GRASIM

ADITYA BIRLA GROUP

Cementing Relationships

Grasim Industries Limited | Sustainability Report 07-08

Cement Business

Corporate Sustainability which in the original sense of the word stands for 'long-term viable business'; is also conceptualised today as simultaneous creation of economic, environmental and social value.

Social and environmental practices beyond compliance have been an integral part of Grasim's philosophy since its inception. These investments were undertaken with an innate sense of responsibility towards the well-being of society and environment. In recent years, with a view to cement these relationships, the initiatives have become more structured and have been seamlessly integrated in our business process.

GRI Checked A+

GRASIM

Sustainability Report 07-08

Index

Corporate Office

Grasim Industries Limited
Aditya Birla Centre
'A' Wing, 2nd Floor
S.K. Ahire Marg, Worli
Mumbai 400 030
Maharashtra
India

Registered Office

Grasim Industries Limited
Birlagram
Nagda 456 331
Madhya Pradesh
India

Grasim continues to adapt policies, commitments and business strategies to effectively integrate emerging environmental, social and economic considerations.

reinforcing **values**

Chairman's Message

The Aditya Birla Group has traditionally operated its Businesses as Trustees, who have an obligation to harmonise economic goals with vendor / employee / community development, while using natural resources prudently.

In that sense, Grasim's membership of the Cement Sustainability Initiative (CSI) is a continuation of that process. This is the apex forum for the Cement Industry, attracting 18 of the Top Cement Companies in the world, outside China.

Focus has now been directed to the environmental impact of the business, and Grasim is privileged to have established a few benchmarks in this area.

This forum provides an opportunity to exchange information, share best practices, evolve common measurement criteria and thereby continuously improve the economic, social and environmental impact of the respective businesses. Grasim is committed to comply with all norms of the CSI by 2010.

It is in this spirit, that the Cement Business of Grasim has published its first Sustainability Report as of 31.3.08 in line with the criteria set out by the Global Reporting Initiative (GRI), with independent assurance provided by Ernst & Young Pvt. Ltd.

Globally, the Cement Industry contributes 5% of the CO_2 emissions, with this impact growing significantly as the standard of living improves in emerging markets, with greater demand for improved housing and infrastructure. As a leader in the Cement, RMC, White Cement

sector in India, Grasim has focused on a program of continuous improvement in energy efficiency and plant productivity, through participation in a global benchmarking exercise.

A similar focus has now been directed to the environmental impact of the business and Grasim is privileged to have established a few benchmarks in this area as well:

- Our plant at Reddipalayam, Tamil Nadu has among the highest use of non-fossil fuels in South Asia, having substituted upto 10.98% of the heat required in FY '08 through the use of agro-wastes, tyre chips and chemical wastes. This is a program that is being extended across our Business.
- We were the first Cement Company to set up a Municipal Solid Waste Plant at Jaipur to process municipal waste and use it as a substitute for conventional fuels at our Cement Plant at Khor in Madhya Pradesh.
- Our Cement Plants at Reddipalayam, Tamil Nadu and at Malkhed, Karnataka were selected by the Central Pollution Control Board (CPCB) to conduct trials for setting norms for the use of chemical wastes in the Cement Industry. An initiative that sets the standard for the Cement Industry as a whole.
- Our Plants at Kovaya and Jaffarabad, Gujarat are together, the largest users of shipping in the Indian Cement Industry, which is the most cost-effective and carbon friendly form of transport, delivering both Cement and Clinker to coastal markets in India as well as for exports.
- We were amongst the earliest users of Waste Heat Recovery through adoption of the organic rankine cycle technology, thereby reducing emissions into the atmosphere, at our Plant at Tadipatri, Andhra Pradesh; an initiative that qualified for Carbon Credits under the UN program.

Our active participation in reducing the carbon impact per tonne of Cement has seen us extend beyond our membership of the CSI, which is part of the World Business Council for Sustainable Development (WBCSD), to the Cement Sector's Task Force of Asia-Pacific Partnership on Clean Development and Climate (APP7) jointly with the Cement Manufacturers' Association of India. This has engaged us in relevant projects along with counterparts from China and Japan.

This Report sets out objectively the improvements made, which open up the possibility of building an even stronger business by incorporating concerns relating to Sustainability and the Environment.

Kumar Mangalam Birla
Chairman, Grasim Industries Limited

India's First Glo

A US $ 28 billion corporation, **India's first multinational**

Anchored by an extraordinary force of **100,000 employees**

The **Group operates in 25 countries**

"As we grow so does our role in shaping the world around us."

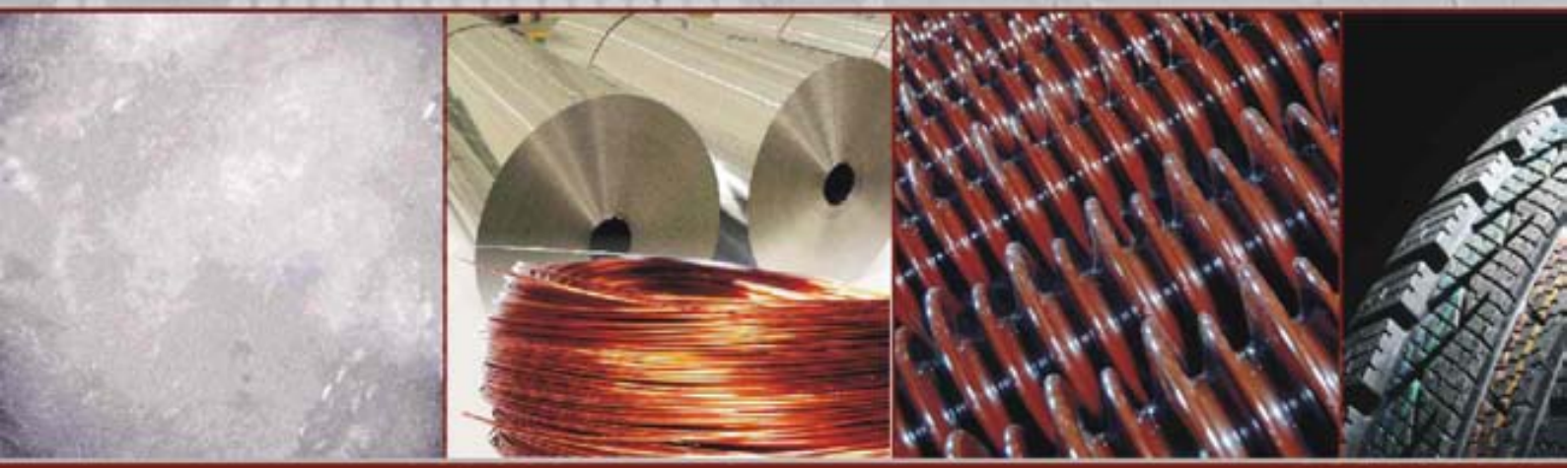
bal Corporation

Over
60 percent of its revenues flow from overseas operations

Adjudged **"The Best Employer in India and amongst Top 20 in Asia"** by the Hewitt-Economic Times and Wall Street Journal Study 2007

R L A G R O U P

Global Ranking



No. 1
in viscose staple fibre

3rd
largest producer of primary aluminium in Asia, with the largest single location copper smelter

4th
largest producer of insulators

4th
largest producer of carbon black

Our Vision
To be a premium global conglomerate

A metals powerhouse, among the world's most cost-efficient aluminium and copper producers. Hindalco-Novelis is the world's largest aluminium rolling Company.

11th
largest producer of cement globally, seventh largest in Asia and second largest in India

Amongst world's top **15**
BPO companies and amongst India's top four

Amongst **best**
energy efficient fertiliser plants

with a clear focus on each business.

National Standing

A premier branded garments player

2nd largest player in viscose filament yarn

2nd largest in the chlor-alkali sector

Our Mission

To deliver superior value to our

Rock solid in fundamentals, the Aditya Birla Group nurtures a culture where success does not come in the way of the need to keep learning afresh, to keep experimenting.

Amongst Top 3
supermarket chains in the retail business

Amongst Top 5
mobile telephony companies

A leading player in life insurance and asset management

customers, shareholders, employees and society at large.

Beyond Business

3,700

villages are benefiting through our CSR initiatives

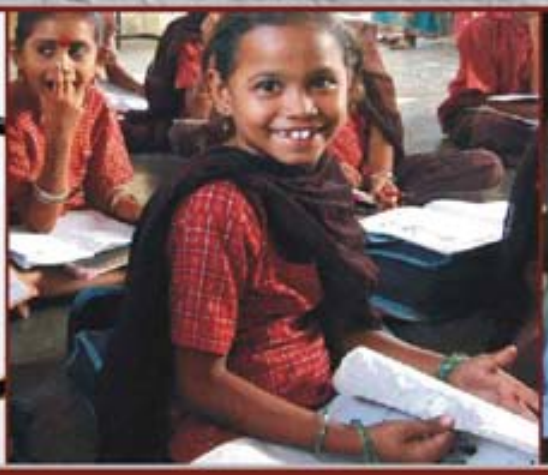
7,000,000

reaching out to seven million people annually through the Aditya Birla Centre for Community Initiatives and Rural Development, spearheaded by Mrs. Rajashree Birla

Our Values

Integrity, Commitment, Passion,

Focusing on healthcare, education, sustainable livelihood, infrastructure and espousing social causes.



18
hospitals being run and managed

41
schools established

18,000
students receiving free education

Seamlessness, Speed.

Cement Business - Grasim

Grasim Industries Limited, a flagship Company of the Aditya Birla Group, ranks amongst India's largest private sector companies, with consolidated gross revenues of Rs. 148.33 billion and a consolidated net profit of Rs. 20 billion (FY 2007-08).

Starting as a textile manufacturer in 1948, today Grasim's businesses comprise of Cement, Viscose Staple Fibre (VSF), Chemicals and Textiles. Its core businesses are Cement and VSF, which contribute to over 90% of its revenues and operating profits.

Grasim ventured into Cement production in the mid 1980s by setting up its first plant at Khor in Madhya Pradesh. The merger of the Cement business of Indian Rayon in 1998 and the acquisition of L&T's Cement business in 2004, catapulted the Aditya Birla Group to the top of the league in India.

The Cement business of Aditya Birla Group is organised into two listed companies:

Grasim Industries Limited
Registered Office: Birlagram, Nagda 456 331, Madhya Pradesh. India.

UltraTech Cement Limited
Registered Office: "B" Wing, 2nd Floor, Ahura Centre, Mahakali Caves Road, Andheri (East), Mumbai 400 093, Maharashtra. India.

