

# Business Responsibility Report

With a legacy of close to 75 years, Blue Star endeavours to establish a leadership position in sustainable business practices across all its operations. Committed to conducting its business in a socially responsible manner, the management focuses on effective utilisation of available resources, incorporating the latest technology and productivity processes, consistent with modern management practices. Blue Star recognises the importance of stakeholder engagement in achieving this objective, and seeks increasingly higher stakeholder alignment to generate sustained value creation. All products and services of the Company are designed and developed, keeping in view customer satisfaction and safety, holistic community development as well as environment protection. Blue Star also seeks involvement of employees across all levels to raise awareness, create engagement and ensure commitment towards the cause of sustainability.

## About this Report

This Business Responsibility Report, as stipulated under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, provides general information about the Company and its business responsibility as required by SEBI. The following five sections cover disclosures as per the Business Responsibility Reporting (BRR) framework suggested by SEBI.

## Section A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company: L28920MH1949PLC006870
2. Name of the Company: Blue Star Limited
3. Registered address: Kasturi Buildings, Mohan T Advani Chowk, Jamshedji Tata Road, Mumbai 400020
4. Website: www.bluestarindia.com
5. E-mail id: vijaydevadiga@bluestarindia.com
6. Financial Year reported: April 1, 2016 to March 31, 2017
7. Sector(s) that the Company is engaged in (industrial activity code-wise):

Sr No	Name of main product/services	NIC of product/services
1	Electro-Mechanical Projects and Packaged Air Conditioning Systems	43219/43229
2	Unitary Products (room air conditioners, commercial refrigeration products and systems, water purifiers, air purifiers and air coolers)	28191/28192
3	Professional Electronics and Industrial Systems	-

8. List three key products/services that the Company manufactures/provides (as in balance sheet):
  - i. Electro-Mechanical Projects and Packaged Air Conditioning Systems
  - ii. Unitary Products (room air conditioners, commercial refrigeration products and systems, water purifiers, air purifiers and air coolers)
  - iii. Professional Electronics and Industrial Systems
9. Total number of locations where business activity is undertaken by the Company:
  - (a) Number of International Locations (Provide details of major 5):
    - i. Blue Star M & E Engineering Sdn Bhd: Malaysia
    - ii. Blue Star Oman Electro-Mechanical Company LLC: Oman
    - iii. Blue Star Qatar WLL: Qatar
    - iv. Blue Star International FZCO: UAE (with effect from April 18, 2017)
  - (b) Number of National Locations: 35 offices and 5 manufacturing facilities across the country.
10. Markets served by the Company:

The Company caters to the Indian and international markets as mentioned above.

**Section B: Financial Details of the Company**

1. Paid up Capital (₹): 19.11 crores comprising 9,55,70,388 equity shares of ₹2 each
2. Total Turnover (₹): 4,14,909 lakhs
3. Total profit after taxes (₹): 11,197 lakhs
4. Total Spending on Corporate Social Responsibility (CSR): ₹172.55 lakhs.
5. List of activities in which expenditure in 4 above has been incurred:
  - (a) Vocational Training in the areas of Air Conditioning & Refrigeration/Mechanical, Electrical and Plumbing Services
  - (b) Installation of Water Purification Systems in schools
  - (c) Construction of Sanitation Facilities in schools
  - (d) Initiatives in Education and Health

**Section C: Other Details**

**1. Does the Company have any Subsidiary Company/Companies?**

Yes. The Company has three subsidiary companies, details with respect to two subsidiary companies, namely Blue Star Engineering & Electronics Limited and Blue Star Qatar WLL are provided under note no. 48 to the Consolidated Financial Statement. Blue Star International FZCO has been formed at Dubai Airport Freezone, UAE, subsequent to the financial year on April 18, 2017, as a wholly owned subsidiary of the Company.

**2. Do the Subsidiary Company/Companies participate in the Business Responsibility (BR) Initiatives of the parent company?**

No.

**If yes, then indicate the number of such subsidiary company(s):** Not Applicable.

**3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

The Company promotes BR initiatives throughout its value chain, in collaboration with related internal and external stakeholders. At present, over 60% of Blue Star’s business associates participate in its BR initiatives. Right from the start of its association with suppliers and distributors, the Company encourages them to adhere to the various facets of sustainable business. Further, Blue Star’s Whistle Blower Policy applies across its network of business associates, providing them with a platform to report any unethical business practice without any hesitation or fear.

