and Resource Efficiency	People and Communities	Corporate Governance
• Financial Performance • Product Responsibility & Innovation • Customer Satisfaction	• Resource Efficiency • Operations EHS Impact • Energy and Climate Change • Supply Chain Sustainability	• Employment • Diversity and Inclusion • Community Engagement	• Value, Ethics, and Compliance

Materiality at Escorts: The "Why" Analysis

Thematic Area	Escorts Material Topic	Associated GRI Material Topic	Relevant GRI / non-GRI Indicator	Why this topic is material for Escorts	Impact Boundary	Relevant SDG
Creating stakeholder value	Financial Performance	201: Economic Performance	201-1: Direct economic value generated and distributed 201-3: Defined benefit plan obligations and other retirement plans	Escorts' main product line (tractors and agri-equipment) seeks to serve farmer communities in India, and the company's economic health, hence, is crucial since it impacts essential supply chains.	Within and outside Escorts	
	Product Responsibility & Innovation	416: Customer Health and Safety	416-1: Assessment of the health and safety impacts of product and service categories **Non-GRI Indicators:** Qualitiative initiatives on R&D front that have driven efficient product design, description of organisation's commitment to product safety, energy savings from fuel efficient engines	Product design, efficiency, safety, standards, and labelling are at the core of Escorts' agenda, given that the most important element of our business's survival and sustenance is customer trust and satisfaction.	Within and outside Escorts	
	Customer Satisfaction	N.A.	**Non-GRI Indicators:** Scores on customer satisfaction surveys, information on repeat orders, testimonials from customers, number of complaints reported and addressed, case studies	Innovation on modes of engagement with customers and the products we design for them, and customer satisfaction with our product's quality and durability are paramount to our business.	Within and outside Escorts	

Operational and Resource Efficiency	Resource Efficiency	301: Materials	301-1: Materials used by weight or volume **Non-GRI Indicators:** Case study on pay-per-use business model, qualitative information on organisation's focus on solution, rather than product selling, cost efficiency calculation of pay-per-use model against traditional purchase model.	Material efficiency is a highly pertinent topic at Escorts. In the future, Escorts aims to be a completely lean organization through optimal resource allocation and management. Additionally, through our pay-per-use model that we introduced recently in our EAM division; we seek to create a breakthrough on significantly reducing the amount of waste generated through the traditional purchase-sell model. This would also reduce economic burden on our customers.	Within and outside Escorts	
	Operations Environmental, Health, and Safety Impact	303: Water 306: Waste and Effluents 403: Occupational Health and Safety	303-1: Water withdrawal by source 303-3: Water recycled and reused 306-1: Water discharge by quality and destination 306-2: Waste by type and disposal method 403-1: Workers representation in joint management-worker health & safety committees 403-2: Types of injury and rates of injury,	Our operations have significant environmental impact, in terms of generation of solid, liquid, and hazardous waste, and safety risks to workers. While we strictly adhere to all norms to ensure minimal negative impact, going forward, we seek to monitor every environmental parameter to ensure we reduce impact at source.	Within and outside Escorts	 

		occupational diseases, lost days, and absenteeism, and number of work-related fatalities 403-3: Workers with high incidence or high risk of diseases related to their occupation 403-4: Health & Safety topics covered in formal agreements with trade unions			
Energy and Climate Change	302: Energy 305: Emissions	302-1: Energy consumption within the organization 302-2: Energy consumption outside of the organization 302-3: Energy intensity 305-1: Direct (Scope 1) GHG emissions 305-2: Energy indirect (Scope 2) GHG emissions 305-4: GHG emissions intensity	Escorts' operations lead to considerable energy consumption, and hence reducing energy consumption and using clean energy where possible is a high priority for us. Escorts' sustainability strategy is aligned to mitigate climate change risks since our operations lead to impact on the environment. The group periodically evaluates the introduction of initiatives contributing to climate action globally.	Within and outside Escorts	 
Supply Chain Sustainability	204: Procurement Practices 308: Supplier Environmental Assessment	204-1: Proportion of spending on local suppliers 308-1: New suppliers that were screened using environmental criteria	Supplier sustainability and capacity building is an ongoing priority at Escorts. As an age-old organization, we have several old-time suppliers whose performance we seek to counsel and	Within and outside Escorts	

		414: Supplier Social Assessment	308-2: Negative environmental impacts in the supply chain and actions taken 414-1: New suppliers that were screened using social criteria 414-2: Negative social impacts in the supply chain and actions taken	improve in case any issues are observed; and we also focus on local sourcing (from India) since our major operations lie in this geography.		
People and Communities	Employment	401: Employment 402: Labor Relations 404: Training and Education 407: Freedom of Association and Collective Bargaining	401-1: New employee hires and employee turnover 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3: Parental leave 402-1: Minimum notice periods regarding operational changes 404-1: Average hours of training per year per employee 404-2: Programs for upgrading employee skills and transition assistance programs	Employees and workers are the greatest assets of our business. Ensuring their wellbeing and safety is essential to ensure the manufacturing of quality products, and we have been driving initiatives rigorously in this regard, especially in the past couple of years (e.g. introducing role-based trainings).	Within Escorts	  

		404-3: Percentage of employees receiving regular performance and career development reviews 407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk			
Diversity and Inclusion	405: Diversity and Equal Opportunity	405-1: Diversity of governance bodies and employees 405-2: Ratio of basic salary and remuneration of women to men **Non-GRI Indicators:** Efforts to increase number of women in the workforce / in employment; description of how incidents of discrimination were handled.	Escorts comprises of a mix of employees across various ethnicities and 4% of board members are women. The group meets all statutory requirements in this regard and considers this periodically in the hiring and recruitment process.	Within Escorts	 
Community Engagement	413: Local Communities	413-1: Operations with local community engagement, impact assessments, and development programs **Non-GRI Indicator:** Percentage of workforce that is hired from local communities.	Escorts constantly strives to minimize the negative impacts and maximize the positive impacts of the business on the surrounding communities, through its corporate social responsibility activities, conscious operations, and local hiring.	Within and outside Escorts	 

Corporate Governance	Values, Ethics, and Compliance	102: Company Information 205: Anti-Corruption 307: Environmental Compliance 416: Customer Health & Safety 419: Socio-economic Compliance	102-16: Organization's values, principles, standards, and norms of behavior. 205-1: Operations assessed for risks related to corruption 205-2: Communication and training about anti-corruption policies and procedures 205-3: Confirmed incidents of corruption and actions taken 307-1: Fines, cases, or non-monetary sanctions that the business might have faced due to non-compliance with environmental regulations 416-2: Incidents of non-compliance concerning health & safety impacts of products & Services 419-1: Non-compliance with laws and regulations in the social and economic area	Escorts considers values and ethics as fundamental and indispensable in any scenario. The group has a unique set of core and strategic values, which define Escorts' future vision and pathways towards achieving this. Regulatory compliance on economic, environmental, and social fronts is paramount to the group - and hence we ensure that every regulation possible is mapped closely and followed. Going forward, Escorts may ascribe itself to voluntary compliance mechanisms as well in line with our sustainability journey.	Within and outside Escorts	 



CREATING STAKEHOLDER VALUE

Creating Stakeholder Value



We are committed to sharing prosperity with our stakeholders enabling an inclusive growth economy



We constantly strive to improve our product design in line with sustainability goals



We believe in disruptive innovation powered by industry competition and customer expectations

Financial Performance

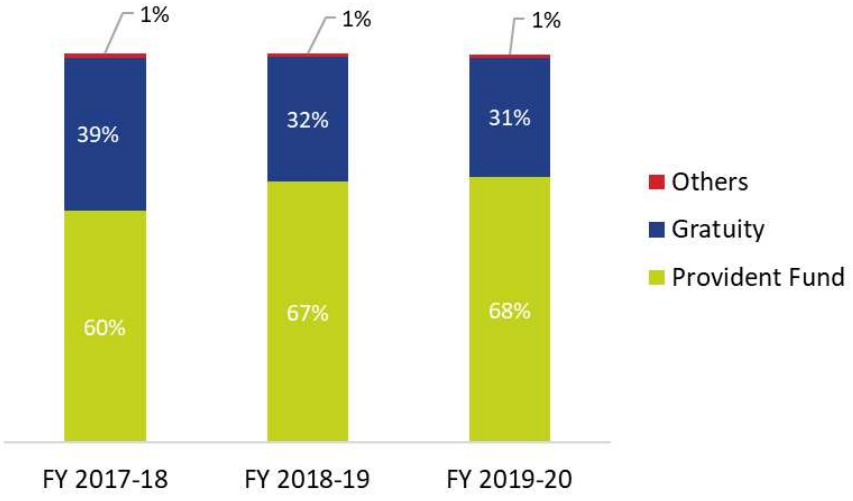
Escorts Limited has been witnessing rapid economic growth. In the reporting year FY 2019-20, we have generated a consolidated revenue (including other income) of INR 5,907.7 crores. Our profits after tax, in the reporting year at INR 471.7 crores while the earnings per share at INR 55.04. The business divisions - EAM, ECE, and RED have contributed 77%, 15% and 8% respectively to the gross revenue. The table below provides consolidated financial data for past three consecutive years on the economic value generated and distributed by Escorts Limited and its subsidiaries, joint ventures, and associates in India and overseas. The figure below that summarizes our contribution to employment benefit schemes - Employees' Provident Fund Scheme (EPFS), Gratuity Fund, Employees' State Insurance (ESI) and welfare commissioner in past three consecutive years. Escorts has received tax reliefs and credits of INR 317.5 crore and monetary award of INR 11.2 crore from central and state government in the reporting year, FY 2019-20.