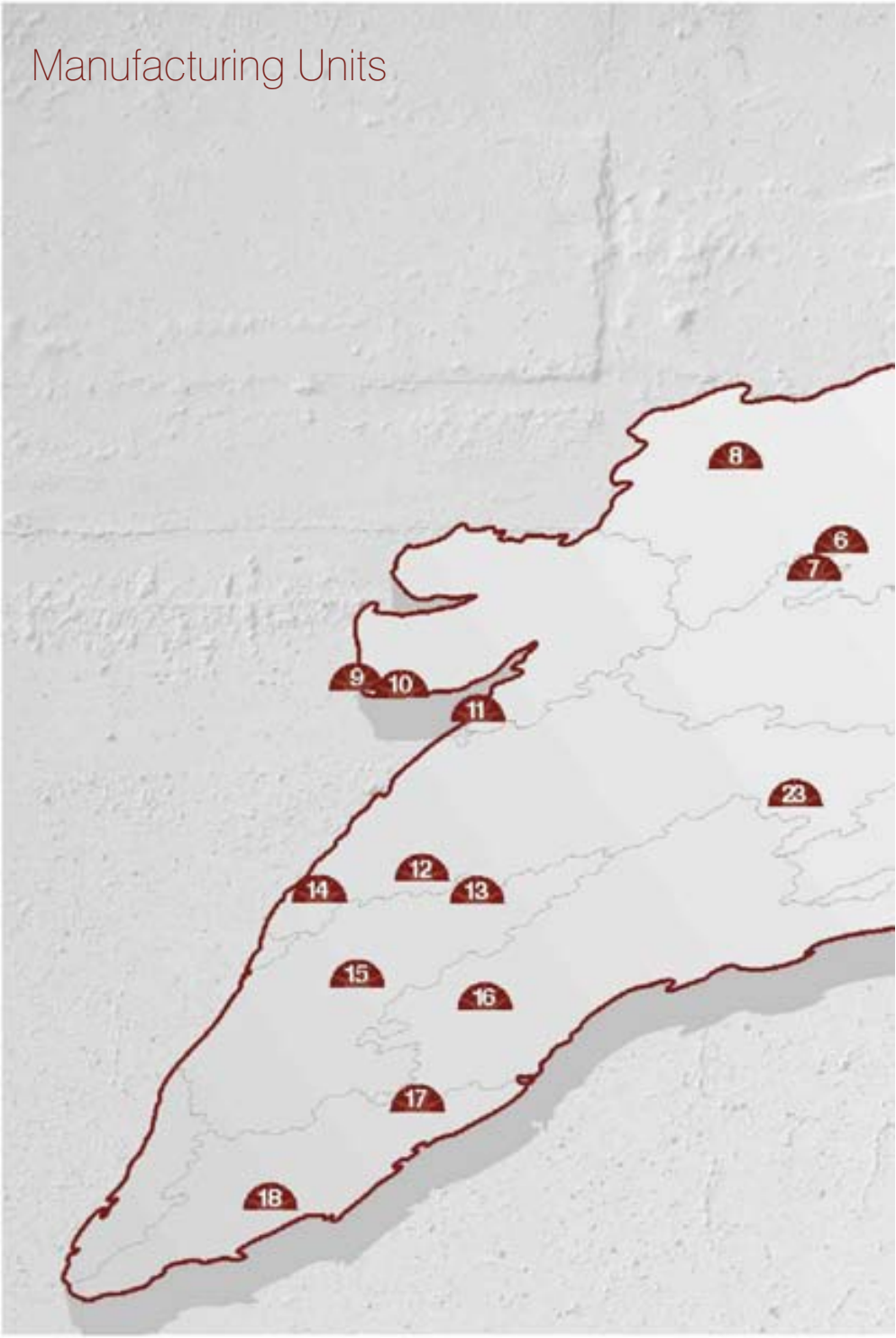
UltraTech Cement Limited is a subsidiary of Grasim, over which Grasim has management control.

The business has all its manufacturing locations in India except a packaging and distribution operation in Sri Lanka which is part of UltraTech Cement Limited through its subsidiary, UltraTech Ceylinco (Pvt.) Limited.

All plants are strategically located in the vicinity of sizeable limestone mines and are fully automated to ensure consistent quality. All units employ state-of-the-art technology. All the cement units are certified with ISO 9001 for Quality Systems, ISO 14001 for Environment Management Systems and OHSAS 18001 Occupational Health and Safety Management System Standard. Six of its manufacturing locations are certified to SA 8000 Social Accountability Standard.

Grasim is amongst the largest producers of grey cement in India.

Grasim is the largest producer of white cement in India.



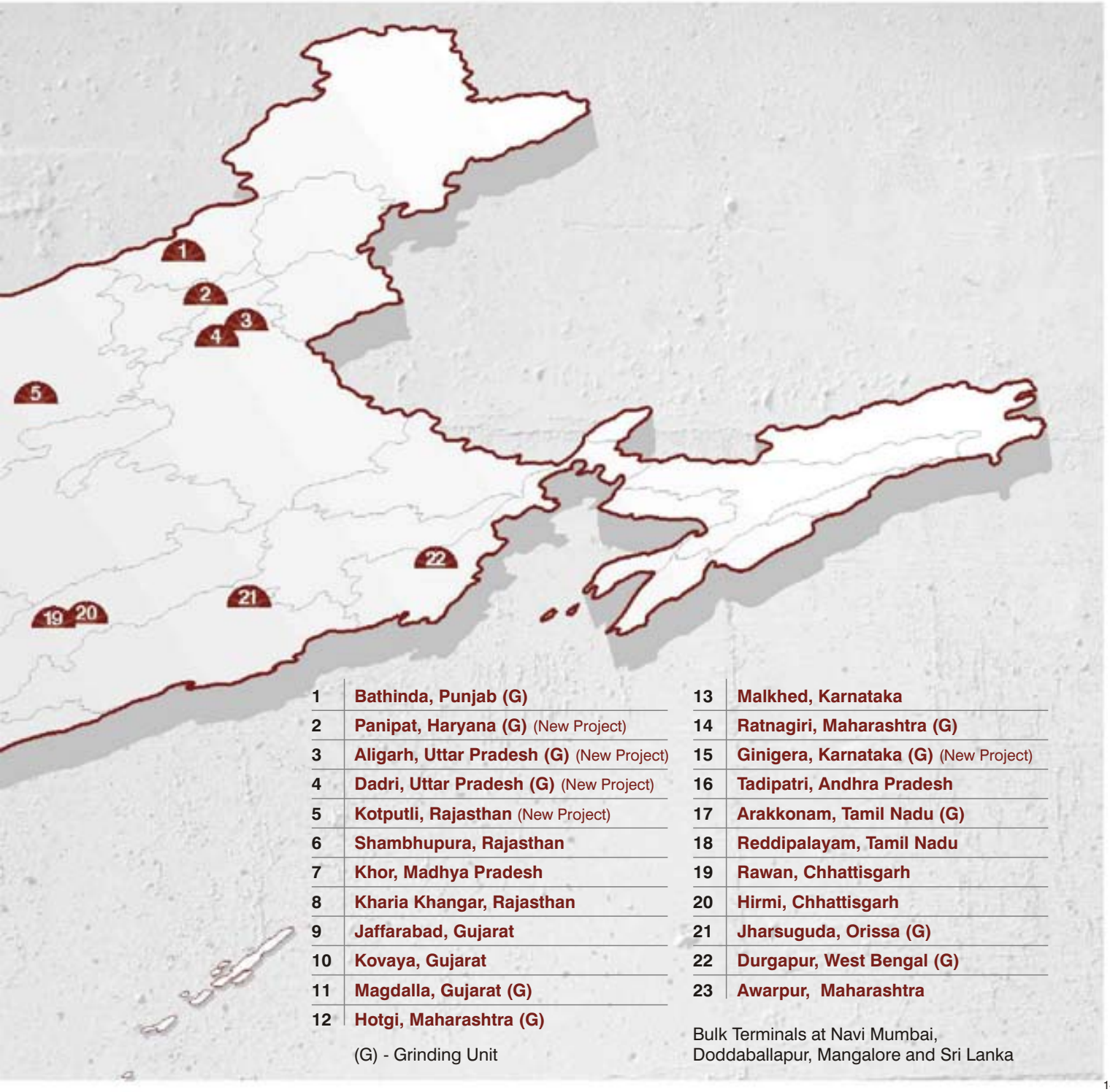
At a Glance (Cement Business - Grasim)





Gross Value of Operations (FY 2007-08) Rs. in Billion	**Manpower** Number	**Grey Cement** million tonnes per annum	**White Cement** thousand tonnes per annum	**RMC**** (For plants in operation as on 01.04.2007) m^3 in million
148.33	**9,619**	**33.65***	**475**	**3.53**

** Excludes capacity of the plant at Panipat, Haryana commissioned in March 2008.* *** Excludes capacity commissioned during FY 2007-08 and thereafter.*



1	**Bathinda, Punjab (G)**	13	**Malkhed, Karnataka**
2	**Panipat, Haryana (G)** (New Project)	14	**Ratnagiri, Maharashtra (G)**
3	**Aligarh, Uttar Pradesh (G)** (New Project)	15	**Ginigera, Karnataka (G)** (New Project)
4	**Dadri, Uttar Pradesh (G)** (New Project)	16	**Tadipatri, Andhra Pradesh**
5	**Kotputli, Rajasthan** (New Project)	17	**Arakkonam, Tamil Nadu (G)**
6	**Shambhupura, Rajasthan**	18	**Reddipalayam, Tamil Nadu**
7	**Khor, Madhya Pradesh**	19	**Rawan, Chhattisgarh**
8	**Kharia Khangar, Rajasthan**	20	**Hirmi, Chhattisgarh**
9	**Jaffarabad, Gujarat**	21	**Jharsuguda, Orissa (G)**
10	**Kovaya, Gujarat**	22	**Durgapur, West Bengal (G)**
11	**Magdalla, Gujarat (G)**	23	**Awarpur, Maharashtra**
12	**Hotgi, Maharashtra (G)**		

(G) - Grinding Unit

Bulk Terminals at Navi Mumbai, Doddaballapur, Mangalore and Sri Lanka

Expansion

Grasim together with its subsidiary UltraTech, is expanding its capacity by 15 million TPA through greenfield and brownfield projects to meet the robust cement demand. Grasim is setting up a 4.4 million TPA greenfield plant at Kotputli and another 4.4 million TPA plant at Shambhupura in Rajasthan. UltraTech is setting up a 4.9 million TPA project at Tadipatri in Andhra Pradesh. An additional 1.3 million TPA capacity is being augmented through a grinding unit at Dadri in Uttar Pradesh. This will yield a Cement capacity of over 48 million TPA by June 2009 and position Grasim amongst the Top 10 Cement Companies in the world.

Upon completion of the capex plan of Grasim and UltraTech, the aggregate cement capacity will stand augmented at 48 million TPA, making Grasim one of the Top Ten cement players in the world.

To enhance cost competitiveness, captive power plants are being set up with a combined capacity of 144 MW at four locations in Grasim and 225 MW at four locations in UltraTech. The commissioning of cement and power plants started in FY 2007-08 and is likely to be completed by June 2009.

Grasim will have a combined capacity of 48 million TPA Cement, 536 MW captive Thermal Power Plants and 12.5 million m^3 of Ready Mix Concrete.

Products & Brand Portfolio

The product mix includes

- **Clinker**
- **Concrete**
- Various grades of **Ordinary Portland Cement**
- **Portland Pozzolana Cement**
- **Sulphate Resistant Cement**
- **Portland Blast Furnace Slag Cement**
- **White Cement**
- **Wall Care Putty**

Leveraging the strong equity and goodwill of the Aditya Birla Group, the Company has a strong portfolio comprising of two national brands:
UltraTech *- Cement and Ready Mix Concrete;*
Birla White *- White Cement and its value added products.*

The products are available in the market to retail as well as institutional customers throughout India and some quantity of clinker and cement are exported to Sri Lanka and countries in the Middle-East. We have adopted service strategies aimed at creating enduring relations between the Company and its customers. An invaluable touch point of this relationship is our strong channel comprising more than 15,000 dealers and 28,000 retailers, who are ably supported by our sales and service team. Non-trade customers are serviced directly from the plant and key accounts are handled by an exclusive team. The entire sales network is interlinked and supported by state-of-the-art IT infrastructure and ERP software coupled with robust logistics infrastructure.

UltraTech CEMENT
The Engineer's Choice

Birla White®
THE WHITEST WHITE CEMENT

Birla White WALLCARE®
White Cement Based Putty

UltraTech CONCRETE
WE MAKE GOOD CONCRETE BETTER

Awards

Andhra Pradesh Pollution Control Board

Tadipatri, Andhra Pradesh
Cleaner Production Technologies and Climate Change Mitigation Measures Award, 2007-08.

Confederation of Indian Industry

Rawan, Chhattisgarh
CII Energy Excellence Award, 2008.

Tadipatri, Andhra Pradesh
Energy Efficient Unit Award, 2007-08.

Tadipatri, Andhra Pradesh
Innovative Award, 2007-08.

Kharia Khangar, Rajasthan
CII EXIM Bank Award, 2007. Under the category of Commendation for "Strong Commitment to Excel".

Directorate General of Mines Safety

Malkhed, Karnataka
Award in Safety & Productivity to Mines at Karnataka state level, 2007-08.

Kharia Khangar, Rajasthan
18th Mines Environment & Minerals Conservation Awards, 2007-08.
Limestone Mines team received the First, Second & Third prize in various award categories of Ajmer Region.

Kharia Khangar, Rajasthan
21st Mines Safety Awards, 2007.
Limestone Mines team received the First prize in various award categories of Ajmer Region.

Tadipatri, Andhra Pradesh
Mines - First prize in Water Quality Management, Second prizes in Air Quality Management and Publicity & Propaganda, 2007-08.

Federation of Indian Mineral Industries

Rawan, Chhattisgarh
Abheraj Baldota Environment Management Award for Mines, 2007.

Frost & Sullivan

Kharia Khangar, Rajasthan
'Frost & Sullivan' Indian Manufacturing Excellence Award, 2007 for overall manufacturing excellence.

