

Governance Philosophy

Aditya Birla Nuvo Limited is committed to adoption of best governance practices and its adherence in the true spirit, at all times. Our governance practices are a product of self-desire, reflecting the culture of trusteeship that is deeply ingrained in our value system and reflected in our strategic thought process. At a macro level, our governance philosophy rests on five basic tenets, viz., Board accountability to the Company and shareholders, strategic guidance and effective monitoring by the Board, protection of minority interests and rights, equitable treatment of all shareholders as well as superior transparency and timely disclosures.

In line with this philosophy, **your Company**, a flagship company of the Aditya Birla Group, is striving for excellence through adoption of best

governance and disclosure practices. The Company, as a continuous process, strengthens the quality of disclosures, on the Board composition and its functioning, remuneration paid and level of compliance with various Corporate Governance Codes.

Your Company continuously strives to achieve excellence in corporate governance through its values – Integrity, Commitment, Passion, Seamlessness and Speed.

Compliance with Corporate Governance Guidelines

In terms of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the details of compliance for the year ended 31st March, 2015 are as follows:

BOARD OF DIRECTORS

Composition of the Board

As on 31st March, 2015, your Company's Board comprises of 10 (Ten) Directors, which include 5 Independent Directors, 3 Non-Executive Directors (including a Nominee of LIC) and 2 Executive Directors. The composition of your Board is in conformity with the requirements of Clause 49 of the Listing Agreement as well as the Companies Act, 2013 ("the Act"). Your Directors on the Board are experienced, competent and highly renowned persons in their respective fields.

All the Directors are liable to retire by rotation except the Independent Directors whose term of 5 consecutive years was approved by the shareholders of the Company in the Annual General Meeting held on 11th September, 2014.

The details of the Directors with regards to their other directorships and positions held in the Committees are as follows:

Name of the Director	Executive/ Non-Executive/ Independent ¹	No. of Outside Directorship(s) in other Indian Public Companies ²	Outside Committee Positions Held ³	
			Member	Chairman/ Chairperson
Mr. Kumar Mangalam Birla (DIN:00012813)	Non-Executive	8	—	—
Mrs. Rajashree Birla (DIN:00022995)	Non-Executive	5	—	—
Mr. B. L. Shah ⁴ (DIN: 00017357)	Non-Executive	2	—	—
Mr. P. Murari (DIN:00020437)	Independent	8	4	1

Name of the Director	Executive/ Non-Executive/ Independent ¹	No. of Outside Directorship(s) in other Indian Public Companies ²	Outside Committee Positions Held ³	
			Member	Chairman/ Chairperson
Mr. B. R. Gupta (DIN:00020066)	Independent	8	4	4
Ms. Tarjani Vakil (DIN:00009603)	Independent	8	8	4
Mr. S. C. Bhargava (DIN:00020021)	Independent	10	5	1
Mr. G. P. Gupta (DIN:00017639)	Independent	4	3	1
Dr. Rakesh Jain ⁵ (DIN:00020425)	Managing Director	6	2	—
Mr. Lalit Naik ⁶ (DIN:02943588)	Managing Director	3	—	—
Mr. Sushil Agarwal (DIN:00060017)	Whole- time Director	5	2	—
Mr. T. Chattopadhyay (DIN:00041581)	Non Executive	1	1	—

Notes:

1. Independent Director means a Director as defined under Clause 49 of the Listing Agreement and in Section 149 of the Act.
2. Excluding Directorships held in foreign companies and companies under Section 8 of the Act, 2013.
3. Only two committees viz. the Audit Committee and the Stakeholder Relationship Committee of all public limited companies have been considered.
4. Mr. B.L. Shah ceased to be the Director of the Company with effect from 25th September, 2014.
5. Dr. Rakesh Jain has ceased to be the Managing Director & Director of the Company w.e.f. 1st July, 2014.
6. Mr. Lalit Naik has been appointed as the Managing Director of the Company w.e.f. 1st July, 2014.
7. No Director is related to any other Director on Board, except Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla, who are related as son and mother, respectively.