Our Financial Performance

Particulars	FY 2019-20	FY 2018-19	FY 2018-17
Direct Economic Value Generated (INR in crores)			
Revenue from sales	5,688.36	6,169.84	5,027.80
Revenue from financial investments and other sources	219.33	187.40	117.71
Total	**5,907.69**	**6,357.24**	**5,145.51**
Economic Value Distributed (INR in crores)			
Operating cost	3,841.10	4,276.92	3,428.27
Employee wages and benefit	501.45	468.15	425.71
Payments to provider of funds[1]	17.23	19.54	29.49
Payments to government[2]	21.06	19.21	18.37
Community development	9.89	6.13	3.25
Total	**4,390.73**	**4,789.95**	**3,905.09**

Note: [1] Include interest charges on capital
[2] Include taxes and contribution in employee benefit schemes

Contribution to employee benefit schemes



Product Responsibility & Innovation

The leadership and values of Escorts have always placed emphasis on innovation and disruptive product design. In the reporting year, FY 2019-20, Escorts has invested 2.3% of its annual turnover in Research and Development (R&D). Our R&D facility, called Knowledge Management Centre (KMC) at Escorts, continuously strives to stay ahead of both market competition as well as customer expectations. In the past year, Escorts has worked extensively on futuristic trends like electric and hybrid models of tractors and backhoe loader and autonomous driverless tractor, while many other innovative solutions are in pipeline.

Escorts has always kept fuel and energy efficiency at the centre of product innovation and design. Across business divisions, all our product portfolios ranging from low and high-power segment tractors, cranes and backhoe loaders are compliant with required emissions norms, which is guaranteed by the Confirmation of Production (COP) certificate. We are working to launch BS VI (Bharat Stage – VI) compliant tractors by the 2021. Our export products that are mainly manufactured at our Poland facility are compliant with European Union (EU) norms for energy efficiency, emissions, and safety standards. We are also working with the Government of India to create a star rating system for measuring the fuel and energy efficiency of tractors.

During the design stage, all our products are rigorously assessed for safety requirements. The railway component products fall into very high safety standard category. Even the slightest changes in product design undergo 18 to 24 months of real-life testing on railway tracks. The Government of India, Ministry of Railways supervise the overall product testing and issue a safety hologram before components get delivered. The ECE division is also working in collaboration with the Government of India to develop more robust safety standards for the construction equipment industry.

In the reporting year, Escorts organized the third edition of our annual innovation program – Esclusive 2019. The program showcased our latest innovations in product design and conception with special focus on fuel efficiency and customer experience. Escorts has launched 2 hybrid models – one for a high-power rage tractor and another for a backhoe loader, and we have also developed a rural mobility solution – Rider. The fuel-efficient hybrid backhoe loader is currently offering a power range of 50 HP, which can be further boosted to 75 HP as well. Apart from reducing emissions, the part-fuel, part-battery powered machine is also better in overall performance and productivity.

Before this, back in 2017, Escorts successfully launched India's first fully electric tractor in the low power segment (20-25 HP). The innovative product design was approved and entered mass production in less than 24 months. The product is targeted for use in vineyards and horticulture and has gained success in export market of USA and Europe as well.

Showcasing the Hybrid tractor and Rider at Esclusive 2019



Examples of our product responsibility innovation

India's first Hybrid Tractor

A fuel efficient and cost-effective tractor model was designed by Escorts in the 90 HP range, which is powered by both fuel and battery. The idea behind the hybrid model was to reduce the emissions to the extent possible because high power tractors cannot be solely driven on electric capacity. It is targeted to be used on electric mode on town streets, markets, and other high population areas and to be driven on fuel mode only in the agricultural fields where human exposure is sparse.



Rider

Rider is a multi-utility rural transport vehicle, which is targeted to provide an all-in-one, flexible mobility solution to Indian farmer community. This transformative product will work as tractor on fields and shall also be used for regular commutes from villages to mandis and can accommodate a family of 4. It is well suited for hard terrain maneuvering, has a payload capacity of 750 Kg and comes with an optional four-wheel drive mode.



Customer Satisfaction

At Escorts, customers are priority stakeholders for our business, we believe that word of mouth is the best form of brand goodwill, particularly among the retail clients of the EAM division – farmers. Our product development and research are largely shaped by customer experience and expectations. We strive to co-create with our customers by integration their imagination with our engineering. Our sales representatives engage with customers on one-to-one basis to inform about our business, product, customer engagement process, and initiatives.

We provide doorstep service for installation and preventive and breakdown maintenance of products, post which a formal feedback is collected from the customer. In case of institutional clients, the feedback is sought from both the end user of the product, that is the driver as well as the owner. Customers can also register any complaints or feedback at our call center, additionally, our customer care representatives also engage proactive calling to check with customers if they are facing any challenges. These complaints and feedbacks are recorded, compiled, and are discussed at quality council meetings, which then informs our customer service polices and product development.

Our customer facing employees undergo a targeted training on how to deal with customers, how to handle complaints etc. The *Escorts Training Development Center*, a brick and mortar facility at Bangalore, conducts physical classroom training for our sales and customer executives, while the *Escorts Academy*, an instructor led app, facilitates digital training on this front. Escorts have extended the customer service training to the dealer executives as well, to ensure transparent and consistent communication to our customers.

Customer Care Factsheet



Creating new standards in Customer Service

World's First Tractor with 24X7 Care Button

In the reporting year, Escorts became the world's first company to launch a 24x7 care button on its entire tractor range. The new feature, also called as 'e-Care button' is a transmitter-receiver device fitted in Escorts tractors with a special SIM connection. The user can press this button anytime of the day from anywhere in India to receive an immediate call from Escorts engineers to be guided on technical challenges and so on. The button is supplemented with a large fleet of mobile service vans and bikes at our dealership locations which can offer quick doorstep service in the times of need.

This feature enables us to remain in touch with our customers on real-time basis and be able to provide assistance as and when required without any time lag. We want to ensure that a farmer should not lose even a day of tractor's work during the peak season as their livelihood depends on us.

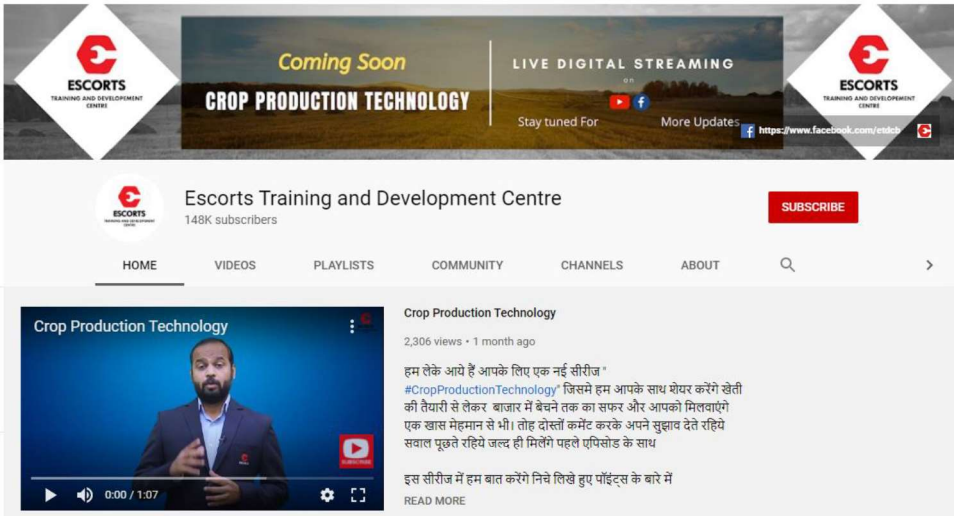
Escorts have also initiated various customer engagement activities; one such initiative is '***Grahak Diwas***'. It is a 2-day long mega event across the country where customers enjoy rebate and heavy discount on product services. We have also started a customer education program though our YouTube channel which features web series on tractor technology, crop technology etc. Our channel sports high viewership and has been awarded by YouTube for reaching 140 thousand subscribers.