Indian Merchants' Chamber

Kharia Khangar, Rajasthan
IMC - Ramakrishna Bajaj National Quality Award under the category of Certificate of Merit, 2007.

Indian Economic Development & Research Association (IEDRA), New Delhi

Kharia Khangar, Rajasthan
National Industrial Excellence Award, 2008.

Ministry of Power, Government of India

Hirmi, Chhattisgarh
National Energy Conservation Award in Cement Sector, 2007.

National Safety Council, Karnataka Chapter

Malkhed, Karnataka
Unnatha Suraksha Puraskara, 2007-08.

Forbes Asia

Grasim Industries Limited
Forbes Asia "Fabulous 50" Award, 2007.
Grasim was one of the few Indian companies to make it in the elite list of 50 listed companies with the best aggregate scores for long term profitability, sales and earnings growth. The ranking for this award was based purely on performance.

Cement Manufacturing Process

The major raw materials for cement manufacturing are limestone and other corrective materials which have oxides of iron and aluminium.

Normally, cement plants are located in proximity to limestone quarries. The limestone is extracted from mines by drilling and blasting or using surface miners in open cast mines. The extracted limestone undergoes size reduction process in a crusher and is stored for blending.

The limestone along with corrective materials is powdered in a raw mill and stored in large silos. The fuel, mostly a suitable type of coal, waste material like petcoke or any other alternative fuel also undergoes a similar process of crushing, drying, size reduction and blending before being stored in silos.

The powdered material is fed to the preheater and kiln systems along with the fuel, where chemical reactions take place at high temperature and the intermediate product - clinker is formed. The clinker is ground with gypsum and a performance enhancer to manufacture OPC. PPC has flyash and Slag Cement has slag as additional components.

The cement is dispatched from the manufacturing site either in bulk or in 50 kg bags.

1 Limestone Mines & Crushing Plant

2 Limestone & Coal Stockpiles

3

Opportunities

A high growth economy, fuelled by an uptrend in saving and investment rate

High growth potential in per capita cement consumption estimated to be 146 Kg in India as compared to 902 Kg in China

Strong demand from infrastructure and housing sector

Capacity expansion by various industry sectors

Incremental demand for commercial space

Challenges

Demand-Supply imbalance due to capacity additions

Significant increase in energy prices

Indian coal monopoly unable to meet local coal demand despite huge coal reserves, compelling the users to either import or switch to alternative fuels

Significant competition from emerging service sectors for quality talent

Limits on Greenhouse Gas emissions through international conventions

The Indian economy recorded yet another year of robust growth, in FY '08. The previous 3 years proved to be one of the best phases for the economy, with growth averaging above 9%.

During the latter half of the current fiscal year, however, there has been a slowdown in the growth momentum, partly contributed by the deteriorating global economic environment and uncertainty in global financial markets.

The cement industry benefited from a strong economy and grew at a healthy pace. Domestic cement consumption rose by 9.8% during FY '08. Large scale investments have been planned in infrastructure during India's Eleventh Five Year Plan period. Housing demand is expected to grow with rise in income levels and growing urbanisation.

The strong demand from infrastructure and housing sector will drive Cement demand. Large capacity expansion plans by various sectors in the industry and incremental demand for commercial space will also contribute to demand growth over the longer period.

Domestic cement consumption rose by 9.8% during FY '08.

Energy cost, the largest component of cement cost, rose sharply during FY '08 with galloping coal prices in the international market, rising sea freight and lower availability of linkage coal. Coal availability has become a concern in India as coal production has not been able to keep pace with the rising demand. Significant increase in energy prices may have an adverse impact on margins going forward. New captive thermal power plants and reduced lead distance, post commissioning of new capacities may moderate the cost increase to some extent.

The industry may witness a surplus of supply over demand on account of large capacity additions planned during the Eleventh Plan period. This is expected to have an impact on domestic prices in calendar year 2009 and 2010.

The ability to deliver value also depends on the ability to attract, train, motivate, empower and retain the best professional talent. These abilities have to be developed across the Company's rapidly expanding operations. There is significant competition from emerging service sectors, which poses inherent risks associated with the ability to hire and retain skilled and experienced professionals. The business continuously benchmarks HR policies and practices with the best in industry and carries out necessary adjustments to attract and retain the best talent and build intellectual capital.

World Business Council for Sustainable Development

The risk on account of environmental impact by cement related operations, specifically limits on GHG emissions through international conventions, was recognised by the management at an early stage and therefore, the Company decided to join the Cement Sustainability Initiative of WBCSD. The objective is to work with global leaders on industry related issues and ensure that the internal processes are in line with the guidelines and framework developed by the core group.

During the process, the Organisation focused on two emerging areas to tap the benefits:

Use of alternative fuels and raw materials in cement manufacturing operations

CDM projects

The Company has been working closely with various regulatory bodies on conducting trials for using waste fuels in pyro-processing so that the necessary guidelines are developed. The Organisation has also been working to cut GHG emissions and be at par with global benchmarks.

building **blocks**

A sustainable structure is built brick by brick with persistence and innovation and is bound by the mortar of commitment. Its strength depends on how well we enmesh the building blocks of economic purpose, participatory community development, ecological sensitivity and equal opportunity based on merit. At Grasim our efforts to seamlessly integrate these building blocks in policy and process are not incidental but intended.

Sustainability & Business

"Sustainability Reporting is a vital element of business. It ensures corporate accountability and transparency."

The ultimate objective of sustainability is simple and straightforward - ensure long term profitable existence of a business entity.

Towards this goal, sustainability management aims to mitigate risks: internal and external, and strategically develop capabilities as well as capacities of the business to harness future opportunities.

Business opportunities and challenges arise across three domains - economic, social and environmental. Sustainability management involves measuring and managing key performance indicators in all three domains.

Practice of sustainability helps foster alignment between individuals, society, the economy and the regenerative capacity of the planet's ecosystems.

Benefits of Sustainability Management

- Access to capital; economic, social and environmental
- Improved financial performance
- Lower operating costs
- Enhanced brand image and reputation
- Increased sales and customer loyalty
- Enhanced productivity and quality
- Ability to attract and retain better talent
- Superior regulatory compliance
- Preparedness for new policies / trends
- Strong societal support
- Product safety and decreased liability
- Operational excellence
- Accident risk mitigation

Sustainable Development Approach

We follow a structured approach to sustainability. It is led from the front by the top management who sets policies and monitors progress across social, environmental and economic bottom lines.

Towards this objective an apex level steering committee has been set up which oversees the sustainability initiatives undertaken by the working group at the head office. This working group, assisted by a team of coordinators from each location, interacts closely with other organisational committees.

Together, the steering committee and the working group translate initiatives into action. They set goals and formulate time bound action plans which are implemented by site coordinators in conjunction with the working group. The working group is further supported by specialised groups working on specific aspects like Environment and Safety among others.

A periodic review is conducted by the steering committee which regularly reports the progress to the top management.

Key Executives

Steering Committee

Head - Technology & Research Centre | Head - White Cement (Technical) | Head (RMC Business)

Working Group

Coordinators at Sites and Main Offices

Report Boundary

This report is in accordance with GRI G3 guidelines and covers the following manufacturing locations of Grasim for FY 2007-08. Since the Company has ambitious expansion plans with several major greenfield and brownfield expansions in cement and RMC underway, it was decided to limit the boundary of this reporting cycle to all the units which are operational as on 1st April, 2007. This is mainly because, in the context of cement, the major sustainability related impact comes from operating plants.

Integrated Units

Grasim Industries Limited	
Aditya Cement	Shambhupura, Rajasthan
Birla White Cement	Kharia Khangar, Rajasthan
Vikram Cement	Khor, Madhya Pradesh
Grasim Cement	Rawan, Chhattisgarh
Grasim South Cement	Reddipalayam, Tamil Nadu
Rajashree Cement	Malkhed, Karnataka

UltraTech Cement Limited	
Awarpur Cement Works	Awarpur, Maharashtra
Gujarat Cement Works	Kovaya, Gujarat
Jaffarabad Cement Works	Jaffarabad, Gujarat
Hirmi Cement Works	Hirmi, Chhattisgarh
Andhra Pradhesh Cement Works	Tadipatri, Andhra Pradesh

Grinding Units

Grasim Cement	Hotgi, Maharashtra
Grasim Cement	Bathinda, Punjab

West Bengal Cement Works	Durgapur, West Bengal
Jharsuguda Cement Works	Jharsuguda, Orissa
Arakkonam Cement Works	Arakkonam, Tamil Nadu
Ratnagiri Cement Works	Ratnagiri, Maharashtra
Magdalla Cement Works	Magdalla, Gujarat

Our first sustainability report is a step towards meeting national and international reporting standards and conforms to globally accepted reporting guidelines.

Reporting Period

The data and information presented in the report is for FY 2007-08. Wherever necessary and available, historical data has been included.

Independent Assurance

We are committed to a meaningful and credible assurance process. We engaged Ernst & Young Pvt. Ltd. to carry out independent assurance.

RMC Plants

Grasim Industries Limited

Noida	Noida, Uttar Pradesh
Navrangpur	Gurgaon, Haryana
UniTech	
Vishwakarma Industrial Area	Jaipur, Rajasthan
Wakad	Pune, Maharashtra
Wagholi	
Nacharam	Hyderabad, Andhra Pradesh
Miyapur	
Bolaram	
Hosur Road	Bangalore, Karnataka
Mysore Road	
Shantiniketan	
Ponnamalai	Chennai, Tamil Nadu

UltraTech Cement Limited

Yelahanka	Bangalore, Karnataka
Cochin	Cochin, Kerala
Deonar	Mumbai, Maharashtra
Kanjurmarg	
Pawane	Navi Mumbai, Maharashtra
Magdalla	Surat, Gujarat
Sanathan	Ahmedabad, Gujarat

Bulk Terminals

Super Bulk Terminal	Doddballapur, Karnataka

Navi Mumbai Cement Unit	Navi Mumbai, Maharashtra
Mangalore Cement Unit	Mangalore, Karnataka
UltraTech Ceylinco (Pvt.) Ltd. (A subsidiary of UltraTech)	Colombo, Sri Lanka

In March 2008, Grasim sold Shree Digvijay Cement Limited - one of the cement subsidiaries of Grasim to CIMPOR Inversiones SA, in order to rationalise its portfolio of plants in Gujarat. Thus, the details of this plant have not been included in this report. There have not been any other major significant operational changes. The terms - 'the Company', 'the cement business' and 'the Organisation' used throughout the report refer to the boundary as defined above.

Feedback

It is our constant endeavour to improve the quality, usability, and relevance of our sustainability report. If you have any queries, feedback or desire any further information, do get in touch with: **CMO (Manufacturing & Projects), Grasim Industries Limited - Cement Division, 1st Floor, Ahura Centre, Mahakali Caves Road, Andheri (East), Mumbai - 400 093. India. Email - trc@adityabirla.com**

Materiality

In today's dynamic environment, businesses are confronted with rapidly changing societal, environmental and competitive pressures. Each business has its own set of challenges. At Grasim, the mantra for our core business team is to keep in mind that 'what counts needs to be counted'.

Energy Management

The Organisation has initiated the use of non fossil fuels as part of its Energy Management Program along with reduction of specific fuel consumption.

Health and Safety

With 15 million tonnes annual capacity under project execution, it is imperative for the business to ensure the well being of its employees and contractors. Hence health and safety have been accorded top priority.

Fly Ash Based Concrete

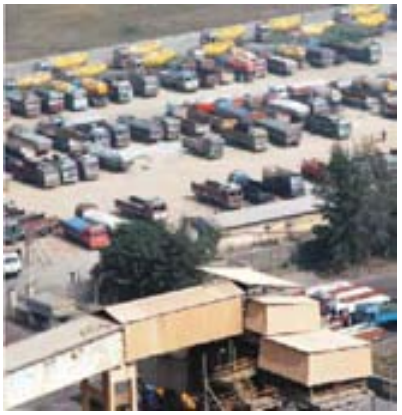
This will enable lower specific CO_2 emissions by increasing the use of 'alternative raw materials'. The Company has already initiated the use of fly ash in concrete which is being further intensified, coupled with education to customers.

Our definition of 'material parameters' is:
key parameters that impact or influence the Company plus parameters that are significantly impacted by the Company's operations, and have potential to influence the perception of stakeholders who intend to make decisions and assessments about Grasim.