Non-Executive Directors' Compensation and Disclosure

Sitting fees for attending the meetings of the Board/ Committees and Commission paid to the Non-Executive Directors and the Independent Directors have been recommended by the Nomination and Remuneration Committee of the Board and approved by the Board of Directors. The Commission paid is within the overall limits as approved by the shareholders.

Details of the Sitting fees / Commission paid to such Directors are given separately in this Report.

Board's Functioning and Procedure

The Company's Board of Directors plays a primary

role in ensuring good governance and functioning of the Company. The Board's role, functions, responsibilities and accountabilities are well defined. All relevant information is regularly placed before the Board. The Board reviews compliance reports of all laws as applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any. The members of the Board have complete freedom to express their opinion and decisions are taken after detailed discussions.

The Board meets at least once every quarter to review the quarterly results and other items on the agenda and additional meetings are held as and when necessary.

Five Board meetings were held during the year ended 31st March, 2015. The details of the Board meetings held during the year under review, dates on which held and number of Directors present are as follows:

Date of Board Meeting	Board Strength	No. of Directors Present
20 th May, 2014	12	10
26 th June, 2014	12	10
12 th August, 2014	11	9
12 th November, 2014	10	9
10 th February, 2015	10	8

Your Company's Board plays a pivotal role in ensuring good governance and functioning of your Company. The Directors are professionals, have expertise in their respective functional areas and bring a wide range of skills and experience to the Board.

The details of attendance of each Director at the Board meetings and at the last Annual General Meeting (AGM) are as follows:

Name of Director	Category	No. of Board Meetings		Attended Last AGM@
		Held	Attended	
Mr. Kumar Mangalam Birla	Non-Executive	5	3	No
Mrs. Rajashree Birla	Non-Executive	5	4	No
Mr. B. L. Shah*	Non-Executive	3	3	No
Mr. P. Murari	Independent	5	3	No
Mr. B. R. Gupta	Independent	5	5	Yes
Ms. Tarjani Vakil	Independent	5	5	Yes
Mr. S. C. Bhargava	Independent	5	5	No
Mr. G. P. Gupta	Independent	5	2	No
Dr. Rakesh Jain#	Managing Director	2	2	No
Mr. Lalit Naik	Managing Director	5	5	Yes
Mr. Sushil Agarwal	Whole- time Director	5	5	Yes
Mr. T. Chattopadhyay	Non Executive	5	4	No

@ AGM held on 11th September 2014 at the registered office of the Company-Indian Rayon Compound, Veraval

* Mr. B.L. Shah ceased to be the Director of the Company with effect from 25th September, 2014.

Dr Rakesh Jain ceased to be the Director of the Company with effect from 30th June 2014.

The Board has unfettered and complete access to any information within your Company. Members of the Board have complete freedom to express their views on agenda items and can discuss any matter at the meeting with the permission of the Chairman. The Board periodically reviews all the relevant information, which is required to be placed before it pursuant to Annexure X to Clause 49 of the Listing Agreement with the stock exchanges and in particular reviews and approves corporate strategies, business plans, annual budgets, projects and capital expenditure, etc. The Board provides direction and exercises appropriate control to ensure that your Company is managed in a manner that fulfils stakeholder's aspirations and societal expectations.

In addition to the quarterly meetings, the Board also meets to address specific needs and business requirements of your Company.

Code of Conduct

In compliance with Clause 49 of the Listing Agreement, the Company has adopted a Code of Conduct for the Board Members and Senior Management Personnel (the "Code"). The Code is applicable to all the Board Members and Senior Management of the Company. All the Board Members and Senior Management Personnel have confirmed compliance with the Code. A declaration by Managing Director affirming the compliance of the Code of Conduct for Board Members and Senior Management is annexed at the end of the Report. The Code is available on the Company's website.

Board training and Induction

A formal letter of appointment together with an induction kit is provided to the Independent Directors at the time of their appointment stating out their roles, functions, duties and responsibilities. The Independent Directors are familiarised with your Company's businesses and its operations. Interactions are held between the Independent Directors and senior management of your Company.