Escorts is committed to the cause of farmers, we understand that not all the farmers in India can afford to own a tractor and hence Escorts has been experimenting with several innovation solutions to take our products and services to the low-income farmer community. ***Escorts Crop Solutions***, a wholly owned subsidiary of Escorts Group, provide next generation technology enabled farming application, precision farming, and digital technology solutions to Indian farmers, more details on ESC can be found in the Solution Selling section in the next chapter. ***Escorts Credit***, a joint venture between Escorts Group and DLL Finance, is a non-banking financial company (NBFC) which offers low interest loans to farmers for purchasing tractors and agri-machinery. ***Traxi***, a tractor taxi platform is another such initiative which allows farmers to rent tractors and other agri equipment from owners during peak seasons.

Customer engagement during Grahak Diwas 2019



A glance at Escorts' YouTube channel





OPERATIONAL AND RESOURCE EFFICIENCY

Operational and Resource Efficiency



We monitor our water consumption and wastewater discharge and ensure responsible treatment



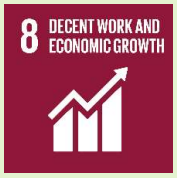
We have adopted local sourcing of raw material and dispose our e-waste and toxic waste responsibly



We are working to move towards clean energy sources and improve fuel efficiency of our products



We are constantly improving the GHG emissions from both our operational facilities and from our products



We are committed to provide decent and healthy work atmosphere to our shop floor employees

Resource Efficiency

At Escorts, contributing to national resource conservation goals has always been a part of our research & development and operations agenda

Materials

Given the diversity in our product range, the raw materials we need for their manufacturing are also varied in nature for all business divisions. For all material that is sourced, we have strict quality specifications keyed into a roster maintained by the research and development department. Whenever a new design is proposed or a material order needs to be placed, these specifications need to be referred to. Quality checks for raw materials also include criteria that ensure fuel efficiency or emissions reduction benefits from our products. In fact, in our Poland unit, all compliance related environmental and social checks are conducted on all raw material. Moreover, long-term durability of all products and spare parts are among the defining traits of Escorts' products apart from emissions / energy savings, especially in EAM - a tractor's life cycle while planning for the product is 8-10 years or 10,000 hours. With respect to the materials procured for the railway equipment division, these strictly adhere to the norms prescribed by the Ministry of Railways (our primary customer) which include some environmental and social criteria.

Escorts strives to ensure resource efficiency in operations





Details on the types and quantity of raw material used in Escorts' operations for the EAM division are in the figure below:

Conventional raw material used at Escorts and their volume



Solution-Selling

The Farmtrac 26E electric tractor



At Escorts, there is intense focus on selling solutions rather than products, and our research and development initiatives function is also modelled on this premise, while providing significant weightage to efficiency of operations and products (e.g. producing more units in a day, with existing resources). Some of the innovations we have introduced in this regard over the past few years apart from case studies already highlighted are:

- India's first electric tractor concept, Farmtrac 26E
- India's first autonomous tractor concept
- Development of a fuel-efficient engine for the "Farmtrac" line of tractors
- Smart implements such as a smart tractor driven mini sugarcane harvester, and a self-propelled spraying technology
- Establishment of the ***Rajan Nanda Innovation Lab*** that would work with the Knowledge Management Centre at Escorts to introduce solutions that combine cost and resource efficiency to make them socially, environmentally, and economically viable.

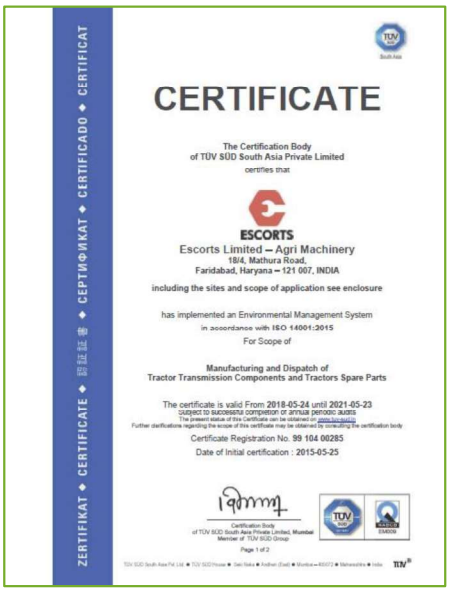
Escorts Crop Solutions

Escorts Crop Solutions is an initiative started to create a platform to provide access to farm equipment for those who wish to use farm mechanization techniques, but do not have enough affordability for this. It is a subsidiary of Escorts' Group and seeks to administer pay-per-use models wherein those farmers who want to use equipment can rent these at nominal rates from "implement libraries". This program has benefitted 45,000+ farmers across Odisha, West Bengal, Andhra Pradesh, Telangana, Tamil Nadu, and Haryana, through 500+ franchisees.

Operations Environment, Health, and Safety Impact

Escorts has 7 manufacturing and assembly plants in India and 1 assembly unit in Poland, and another plant under construction in India as a part of the joint venture with Kubota. Given the spread of our operations, their environmental and social footprint is also a matter of key concern to us. In fact, our Escorts Limited is ISO 9001: 2015, ISO 14001: 2015 Environmental Management System & ISO 45001: Occupational Health & Safety Management System certified from TUV SUD South Asia and our Railway Equipment Division received the International Railway Equipment Standard (IRIS) ISO TS/22163 certification. Total Process Management (TPM) and Total Quality Management (TQM) standards are also followed at Escorts. We are having an Environment, Health & Safety Policy that maps key Environmental, Occupation Health & Safety considerations that form a part of our business processes.

EMS ISO 14001:2015 and OHSAS 18001:2007 certifications

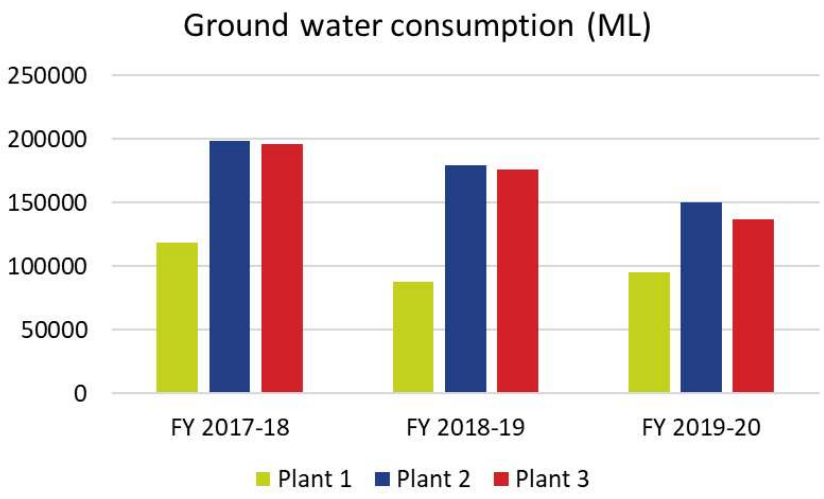




Water

In our operations, water usage is mainly for domestic activities such as drinking, using toilets, washing, etc. Our main source of water needs is groundwater; however, Plant 2 uses municipal water supplies as well in addition to groundwater. The total water withdrawal by source in each of our plants in the EAM division is presented in the figure below:

Ground water consumption across EAM plants (in ML)

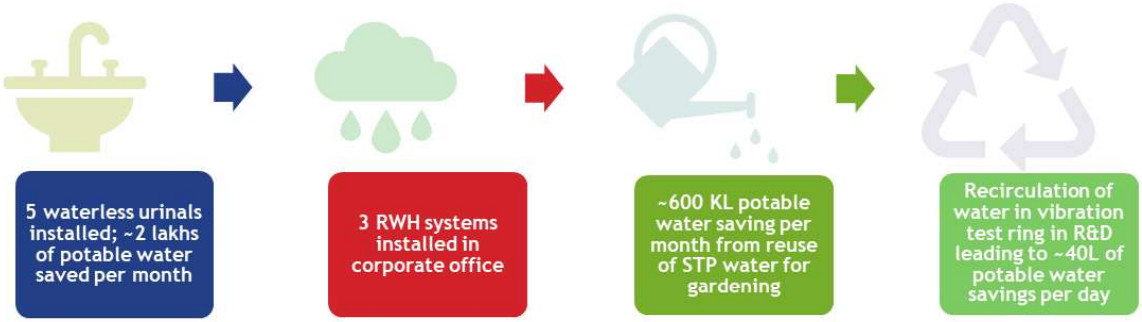


Note: Plant 1 is Component Parts plant, Plant 2 is Powertrac plant and Plant 3 is Farmtrac plant

The municipal water supply consumed by Plant 2, in FY 2019-20, FY 2018-19 and FY 2017-18 has been 2.75%, 2.72%, and 2.3% of the total water consumption in the respective years.