By prioritising issues, narrowing down to core issues and focusing on few things that can make a much bigger difference, the management team identified material issues that could have a significant impact on our long term business success. The issues reflected above also take into account the views and perceptions of our external stakeholders.

Talent Retention

There is a shortage of talented manpower, owing to the growing economy and large expansion in the Indian Cement Industry. The Company has embarked upon an ambitious growth plan and would have to match the growth plan with a proportionate increase in the number of talented people across all the levels. Several programs for retaining talent have been initiated, which are presented in the relevant sections.



Logistics and Service Level

The Organisation must maintain the highest level of service in terms of time, quality and communication to command natural premium.

Service providers must qualify to meet high standards on environment and employment practices.

Pro Bono Work

Pro bono work for charities at no or nominal cost is more valuable than donations and provides creative opportunities for the Company and the brand at large. Engagement of local communities has to be 'sustainable' in the long run as they provide the license to operate.

a concrete foundation

On its foundation depends the stability of every structure that stands tall, touching the skies. On its corporate governance depends the sustainability and long term value creating capability of every business. At Grasim we are committed to the highest business standards. Our corporate governance principles focus on the values of fairness, transparency, accountability, and responsibility, not only to our shareholders, but also to all our stakeholders, which include the community, the society, and the economy as a whole.

We actively pursue effective and ethical governance that nurtures excellence in performance and integrity.

2 Governance Framework

"It is a truism that the adequacy and quality of corporate governance shape the growth and future of any business entity and a nation's economy."

Governance Philosophy

As on 31st March, 2008, the Promoter Group holds 25.2% of the equity in Grasim, which in turn holds over 54.4% of UltraTech. The rest of the shares are widely held. Mr. Kumar Mangalam Birla is the Chairman of the Grasim Board, which has majority of independent directors.

Board of Directors
Grasim Industries Limited
Kumar Mangalam Birla Chairman
Mrs. Rajashree Birla
M.L. Apte*
B.V. Bhargava*
R.C. Bhargava*
Cyril Shroff*
S.G. Subrahmanyan*
Shailendra K. Jain Whole Time Director
D.D. Rathi Whole Time Director

* *Independent Directors*

Audit Committee
to ensure quality of financial reporting

Shareholder's Grievance Committee
to look into issues related to share transfer and investor grievances

ESOS Compensation Committee
to implement ESOS (Employee Stock Options Scheme) 2006

Finance Committee
to exercise and discharge all functions relating to finance

These committees have members from the Board of Directors.

The business has appropriate internal control systems for business processes, with regard to efficiency of operations, financial reporting, compliance with applicable laws and regulations, etc. Clearly defined roles and responsibilities down the line for all managerial positions have been institutionalised. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control systems periodically.

Effective corporate governance is where less control leads to more transparency; it is where less number of rules give way to more best practices, it is where there is less supervision and more accountability.

The Aditya Birla Group is committed to the adoption of best governance practices and its adherence in the true spirit, at all times.

Our governance practices stem from an inherent desire to improve, innovate and reflect the culture of trusteeship that is deeply ingrained in our value system and forms part of our strategic thought process. Our governance philosophy rests on four basic tenets:

1 **Board accountability to the Company and shareholders**

2 **Strategic guidance and effective monitoring by the Board**

3 **Protection of minority interests and rights**

4 **Transparency and timely disclosure**

These are reflected in the Group Values:

Integrity

Commitment

Passion

Seamlessness

Speed

In line with this philosophy, Grasim Industries Limited and its subsidiary UltraTech Cement Limited, continuously strive for excellence through adoption of best governance and disclosure practices. The Companies are fully compliant with provisions of Clause 49 of the Listing Agreement of the Stock Exchanges.

The other details about composition of board, their responsibilities, qualifications, performance and compensation along with compliance to Corporate Governance Guidelines for both the Companies are available in their respective annual reports which can be accessed at their websites ***www.grasim.com*** *and* ***www.ultratechcement.com***

Code of Conduct

The Aditya Birla Group is committed to the highest ethical standards in its dealings with all its stakeholders - internal and external. To this end it has adopted a code of conduct that is uniformly applied across locations, entailing expected conduct of employees in personal integrity, work, dealing with external world and conflict of interest. The Group has also institutionalised a mechanism to monitor and address complaints on the matter.

All the policies are made available to all the employees through HR manuals at the unit level as well as through the Group web portal. The internal control system institutionalised by the Organisation helps to effectively monitor and control implementation.

All new employees in the management cadre undergo an induction process and sign a copy to reflect their commitment to the code of conduct. All employees are encouraged to bring to attention of management i.e. their seniors / other senior representatives of the Group when they come across a violation of the code of conduct.

Disclosure on Management Approach

Economic Indicators

The Organisation follows standard policies, systems and practices as applicable in accordance with Indian laws. A vigorous Corporate Management Audit Cell supports the Management and the Board in the continuous evolution of internal systems to capture, monitor, analyse and ensure compliance on the related information. Full details are available in the Balance Sheet on the respective companies' websites. The data in this report covers the consolidated cement business of Grasim as published in the Annual Report 07-08, certified by External Audit Firms. More details can be accessed on www.grasim.com and www.ultratechcement.com.

Environmental Indicators

The raw materials, emissions and energy consumption have been among the material issues for the Organisation, enabling the Organisation to monitor, analyse, set targets and develop action plans to reduce the same. All the integrated manufacturing sites and grinding plants are ISO 14001 certified, which has enabled capturing of some indicators under this category. The Company is also a signatory to the Cement Sustainability Initiative (CSI) Charter, which is a part of the World Business Council for Sustainable Development (WBCSD). This is the Apex Body for sustainability initiatives by the Cement Industry, and includes the Top 18 Cement Companies in the World, outside China. The members have agreed to implement the required systems and practices and to report key performance indices within 4 years of signing the Charter. The Organisation has already initiated the deployment of CSI recommendations. These processes have enabled preventive measures against CO_2 emissions.

Labour Practices, Society and Human Rights

The strong HR policies and practices implemented at Group level have enabled capture of the data in this report. The safety practices and the relevant indices are based on a system developed by a CSI Task Force, which is followed by the Organisation for monitoring, analysing and reporting all related parameters.

Product Responsibility

The information disclosed on these indicators is based on the practices being followed by the Company. There are departments which interface with customers, regulatory agencies and manufacturing sites on these matters to ensure adherence to Company guidelines. Cement, being a chemical product, the product safety is linked to product quality, which is monitored and analysed at each stage of manufacturing. Customer satisfaction surveys are periodically conducted through independent agencies, these help improve product and services.

built to last

A business enterprise is an organ of the society. A socio-economic organisation that creates value for its multiple constituencies. The ability of a business to deliver on the expectation of its stakeholders is what differentiates a successful business. It is therefore imperative for business to build bridges with its stakeholders and understand their perceptions and expectations. This insight is vital to manage current and emerging opportunities and risks. Stakeholder engagement is thus often referred to as the bedrock of sustainability.

3 Stakeholder Engagement

"In today's sophisticated world of networks and relationships, stakeholder engagement is imperative to build awareness and trust, learn together, build common ground, resolve conflict, collaborate and cooperate to achieve symbiotic growth."

At Grasim, stakeholder engagement is an ongoing process of relationship management, enabling us to periodically connect with our stakeholders in an effort to align mutual interests, open communication lines, study expectations, monitor performance and build trust.

Based on discussions and brainstorming among the management team and keeping in view Organisation objectives, key stakeholders were identified and engaged over the year through various mechanisms as detailed in the table.

Stakeholders	Key Expectations	Survey Methods and Frequency	Activities
Customers	Service and Technical Assistance Delivery	Survey once in two years Direct interaction Feedback received through customer care	Technical Assistance through specifically developed technical team - TASC Strong dealer and retailer network supported by sales personnel
Shareholders	Growth and Financial Returns Corporate Governance	Annual General Meeting, Direct feedback through e-mail, one-to-one meetings with large investors	Following established norms and practices Manage business performance
Suppliers and Contractors	Transparency Share Technological Developments Feedback Recognition	Vendor Evaluation - Quarterly Vendor Meet - Annually Direct interaction through site visits	Adherence to values and established norms/procedures Periodic feedback based on vendor rating
Employees	Development Opportunities Transparency and Communication Defined Career Path Good Working Conditions	Employee Survey once in two years Dip-Stick Survey during the intervening year	Based on the feedback, measures like talent management, compensation revision, providing additional facilities at residential locations etc., have been undertaken
Local Communities	Development covering Health, Education, Employment Generation and Infrastructure	Personal interaction and periodic surveys	Extending various welfare schemes to villagers related to infrastructure Joint participation in various social/ cultural programs to strengthen the relations Participation in Government supported schemes Organise cultural and sports programs Organise health check-up, eye and family planning camps Vocational training programs for unemployed rural youth and women Extending various programs related to social welfare Tree plantation in surrounding villages

pillars of progress

Economic growth is a necessity for progress. It heralds greater opportunity, social mobility and equality of living standards. Robust infrastructure lays the platform for economic growth, linking producers and markets, lowering transaction costs and providing access to important services like education and healthcare. Cement and Concrete, our key products, are indispensable to infrastructure development. We serve this purpose by meeting the varied requirements of our customers for different types of Cement and Concrete in an efficient and eco-friendly manner. This represents a modest contribution to the nation's progress.

4 Economic Performance

"Financial success, a measure of efficient use of resources and strategic value addition, is key to achieving sustainability."

One of the key benefits expected from business is economic value for stakeholders. As a growing business enterprise we are building an economic growth model that is inclusive and delivers returns to the investors, the financial community, employees, customers, vendors and all stakeholders who have invested their trust in us.

For us generating wealth is a means to serve a more sustainable end - one that creates better infrastructure, improves the quality of life, stimulates the local economy, creates jobs and helps fulfil aspirations of our diverse stakeholders. Economic strength imparts the necessary resilience and resources to invest in and pursue our long term goals in a sustainable manner.

Grasim reported a total sale of 32.78 million tonne of Grey Cement and clinker, 0.40 million tonne of White Cement and 2.84 million m^3 of RMC in the financial year ending 31.3.08.

The total value of sales accrued to various stakeholders in the following manner:

Economic Value Generated and Distributed			
	Value in Rs. Billion	Value in Rs. per Bag	Share of Total Value
Value Distributed			
Operating Costs	69.07	103.60	46.6%
Govt. Taxes including Excise / VAT / Income Tax / Other Levies	48.13	72.19	32.4%
Depreciation	4.38	6.57	3.0%
Employees, Welfare and Community Development	4.25	6.37	2.9%
Payment to Lenders	2.48	3.72	1.7%
Proportionate Dividend to Shareholders	2.00	3.00	1.3%
Value Retained			
Retained Earnings with Grasim for Reinvestment / Modernisation	18.02	27.03	12.1%
Value Generated			
Gross Value of Operations in FY '08	148.33	222.48	100.0%

Operating costs, at 46.6%, represent the largest single component of Gross Value followed by Government levies at Central / State / Local levels, representing 32.4% of the total.

Nearly 3% of the cash resources are deployed on employees, welfare and community development and represents a significantly higher share than outflows to Lenders / Shareholders.

The large share of Government, supplemented by the investments in employees and communities, reflects the wide impact of Grasim, with a much more modest share to Lenders / Shareholders. This is reinforced by the fact that the balance 15%, represented by retained earnings and depreciation, is again reinvested in modernisation, upgradation and growth, thereby contributing to a virtuous cycle of shared growth.

Customer Satisfaction

Cement is the second most consumed material after water, on the planet* and a vital building block for infrastructure development.

The quality of our products quite literally builds our reputation. Grasim is committed to be the preferred partner of its clients and is committed to deliver on the expectations they have with regard to supply of a responsibly manufactured high-performance product.

**WBCSD 2002*

The Company has aligned its products and services towards customers' expectations. Grasim has developed several special varieties of cement and concrete to meet unique expectations of customers. We are the major supplier of IRST-40 cement used for manufacturing railway sleepers by Indian Railways. There are several special varieties of concrete under the UltraTech brand like Stainless, Thermocon, Colourcon, Hypercon and Freeflow providing enhanced features and range of structural properties to fulfil the special requirements of architects and civil engineers. Grasim is the primary cement supplier for several major infrastructural projects in India like the Delhi Metro and the Bandra-Worli Sea Link. We have earned the status of "Preferred Cement Supplier" for the Bandra-Worli Sea Link project.