**Section D: BR Information**

**1. Details of Director/Directors responsible for BR**

**Details of Director/Directors responsible as the BR Head for implementation of the BR policy/policies**

<b>Name</b>	Vir S Advani	B Thiagarajan
<b>Designation</b>	Managing Director	Joint Managing Director
<b>DIN</b>	01571278	01790498
<b>Contact No</b>	6654 4000	6654 4000
<b>Email Id</b>	vsa@bluestarindia.com	btn@bluestarindia.com

**2. Principle-wise BR Policy/policies**

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility, as listed below:

Principle 1 : Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

Principle 2 : Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3 : Businesses should promote the wellbeing of all employees.

Principle 4 : Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

Principle 5 : Businesses should respect and promote human rights.

Principle 6 : Business should respect, protect, and make efforts to restore the environment.

Principle 7 : Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8 : Businesses should support inclusive growth and equitable development.

Principle 9 : Businesses should engage with and provide value to their customers and consumers in a responsible manner.

**Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)**

Sr Nb	Questions	Business Ethics	Products Lifecycle Sustainability	Employees' Well- Being	Stakeholder Engagement	Human Rights Promotion	Environmental Protection	Policy Advocacy	Inclusive Growth	Customer Value
		<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>P4</b>	<b>P5</b>	<b>P6</b>	<b>P7</b>	<b>P8</b>	<b>P9</b>
1	Do you have a policy/policies in these areas	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3	Does the policy conform to any national/international standards? If yes, specify? (50 words)	Yes, the policies conform to the nine Principles of the NVGs for Business Responsibilities, further described under Section E below.								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/ CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y

Sr Nb	Questions	Business Ethics	Products Lifecycle Sustainability	Employees' Well-Being	Stakeholder Engagement	Human Rights Promotion	Environmental Protection	Policy Advocacy	Inclusive Growth	Customer Value
		P1	P2	P3	P4	P5	P6	P7	P8	P9
5	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6	Indicate the link for the policy to be viewed online?	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	-	Y Note 1	Y Note 1
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
8	Does the Company have in-house structure to implement the policy/policies.	Y	Y	Y	Y	Y	Y	-	Y	Y
9	Does the company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y Note 2	Y	-	Y	Y
10	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Blue Star has a robust internal review mechanism for its key policies. Efforts have been made to enhance management systems and performance so that they conform to the Company's sustainability framework. On a regular basis, employees are also trained to understand and apply new techniques to ensure higher standards of socially responsible performance.								

*Note 1: All the relevant policies are uploaded on the intranet site for information as well as implementation by internal stakeholders. Further, policies on the Code of Conduct, CSR Policy, Whistle Blower Policy, Prevention of Sexual Harassment, Dividend Distribution Policy, and E-Waste Management Policy are also available on the website of the Company.*

*Note 2: The Company has adopted the Whistle Blower Policy to report concerns of unethical behaviour, violation of law or regulations, or suspected fraud.*

If answer to the question at serial number 1 against any principle is 'No', please explain why:

Principle	Response
Principle 7: Policy Advocacy	Blue Star is a member of various industrial and trade bodies, and plays a key role in advocating issues of the sector through them. It actively participates in industry forums, and is also involved in advocating formulation of relevant policies. Even though the organisation does not have a stated policy on advocacy currently, it continues to follow and monitor the business and regulatory environment.

### 3. Governance related to BR

- (a) **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year:**

The CSR Committee annually reviews the BR initiatives of the Company.

- (b) **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Company has published a Business Responsibility Report, and the same is available on the website of the Company at <https://www.bluestarindia.com/investors/business-responsibility-report>. Being a socially responsible organisation, Blue Star has been undertaking sustainability initiatives over the years. Pursuant to the applicability of Regulation 34 of the Listing Regulations to the Company from FY16-17, this is the first Business Responsibility Report formally published for the financial year ended March 31, 2017.

#### Section E: Principle-wise Performance

##### **Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.**

The Company's Values and Beliefs have become the way of life in the organisation, with the onus resting on every Blue Starite, irrespective of his/her designation or profile. Every new employee, whether a campus or lateral recruit, is introduced to the Blue Star Way through a detailed classroom module in the HR training schedule. Clearly outlined policies available on the employee portal as well as the corporate website publicly affirm the organisation's commitment, govern actions and provide clarity of direction.