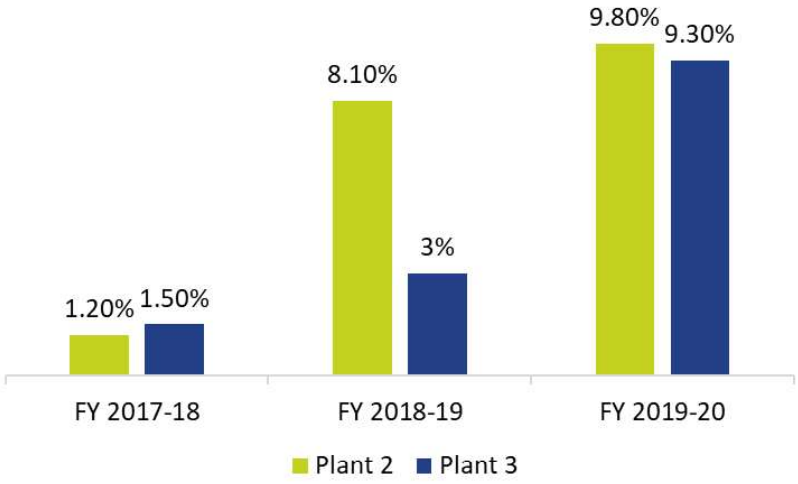
Our manufacturing / assembly do not warrant high consumption of water; therefore, water bodies surrounding us are not significantly affected by our operations. However, we have implemented a few initiatives that ensure conservation of water in our corporate office and our units:

Water Efficiency at Escorts



Overall EAM plants recycle and reuse approximately 52,756kl water, which is 32.9% of the total water withdrawal. The following figure shows the percentage of recycled water in both Plant 2 and 3 has increased significantly in last 3 years. We are working to increase our water recycling capacity further. The complementary figure on wastewater generation and discharge can be found the figure below that under the Waste sub-section.

Percentage of water recycled compared to water withdrawal

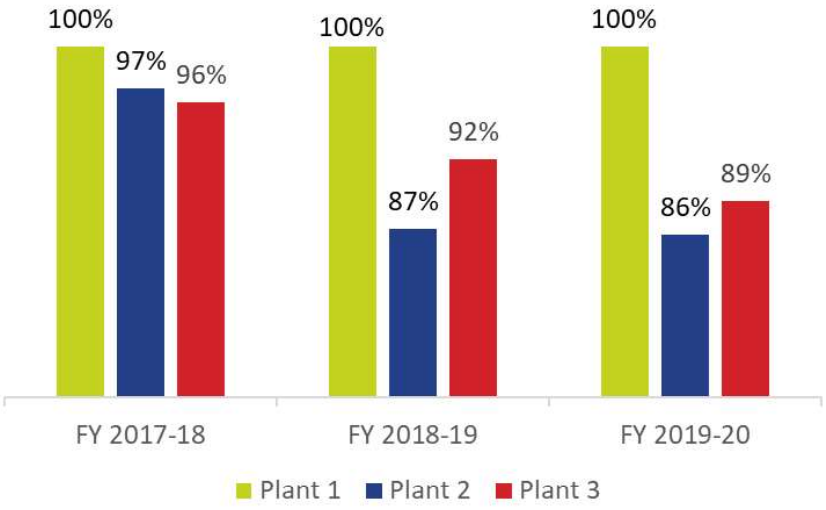


Waste

We are committed to ensure that all types of waste generated at our corporate office and units are stored, handled, and disposed according to government regulations. Discharge from the effluent treatment plant (ETP) at all our EAM manufacturing facilities - Plant 1, 2 and 3 is monitored. The ETP sludge along with paint sludge and industrial waste - all solid hazardous waste is sent to Gujarat Enviro Protection & Infrastructure Ltd. (GEPIL), a Haryana State Pollution Control Board (HSPCB) dealer for

handling solid hazardous, while waste oil - a liquid hazardous waste is sent to Bharat oil & Containers, also a HSPCB authorized dealer. Details on wastewater discharge and hazardous waste generated in our EAM division are below:

Percentage of wastewater discharge compared to wastewater generated



Hazardous waste generated and disposed at Escorts

Hazardous Waste disposed	FY 19-20			FY 18-19			FY 17-18		
	Plant 1	Plant 2	Plant 3	Plant 1	Plant 2	Plant 3	Plant 1	Plant 2	Plant 3
ETP Sludge (MT)	1.11	4.52	3.52	3.51	4.94	5.6	2.22	4.96	7.01
Paint Sludge (MT)	0.00	142.12	152.50	0.00	173.55	169.72	0.00	160.74	167.18
Waste Oil (MT)	7.76	46.90	21.40	4.17	32.4	26.25	2.60	26.60	13.80
Industrial Waste (MT)	0.00	123.32	0.00	0.00	43.99	0.00	0.00	55.39	0.00

Apart from ensuring compliance, we have also implemented a few initiatives to ensure recycling of our solid and liquid waste:

- Composting of horticulture and canteen waste and use of this compost for maintaining greenery in our manufacturing plants
- Reuse of neat cutting oil collected in the process
- We currently do not use any reclaimed packaging material or recycled input material in our operations; however, we have recently introduced packaging return initiatives in some of our units since last year

Occupational Health and Safety

Escorts operates in a labor-intensive industry, and occupational health and safety is therefore very critical. In this regard, we ensure we take all precautional steps such as use of advanced and state-of-the-art equipment, providing periodic and demonstration based training to employees and workers on safety, inclusion of safety parameters in our internal audit process to ensure adherence to laws, and mandating the use of personal protective equipment at all our units. Apart from this, we also conduct

periodic health and medical checkups for our employees and engage in a detailed hazard identification process with respect to safety by preparing an emergency response plan and conducting regular mock drills. In the light of the recent pandemic, we have also ensured precision in adherence to social distancing norms, sanitization, wearing masks, and maintaining personal hygiene by monitoring these actions closely and creating awareness at all levels. The EAM division is accredited with the ISO 45001: 2018 standard for OHS, and there were zero accidents reported in 2019-20 across all business divisions.

Precautionary measures have been adopted in the light of COVID-19





Association with DuPont Sustainable Solutions



Engagement with DuPont Sustainable Solutions

Engagement began in 2019-20, towards focused, transformative journey on ensuring employee health and safety

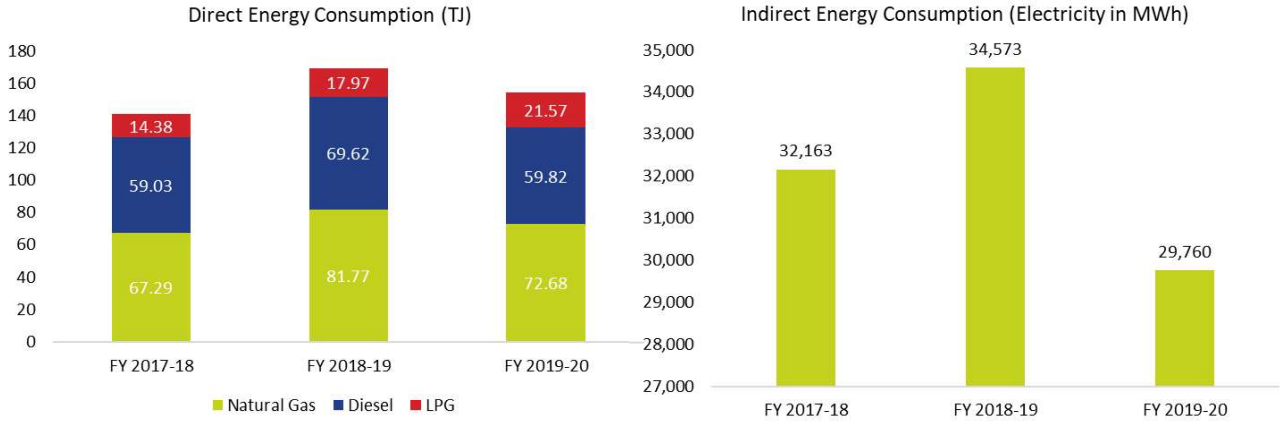
Focus on making all employees / workers "Safety Leaders" so that a "Safe Escorts" is built through a collaborative process.

Drawing inspiration from increased focus of senior management on health & safety to ensure close monitoring of precautionary measures and incidents.

