

Sustainability Report

Sustainability at the Aditya Birla Group:

At the Aditya Birla Group, we endeavor to become the leading Indian conglomerate for sustainable business practices across our global operations by 2017.

To achieve this vision, we are innovating from the traditional sustainability models to one consistent with our vision to build sustainable businesses capable of operating in the world we hope to see emerge in 2030 and 2050. It is in our own interests, to contribute to mitigate our impact in every way we can, and also prepare for further mitigation and potential adaption to planetary changes as we go forward.

We began our quest with a question, "If everyone and every business followed the law as written today, is the planet sustainable?" We quickly concluded that around the year 2050, when the Earth's population reaches an estimated 9 billion, climate change, water scarcity, stress plus pollution and an overload of waste, if left unchecked, would set the planet on a possibly irreversible course to un-sustainability. It is therefore intuitive that laws be tightened over time and imperative that the Aditya Birla Group remain ahead of the curve.

Our first step has been to set up a sustainability programme in our current operations, under the heading "Responsible Stewardship". By doing so, we try to move from merely following local laws to aligning ourselves voluntarily with the international standards set by the global bodies of the International Finance Corporation (IFC), the Organisation for Economic Cooperation and Development (OECD), the International Standards Organisation (ISO), Occupational Health and Safety Advisory Services (OHSAS), the Global Reporting Initiative (GRI) and others. We are working hard to develop and improve our management systems and their performance by making sure that they conform to the Aditya Birla Group's Sustainability Framework of Policies, Technical Standards, and Guidance Notes by giving our employees the chance to train, learn, understand, and apply improvement

techniques to reach higher standards of performance. So far, we have had much success with respect to reductions in energy use, water use, and improvements in safety performance. We are working towards achieving the World Business Council for Sustainable Development's Water and Sanitation and Hygiene pledge (WASH) to ensure that we provide safe drinking water, sanitation and hygiene in all our operations. Each of these achievements helps reduce and mitigate our impact on the planet and are hence imperative to building a platform for the future.

However, if we are to create sustainable business models and systems, "Responsible Stewardship" by itself is not enough and we need other components to help us with a greater transformation. We need to understand how many laws will need to change in order to support a sustainable world. Our performance will need to be improved further to meet these laws, possibly by redesigning our business models. We call this "Future Proofing" our businesses. This has two components; the first, we call "Strategic Stakeholder Engagement" which involves scanning the time horizon for disruptions by discussing the global megatrends with experts in the fields of climate, water, human rights, supply chain management, biodiversity transparency and reporting, in order to understand what constraints might be placed on our businesses by 2030 and 2050. By doing so, we are able to build our capability to understand which external changes might heavily influence our value chains and business models in the future and what might be expected of our products and brands. For example, the world will need businesses that are able to mitigate and adapt to climate change, with robust and sustainable supply chains that are also impervious to all external forces that will inevitably begin to affect us in the future. The second part of our "Future Proofing" programme is to test our current business models and strategies against various scenarios designed to simulate what the world will potentially look like in 2030 and 2050. Building sustainable businesses will take time, particularly when we consider some

of our complex supply chains. By pushing to be the leader today, we are giving ourselves the best possibility of achieving long-term success.

We believe that natural resources are already feeling the strain. Pollution, biodiversity loss, growing levels of water stress and the need to manage the growth of electricity production decoupled from a country's carbon footprint will be the important focus areas for the future. This makes sustainable development an important element of business strategy.

Aditya Birla Nuvo is committed to align its business strategy with the Aditya Birla Group's sustainability vision.

All across the businesses we are following building integrated management systems and designed to meet the Aditya Birla Group's Sustainability Framework of policies and standards and using our IT software ENABLON to collect and monitor our key performance indicators and manage our sustainability programme.

Our businesses have formed sustainability committees both at the unit level and at the corporate level. Each committee is responsible for reviewing the sustainability performance, driving implementation of sustainability agenda across business functions and verticals, target setting, reviewing identified key risks and other climate change related issues and recommending action plans.

One of the key campaigns of the company is to raise our safety standards. Safety is accorded a high priority by our leadership teams and their focus on safety is evident through our various safety activities and a drive to align and certify to international standards.

Improving Energy, Waste and Water management is another priority and investments in variable frequency motor drives and improved water

treatment and zero liquid discharge at Indo Gulf Fertilizers (IGF), sludge reuse at our Insulator plant, and 170 solar panels giving a capacity of 5MW at Indian Rayon have all produced cost effective results.

At your IGF business, we have commissioned a major energy saving project that has resulted in the reduction of Co₂ emission by 30,000 tonnes of Co₂ annually. Many of our energy saving projects have been registered with UNFCCC.

An example of one initiative taken by IGF has been the Rs 1.25 million investment in the conversion of ordinary street lights to Light Emitting Diode (LED) lights in our township and factory locations. By 2017-18, IGF plans to convert all their lighting to LED.

Introducing improvements to our wastewater treatment and aquifer recharge at IGF has resulted in a 60% improvement in specific water consumption versus the industry norm.

ABI Halol has become a zero water discharge unit and now recycles all liquids within the plant. The sludge generated from effluent treatment is recycled back into the production plant.

At Indian Rayon, the focus has been on developing cleaner production activities. Briquette powder formed from process sludge, cellulose waste, charcoal slurry, coal ash & binder is now used to power Indian Rayon's own boilers with the excess being sent to Ultratech Cement to help fire their kilns.

All Aditya Birla Nuvo businesses are actively engaging with their stakeholders through various platforms to identify and understand their issues and put in place action plans that are designed to continually improve our long-term relations.

Your board and management team across all the operations remain committed to a sustainable future.