Blue Star's positive reputation is an intangible but very real asset that has been built up diligently over the years. There is no marketing or management technique which has been used to create this value, but it has, in fact, evolved from the way the Company conducts its business. Blue Star's timeless basic values, which have helped hold the Company in good stead over uncertain times as well as the ever-changing external business environment, are to never compromise on doing a good job; being open, transparent and fair; and integrity in business. Since several Blue Star dealers have been associated with the Company over a long period, they have imbibed its values and beliefs in their dealings. The organisation believes that growth should be achieved in a prudent and sustainable manner that benefits all stakeholders - shareholders, employees, business partners and society. Blue Star has taken Corporate Governance to the next level by implementing Enterprise Risk Management, Internal Audit and Whistle Blower Policy frameworks, as integral elements of a larger vigilance mechanism and a robust controller function. All the policies and guidelines of the Company extend to its subsidiaries, joint ventures, vendors, contractors, channel partners and associates.

Blue Star has put in place a robust Code of Conduct policy (<https://www.bluestarindia.com/media/6010/code-of-conduct.pdf>) applicable to its directors, employees and other business partners. The code focuses on strict adherence to the Corporate Values while delivering a world-class customer experience. Integrity in personal conduct, conflict of interests and related aspects of dealing with external stakeholders are all covered under this code. It covers issues related to ethics, bribery and corruption, and serves as a roadmap for its employees as well as those of its subsidiary and joint ventures. The Company's core values and beliefs which are embedded in the Code of Conduct serve as a guiding force for all business activities and stakeholder interaction at Blue Star. The organisation is committed to follow the highest standard of professionalism and business ethics. Integrity is the basis for its dealing with customers, employees, suppliers, business partners, shareholders, related communities and the Government. The Board Members and senior management affirm their compliance to the Code of Conduct by way of an annual declaration.

The Whistle Blower Policy has been clearly communicated to the employees and other business partners, encouraging them to report any instance of wrong doing directly to the Company Secretary, who acts as the Ethics Officer, or the Chairman of the Audit Committee, who is an Independent Director of the Company. As a responsible corporate body, Blue Star is particular about its financial and other disclosures on an ongoing basis in a transparent and truthful manner.

During 2016-17, the Ethics Committee of Blue Star investigated into the complaints received from the Whistle Blowers within and outside the Company, and initiated disciplinary action and recovered the losses suffered by the Company. Blue Star has established mechanism to receive and deal with the Whistle Blower complaints from various stakeholders.

**Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.**

Blue Star, as a leader in the air conditioning and refrigeration industry, is conscious about the fact that it has to be a trendsetter in areas related to sustainability and climate change. All Blue Star products rate high in energy efficiency standards. The Company's adoption of eco-friendly refrigerants is ahead of the industry curve. The product management and R&D teams regularly review and adopt the latest technology in products across businesses, keeping in mind that these are resource efficient and sustainable. There is a special, in-house focus on embedding inverter technology across three key products of the Company, namely chillers, VRFs and wall-mounted air conditioners since it is energy efficient, and refrigerants with low global warming potential help mitigate environmental impact and energy-efficiency concerns. Sustainability-related aspects, risks and opportunities are integrated into the engineering and design of the Company's projects, products and services. Resources used for the production of the entire product portfolio are tracked and monitored diligently. Due to continuous product innovations with a focus on energy efficiency and low global warming potential, power utilisation during product use at consumer's end is systematically reduced, with lower environmental impact. The businesses strive to raise consumers' awareness of their rights through education, product labelling and details of the product composition, appropriate marketing communication, and promotion of safe usage as well as disposal of the products. The Company has been working towards higher sustainability in sourcing, with respect to packaging to minimise waste, a common supplier basket for multiple businesses, regular supplier meetings and discussions on the recommended practices, as well as optimising logistics to reduce fuel consumption and carbon footprint. The sourcing team provides suppliers with managerial and technical assistance for improvements in productivity, quality, cost, delivery and safety. The organisation works diligently on limiting waste in its production processes across factories. There is an ongoing focus on energy management, enhancing safety practices and total productive maintenance across the Company.