Our entire range of products adheres to one or more of the following standards i.e., **BIS, European or Sri Lankan Standards.**

Intense competition has ensured that Grasim products are well ahead of Statutory Standards.

In case of clinker, an intermediate product, the specifications are based on mutually agreed parameters with customers.

Grasim is the primary cement supplier for the trend setting 65 km long Delhi Metro network.

Grasim is the "Preferred Cement Supplier" for the Bandra-Worli Sea Link, an 8 lane, 5.6 km engineering marvel.

The quality of product forms the core of product responsibility issues. Cement is a chemical binder and its health and safety aspects as a product are related to its physical and chemical characteristics. These characteristics have been summarised in the quality standards of the products issued by the respective certifying agency, keeping in view health and safety impacts during their application and subsequent use.

The Company has robust product quality management processes. At each stage of manufacturing, it is ensured that the intermediates conform to the requirements. These have been documented and maintained as part of ISO 9001 QMS and Scheme of Testing and Inspection as entailed by BIS.

All the manufacturing and testing records are maintained in accordance with the requirements by licensing authorities. The products are periodically sampled by BIS from market to check compliance at third party laboratories, who can cancel the license in case of non-compliance. During FY 2007-08, there has been no incidence where license has been cancelled due to non-compliance of product quality. The products manufactured are cementitious materials which are perishable in nature and hence material data sheets are generally not issued to the end users. However, material safety data sheets for white cement and wall care putty are made available to customers on demand. There has been no violation on this account.

We regularly gauge customer satisfaction through surveys conducted periodically with the help of external agencies who administer a structured questionnaire and collate data via post or through personal visits. The results of this survey are brought to the knowledge of the Company's staff so that any service gaps can be plugged. The last survey was conducted during FY 2006-07.

The customer satisfaction survey for grey cement covers the following major parameters:

- Overall Quality
- Reliability & Trustworthiness
- Fairness
- Premium Product
- Partnership Oriented
- Value for Money
- Margins
- Innovation
- Technology Orientation
- Varieties
- Distribution Network
- Easy to deal with

The last survey reflected that the loyalty level of different classes of customers covering stockists, retailers, masons, builders, architects, project engineers and contractors is better than, or at least at par with leading competitors. We continue to focus on the following key variables:

- Delivery
- Relationship Building
- Support through Technical Personnel
- Management of Schemes to Promote Products

A similar survey was conducted for White Cement and Wall Care Putty during FY 2006-07. The three major improvement areas that emerged are:

- Technical Support
- Awareness of Application
- Sales Promotion Efficacy

The Organisation has launched several schemes to address these issues.

The advertising and marketing communication practices of the Organisation are in line with the guidelines of **Advertising Standards Council of India**. The compliance level is reviewed quarterly. There has been no case of non-compliance with regard to health and safety, communication, customer privacy and any such related aspects.

Customer Service Levels

The Organisation has embarked on a new initiative - 'eye2serve' with the objective of moving up the value chain by adopting customer oriented processes and by aligning the supply chain. This is again a step towards addressing issues which are material to the business. The focus is on improving service levels by redefining supply chain network and strategies. The model presented below shows opportunity areas across the Organisation, where actions have been initiated.

Sales & Operations Process (S&OP)	Network Analysis	Customer Order Fulfilment (COF)	Performance Monitoring (PM)
Forecast quality to drive operational and strategic decisions	**Operational** Validating and identifying service infrastrucutre - warehousing, inventory points, fleet sizes to meet present and future requirements	Real time visibility from order creation to execution	Real time performance monitoring on agreed KPIs at different layers of management
Planning in 10 day buckets to incorporate demand and availability fluctuations	**Strategic** Validating options for greenfields, brownfields, grinding units etc	S&OPs to drive entire customer service process	
Optimal operating plan with consensus		Automated sourcing and scheduling	
		Online connectivity to key accounts and major dealers	
		Service measurement against predetermined parameters	
		GPS to drive execution planning and fleet efficiency	

With this approach under implementation, we expect to improve overall customer service levels.

1 UltraTech Building Solutions

To address the key material issue of Logistics and Service Level, we flagged off a new initiative in the construction industry - UltraTech Building Solutions. It is a unique concept under which we offer comprehensive home building solutions right from planning to completion.

Under one roof it offers:

Availability of building materials required for first stage of construction: Cement, Sand, Bricks, Aggregates, Construction Chemicals and Waterproofing Compounds, White Cement, Wall Care Putty
Consultation on Vastu related issues
Legal advice on stamp duty, registration, ownership documents etc
Facilities for development of building plan by a qualified architect
Guidance on construction related issues by qualified engineers
Facility of mobile laboratory expert for testing and technical services

Other value added services include:

Educating customers on construction practices
Software led construction budgeting
Assistance on design and technical issues relating to cement and concrete
Supplying list of members of associations of architects and civil engineers
Providing list of shops supplying other allied products

UltraTech Building Solutions couples customer service with convenience, provides assured quality and timely supply, and serves all of this in an attractive pleasurable ambience to enhance customer's buying experience.

2 Customer Engagement - Key Accounts

UltraTech CEMENT The Engineer's Choice

DLF BUILDING INDIA

THE CONTEXT

The DLF Group, India's largest real estate business, was facing a stiff deadline to complete construction of 5.5 million sq. ft. at Hyderabad.

THE NEED

This was DLF's first project in South India and was thus a prestige project. The timely completion of the project depended on continual supply of cement without a single day of stoppage.

OUR SOLUTION

Onsite cement inventory management and project partnership by owning total responsibility of cement supplies. Undertaken as a pilot, the project went on to become a model project and has expanded our logistics repertoire and enhanced customer service.

Modalities of our Engagement

Touch point interaction and management

Continual dialogue with the project manager, quality control team, planning engineers, store managers, and purchase team at site reinforced their confidence in us by sharing critical information and allowing us to partner with bulk cement supply, to save on handling time and cost.

Continuous communication

At later stages the 'UltraTech Access' web based MIS system proved to be an enhancer in proactive communication with the customer teams by sharing test certificates, dispatch details and account details on a daily basis.

Internal team engagement and alignment for customer service

Our logistics team, technical services team, C&F team and transporters team worked together to support the marketing team, ensuring timely supplies of right quantities to the project. In exigencies where their batching plant had limited capacity, we augmented our RMC supplies to ensure project progress.

The project 'Partnership Concept' was successfully executed, resulting in a win-win situation for the customer and for UltraTech. The result was that DLF awarded the complete contract for supply of cement for entire phase-1 of the project to UltraTech.

Working together with DLF for new solutions

The customer affinity developed during the 'Project Partnering' concept, led to a larger role of 'Project Ownership' in DLF's Chennai project, wherein the scope was extended from just cement supplies to providing a complete cement-concrete solution. Under the 'Project Ownership' solution it was decided that the concrete plant of DLF would be operated by us and we would provide concrete to the customer for accelerated project execution. UltraTech RMC operated the DLF's batching plant at their SEZ site and supplied high quality concrete. While the customer was assured of seamless supply of cement and RMC, translating into faster project construction, our Organisation earned a price premium and unequalled customer equity.

Modalities of 'Project Ownership'

Touch point management

Along with all the customer touch points the RMC team touch points too were included in the scope.

Seamless communication

In addition to the partnership parameters, occasional joint meetings were organised at site to ensure proactive planning and execution. The details of project savings made were communicated to the customer.

Internal alignment and proactive working for meeting contingencies

Apart from earlier concepts, multiple supply sources were identified and in crucial times supplies were effected from different plants to ensure project progress.

Technical training for better quality of construction

Our in-house technical programs on good construction practices, better quality of concreting, testing and finishing sharpened technical skills of the customer's work force.

Project Partnership	Project Ownership	Key Success Factors
DLF IT park, Hyderabad Project Partnering - Dec 2006	**DLF Info City, Chennai** Project Partnering - Dec 2006 Project Ownership - Sep 2007	**Key Accounts & RMC Teams in total sync.**
• **Inventory Management** • **Aid in SEZ Documentation**	• **Commercial RMC Supply** 1,500-2,000 CuM/month	**Touch Points see us as Partners in Project Execution.** (Mix design, Local hiccups, Project tie-ups)
RMC under Exigencies	**Project Dedicated RMC Plant** "Zero Capex" 4,000 CuM/month	
Cement Supply **50,306 tonnes** (Bags - 67% Bulk - 33%) (Upto 7th Nov, 2008)	**Cement Supply** **77,379 tonnes** (Upto 7th Nov, 2008)	

constructing an alternative approach

What we do with used things has the ability to change the way we used to do things. This alternative approach has been the cornerstone of Grasim's environmental initiatives. From adoption of supplementary cementing materials such as fly ash to efficient usage of waste chemicals, biomass and ETP sludge as fuel, we are actively deriving value by productively utilising waste from various industries in mainstream production.

5 Environmental Performance

"Environmental management is more about managing people than managing the environment."

Our commitment to reduce our environmental footprint per tonne of production is constant and our initiatives relentless. We initiated implementation of Environment Management Systems across all manufacturing locations (Integrated and Grinding plants) way back in the late nineties. Today all 18 major locations are ISO 14001 certified. The Company has installed dry process pre-calcination technology at all its manufacturing locations to reduce water consumption.

We joined the **Cement Sustainability Initiative** of the World Business Council for Sustainable Development (WBCSD) as a participating member in September 2006. This body has attracted participation from Top 18 Cement Companies in the World, outside China, and developed an impressive program of benchmarking, sharing best practices and initiating an organised effort to reduce the carbon footprint per tonne of Cement. Our present endeavour is to fulfil all the measures agreed among CSI members within the stipulated deadline of 2010.

Combating Environmental Challenges

We consider it our primary task to rigorously apply environmental management systems to production processes. Each member of the Company takes responsibility for implementing these systems and constantly bears in mind that their actions and decisions play a vital role in minimising the impact on the environment.

In FY 2007-08, we produced

33.27

million tonnes of cementitious products.

We are committed to:

- **Decrease Energy Consumption**
- **Conserve Natural Resources**
- **Recycle Waste**
- **Reduce Emissions**

Our environmental programs include actions to reduce the use of physical resources, promote use of renewable energy and the redesign of processes and products to reduce energy consumption.

Energy

Direct Energy

The primary consumption of direct energy is in the clinkerisation process and fuel consumed in power generation. During the clinkerisation process, fuel is fired inside the kiln and calciner to facilitate chemical reaction and formation of clinker, an intermediate product. This process is energy intensive. Over the last 3 years, we have been focusing on burning alternative fuels in kilns to reduce greenhouse gas emissions.

Non-kiln based fuels are consumed mainly in mining activity and local transportation through Company owned vehicles.

Total Specific Energy	GJ / tonne of cementitious material		
FY	2005-06	2006-07	2007-08
Overall Performance	**3.36**	**3.31**	**3.15**
Best Performing Plant Rawan, Chhattisgarh	**2.24**	**2.58**	**2.34**

Total Direct Energy
million GJ

	FY 2005-06	FY 2006-07	FY 2007-08
Coal	72.65	81.12	78.36
Pet coke	17.55	15.10	16.58
Furnace oil	4.98	3.18	2.75
Diesel	0.58	0.57	0.70
Waste fuels	0.51	0.33	0.61
Lignite	–	–	0.55

Indirect Energy

The indirect energy consumed is mainly in the form of power procured from electricity boards.

Electricity purchased from state electricity boards, was around 5% of total energy requirement during the last two years. The higher proportion of direct energy eliminates grid losses and thereby helps in mitigating greenhouse gas emissions.

Indirect Energy
million GJ

Energy Saved

Conservation and Efficiency Improvement

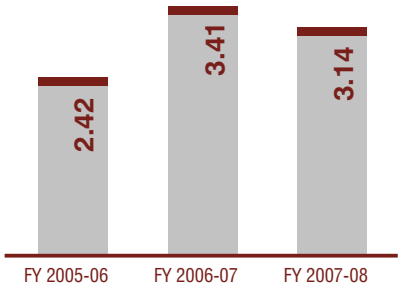
The Company has initiated programs on energy conservation based on process optimisation and equipment upgradation. During the year, we saved 0.22 million GJ of energy.

Alternative Material

The additional use of less energy intensive materials like flyash, slag and other similar materials has resulted in substantial energy savings in the form of power and heat.

Our products are cementitious materials and as such do not consume any energy during their lifetime post construction.