Performance evaluation of Board

A formal evaluation mechanism has been adopted by the Board for evaluating its performance as well as performance of its Committees and the individual directors of the Company. Performance of all directors of the Company has been carried out by way of structured evaluation process and after seeking inputs from all the Directors. Criteria for evaluation included attendance at the meetings, contribution at the meetings, preparedness for meetings, effective decisions making ability, etc.

Independent Directors meeting

In accordance with the provisions of Schedule IV of the Companies Act, 2013 and Clause 49 of the Listing Agreement, a meeting of the Independent Directors of your Company was held on 10th February, 2015 without the presence of the Non-Independent Directors and the members of the management. The Independent Directors discussed the matters inter alia including, the performance/functioning of the Company, flow of information to the Board & Board Committees, etc.

Prevention of Insider Trading

In terms of the provisions of the Securities and Exchange Board of India (Prevention of Insider Trading) Regulation, 1992 your Company has adopted the Code of Conduct for Dealing in Listed Securities of Group Companies ("the Code"). The Code aims at preserving and preventing misuse of unpublished price sensitive information. All the Directors and Designated Employees of your Company have been covered under the Code. The said Code also provides for periodical disclosures from Directors and Designated Employees of your Company.

COMMITTEES OF BOARD

Your Board has constituted the Committees with specific terms of reference as per the requirements of Clause 49 and the Act. There are 6 such Committees of the Board as elaborated under and the said Committees meet at such frequency as is required to discharge the functions assigned to them.

1) AUDIT COMMITTEE

Qualified Independent Audit Committee

The Company has an Audit Committee at the Board level with powers and role that are in accordance with Clause 49 of the Listing Agreement and the Act.

Composition of Audit Committee, its meetings and attendance at meetings during the year and sitting fees paid

The Audit Committee of the Board comprises four Independent Directors. As such, all the members of the Company's Audit Committee are Independent Directors and are financially literate. The composition of the Audit Committee meets the requirements of Section 177 of the Act and Clause 49 of the Listing Agreement.

During the year, the Audit Committee met 7 times to deliberate on various matters. The meetings were held on 21st April 2014, 20th May 2014, 26th June 2014, 12th August 2014, 12th November 2014, 9th January 2015 and 10th February 2015.

The composition, attendance and sitting fees paid are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (in ₹)
		Held	Attended	
Ms. Tarjani Vakil (Chairperson)	Independent	7	7	150,000
Mr. P. Murari	Independent	7	4	90,000
Mr. B. R. Gupta	Independent	7	7	150,000
Mr. G. P. Gupta	Independent	7	3	70,000

Ms. Tarjani Vakil is the Chairperson of the Committee.

Permanent Invitees

Mr. Lalit Naik - Managing Director
Mr. Sushil Agarwal - Whole time Director & Chief Financial Officer

The Statutory and Internal Auditors of your Company attend the Audit Committee meetings.

The representatives of the Cost Auditors are invited to attend the Audit Committee meetings whenever matters relating to Cost Audit are considered.

The Company Secretary acts as the Secretary to the Committee.

The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process.

The Audit Committee monitors and supervises your Company's financial reporting process with a view to provide accurate, timely and proper disclosure and maintain the integrity and quality of financial reporting.

The Audit Committee also reviews from time to time, the audit and internal control procedures, the accounting policies of your Company, oversight of your Company's financial reporting process so as to ensure that the financial statements are correct, sufficient and credible.

Powers

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions;

- g. Qualifications in the draft audit report;
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
8. Approval or any subsequent modification of transactions of the company with related parties.
9. Scrutiny of inter-corporate loans and investments.
10. Valuation of undertakings or assets of the company, wherever it is necessary.
11. Evaluation of internal financial controls and risk management systems.
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
14. Discussion with internal auditors of any significant findings and follow up there on.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
16. Discussion with statutory auditors before the audit commences, about the nature and

scope of audit as well as post-audit discussion to ascertain any area of concern.

17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Audit Committee reviews the following information

1. Management Discussion and Analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors, if any;
4. Internal audit reports and discussion with the Internal Auditors on any significant findings and follow-up thereon;
5. The appointment, removal and terms of remuneration of the Internal Auditor.