Blue Star officials are part of several national and international forums which are involved in the study of the technological feasibility and performance of new eco-friendly refrigerants with low global warming potential; related safety issues, environmental impact assessments and intellectual property rights; commercial viability; as well as energy efficiency in high ambient temperature conditions. Over 90% of procurement for projects and close to 50% for products is from local producers, which includes small vendors. The organisation evaluates various options for cost-effective and sustainable transportation of products and services as well as for reduced carbon emission from material transportation. It also conducts capacity-building programmes for vendors, sub-contractors and dealers, and provides training and technical expertise to improve operational efficiency.

Under the E-waste Management And Handling Rules, the Company has obtained authorisation as a producer, to dispose all e-waste generated during business operations on a pan India basis through an arrangement with a certified e-waste dismantler and recycler.

**Principle 3: Businesses should promote the wellbeing of all employees.**

Blue Star employees come from various walks of life, and this mix provides for a rich diversity in geography, ethnicity, language, gender, religion, caste and creed. Value systems, ethics, honesty, sincerity of purpose and team work, among many others, form the core of the thinking of the people. The welfare of employees is considered as one of the most important cornerstones for success at Blue Star. Business, for the Company, is not just about the bottom line, but also about developing and nurturing each employee to grow.

The total employee count in the Company is 4024, inclusive of 1526 employees hired on a temporary or contractual basis. There are no permanent employees with permanent disabilities in the organisation. 224 employees, forming 8.97% of the permanent staff, are members of employee associations recognised by the Company.

Every Blue Starite is provided with numerous and constant opportunities for individual growth, betterment and empowerment, vide training and development initiatives. The Company encourages job rotation which helps employees take new responsibilities, and gives them a well-rounded exposure to the business activities, which is crucial to career growth. Close attention is paid to each employee's career graph, in relation to his/her potential. An accelerated career growth programme is being put in place for young managers so that they are empowered to take on higher responsibilities in the future. Training programmes for all-round development of workmen are conducted at the factories. The senior management promotes a healthy work-life balance with initiatives such as flexible work timings and work-from-home that keep the employees positive and energised. An open-door policy has always been promoted and practised at Blue Star, providing a conducive environment in which an employee can approach any senior management member to discuss ideas, suggestions or concerns. Some areas of strength identified by a comprehensive employee engagement survey reveal pride in being associated with Blue Star; strong belief in the Management's vision, competence and ethics; appreciation of Management's regular communication; and satisfaction with the friendly, family-like work environment; besides several others. It is a matter of pride for the organisation that several employees across offices and production units have been with Blue Star for long tenures, and there are numerous instances of employees joining back, after they have left the organisation for other opportunities.

There are 197 permanent women employees in the organisation. The Company is committed to augment the strength of female employees to 15% across levels and roles by FY19, and intends to achieve this systematically through conscious and planned hiring in this direction. Blue Star also endorses equal gender representation in management and leadership positions as they are significant for a participative atmosphere in decision making and operations across levels. The organisation conducts programmes with women-centric initiatives, honing aspiring female contenders for senior management positions. The HR team is committed to create a woman-friendly ecosystem across offices, factories and work sites which encourages gender equality at all times.

Compensation & Benefits form an integral part of being an employer of choice and the Company has taken up the goal of paying higher than the industry average, which it aims to achieve over a three-year period. A new, fair and transparent performance appraisal system has also been put in place to ensure higher employee satisfaction, leading to increased motivation and productivity. The current HR practices are being strengthened with the intent to attract and retain the best-in-class talent which will help take the Company into the league of top 10 employers in the engineering industry. A strong employee engagement programme has been put in place to build energised teams across Blue Star. Largely, these encourage a culture of entrepreneurship and innovation in the Company. A full-fledged leadership development and succession planning programme has been put in place to develop the next set of leaders for Blue Star.

Safety is a thrust area for the Company. Regular safety training, tool-box familiarisation, mock drills and specific safety interventions help build a safe work culture across Blue Star's offices, manufacturing facilities and channel partners. Safety capability of new sub-contractors is evaluated before assigning contracts, and compliance to the policy is ensured through regular training, site visits and audits. All new employees, dealer technicians and contract workmen receive safety training before commencing work, and regular refresher sessions are conducted in the course of work. The safety performance of various divisions of the Company is reviewed during business meetings and management review meetings. In addition, key safety performance numbers are reviewed by the Board on a quarterly basis. In the period under review, 2141 permanent employees comprising 164 women and 1928 temporary/contractual staff underwent safety and skill upgradation training.