Energy saved due to use of Alternative Material
million GJ



Materials

The main raw material for cement manufacturing is limestone - a natural resource. There are other corrective materials comprising of alumina, silica and iron which are added to limestone. A summary of significant materials consumed by the business during the processing of cement and concrete is presented in the Table.

Limestone, gypsum, performance improver and corrective raw materials are consumed for manufacturing of cement. The Organisation has been taking initiatives to progressively use waste materials and thereby reduce consumption of natural resources. This is in line with the material issue i.e. use of blended cement. The following table depicts the reducing trend of natural materials used for manufacturing cement. A small amount of semi-manufactured goods were procured by the Company directly from the market to manufacture the final products.

Specific Raw Material Consumption

tonne / tonne of cementitious material

FY	Overall Performance	Best Performing Plant
2005-06	1.29	1.06
2006-07	1.25	1.02
2007-08	1.21	0.97

Best Performing Plant
Rawan, Chhattisgarh

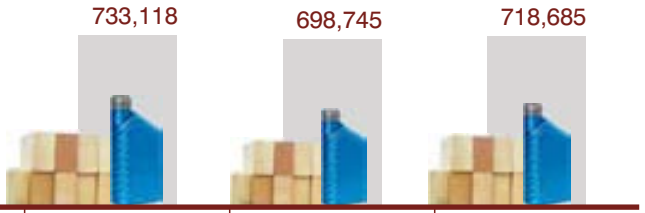
Raw Materials

million tonnes

	FY 2005-06	FY 2006-07	FY 2007-08
Limestone	35.20	36.41	36.81
Sand & Aggregates	2.14	2.54	3.61
Corrective raw materials	2.36	2.60	2.68
Gypsum (Natural)	0.55	0.65	0.62
Performance improver	0.09	0.12	0.12

Associated Materials

tonnes



	FY 2005-06	FY 2006-07	FY 2007-08
Explosives	717,927	683,790	697,178
Refractories (Fire Bricks) and Castable	12,050	10,695	15,189
Grinding media	1,120	1,341	2,470
Oil & Lubricants	1,263	1,840	2,097
Grinding aid	345	605	1,393
Grease	413	474	358

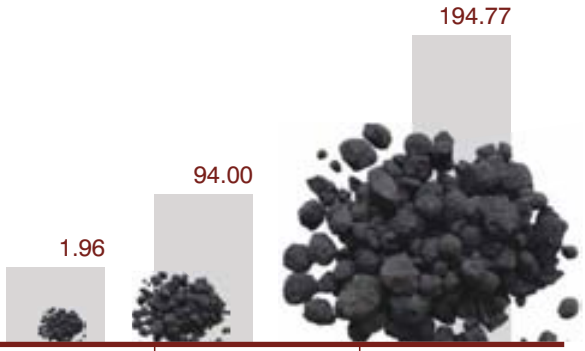
Packaging Materials

thousand tonnes

	Plastic Bags	Paper Bags
FY 2005-06	34.89	2.02
FY 2006-07	37.04	2.35
FY 2007-08	39.15	2.35

Semi Manufactured Goods

thousand tonnes



	FY 2005-06	FY 2006-07	FY 2007-08
Cement	0.69	60.22	181.45
Clinker	–	31.81	7.77
Admixtures	1.27	1.97	5.55

Recycled Waste Materials

During FY 2007-08, we productively consumed 5.72 million tonnes of recycled industrial waste obtained from external sources. It comprised primarily of fly ash, slag and chemical gypsum.

It is our ongoing endeavour to enhance usage of compatible waste materials, in the manufacture of cement and concrete. This sharp focus has pushed up usage of recycled waste by 45.17% over the last 2 years.

The business also utilised waste material as fuel in cement kiln in place of virgin coal worth 0.61 million GJ during FY 2007-08.

The waste is delivered to our plants by the waste generators after obtaining necessary clearances from the regulatory bodies. All such waste is utilised in cement kilns after procuring requisite permissions from the State Pollution Control Boards. The Company has not reclaimed any packaging materials from customers.

Specific Consumption of Wastes — tonnes / 100 tonnes of cementitious material

FY	2005-06	2006-07	2007-08
Overall Performance	**13.31**	**15.98**	**17.19**
Best Performing Plant Rawan, Chhattisgarh	**29.28**	**31.59**	**34.69**

Recycled Waste Materials
thousand tonnes

	FY 2005-06	FY 2006-07	FY 2007-08
Fly ash	2,882.55	3,880.68	4,396.36
Slag	480.15	545.37	643.95
Chemical gypsum	539.78	599.06	642.47
Other industrial wastes	35.72	52.65	34.59
Microsilica	–	–	0.34

Emissions

CO_2

We employ the CSI CO_2 protocol to measure, monitor and report CO_2 emissions from our operations. The increased use of alternative 'less energy-intensive' materials has helped the Company to substantially reduce its overall specific energy, which in turn has led to lower net direct CO_2 emissions.

The net emissions are pegged at 707 kg CO_2 per tonne of cementitious products including CO_2 from captive power generation. It may be worthwhile to mention that the Organisation meets around 51.6% of its electrical energy requirement from captive power and the CO_2 from power generation has been accounted for as part of Direct CO_2.

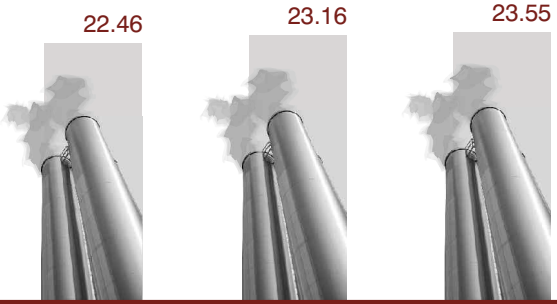
Excluding direct CO_2 from captive power, the net CO_2 emission is 659 kg / tonne of cementitious materials. We have also been increasingly sharpening our focus on utilising biomass based alternative fuels to lower our carbon footprint.

Specific Net Direct CO_2 — kg / tonne of cementitious product

FY	2005-06	2006-07	2007-08
Overall Performance	**759**	**729**	**707**
Best Performing Plant Rawan, Chhattisgarh	**578**	**594**	**554**

Net CO_2 emission / tonne cementitious materials (excluding captive power) is 659 kg during FY 2007-08.

Direct CO_2
million tonnes



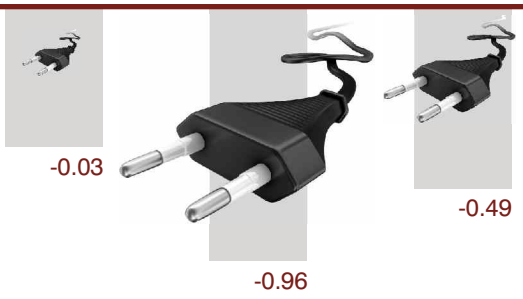
	FY 2005-06	FY 2006-07	FY 2007-08
Raw materials	13.38	13.92	14.22
Kiln fuels	7.16	7.53	7.66
Non-Kiln fuels	1.92	1.71	1.67
Total	**22.46**	**23.16**	**23.55**
Direct CO_2 from biomass (included above)	0.023	0.012	0.037

The data includes CO_2 emission from on-site transportation by Company owned vehicles.

However, the off-site transport, which is through third parties, has been excluded in accordance with the protocol. The CO_2 emission from off-site transport was estimated and observed to be less than 0.5% of total direct emissions and hence these have not been included in the report.

Indirect CO_2

million tonnes



	FY 2005-06	FY 2006-07	FY 2007-08
External power	0.77	1.10	1.20
Clinker Imports (+) / Exports (-)	-0.80	-2.06	-1.69

Ozone Depleting Substances

The Company is phasing out use of R12 and R22 as per the time frame set in International Conventions. The total equivalent potential has come down from 0.55 tonnes in FY 2006-07 to 0.43 tonnes in FY 2007-08.

SO_x and NO_x

Currently 3 out of 11 integrated cement plants are measuring SO_x and NO_x periodically. The Company has recently set the target of covering 100% locations to measure SO_x and NO_x over the next 3 years.

SPM

Suspended Particulate Matter (SPM) is emitted in the manufacture of cement.

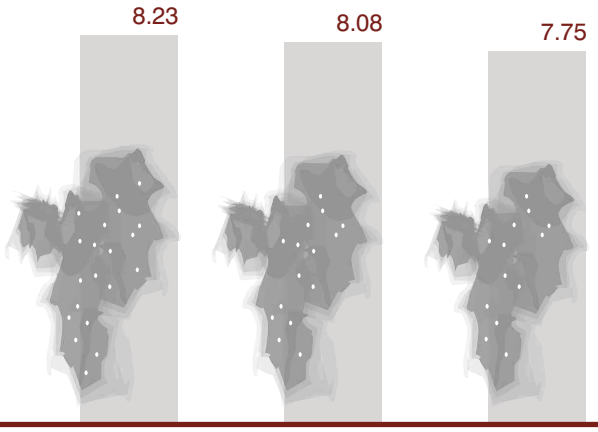
Various types of Air Pollution Control Devices (APCDs) in the form of dust collectors are used to control the emission of dust to the atmosphere. The types of equipment deployed at our manufacturing units include cyclone and multicyclones, fabric filters / bag filters, electronic precipitators and gravel bed filters.

Suspended Particulate Matter is sampled from all major stacks across all integrated and grinding units. The emission levels across all plants are well within statutory limits. In fact there is a definite reducing trend in the overall emissions in spite of higher production. This has been due to focused efforts on improving the performance of pollution control equipment through monitoring and regular maintenance. There have also been specific instances where the system has been strengthened to reduce emissions.

Specific Emissions	tonne / 1,000 tonnes of cementitious material		
FY	2005-06	2006-07	2007-08
Overall Performance	**0.28**	**0.25**	**0.23**
Best Performing Plant Tadipatri, Andhra Pradesh	**0.15**	**0.14**	**0.12**

SPM Emissions

thousand tonnes



Safe Disposal of Waste

The Company takes utmost care to reduce disposal of waste outside its plants. All waste is disposed in accordance with the norms set by respective pollution control boards. We have not exported or imported any material deemed hazardous under Basel Convention during the reporting cycle.

The cement manufacturing technology adopted by us reduces the possibility of any significant spills. There was no such incident during the reporting period.

The system for tracking waste slurry disposal from RMC is being further strengthened to capture the information accurately.

All waste is disposed in accordance with the norms set by respective pollution control boards.

Disposal of Hazardous Waste

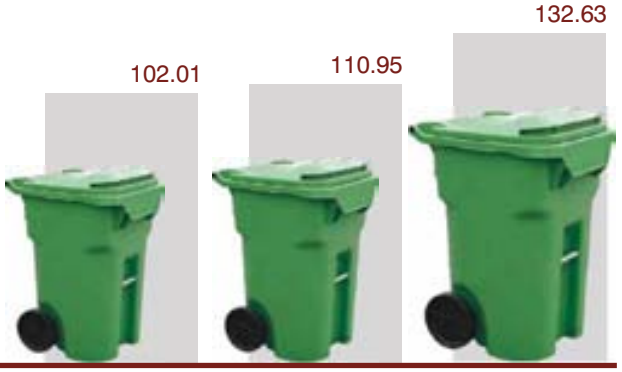
Furnace oil, Sludge, Grease, Batteries, etc.

thousand tonnes

Disposal of Non Hazardous Solid Waste

Metal scrap, rubber, wire, plastic bags, fly ash, waste slurry from RMC plants, etc.

thousand tonnes



Water

Water plays a major role in cement and concrete industry as it is a vital resource in the manufacturing process. We harvest rainwater to meet a significant portion of our demand. The rainwater is diverted to charge bore-wells and specifically created pits. At all integrated plants, mining pits are used for storage of water during rainy season.

Municipal water is consumed only in RMC plants and some of the grinding units which are located in city limits.

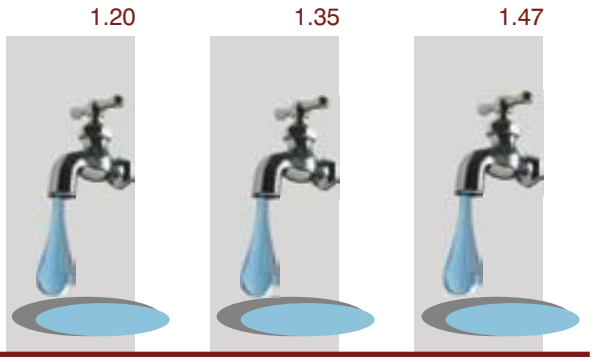
Around 13% water is recycled and treated in waste water treatment plants.