During the year, the Audit Committee has reviewed the internal controls put in place to ensure that the accounts of your Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control system of your Company. The Committee has also reviewed the procedures laid down by your Company for assessing and managing the risks.

2) NOMINATION AND REMUNERATION COMMITTEE (formerly known as ESOS Compensation Committee)

Composition, meetings, attendance during the year and sitting fees paid

In terms of the provisions of Section 178 of the Act, your Company has renamed its existing ESOS Compensation Committee as the

Nomination and Remuneration Committee. The Committee comprises of 2 (two) Independent Directors and 1 (one) Non executive Director. Ms. Tarjani Vakil, an Independent Director, is the Chairperson of the Committee.

During the year, the Committee met thrice to deliberate on various matters. The meetings were held on 26th June 2014, 12th November 2014 and 10th February 2015 respectively.

The composition, attendance and sitting fees paid are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (in ₹)
		Held	Attended	
Mr. Kumar Mangalam Birla	Non Executive	3	1	20,0000
Ms. Tarjani Vakil	Independent	3	3	60,000
Mr. B. R. Gupta	Independent	3	3	60,000

Terms of reference of the Nomination and Remuneration Committee

The Nomination Committee is authorised to:

- set the level and composition of remuneration which is reasonable and sufficient to attract, retain and motivate directors and Senior Managers of the quality required to run the Company successfully;
- set the relationship of remuneration to performance;
- check whether the remuneration provided to directors and Senior Managers includes a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- formulate appropriate policies, institute processes which enable the identification of individuals who are qualified to become Directors and who may be appointed in senior management and recommend to the same to the Board;
- review and implement succession and development plans for Managing Director Executive Directors and Senior Managers;
- devise a policy on Board diversity;
- formulate the criteria for determining qualifications, positive attributes and independence of directors

Employee Stock Options Scheme – 2006 (“ESOS-2006”)

During the year, 5,430 Stock Options were vested in the eligible employees, subject to the provisions of the Employee Stock Options Scheme – 2006, statutory provisions including Securities and Exchange Board of India (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as may be applicable from time to time and the rules and procedures set out by your Company in this regard. Further, the Committee allotted 52,221 equity shares of ₹ 10 each of your Company to Option Grantee pursuant to the exercise of Stock Options under the ESOS -2006.

Employee Stock Options Scheme – 2013 (“ESOS-2013”)

During the year, the Committee granted 35,060 Stock Options and 12,630 Restricted Stock Units to eligible employees of your Company subject to the provisions of the Company's Employee Stock Option Scheme (“Scheme – 2013”). 12,559 Stock Options have vested in the option grantees in terms of the provisions of the Scheme 2013.

Remuneration Policy

Your Company has adopted Executive Remuneration Philosophy/Policy and follows the same.

3) RISK MANAGEMENT COMMITTEE

In terms of the provisions of the Listing Agreement, your Company has constituted the Risk Management Committee. The Risk Management Committee is mandated to review the risk management process of your Company.

The objectives and scope of the Risk Management Committee broadly include:

- Identification of risk relating to business;
- Assessment and classification of risk associated with the business;

- Mitigation plans to minimize risk;
- Monitoring various risk

The Management Discussion and Analysis Report sets out the risks identified and the mitigation plans thereof.

The Risk Management Committee comprises of three Independent Director, two Executive Directors and three Business Executives.

During the year, the Risk Management Committee met twice to deliberate on various matters. The meetings were held on 2nd December, 2014 and 12th December, 2014.

The composition, attendance and sitting fees paid to the non-executive Directors are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (in ₹)
		Held	Attended	
Ms. Tarjani Vakil	Independent	2	2	40,000
Mr. S C Bhargava	Independent	2	2	40,000
Mr. G P Gupta	Independent	2	2	40,000
Mr. Lalit Naik	Managing Director	2	1	-
Mr. Sushil Agarwal	Whole time Director	2	1	-

4) Stakeholder Relationship Committee**Composition, meeting, attendance and sitting fees paid during the year:**

In terms of the provisions of Section 178 of the Act and the Listing Agreement, your Company

has renamed its existing Share Transfer and Shareholder / Investor Grievance Committee as Stakeholder Relationship Committee.