Energy and Climate Change

At Escorts, energy consumption is mainly due to electricity use from in manufacturing processes and corporate offices. The major sources of energy consumption are as follows:

Direct and indirect energy consumption at Escorts



Energy consumption and intensity

Energy Consumption	FY 2019-20	FY 2018-19	FY 2017-18
Natural Gas (TJ)	72.67	81.77	67.29
Diesel (TJ)	21.56	17.97	14.37
LPG (TJ)	59.81	69.62	59.03
Total Direct Energy (TJ)	154.06	169.36	140.70
Energy Intensity (per crore of revenue)	0.03	0.03	0.03

Given the volume of energy consumption and use in our operations, we have implemented several energy efficiency and renewable energy initiatives across our corporate office and units over the past few years. Some of these initiatives have been highlighted below; a detailed list of these initiatives can be found in our Annual Report for FY 2019-20, on pages 63, 105, and 109.

The major drivers for these initiatives are optimization of energy consumption and cost optimization.

Select key initiatives for energy conservation

Month and year of incorporating the initiative	Brief Description	Electricity saved (GJ) FY 19-20
Driver for energy saving: Optimization of energy consumption		
Nature of the initiative: Process Modification		
2016-17	Installation of wind Ventilators in factory	356.84
2017-18	Conversion of Conventional lights with LED	3,481.30

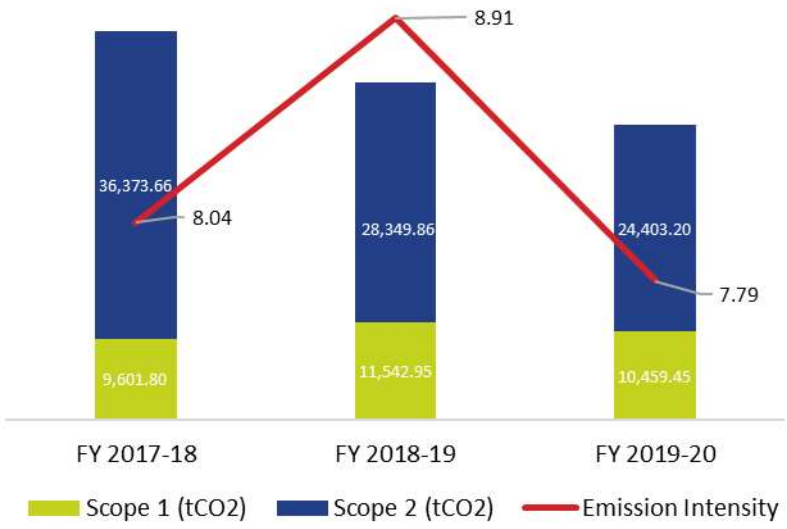
2017-18	Conversion plan to convert old MS lines to Aluminium line	7,524.21
2017-18	Map, control & arrest air leakage and installation of flow meter	23.00
2017-18	Installation of movements sensor in common areas across plant; idle timers to machine to stop extra running	4,924.94
2019-20	Installation of heat pump instead of heater in washing machine	3,132.09
2017-18	Installation of VFDs in exhaust blowers, AHU in paint shop	13,644.38
2019-20	Reduction of impeller sizes for throttled pump to reduce electrical consumption	360.01
	Nature of the initiative: Retrofitting of equipment	
2018-19	Replacement of chillers on machines with radiator type heat exchanges	720.02
	Nature of the initiative: Employee behavior change	
2017-18	My Machine - I care program for Employee behavior change - switching off extra power consumption by turning off when not in operation	180.01
	Driver for energy saving: Optimization of energy cost	
	Nature of the initiative: Green energy initiative	
2015-16	Installation of roof top solar unit (1143mw)	Not applicable
	Nature of the initiative: Power trading	
2011-12	Mittal power processor	Not applicable
	Type of fuel saved: PNG	
	Nature of the initiative: Conversion or retrofitting of equipment	
2017-18	Installation of Energy Efficient burners in paint shop	3,363.00
	Nature of the initiative: Process modification	
2017-18	Direct Firing burners instead of heat exchanger	3,923.50
2018-19	Productivity improvement through hanger modification	2,242.00

Climate change is one of the major risks faced by humankind today; and it is no different for Escorts. Our majority customers - farmers - depend on arrival of monsoons at the right time. We, therefore, monitor and assess meteorological conditions on a continuous basis and strive to develop solutions that reduce financial stress on farmers. Greenhouse gas (GHG) are major contributors to global warming, and we week to do our bit in reducing emissions across the following two dimensions:

- Emissions generated due to Escorts' operations
- Emissions generated from Escorts' products or their use

On both these fronts, Escorts is ensuring strict adherence to emission norms prescribed by the Central Pollution Control Board (CPCB) and all emissions generated at Escorts were within prescribed limits in this year. In the reporting year, air emissions were negligible at Escorts, while the GHG emissions are given below:

GHG Emission and Emission Intensity



GHG Emission detailed data

Source		FY 2019-20	FY 2018-19	FY 2017-18
Scope 1 Emissions (tCO_2)	Natural Gas	4,665.99	5,249.95	4,320.32
	Diesel	4,432.47	5,158.85	4,374.15
	LPG	1,360.99	1,134.16	907.33
Scope 2 Emissions (tCO_2)		24,403.20	28,349.86	26,373.66
Total Emissions (tCO_2)		34,862.65	39,892.81	35,975.46
Emission Intensity (per crore of revenue)		7.79	8.91	8.04

Apart from this, Escorts has implemented several initiatives to ensure use of clean technology in our products and to ensure reduced emissions through agri-mechanization:

- Open burning of stubble to prepare for renewed harvest is a harmful practice followed by farmers in Haryana, leading to emissions such as carbon dioxide, Sulphur dioxide, and nitrogen dioxide. Escorts is working with *Shri Madhav Jan Sewa Nyas Trust* to ensure mechanization in agriculture in rural areas in Haryana so that such burning practices are stopped
- Development and testing of engines and tractors in the 50-110 HP categories is being done in line with Stage 5 European emission norms that are also compatible with additional attachments like mowers, sprayers, and loaders.
- Partnership with BOSCH to develop solutions that are in line with the latest emission norms to be released in October 2020.

More details on all our initiatives to reduce emissions generated from the use of our products can be found in our Annual Report for FY 2019-20, on pages 10, 17, 21, 22, 25, 29, 40, 64, and 109.

Escorts transplanter-based boom sprayer in action



Escorts engages in awareness creation to prevent open burning of stubble on fields so that harmful emissions are not generated.

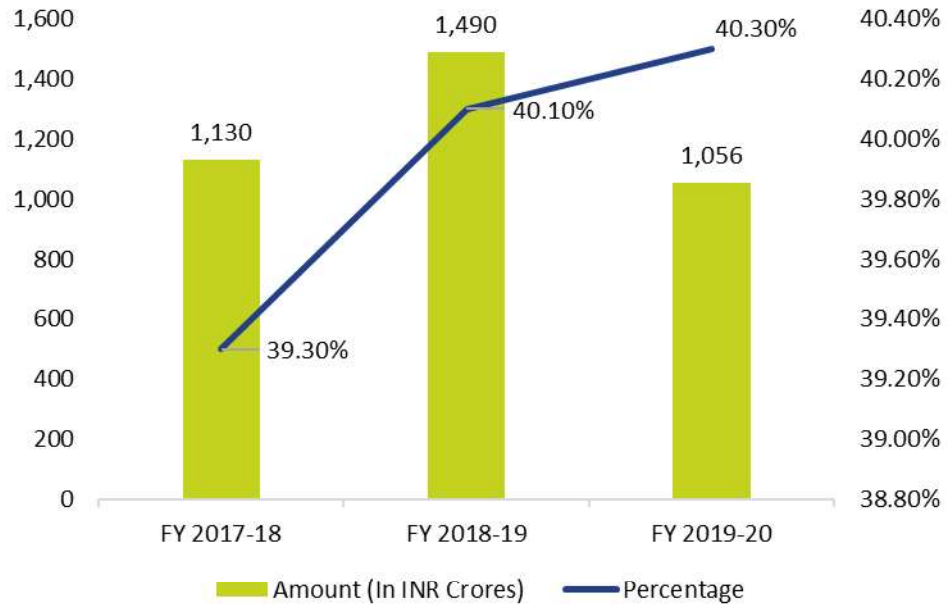
Supply Chain Sustainability

As a group that has operations in India and Poland with export markets in around 65 countries, resilience, and sustainability of supply chain against shocks are essential. Post COVID-19, the importance of this aspect has been thrown into renewed focus, and we are also gearing up to ensure that not only the economic losses are curtailed, but also that environmental and social impacts of our supply chain are addressed. We have 575 suppliers combined for EAM and ECE division and 200 for RED division. We added 17 new suppliers in the year 2019-20 and while we do not have specific environmental and social criteria for screening them as yet, we are taking some steps we are taking to ensure sustainability of our supply chain:

- Creation of a digital supplier portal for increased visibility of supply chain and to ensure smooth transition of transactions into a digital mode to prevent disruptions.
- Our supplier audits include monitoring of key aspects such as overall health & track record, technical & manufacturing capability, quality management, and management capacity.
- We continually encourage our suppliers to adopt green supply chain practices, though indicators on this front are not yet a part of our screening practices.
- Many of our suppliers are local (in India) and have been associated with us since our inception; therefore, we constantly engage with them to build their capacity and knowledge. A monthly rating system of suppliers with an award system is also used to ensure continual performance improvement.
- 50% of our component suppliers are within 50 km radius of the company.
- An Advance Shipment Note system was implemented in 2019-20 to ensure a fixed time for inbound vehicles to reduce logistics cost and improve efficiency.