This treated water is utilised for horticultural purposes. All cement manufacturing locations are zero water discharge sites. RMC units discharge water as per local regulations.

Total Water Demand Recycled / Reused			percentage
FY	2005-06	2006-07	2007-08
Overall Performance	11.40	12.76	12.41
Best Performing Plant Jaffarabad, Gujarat	NA	25.21	34.96

Water Recycled

million m^3



The water consumption of some of our RMC units is an estimation. We are in the process of installing monitoring systems for accurate measurement.

All cement manufacturing locations are zero water discharge sites.

Water Withdrawal

million m^3

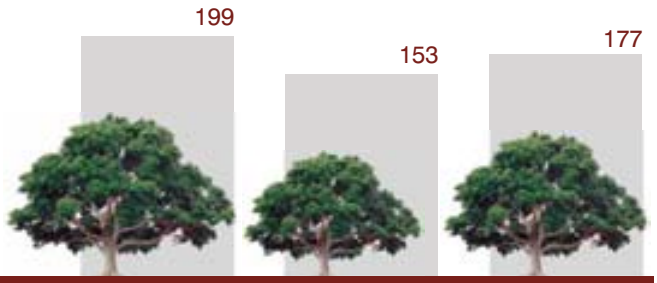
	FY 2005-06	FY 2006-07	FY 2007-08
Surface water	4.86	4.77	5.24
Rainwater	3.22	3.08	3.21
Ground water	2.17	2.50	3.05
Water from Municipality / water utility	0.24	0.24	0.38

Plantation

Planting trees in and around our mines, manufacturing facilities, residential colonies and nearby villages has been a constant feature. Tree saplings and flora compatible with the local geography are distributed to villagers as well. Over the years, it has been estimated that the survival rate of the saplings is in the order of 75-85%.

Plantation

Number of Saplings - thousand



	FY 2005-06	FY 2006-07	FY 2007-08
Survival Rate	75.77 %	84.76 %	79.32 %

Protected Areas

Two of our sites are located in proximity to reserved forest and CRZ (Coastal Regulation Zone) territory at Jaffarabad and Kovaya, Gujarat. A part of the Company's leased land at these locations falls under the protected areas. Currently we do not carry out any operation in these areas.

According to independent studies by National Oceanographic Institute and Wildlife Institute, no damage has been done to the Coastal area; and Mining has been suspended in view of a class action Public Interest Litigation in the Supreme Court.

Protected Areas

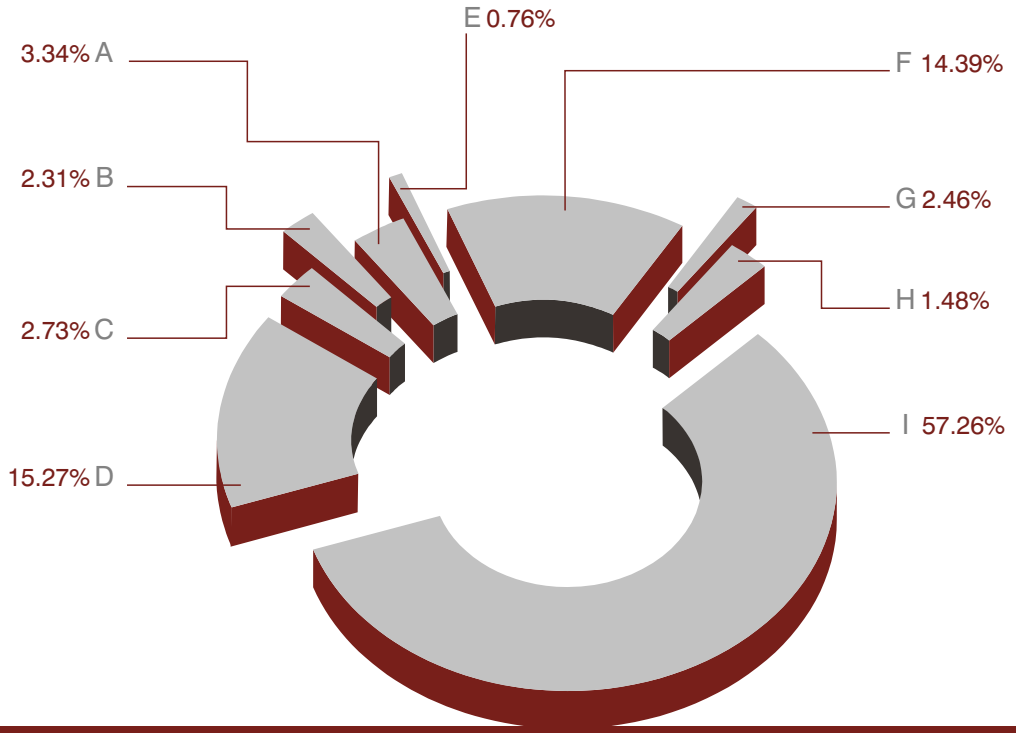
Plant	CRZ	Forest Land
Kovaya, Gujarat	Mines 0.98 km^2	--
Jaffarabad, Gujarat	Mines 2.53 km^2	Mines 1.77 km^2

(0.53 km^2 overlapping with Forest Land)

Rehabilitation of Mines

All our sites have a mine rehabilitation plan, approved by the Indian Bureau of Mines. It has been planned to convert mine pits to water reservoirs and ensure plantation cover for the rest of the area. For example, Kovaya plant in Gujarat has already back-filled 0.16 km^2 area and plantation has been done on this land. An additional 0.21 km^2 area is being used for harvesting rain water. Similarly the plant at Jaffarabad, Gujarat has rehabilitated 0.12 km^2 of mined area and 0.07 km^2 is being used for harvesting rainwater. Similar practices are followed at all units.

Environmental Expenditure Snapshot



Total Expenditure
Rs. 531 million

A Installation of Cleaner Technologies **Rs.18 million**	B Personnel for General Environmental Management Activities **Rs. 12 million**	C External Services for Environmental Management **Rs. 14 million**
D Depreciation / Maintenance and Operations **Rs. 81 million**	E Extra Expenditure on Green Purchases **Rs. 4 million**	F Other Environmental Management Costs **Rs. 77 million**
G Treatment and Disposal Costs **Rs. 13 million**	H Miscellaneous **Rs. 8 million**	I Treatment of Emissions **Rs. 304 million**

Energy is one of the material issues for us and we have been working towards reducing specific energy consumption and finding alternative sources of energy. Some of the initiatives taken during the year are explained below.

3 Reduced Energy Consumption. Enhanced Productivity.

The quality of fine chalk purchased from vendors in the market showed great variation in fineness along with presence of nibs, which ultimately affected the quality of the 'Wall Care Putty'. It was decided to set up our own manufacturing facility for fine chalk. A surplus O-Sepa separator which was discarded from the cement mill section was used with a Vertical Roller Mill and commissioned resulting in an increased production rate from 9.5 TPH to more than 14.0 TPH.

Over and above these efficiencies, a process control modification in the pneumatic system increased the conveyance rate from 30 TPH to 40 TPH and reduced power consumption by another 3 kWh/tonne of material.

It also lowered specific grinding power from
70 kWh/tonne
of material to
49.5 kWh/tonne
of material.

4 Productive Use of Hazardous Waste

We seek to use waste material generated by other industries in the vicinity, which has a good calorific value (>1500 Kcal/kg). On identification of suitable waste, permission is sought from the SPCB to utilise the waste in our kiln using approved procedures.

All precautions are taken to optimise process parameters, internal kiln conditions and to maintain product quality. Our plant at Shambhupura, Rajasthan has substituted 3% of heat generated from fossil fuels with waste fuels, while maintaining the most stringent environmental quality standards.

This plant received the prestigious Greentech Environment Excellence Gold Award, 2007 for this initiative.

During FY 2007-08
we saved approximately
1,400 tonnes of coal by using
2,823 tonnes of
hazardous waste, which
would have adversely
affected the environment.

5 Modification in Raw Mill Separator Cone

The plant at Hirmi, Chhattisgarh was plagued with problems of high power consumption, low raw material production and unstable operation which resulted in reduced kiln efficiency. As a result an action plan to modify the Raw Mill Separator Cones was executed in both the Raw Mills.

Result - main motor power reduced by
45 kW
and mill output increased by
12-15 TPH.

We were conferred the FLS Energy Conservation Award for this initiative.

6 Reduction in Energy Consumption

The energy intensive ESP fan at the Reddipalayam, Tamil Nadu plant was replaced with a new power efficient fan, following which power consumption reduced by 150 kWh/hour.

A high efficiency classifier / separator was also installed in a coal mill facing problems of low production and high fine coal residue. As a result the output of the coal mill increased by 50% and the power consumption reduced by 6 kWh/tonne.

For these initiatives our plant received the **Energy Conservation Award** from the Government of Tamil Nadu,

Bureau of Energy Efficiency and the Energy Conservation Award Runner up from CII Hyderabad.

7 Use of Alternative Fuels

Increasing concentration of GHG is a rising concern. Utilisation of municipal solid waste as alternative fuel in kilns helps combat global warming, conserves scarce fossil fuel, dispels the need for investment in incinerators and reduces landfills.

Grasim has set up a processing plant for Municipal Solid Waste (MSW) at Jaipur, Rajasthan. This plant is the first of its kind in India and is in line with the Group's vision for taking initiatives towards environment accountability and social responsibility. The processed waste is burnt at Line III kiln of Khor plant at Madhya Pradesh.

During FY 2007-08 we utilised **7,126 tonnes** of MSW as an alternative fuel and replaced **0.803%** of heat in the process.

8 Rainwater Harvesting

The Shambhupura plant at Rajasthan, is located in an area declared as an overexploited ground water zone, by the Central Ground Water Board.

To meet the water requirement we adopted innovative rainwater harvesting. Strategic channels were created to divert water to the mines pit from a rain water drain passing through the mines. Today we meet more than 40% of our water requirement from this mines' pit reservoir. This has helped reduce ground water consumption and maintain water table in the surrounding areas.

We were conferred the **Greentech Environment Excellence Gold** Award, 2007 and Mines Excellence Award, 2007, by the Indian Bureau of Mines, Udaipur Zone for this initiative.

9 Natural Resource Conservation by Efficient Separation of Limestone

Screening capability for efficient separation of limestone from minerals was increased by installing a multi deck screen in place of double deck screen at the mines of our plant at Shambhupura, Rajasthan. The multi deck screen enabled removal of clay and recovery of usable low-grade limestone. The optimised use of blending high-grade limestone with low-grade limestone aided mineral conservation and enhanced the life of the limestone reserve by four years. The screened clay was ideal for plantation, and hence utilised in an eco-friendly manner.

For this initiative, our plant received the

Mines Excellence Award, 2007

from Indian Bureau of Mines, Udaipur Zone.

10 Maintaining Quality Level of Emitted Water

Due to ad hoc construction of buildings surrounding the terminal at Colombo, dusty access roads and poorly maintained drainage system in the neighbourhood, our premise was susceptible to contaminations and overflowing drains during heavy showers. Water tests revealed that the BOD and TSS values were remarkably high. A plan was drawn up for monitoring and measuring areas with a significant environmental impact. We constructed a soakage pit / sedimentation tank that complies with the EPL guideline.

Discharged water is now within EPL requirements.

11 Reduction of Dust Emission from Clinker Stock Pile

At Hotgi, Maharashtra the incidence of dust emission during the clinker rake unloading from the stock pile was high due to the nature of the material. The bag filter provided at the top of the stock pile was unable to control the dust in spite of strengthening.

To rectify this both openings of the stock pile were closed by constructing a vestibule. Two dust collectors were commissioned at both ends and both openings of the vestibule were covered by motorised shutters. This brought down the dust emission within the set targets.

The project won the

Greentech Silver Award

for outstanding achievement in Environment Management from the Greentech Foundation.

bridging the gaps

Gaps undermine the strength of a structure. Their vulnerability is pronounced when they exist in our societal structure.

India is today grappling with many gaps - poverty gap, literacy gap, healthcare gap, aspiration to opportunity gap. At Grasim, we work closely with two of our most important stakeholders - our employees and our communities, to identify local need gaps and then design and implement suitable interventions. Thereby closing the chasm and forging stronger bonds.