The Stakeholder Relationship Committee comprises of three Independent Director and two Executive Directors.

During the year the Stakeholder Relationship Committee met on 23rd March 2015. The composition, attendance and sitting fees paid are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (in ₹)
		Held	Attended	
Mr. G P Gupta	Independent	1	1	20,000
Mr. P Murari	Independent	1	-	-
Mr. S C Bhargava	Independent	1	1	20,000
Mr. Lalit Naik	Managing Director	1	1	-
Mr. Sushil Agarwal	Whole time Director	1	-	-

Mr. G. P. Gupta chaired the meeting of the Committee.

The Company Secretary acts as Secretary to the Committee and is the Compliance Officer of the Company and also responsible for redressal of investor complaints.

Your Company's shares are compulsorily traded in the dematerialised form. To expedite transfers in the physical segment, necessary authority has been delegated by your Board to Director(s) and Officers of your Company to approve transfers / transmissions of shares / debentures. Details of share transfers / transmissions approved by the Directors and Officers are placed before the Board.

Role

The Committee looks into:

- issues relating to share / debenture holders including transfer/transmission of shares/debentures;
- issue of duplicate share/debenture certificates;
- non-receipt of dividend;
- non receipt of annual report;
- non-receipt of share certificate after transfers;
- delay in transfer of shares;
- any other complaints of shareholders.

Number of shareholders' complaint received so far / number not solved to the satisfaction of shareholders / number of pending complaints

Details of complaints received, number of shares transferred during the year, time taken for effecting these transfers and the number of share transfers pending are furnished in the

"Shareholder Information" section of this Annual Report.

Details of non-compliance by the Company, penalties and strictures imposed on the Company by stock exchanges or SEBI or any other statutory authority, on any matter relating to capital markets, during the year

There has been no instance of non-compliance by the Company on any matter related to capital markets during the year under review and hence no strictures /penalties have been imposed on the Company by the stock exchanges or the Securities and Exchange Board of India (SEBI) or any statutory authority.

5) Corporate Social Responsibility Committee Composition, meeting, attendance and sitting fees paid during the year:

In terms of the provisions of Section 135 of the Act and the Listing Agreement, your Company has constituted the Corporate Social Responsibility Committee at the Board level.

The Corporate Social Responsibility Committee comprises of one Independent Director, one Non Executive Director and one Executive Director. Dr. Pragnya Ram, Group Executive President, Corporate Communication & CSR is a permanent invitee.

During the year the Corporate Social Responsibility Committee met twice. The meetings were held on 17th June 2014 and 17th February 2015.

The composition, attendance and sitting fees paid in respect of CSR Committee are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (in ₹)
		Held	Attended	
Mrs. Rajashree Birla	Non Executive	2	2	40,000
Ms. Tarjani Vakil	Independent	2	2	40,000
Mr. Lalit Naik	Managing Director	2	1	-
Dr. Rakesh Jain*	Managing Director	1	1	-

*Dr. Rakesh Jain, ceased to be the Director of the Company w.e.f. 30th June 2014

Mrs. Rajashree Birla chaired the meetings of the Committee. The Company Secretary acts as Secretary to the Committee.

The Committee recommends to the Board the activities to be undertaken during the year and amount to be spent on these activities.

During the year, your Company has carried out various activities as part of its CSR initiative. The focus areas have been health care, education, sustainable livelihood, infrastructure and social reform.

6) Finance Committee

Your Company has "Finance Committee" comprising of Ms. Tarjani Vakil, Mr. P. Murari,

The composition, attendance and sitting fees paid in respect of meeting of Finance Committee are as follows:

Name of Member	Category	No. of meetings		Sitting fees paid (in ₹)
		Held	Attended	
Mr. P. Murari	Independent	1	0	-
Ms. Tarjani Vakil	Independent	1	1	20,000
Mr. S. C. Bhargava	Independent	1	1	20,000
Mr. Lalit Naik	Managing Director	1	1	-
Mr. Sushil Agarwal	Whole-time Director	1	1	-

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has in place a Vigil Mechanism under which a Committee has been appointed comprising of Directors and Senior Managers of the Company for attending the complaints received from the employees and to report concerns about the unethical behaviour, actual or suspected fraud and violation of the Code of Conduct or Ethics Policy by the Directors and the employees of the Company.