The Company promotes the principle of 'equal pay for equal work', and has a no-tolerance policy towards child labour, forced labour, sexual harassment and discriminatory employment or biases in growth opportunities for its staff members. Well-defined policies on safety at work, prevention of sexual harassment at workplace, employee welfare programmes, managerial remuneration and benefits, performance recognition, maternity benefits, medical insurance, support for education of employees' children, service awards, health and wellness, celebrations, get-togethers and sports competitions, amongst others, have been made available on the employee portal for easy access and reference.

There were no complaints related to child labour, forced or involuntary labour filed during 2016-17. Two complaints related to sexual harassment were reported during the review period, which were investigated and resolved as per the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.**

The Company believes that an effective stakeholder engagement process is integral to inclusive growth. Blue Star is sensitive to the changing needs of customers, employees, dealers, channel associates, business partners and shareholders. Customer meets, including those for Interior Designers, Architects and Consultants are held regularly at major locations across the country, detailing the Company's vision as well as its product and service portfolio.

The organisation has mapped its internal and external stakeholders which include employees, customers, business associates, suppliers and distributors, shareholders, regulatory authorities and industry associations, besides others. Blue Star's dealer network is a major strength in its channel businesses since dealers, as extended arms of the Company, are responsible for quick and efficient response to customer needs all over the country. Product launch programmes and training sessions for dealers, besides performance recognition, ensure an ongoing interaction with channel associates. Blue Star has an active investor relations programme which covers both individual and institutional investors as it is keen to maintain an ongoing awareness of Blue Star's performance among its shareholders and the financial community. The Company holds regular meets with institutional investors and analysts after declaration of its financial results. The corporate website contains information on all its products and services, policies, press releases, financial results, annual reports, investor updates and concall transcripts, besides others.

Blue Star's CSR programmes focus primarily on those sections of the local communities which are disadvantaged, vulnerable and marginalised. The Company is conscious of the impact of its operations on the communities around its facilities, and is committed to contribute actively towards enhancing their living standards through interventions in water and sanitation, health, education and skill development. Blue Star also believes in affirmative action, and has been actively involved in the development of Dalit entrepreneurs by providing them with opportunities as vendors and channel partners, as well as mentoring them on various aspects of business and communication. For the initiatives undertaken by the Company towards the betterment of the disadvantaged, vulnerable and marginalised stakeholders, please refer to the CSR activities enumerated in **Annexure 2** to the Board's Report as well as the section on CSR in the **Management Discussion and Analysis** section of this report.

**Principle 5: Businesses should respect and promote human rights.**

Blue Star maintains engaging and transparent relations with its internal as well as external stakeholders at all times. The Company has in place, a Code of Conduct policy to safeguard the rights of its employees, vendors and service providers across its businesses, which abides by the laws of the country. It promotes a secure and conducive work environment for its employees, contractors and channel partners. The organisation has well-enumerated guidelines, policies and practices to address grievances of any stakeholder. These include formal mechanisms administered through committees which have been set up for review of grievances. The complainants are assured of complete anonymity and confidentiality.

The employees have been made aware of the policy related to safety of women and protection against sexual harassment at workplace, along with its objectives, applicability, structure of committees and the process undertaken to redress complaints. Awareness sessions by the committee members for both male and female employees on this aspect are held at offices and factories across the country. Blue Star is committed to ensuring a safe environment and practices at its construction sites, and continues to engage with construction suppliers through training, safety audits and checks. It respects the human rights within and beyond the workplace, including that of communities, consumers as well as vulnerable and marginalised groups. There is a mechanism in place for all employees to voice their concerns to the Managing Director or Joint Managing Director in person or through a dedicated email address, which is treated with confidentiality.



**Principle 6: Business should respect, protect, and make efforts to restore the environment.**

As an organisation, Blue Star believes in the responsible and balanced use of natural and man-made resources for the benefit of the future generations. The Company's mainstay of product development and R&D has been energy efficiency, coupled with eco-friendly and sustainable products. There are periodic enhancements carried out with respect to the environmental impact of its products. Further, Blue Star has been constantly adding auxiliaries and energy-saving gadgets in its factories. The Company's products are validated and certified by several international bodies, signifying that they comply with the stringent norms and safety standards laid down by these entities. The Environment, Health and Safety department in Blue Star focuses on safety parameters, health and wellness of employees as well as environmental aspects. The Environment, Health and Safety Policy of the Company extends to its subsidiaries as well as to its business associates.