Escorts defines ‘local’ as Delhi-NCR region comprising of Delhi, Gurgaon, Noida, Faridabad, and Ghaziabad. The following figure shows the amount and percentage of total procurement budget spent on local procurement for last three years:

Amount and percentage of procurement budget spent on local procurement





PEOPLE AND COMMUNITIES

People and Communities



We are committed to the cause of food security and work to empower farmers community around the world



Our skill development initiatives help our people perform better and enable to grow in their careers



We strengthen and broaden the skill sets of our employees through our training and education programs



We are committed to being an equal opportunity employer and do not discriminate based on race, nationality, religion, sexual orientation, or disability



We continue to maintain healthy gender diversity and fair pay in the company

At Escorts, we are committed to the nurturing and ensuring wellbeing of our people by implementing robust health and safety initiatives for our employees and workers. We aim to inculcate the principles of sustainability and responsibility even at an individual level, so that collective effort translates into a fair, equal, and safe workplace for all. We strive to create a healthy and hospitable work culture for all, and to achieve this, we focus on nurturing our workforce through various employee engagement initiatives.

HR Vision and Value Proposition

HR Vision

To create a values-driven organization by providing an aspirational environment to deliver exceptional performance to our stakeholders through agility, innovation and excellence

Employee Value Proposition

To provide opportunity to aspire & perform

Human Resources is a corporate function at Escorts and our policies are applicable across the group for all business divisions. The HR function is responsible for manpower budgeting, recruitment, compensation and benefits, performance appraisal, talent management, and employee welfare. Our workplace culture is governed in accordance to the Escorts' Code of Business Conduct, it is a comprehensive guiding

document is available on our website or alternatively can be accessed at https://www.escortsgroup.com/investors/governance.html.

Employment

There are 9,500 employees working with Escorts Limited as of 31st March 2020, including management workers, permanent and contractual workers. The blue-collar employees, who constitute 21% of the total employees, are covered by collective bargaining agreements. In the reporting year, Escorts hired 574 new employees across all three business divisions, while the attrition rate was 5.14%.[1] A total of 94 female employees were entitled for maternity leave, whereas only 3 of have availed it and all of them have returned to work after the leave ended.

Employment data for last three consecutive FY for total turnover, new joinees and new joinees turnover gender wise is shown in the table below:

Employment data for last 3 years

Sr. No.	Category	FY 2019-20		FY 2018-19		FY 2017-18	
		Male	**Female**	**Male**	**Female**	**Male**	**Female**
	Workforce turnover						
1	Senior management	6	0	10	0	4	0
2	Middle management	44	1	62	1	46	0
3	Junior management	307	16	361	10	232	12
4	Workers (Permanent)	109	6	165	2	180	3
	Total	**466**	**23**	**598**	**13**	**462**	**15**
	New Joinees						
1	Senior management	5	0	7	0	7	0
2	Middle management	42	2	49	2	30	0
3	Junior management	487	38	472	26	367	7
4	Workers (Permanent)	3	-	5	-	9	-
	Total	**534**	**40**	**533**	**28**	**413**	**7**
	New Joinees Turnover						
1	Senior management	-	-	-	-	-	-
2	Middle management	2	-	5	-	1	-
3	Junior management	51	3	64	3	29	1
4	Workers (Permanent)	-	-	0	-	0	-
	Total	**53**	**3**	**69**	**3**	**30**	**1**

[1] The employment data does not include temporary contractual workers, they are hired on need basis during peak season

Employee Engagement

The first step of employee engagement is to ensure that routine and mainstream interactions with employees is structured. In addition to the competitive compensation package offered to employees, we offer numerous benefits that include yearly bonuses, life insurance, health insurance for employee and their dependents, provision for parental leave, and various kinds of meal and travel allowances. We also contribute to Employees' Provident Fund Scheme (EPFS), Gratuity Fund, and Employees' State Insurance (ESI) as applicable according to the law of the land. Maternity leave is also provided for 6 months as per government regulations.

Escorts is embracing the power of digital innovation to enhance the human connect. Our online portal - *eCube* - to *engage, enable, and empower* our employees and provides a one stop solution for all day-to-day HR related issues. In the reporting year, we have also moved from the traditional annual engagement survey to a real-time bot-based employee satisfaction survey which provides function, manager, and individual level data. We follow an open-door policy, and we have various communication platforms for employees to direct reach out to our Chairman, Executive Director and CEOs.

Performance appraisal follows a well-defined process, the organizational goals are broken into detailed action points that cascade into the key result areas (KRAs) of managers and employees. There are various rewards and recognitions at the team and individual level. We also hold various events, cultural programs, and celebrate birthdays and festivals all-round the year.

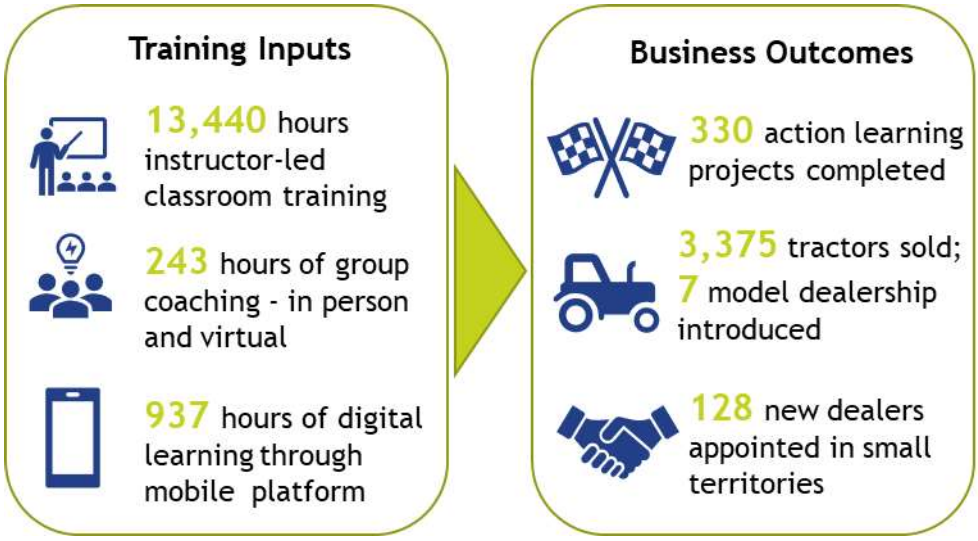
Training and Development

Escorts is undertaking the transition from the standard, grade-based training schedule to a more robust, participatory, and dynamic role-based training approach. All new employees are expected to complete some mandatory online trainings within one month of joining, comprehension of which is assessed from time to time. Any unsatisfactory result in this regard requires the employee to undertake the training again. These mandatory trainings include:

a) Code of Business Conduct
b) Prevention of Sexual Harassment at Workplace (PoSH)
c) Environment, Health and Safety (EHS) Practice
d) Escorts Value familiarization

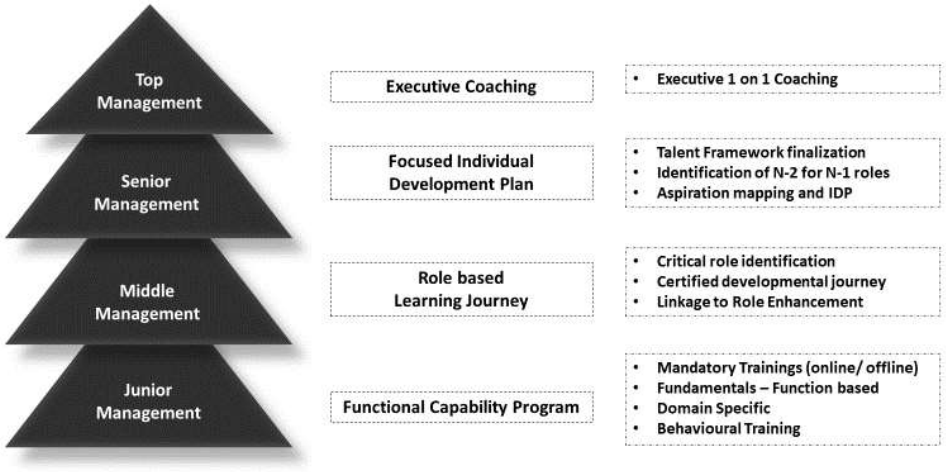
The *Escorts Career Accelerate Program (ECAP)* is a comprehensive and well-structured capacity development program for the managerial grade consisting of trainings, projects, coaching, and assessment spread over 9 to 12 months. The program addresses functional and behavioral competencies, and product knowledge. In the reporting year, a total of 280 participants completed the journey and were certified in Platinum, Diamond, Gold, and Silver categories.