The policy is in line with the Company's Code of Conduct, Vision and Values and forms part of good Corporate Governance and is available to all the employees on the Aditya Birla Group intranet.

SUBSIDIARY COMPANIES

The Audit Committee reviews the consolidated financial statements of the Company and investments made by its unlisted subsidiary

Mr. S.C. Bhargava, Mr. Lalit Naik and Mr. Sushil Agarwal as members.

Ms. Tarjani Vakil chaired the meeting of the Committee. The Committee looks into the fund and non fund based limits for the business of the Company, authorised officers to undertake all types of foreign currency contracts for hedging its foreign currency liabilities/ transactions, authorised person to open/ operate/close any bank accounts, approve the grant and execution of Power of Attorneys to the employees of the Company, etc.

During the year under review, the Committee met once to deliberate on various matters referred above. The meeting was held on 15th January 2015.

companies. The minutes of the board meetings along with a report on significant developments of the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company.

RELATED PARTY TRANSACTIONS

During the financial year, your Company has entered into related party transactions which were on arm's length basis and in the ordinary course of business. There are no material transactions with any related party as defined under Section 188 of the Act. All related party transactions have been approved by the Audit Committee of your Company.

Particulars of related party transactions are listed out in Note 42 of the Accounts.

The policy on Related Party Transactions as approved by the Audit Committee and the Board is available on your Company's website viz. www.adityabirlanuvo.com.

DISCLOSURES**Disclosure of Accounting treatment**

Your Company has followed all relevant Accounting Standards while preparing the financial statements.

Management:

- The Management Discussion and Analysis forms part of the Annual Report and are in accordance with the requirements laid out in Clause 49 of the Listing Agreement.
- No material transaction has been entered into by the Company with the Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have a potential conflict with interests of the Company.
- Your Company has instituted a comprehensive Code of Conduct in compliance with the SEBI regulations on prevention of insider trading.

Proceeds from Public Issues, Right Issues, Preferential Issues etc.:

The Company follows the practice of disclosing to the Audit Committee, the uses/applications of proceeds/funds raised, if any, from public issues, private placement of non-convertible debentures, preferential issue etc., as part of quarterly review of financial results.

Remuneration of Directors:

Based on the recommendation of the Nomination Committee, all decisions relating to the

remuneration of the Directors are taken by the Board of Directors of your Company in accordance with the shareholder's approval, wherever necessary.

During the financial year 2014-15, the Board has revised the Sitting fees for attending the Board and Committee meetings from Rs. 20,000 per meeting of the Board or Committee thereof to Rs. 50,000 per meeting of the Board; Rs. 25,000 per meeting of the Audit Committee and Rs. 20,000 per meeting for the other Committee of the Board. The Company also pays commission to the Non-Executive Directors of the Company.

For the Financial year 2014-15, considering the financial performance of the Company, the Board has decided to pay commission of Rs. 4.50 Crore (Previous Year: Rs. 4.50 Crore) to the Non-Executive Directors of the Company, which is within the limit of 1% of the net profits of the Company, and pursuant to the authority given by the Shareholders at the Annual General Meeting of the Company held on 11th September 2014. The amount of commission payable to the Non-Executive Directors is determined after assigning weightage to attendance, type and significance of meeting and preparations required, time spent, etc. Based on the performance evaluation of the Director and the remuneration policy, the amount of commission payable has been fixed by the Board. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

Details of remuneration paid to the Directors for attending the meetings in the financial year 2014-15 are as follows:

Name of the Director	Commission Payable (₹ in lakh)	Sitting Fees Paid (₹ in lakh)	No of Shares held@
Mr. Kumar Mangalam Birla*	410.60	0.80	4,609
Mrs. Rajashree Birla	15.25	1.80	127,634
Mr. B. L. Shah	1.40	0.60	-
Mr. P. Murari	2.70	2.10	-
Mr. B. R. Gupta	4.70	3.70	-
Ms. Tarjani Vakil	5.55	4.70	177
Mr. S. C. Bhargava	3.15	2.40	233
Mr. G. P. Gupta	4.80	2.30	339
Mr. T. Chattopadhyay	1.85	1.10	-

* Excluding 150 shares held as Karta of H.U.F.