Blue Star plays a critical role in initiatives to reduce power consumption and incorporate non-ozone depleting refrigerants with low global warming potential. The Company's room AC range has always been in line with the updated energy standards prescribed by the Bureau of Energy Efficiency (BEE), and Blue Star was amongst the first companies to comply with BEE's voluntary labelling programme for inverter split air conditioners. The manufacturing facilities are equipped with testing machines that use new technology to aid in quality improvement as well as energy and water savings. A first-of-its-kind set-up for cold room panel manufacturing at the Wada Plant incorporates an eco-friendly foaming process using cyclopentane, which is supported by the Ozone Cell, Ministry of Environment and Forests. This is in line with Blue Star's commitment to phase out CFC/HFC substances. Cyclopentane blown foam contains no ozone depleting substances and has a negligible impact on global warming. Blue Star's Wada factory is certified as a Gold-Rated Green Building by the Indian Green Building Council, Hyderabad.

Blue Star's senior management is part of numerous domestic and international initiatives, including participation in round table discussions and workshops that focus on certification and compliance processes, as well as standards and labelling programmes. These fora centre around the use of refrigerants and technologies used in HVAC products; the economic impact of the new generation of refrigerants that come at a higher price; new kinds of patents; development of alternate and natural refrigerants; safety standards; and financial viability.

Blue Starites are also committed to the Company's environmental sustainability efforts. All the manufacturing facilities have consented to operate on a zero discharge basis since all the wastes generated due to industrial processes are treated onsite. The Company has been filing returns with the Central Pollution Control Board under E-waste (Management) Rules, annually.

The organisation works at optimising its water consumption through adoption of new technologies and behaviour change initiatives. The employees of Blue Star showcase their support to the cause of renewable energy at various public forums. Key business partners and associates are persuaded, supported and educated to adopt the organisation's environmental-friendly practices across the value chain. The Company has received numerous commendations from its clients for its energy-efficient products and services, projects as well as installations.

The management of Blue Star identifies and assesses potential environmental risks from time-to-time. The Company has always been sensitive to the environmental impact of its operations, and has proactively adopted environmentally-sustainable business practices wherever possible. Regular checks are conducted by internal and independent auditors/assessors to ensure compliance with relevant environmental regulations and policies. Steps taken towards energy conservation by Blue Star are elaborated in **Annexure 1** to the Board's Report.

The emissions and waste generated by the Company are within the permissible limits given by Central Pollution Control Board as well as the State Pollution Control Board for the review period, and there were no show cause/legal notices from these bodies pending as on March 31, 2017. Blue Star's initiatives on clean technology, energy efficiency and renewable energy are given in **Annexure 1** to the Board's Report.

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.**

Blue Star actively participates in apex industrial institutions and professional bodies that are engaged in policy advocacy such as the Confederation of Indian Industries (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Refrigeration and Air-conditioning Manufacturers Association (RAMA), Bombay Chamber of Commerce & Industry (BCCI), Indian Green Building Council (IGBC), The Energy and Resource Institute (TERI), National Safety Council and various other collective platforms or forums, to put forth the larger interests of the industry. The senior leadership of the Company offers its expertise and insights during formulation of public policies. Blue Star participates in public-private partnerships with the local Government bodies for social development projects.

Blue Star is an active player of industrial and trade bodies related to governance and administration, economic reforms, inclusive development policies, energy security, water, food security, sustainable business principles, and others. The Company actively participates in discussions pertaining to policy matters that impact the interests of its stakeholders, and also advocates policies that spurt socio-economic growth. It collaborates with government and industry associations on matters related to sector growth, serving as a think tank for the decision makers in the industry.

**Principle 8: Businesses should support inclusive growth and equitable development.**

The Company endeavours to help less privileged, rural and urban communities in the country as well as those in close proximity to its production units in semi-rural locations. Blue Star's CSR initiatives are strategically aligned to its domain knowledge and skill sets of its employees, who are given the opportunity to volunteer in these programmes. In the long term, the Company is committed to preservation of the quality of air, water and food through its products, services and social initiatives. Blue Star's CSR programmes focus on vocational training of school dropouts in air conditioning as well as mechanical, electrical and plumbing services; building water purification systems and sanitation facilities in Government schools; and holistic development initiatives around its manufacturing facilities. The projects are fully adopted or supported by the Company as per the need and available budgets, on a case-to-case basis. The CSR Committee presently comprises the Chairman and the Joint Managing Director of Blue Star as well as an Independent Director. The role of the CSR Committee is to review, monitor and provide strategic direction to Blue Star's CSR practices, which is well aligned to its competencies and core people skills. This Committee formulates and monitors the CSR Policy and recommends the annual CSR Plan of the Company to the Board, in line with Companies Act, 2013. Periodic impact assessments help monitor the benefits received by the community, and lead to augmenting the projects.