Training inputs leading to business outcomes

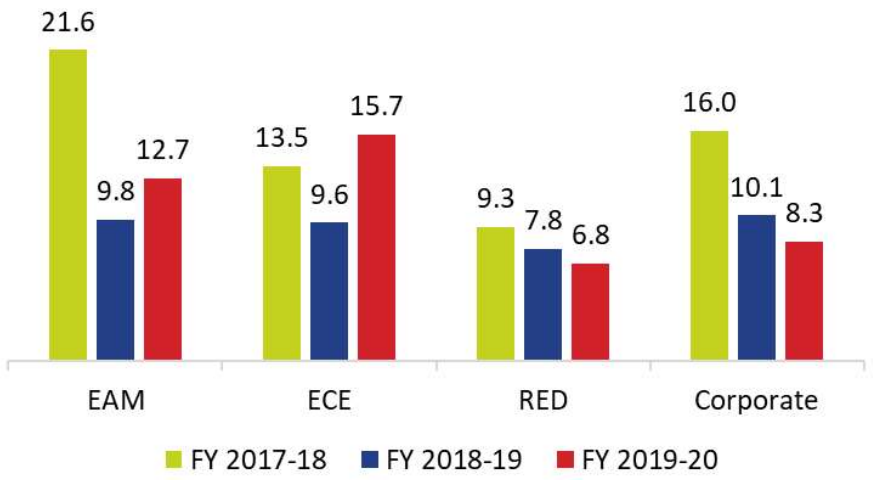


There are also other need-based training modules like the first time Managers' program, mentoring program, behavioral and leadership building, communication, people management, and others. There is also a detailed talent management framework for leadership team, responsible and accountable for formulating short term as well long-term strategy for the organizations. It has a special focus on successor planning which follows a *Build, Buy or Borrow* approach. As per our HR vision 2029, 70% of the key leadership roles should be groomed internally through role-based learning, on-the job development, job rotation, and role enlargement.

Talent Management Framework



Average Training Hours across business divisions



EHS and safety training is a continuous process for our blue-collar workers. At Escorts Technical Academy, regular workshops are conducted wherein they receive hands-on training on how to avoid unsafe acts.

Escorts' Trainings are focused towards individual and organizational growth



Labor Relations

Labor Relations is one of the key focus areas for us. At Escorts, labor relations are managed by the production functions of the respective business divisions with supervision from Employee Relations, which, like HR, is a corporate function.

Typically, a one-day notice period is given to workers and their representatives if any significant operational changes are to be brought in, which is also mentioned in the collective bargaining agreements. There is no risk to workers' rights to exercise freedom of association or collective bargaining. Permanent workers have the right to get affiliated with trade/ labor unions. Union body

elections are held every 2 years across Escorts Limited. The management abides by the Trades Union Act to provide facilities and collective bargaining opportunities in line with the Act and standing orders. All blue-collar worker at Escorts are members of Escorts Employee Union, which is part of Hind Mazdoor Sabha (HMS).

Diversity and Inclusion

Diversity, inclusion, and non-discrimination are integral part of Escorts' Code of Business Conduct and are non-negotiable. Our HR team ensures that these principles are at the heart of all policies and processes at Escorts. Gender diversity and fair pay are particularly taken care of during hiring and performance appraisals. Promotion of gender diversity on shop floors is also a priority area for us. In the reporting year, we have hired 50 new female employees for the shop floor roles and have set the target to increase overall participation of women in our workforce. Composition of our board also follows the regulatory requirement of maintaining 30% female representation. While we pay special attention to maintain linguistic and geographical diversity among our corporate workforce, we also ensure that we create job opportunities for the local youth in surrounding communities.

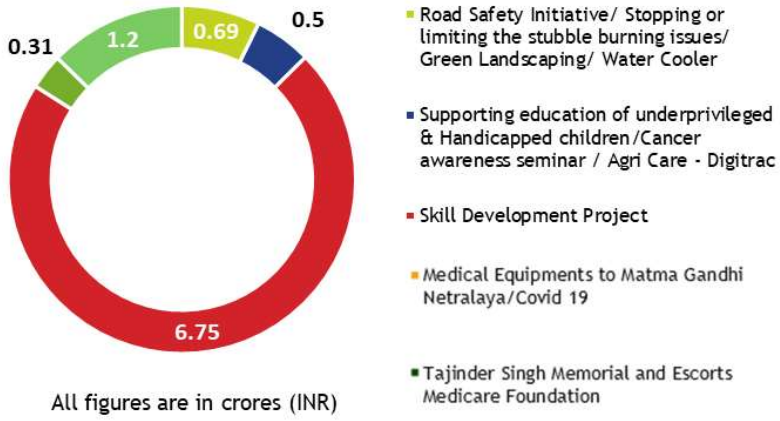
Gender and age diversity in Escorts' workforce



Community Engagement

At Escorts, we are focused on inclusive growth and shared prosperity. Community service is ingrained in our core business principles, and we believe that it our responsibility to take care of the communities around us, who in turn nurture our business and elevate us to the positions of market leaders. Under the able leadership of our former Chairman, Escorts has intervened in providing quality healthcare facilities to the surrounding communities in Faridabad much before the regulatory requirement of Corporate Social Responsibility (CSR). Building on the foundation stones laid by our former Chairman, Escorts has accounted a total CSR spend of INR 9.80 crores and has impacted the lives of more than 70,000 beneficiaries in the reporting year.

Theme-wise CSR expenditure for FY 2019-20



Healthcare

Escorts operates a polyclinic in Faridabad which is accessible to all residents in the areas. It provides primary healthcare extending to outpatient departments, diagnostics, orthopedic care, dental, and even radiology. Along with the polyclinic, there are 5 MMUs (Mobile Medical Units) providing services at 34 locations across Faridabad and Noida. These activities are carried out by a special purpose vehicle, the ***Tajinder Singh Memorial and Escorts Medicare Foundation***, a 100% subsidiary of Escorts Limited. The foundation is registered under section 80-G of Indian Companies Act, is accountable to the government and is independently audited. It employs 26 health practitioners include paramedics, technicians, and 6 doctors. We have also partnered with a local non-governmental organization (NGO) - *SAPANA* to sponsor equipment for eye care and cataract surgeries. Additionally, we support the local district hospital in Faridabad.

Our partners:

School girls accessing a Mobile Medical Unit in Faridabad



Agriculture

Escorts is committed to the interest and wellbeing of the farmers' community in India. It is also part of our Vision 2022 targets to contribute in Government of India's doubling farmer's income (DFI) initiative. We have developed a mobile application, *Digitrac* for providing agriculture input support to farmers. The application is Global Positioning System (GPS) enabled and can provide information contextualized to a geographic location. It can help farmers access the local weather condition, provide advice on pest and seeds, and provide current market prices for specific crops, etc.

We are also working on a number of innovative ideas that shall help farmers reduce their operating costs. As described in previous sections, we are also planning to establish farm equipment banks so that farmers can rent these implements on pay-per-use basis and would not have to make a capital investment on seasonal implements. We also aim to provide free-of-cost soil testing facilities to farmers.

Environment

We at Escorts, understand the importance of green cover and clean air for the wellbeing of the local communities. To that effect, we are actively engaged with farmers in Haryana to work around the issue of stubble burning. We have partnered with *Shri Madhav Jan Sewa Nyas Trust* to provide mechanization support to marginal farmers. Few other innovative solutions are also underway, such as compressing stubble and selling it as pyre wood for funerals, which has two-fold benefit in reducing air pollution and increasing farmer's income.

Our partners:

Education

Education for underprivileged children has always been a focus area for Escorts. We have partnered with various grassroot level organizations that helps us create a difference. We have collaborated with *National Association for the Integration & Rehabilitation of the Handicapped (NAIRH)*, a Faridabad-based NGO, to cater to the holistic development of special children in the age group of 5-12 years. With NAIRH, we are helping renovate a school complex with new and advanced facilities. We have also partnered with *Arpana Trust* for education of children in relocated slum areas in Molar Bund, South Delhi. These initiatives have helped the children to enhance their mental faculties and augment their sense of team spirit.