@ Considered only shares held singly or as first shareholder.

The details of remuneration paid to the Managing Director/ Whole-time Director is as follows:

Managing Director / Whole - time Director	No of Shares held	Remuneration during 2014-15			
		All elements of remuneration package i.e. salary, benefits, pensions etc. (₹ in lakh)	Performance linked, incentives along with performance criteria (a) (₹ in lakh)	Service contracts, notice period, severance fee	Stock option details, if any
Mr. Lalit Naik	NIL	256.04	264.45	See note (4)	See note (6)
Dr. Rakesh Jain	18,517	557.35	115.07		
Mr. Sushil Agarwal	2,667	174.59	124.73		

Notes:

1. No Director is related to any other Director on the Board, except for Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla, who are son and mother, respectively.
2. The Company has a policy of not advancing any loans to its Directors except to Executive Directors in the course of normal employment.
3. The appointment of Executive Directors is subject to termination by three months' notice in writing by either side.
4. No severance fees are paid to any Director of the Company.
5. Performance Review System is primarily based on competencies and values. The Company closely monitors growth and development of top talent in the Company to align personal aspiration with the organization's purpose.
6. Details of Options and RSUs granted to the Executive Directors during the year are set out below as also in Annexure to the Directors' Report.

A) Details of Stock Options granted to the Directors under Employee Stock Scheme – 2006 (ESOS - 2006) are as under:

Name of the Director	Tranche 1 (Exercise Price - ₹ 687)				Tranche 4 (Exercise Price - ₹ 697)			
	No. of Options Granted	Vesting Date / %	Exercise Period (within)	No. of Options Exercised / Date	No. of Options Granted	Vesting Date / %	Exercise Period (within)	No. of Options Exercised / Date
Dr. Rakesh Jain [^]	13,470	23.08.08 (25%)	22.08.13	3,368 on 28.06.13	6,730	08.09.11 25%	07.09.16	1682 on 24.06.14
		23.08.09 (25%)	22.08.14	3367 on 24.06.14		08.09.12 (25%)	07.09.17	1683 on 24.06.14
		23.08.10 (25%)	22.08.15	3368 on 24.06.14		08.09.13 (25%)	07.09.18	1682 on 24.06.14
		23.08.11 (25%)	22.08.16	3367 on 24.06.14		-	-	-
Mr. Sushil Agarwal	4,040	23.08.08 (25%)	22.08.13	1,010 on 22.08.13	5,222	08.09.11 (25%)	07.09.16	-
		23.08.09 (25%)	22.08.14	1010 on 11.08.14		08.09.12 25%	07.09.17	-
		23.08.10 25%	22.08.15	-		08.09.13 25%	07.09.18	-
		23.08.11 25%	22.08.16	-		08.09.14 25%	07.09.19	-

[^]Ceased to be in employment of the Company

B) Details of Stock Options / Restricted Stock Units granted to the Directors under Employee Stock Options Scheme- 2013 (ESOS – 2013)

Name of the Director	Tranche	No. of Stock Stock Options	*Vesting Date/ %	Exercise Period (within)	No. of Restricted Stock Units Granted	**Vesting Date/ %	Exercise period (within)
Mr. Sushil Agarwal	Tranche 1 Exercise Price - ₹1239.80	26,230	07.12.2014 (25%)	07.12.19	9,443	All RSUs granted, will vest, on 7 th December, 2016	All RSUs vested, shall be exercised within 7 th December, 2021
			07.12.2015 25%	07.12.20			
			07.12.2016 25%	07.12.21			
			07.12.2017 25%	07.12.22			
Mr. Lalit Naik	Tranche 3 Exercise Price - ₹1726.95	32,766	12.11.15 (25%)	12.11.20	11,804	All RSUs granted, will vest on 7 th December, 2017	All RSUs vested, shall be exercised within 7 th December, 2022
			12.11.16 25%	12.11.21			
			12.11.17 25%	12.11.22			
			12.11.18 25%	12.11.23			