In addition to its CSR efforts, the Company has been supporting various philanthropic causes through its charitable trust, Blue Star Foundation which sponsors activities in the areas of education and healthcare, apart from relief measures in national calamities. Besides these, the local teams across its major offices and factories also support local initiatives to improve health, education, environment, hygiene and infrastructure for public utility. Details of the CSR activities of the Company and their impact are given in **Annexure 2** to the Board's Report as well as in the Management Discussion & Analysis section of this report.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.**

Blue Star accords paramount significance to the well-being of its customers and the society at large while conducting its business. Every product and service of the Company aims at generating the highest value for the consumer. Blue Star's world-class products are the result of extensive research and development processes, and incorporate state-of-the-art technology with stringent quality checks. With 'Superior Project Delivery' as its value proposition, the electro-mechanical projects business offers turnkey design and build solutions to its customers, which has proved to be a significant differentiator in the market place. The Company offers Gold Standard Service which has stringent response and turnaround time adhered to by the teams for resolution of consumer complaints and breakdown calls. Consumer insights are sought systematically across businesses through customer interactions and focused group discussions, and incorporated in product development

processes. Adoption of latest digital technologies across businesses gives the added fillip for smooth customer interface across products and services as well as ease of doing business.

The products, services and facilities of the Company have been validated by several certification bodies for adherence to set standards and guidelines. Blue Star's room air conditioners have cleared stringent Bureau of Energy Efficiency (BEE) norms with each passing year. The Company's Air Conditioning & Refrigeration Services are ISO 9001:2015 certified. The manufacturing facilities have received several certifications with respect to health and safety compliance as well as quality adherence. The Company has also received multiple certifications for its products and services for international markets.

Blue Star believes in honest and sincere communication of its products and services across media. The senior management communicates regularly on public platforms with respect to the Company's performance, market trends, and impact of change in industry policies or Government regulations, besides others. Blue Star adheres to all norms, standards as well as voluntary codes and guidelines related to marketing communication. The brand management guidelines have been institutionalised by Blue Star's Corporate Communications and Corporate Marketing Services departments which help customers identify and distinguish Blue Star's products and services. The television commercials focus on intelligent, humour-based communication, educating customers in a unique manner about the function and benefits of its products and services. The social media pages of the brand deliver value-based communication to customers. The pages, based on the theme of 'Cool My World', propagate content meant for stress-relief and relaxation. All marketing collaterals of the Company disseminate information truthfully and factually, so that the customers can exercise their freedom to consume its products and services in a responsible manner. All products are accompanied by Operation & Maintenance manuals, in line with relevant codes and specifications. The sale of products is followed by responsible and seamless integration of its related services to enhance customer experience.

Blue Star engages with its customers on an ongoing basis, and conducts periodical surveys to ascertain consumer satisfaction with respect to its products and services. Conducted by external market research firms, these surveys aid the Company in understanding customer requirements as well as satisfaction levels and consumer behaviour. There are several modes by which a customer can connect with the brand for getting their enquiries, feedback or concerns addressed. A multi-platform grievance mechanism ensures that the Company officials can be contacted vide phone, e-mail, website, feedback forms and letters, as deemed fit.

Out of the total calls received by the Company from the customers, approximately 0.01% was related to complaints, all of which were resolved satisfactorily as on March 31, 2017. The dissatisfied customers of the Company generally file their cases before the consumer forums, which the Company defends appropriately. Out of the total consumer cases filed, 9 cases were resolved during 2016-17, and as on March 31, 2017, 39 cases were pending before various consumer fora. No case was filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising or anti-competitive behaviour during the last five years. The organisation is compliant with all legal requirements pertaining to product information and labelling. In addition to the mandatory requisites, it also provides service and safety manuals to the customers as deemed appropriate.

Further details with respect to the businesses and support functions of the Company have been enumerated in the **Management Discussion and Analysis** section of this report.