Our partners:

Aparna Trust

NAIRH
सर्वे भवन्तु सुखमयः

Nation **Matters**

ESCORTS



COMPLIANCE AND ETHICS

Compliance and Ethics



We are driven by high standards of ethical conduct and ensure compliance in all our operations



We strive to prevent any form of discrimination against our employees through our code of conduct

At Escorts, significant weightage is accorded to both the law of the land, and the inherent values we swear by (described in the "About Escorts" section). In this regard, we have in place a comprehensive, information technology-based compliance management system and checklists that map compliance requirements of almost every function in the group. The Board of Directors tries to meet at least 5 to 6 times in a year, during which detailed presentations are made by Operations, Finance, Sales, Accounts, Marketing, and Compliance teams. These reviews follow a pre-defined agenda wherein detailed notes on each discussion are provided to the Board beforehand. The annual and operating budgets of the company are also reviewed exhaustively by the Board of Directors.

Corporate Governance

Corporate governance is a high-priority area at Escorts, and we work continuously to ensure that our policies and guidelines are in line with international standards. We believe that there are four driving forces behind our governance system:

Our approach to corporate governance



Sustaining relationships with shareholders, employees, and customers and investors while ensuring razor-sharp precision in adherence to all regulatory requirements and values we uphold is a habitual activity at Escorts. We have detailed policies covering guidelines on all these areas, including code of business conduct, policy for prevention of sexual harassment at work, whistle-blower policy, and board remuneration and diversity policy. All these and the other statutory policies (including a webcast of our annual general body meeting) can be found on the corporate governance section of our website: https://www.escortsgroup.com/investors/governance.html. There is also an independent team that monitors maintenance of the zero-tolerance stand on corruption through audits. Moreover, the importance of adherence to this stand is reinforced from time to time through training the time of induction, and through informal chats between employees and their managers or the human resources team from time to time.

Escorts Group has been scored at 'Good' in the Indian Corporate Governance Scorecard, 2020, the score has increased as compared to 'Fair' in 2018. The scorecard is developed by The Institutional Investor Service Advisory India Ltd. (IiAS) for rating of corporate governance framework, based on the G20/OECD Principles of Corporate Governance. It uses four (II, IV, V and VI) out the six G20/OECD principles to give a four-scale rating: Basic, Fair, Good and Leading in increasing order. The principles adopted in the scorecard are as follows:

- **Principle II: The rights and equitable treatment of shareholders and key ownership functions**: The corporate governance framework must identify basic shareholder rights and provide equitable treatment of all shareholders.
- **Principle IV: The role of stakeholders in corporate governance**: The corporate governance framework must encourage active co-operation between companies and their stakeholders.
- **Principle V: Disclosure and transparency**: The corporate governance framework must facilitate disclosure of material information to aid in informed decision-making.
- **Principle VI: The responsibilities of the board**: The corporate governance framework must ensure effective supervision by the board and enhance the board accountability to stakeholders.

Escorts Corporate Governance Rating



Composition of the Board

Our Board of Directors comprises twelve members, each with well charted-out roles and oversight responsibilities for all business decisions – including those on sustainability. Keeping in mind the overall developmental journey of the organization and its associated stakeholders, the Board regularly keeps up with government regulations and reviews possibilities of breaches to compliance, values, and ethics in a detailed manner. Serious action is taken on any deviations. The Board members belong to different age groups (46-69 years), and the gender balance in the Board is in line with governmental regulations. All Board members have been appointed based on the unique domain experience and expertise they bring in from their diverse backgrounds. Detailed information on the qualifying criteria for their appointment

can be found on the "Governance" section of our website, in the policies for "Appointment of Directors and Members of Senior Management", and "Draft Terms and Conditions of Appointment of Independent Director".

A snapshot of our Board of Directors, committees, and the leadership team at Escorts is provided below:



A detailed description of the chartered functions of major committees in the figure above can be found in our Annual Report for FY 2019-20.

Values, Ethics and Compliance

Code of Conduct

Our major stakeholders include customers and dealers; employees and workers; suppliers and vendors; government, local authorities, and regulators; industry associations; communities and NGOs; and investors and financial institutions. To meet the expectations of such varied groups, we constantly seek to conduct ourselves and the business in an ethical manner, thereby ensuring we maintain sustained relationships with all these groups. Keeping with our commitment in this regard, we released a new Code of Business Conduct (CoBC) in 2019, which covers the following areas:

Aspects covered under Code of Conduct

Clause	Aspects Covered
Our responsibilities	Outlines responsibilities of each employee at Escorts with respect to conducting themselves ethically and reporting breaches, if any.
Regulatory Compliance	• Compliance with applicable law and statutes • Compliance with competition laws • Anti-money laundering • Securities and Insider Trading
Respect for Human Rights	• Dignity and Respect • Equal opportunities and non-discrimination • Anti-harassment • Anti-sexual harassment policy • Human Rights • Child and Forced Labor
Business Principles	• Conflicts of Interest • Gifts and Hospitality • Protection and Use of Company Assets • Honest & Ethical Conduct and Anti-Fraud • Financial Books and Records and Audit • Political & Extracurricular Activities
Working with our Stakeholders and our Channel Partners	• Customers • Vendors and Channel Partners • Shareholders • Government
Safeguarding entrusted information	• Confidentiality of information • Data Privacy • Social Media Usage • Communication with the Media
Health, Safety, and Environment	• Health and safety standards at Escorts • Substance Abuse and Weapons • Socio-economic Environment
Raising a Concern	• Reporting on grievances

Internal Control Mechanism

To ensure that all organizational risks are identified and addressed in a comprehensive manner, Escorts appointed EY LLP as its internal auditor. There is a well-defined risk management policy at the Board level, and all matters in this regard are managed by the board-level risk management committee, led by the Chairman, the Chief Financial Officer, and one of the independent directors.

The risk management policy at Escorts is comprehensive and lists detailed steps for risk identification, assessment, and management. All risks are monitored, evaluated, and identified by the respective functions and business divisions, but significant risks are reviewed by the Board of Directors.

The major risks identified by the group are as follows:

Identified Risks

Our Sustainability Themes	Potential Risks
Creating Stakeholder Values	Impact of macro events on business continuity
	Impact of monsoon and other such external factors on tractor industry
Operational and Resource Efficiency	Inefficient cost structure resulting in reduced profitability
People and Communities	Adverse labor relations
Compliance and Ethics	Guiding confidential information and IT systems

A detailed description of our potential risks and mitigation plans can be found in our Annual Report for FY 2019-20, on page 30.



ROAD AHEAD TO SUSTAINABILITY

Road ahead to Sustainability

Implementation of sustainability initiatives that foster resource efficiency and measuring the impact of our operations as required by law have always been a part of our business journey. Through the publishing of our annual report and business responsibility report, we have been undertaking public disclosure on these aspects. However, starting this year, we are also reporting exclusively on sustainability disclosures across the triple bottom line of sustainability. Aside from reporting on qualitative and quantitative data and presenting case studies, we have also outlined our current and envisaged approach to each material topic identified through the materiality assessment outlined in the "Our Sustainability Strategy" Chapter. We plan to continue releasing sustainability reports each year, and as we mature in this journey, we will describe this approach in a much more comprehensive manner.

Going forward, we seek to establish a detailed monitoring framework to track key sustainability data (to start with), so that we can encourage spontaneity in our response to concerns in these areas. As we do this, we also seek to establish defined targets and key performance indicators for improving sustainability performance. We are in the process of building a 3-year roadmap to integrate sustainability considerations the overall performance of our functions. Transparency in disclosure has always been a part of Escorts' culture, and by including sustainability reporting in this principle, we want to make sure that our existing relationships with all our stakeholders are strengthened, and to explore new avenues and partnerships that bolster our sustainability journey. One of the steps we intend to take in the immediate future is to make the materiality assessment more participative, by assessing each topic selected from the points of view of all relevant stakeholders. As we formalize the way we track our sustainability data, too, we plan to include all our stakeholders to witness our progress in this regard.

In line with the interdependence of various sectors and the transdisciplinary nature of businesses that have become even more important recently, we also aim to increase the diversity in our talent pool. We wish to go beyond recruitment of candidates with necessary qualifications and experience in the manufacturing industry to include sustainability experts within our team itself. By doing this, a few years down the line, our goal is to move towards integrated reporting in line with the standards of the International Integrated Reporting Council (IIRC).

In summary, at a juncture when the world was facing one of the biggest catastrophes, we took time to pause and reflect on our functioning and decided to remodel the fundamental caveats we set store by – wherein sustainability not an additional box to check, but a necessity. In the years to come, we aim to ensure that such integrated thinking is embedded into our everyday culture seamlessly.

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