*Subject to the performance Target as determined by Nomination & Remuneration Committee for each of the Vesting

**Linked to continued employment with the Company

All decisions relating to the remuneration of the Managing Director and the Whole time Director is taken by the Board based on the remuneration policy and in terms of the resolution passed / to be passed by the shareholders of your Company.

CEO/ CFO Certification:

The Managing Director and the Chief Financial Officer of your Company have issued necessary certificate pursuant to the provisions of Clause 49 of the Listing Agreement and the same is attached and forms part of the Annual Report.

REPORT ON CORPORATE GOVERNANCE

The Corporate Governance Report forms part of the Annual Report. Your Company complies with the provisions of Clause 49 of the Listing Agreement with the stock exchanges.

COMPLIANCE

Certificate from the Statutory Auditors confirming compliance with all the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges forms part of the Annual Report.

Details of new Directors and Directors seeking re-appointment:

The Company has provided the details of new

Directors and Directors seeking re-appointment in the Notice of the Annual General Meeting.

Quarterly Presentations on the Company results are available on the website of your Company (www.adityabirlanuvo.com / and the Aditya Birla Group website (www.adityabirla.com). The Company also sends results / press - release by e-mail (wherever available) to shareholders immediately after the announcement of results. The hard and soft copies are also sent to the concerned Stock Exchanges simultaneously so as to enable them to put the results and press-release on their notice board/ website.

General Body Meetings:

Details of Annual General Meetings:

During the preceding three years, the Company's Annual General Meetings (AGMs) and also the Extra Ordinary General Meeting (EGM) were held at the Registered Office of the Company at Indian Rayon Compound, Veraval - 362 266, Gujarat.

The date and time of such meetings held during the last three years, and the special resolution(s) passed thereat, are as follows:

Year	AGM/EGM	Date	Time	Special Resolution Passed
2011-12	EGM	25 th April, 2012	11:30 A.M.	Yes ¹
2011-12	AGM	9 th August, 2012	11:30 A.M.	Yes ²
2012-13	AGM	6 th September, 2013	11:30 A.M.	Yes ³
2013-14	AGM	11 th September, 2014	11:30 A.M.	Yes ⁴

¹ For the issue and allotment of Warrants to Promoter and /or Promoter Group on a preferential basis.

² For payment of commission to Non-Executive Directors.

³ For approval of terms of Appointment and Remuneration of Whole-time Director(s) and approval of Employee Stock Options Scheme-2013 for the benefit of the employees of the Company and its Subsidiaries.

⁴ For approval of terms of Appointment of Whole-time Director(s) liable to retire by rotation and approval of payment of Remuneration to Non-Executive Directors and approval of the offer or invitation to subscribe to Non Convertible Debentures on a private placement basis.

MEANS OF COMMUNICATION

Quarterly Results

Newspaper in which normally financial results are published in:

Newspaper	Cities of Publication
Business Standard	All editions
Economic Times	All editions (Snapshot)
Western Times	Gujarati (Ahmedabad)

Website, where displayed the information : www.adityabirlanuvo.com

Whether it also displays official news releases : Yes

Presentations made to investors/analysts : Yes

Shareholders' Information : Published as a separate section in this report.

Status of Compliance of Non-Mandatory Requirements:

- 1) The Company maintains a separate office for the Non-Executive Chairman. All necessary infrastructure and assistance are made available to enable him to discharge his responsibilities effectively.
- 2) During the year under review, there was no audit qualification in the company's statutory financial statements.
- 3) The quarterly, half-yearly and annual financial results of the Company are furnished to the Stock Exchanges and published in the newspapers as per the requirements of the Listing Agreement and the same are also posted on the website of the Company.
- 4) The Internal Auditors of the Company make presentations to the Committee on the findings of their report.