6 Social Performance

"Be it creating growth avenues for our employees through knowledge enhancement or enabling sustainable livelihoods for the communities we operate in, we are constantly working towards bridging the gap between expectation and reality."

Creating a Good Workplace

Grasim has always believed in its people and has created processes to cater to the development and retention of employees. It has been our constant effort to nurture a workplace characterised by security, fairness, participation, co-operation and opportunities to grow.

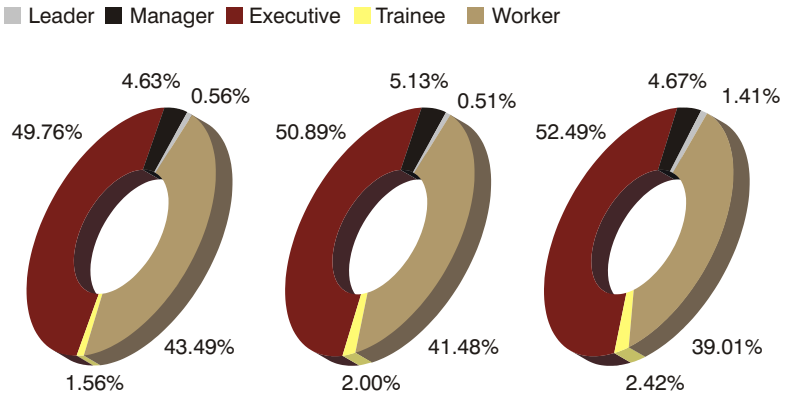
A workplace where individuals have the challenging tasks they seek and feel the right balance of independence and support.

The Aditya Birla Group has been recognised for consistency in its people practices and declared India's Best Employer in 2007 by Hewitt Associates.

The main factors that contributed to the Group's status as best employer include:

- Capability to leverage talent both from within and through fresh recruitment.
- Ability to address diverse employee needs in multiple situations in a comprehensive manner, well-designed plans to reach beyond the employees to their family through employee wellness programs.
- Reaching out through a network of schools to the families and the community around our plants.
- Multiple rewards & recognition process which include small recognitions like a smiley, employee of the month and the Group-wide team and individual recognitions at the Chairman's level.

Permanent Workforce Grade Composition*

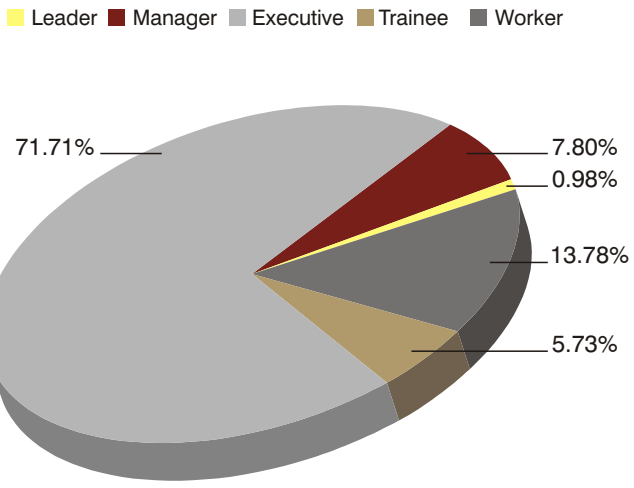


Total Manpower

FY 2005-06	FY 2006-07	FY 2007-08
8,161	8,698	9,619

** There are functions where outsourced labour are deployed on temporary basis.*

Employee Turnover



Total Employee Turnover was 8.52% in FY 2007-08

Employee Development

Through the performance feedback and career development review, two integral elements of the annual appraisal cycle, we ensure that our employees have an opportunity to build on their strong points and reassess shortcomings. This is done for all permanent employees.

More details are provided in Recruitment and Staffing.

Unions

Our employees are free to form unions. We do not in any way discriminate against these employees. Health and safety issues like use of safety kits, personal protection equipment and adherence to established procedures and supervisor's instructions have been made mandatory and form part of agreements or standing orders. Currently 76.95% of our permanent workers are members of one or more registered trade unions.

Benefits to Employees

The Organisation follows all applicable laws and industrial norms in providing benefits to part-time employees. All benefits like provident fund and accidental insurance have also been extended to contract workers. Housing and leave encashment benefits, in compliance with Company policy and standard regulations, are extended only to permanent employees.

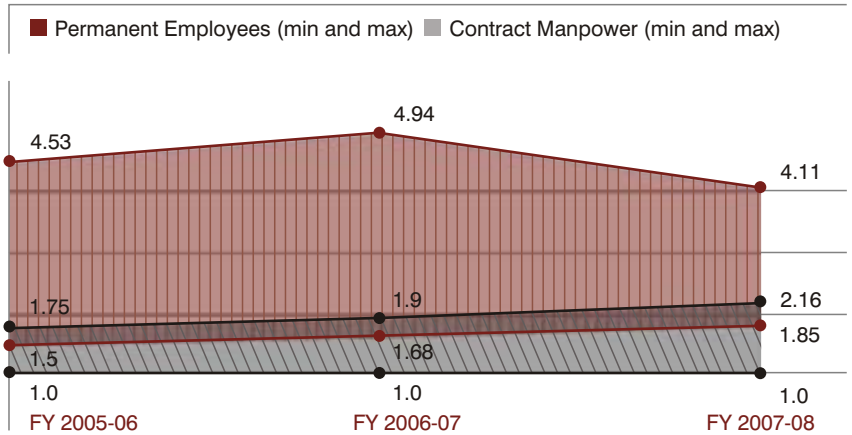
The total benefit extended during FY 2007-08 was
Rs. 216.2 million.

Minimum Wages

The Organisation follows the principle of 'fairness' in wages and benefits. These are based on job responsibilities and individual capabilities. Our entry level minimum wages for permanent and contract employees are at par or higher than legally prescribed minimum wages and varies from location to location depending upon the skill level of the individual, responsibilities and experience.

The ratio of Company wages to minimum wages as prescribed by State Governments varies depending upon the skill level and location.

Workforce Wage Ratio



Legal Compliance

All significant investment agreements comply with all applicable national and local laws, which include laws like the Equal Remunerations Act, Factories Act, Bonded Labour System (Abolishment) Act, The Child Labour (Prohibition & Regulation) Act and the Minimum Wages Act, each of which covers different aspects of Human Rights criteria.

The Company strives to fulfil requirements of all local laws, which form a part of our agreements with all our service providers. Anyone working inside our premises has to be above 18 years of age, which is formally ensured at the time of hiring. Nobody is forced to work for the Company under any circumstances. Unit heads review the compliance of applicable laws and furnish a quarterly report to the management. No formal analysis has been done about the significant risks on these aspects. However, our existing systems and internal controls prevent the occurrence of such incidents.

The Organisation has been issued notices by regulatory authorities related to anti-competitive behaviour, anti-trust and monopoly practices. Three cases (2-Grasim & 1-UltraTech) have been completed by commission and four (3-Grasim & 1-UltraTech) are pending before commission. The Companies have obtained a stay on the operation of Commission's "cease and desist" orders in three cases.

Trade Associations

We are a member of several trade associations at national and regional level such as **CMA, FICCI, Assocham, CMIE, CRISIL, Indian Association of Corporate Treasurers (INACT), CRISIL INFAC, AIMA, CII for Western Region.**

We actively participate in the activities and initiatives of these associations and work closely with other members on issues of mutual interest. We also participate in various committees and task forces of BIS.

The Company also participates in Asia Pacific Partnership on Clean Development and Climate (APP7) along with CMA.

Age and Gender Composition

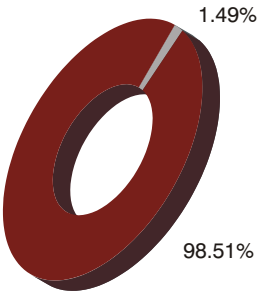
The break up of permanent employees according to gender and age is shown below in two separate charts. The composition of governance bodies according to gender is available in the annual reports of both the companies on their respective websites.

The proportion of female employees is low on account of the nature of our business, with plants located across India in remote locations. Our stated policy of no discrimination on the basis of gender or age is followed in letter and spirit and the age wise break up indicates that the young and old work together across all levels irrespective of age. No incidents of discrimination have been reported during the previous year.

Gender Composition

Male Female

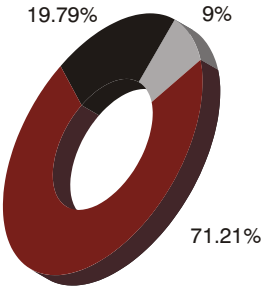
Grade	Male	Female
Leader	136	0
Manager	445	4
Executive	4,930	119
Trainee	228	5
Worker	3,737	15
Total	**9,476**	**143**



Age Composition

<30 years 30-50 years >50 years

Grade	<30 years	30-50 years	>50 years
Leader	15	92	29
Manager	14	330	105
Executive	1,156	3,504	389
Trainee	229	4	0
Worker	490	2,920	342
Total	**1,904**	**6,850**	**865**



Key HR Initiatives

For us our employees are the Group's most invaluable resource. We realise that enhancing their skill base is what will make them and the Company sustainable in a competitive market. Therefore providing them a broad career enhancement opportunity across our businesses spanning more than 20 countries, is a priority for us.

Beyond this a common set of values and code of conduct applicable to the entire set of employees in management cadre, establishes a homogenous professional behaviour across the Group.

The cement business has institutionalised all the HR initiatives formulated by the Aditya Birla Group over the last five years. These cover:

- **Recruitment and Staffing**
- **Nurturing Talent**
- **Performance Management**
- **Learning Opportunities**
- **Rewards and Recognition**
- **Group-wide People Process**
- **Quality of Life beyond Work**
- **Integration**

Recruitment and Staffing

We comply with the requirements of the Equal Remuneration Act and our remuneration policy does not discriminate on the basis of gender. It is based on objective performance evaluations. There is an internal portal, where all positions within the Group are displayed so that suitable persons from among the existing employees can apply for the same. Those shortlisted internally, compete with the external talent before the position is finalised.

Nurturing Talent

It is one of the important material issues for the Company. We have implemented a 'talent management framework' developed at Group level, which encompasses 8 career stages and 17 career-stage specific behavioural competencies. The key steps in the process are:

- ***Development Assessment Centres (DACs)***
  DACs have been designed to support managers in assessing and developing their capabilities. Post DAC, the developmental goal of an individual, in terms of priorities for learning and development experiences to move to the next career stage, is captured through the Individual Development Plan (IDP). These are monitored on a real time basis for tracking implementation on the Peoplesoft platform.
- ***Talent Reviews***
  An annual, three-tier talent review process, held at unit level, business level and Group level, ensures a focused approach to the implementation of IDPs. The review discussions provide valuable input to the career and succession planning process.
- ***Talent Engagement***
  Business heads anchor programs aimed at developing leadership potential and are personally involved in the design of specific courses. Other initiatives, such as the Chairman's Challenge and Ideas Unlimited, provide in-depth, high potential engagement opportunities.
- ***Career moves & succession plan***
  Three-tier succession planning ensures that there is adequate leadership bench strength for all critical positions.

Employee Engagement

All employees who are in management cadre participate in the Organisational Health Survey conducted at Group level every two years. The last survey was conducted in FY 2006-07 and the next survey is scheduled for FY 2008-09. The objective is to understand workplace culture, measure workplace strengths and weaknesses, benchmark workplace quality against other organisations, track performance with the past and determine enterprise level intervention areas where action is required.

During last survey, 92% managerial cadre employees responded to the survey. Grasim demonstrated significant improvements across most parameters including sense of association and pride with the Group, leadership dimensions, work environment, township facilities, performance management, learning and development and managerial effectiveness.

Employees look forward to come to work and experience greater professional satisfaction by working for the Group.

The major challenge for the business is attracting and retaining quality talent, which coupled with low satisfaction on induction is an area of concern. Based on the findings, major interventions have been implemented to retain and attract talent. A sample case study highlighting the impact on this material issue is presented herewith.

case study

12

Talent Retention

Talent retention is a major challenge in an era of surging market and talent crunch at global level. It was seen that attrition rate of new employees especially trainee engineers was very high. When we analysed the whole scenario at our plant at Khor, Madhya Pradesh, we discovered various reasons for it. On the basis of our analysis we prepared an action plan and have taken various initiatives to retain our talented team.

HR Initiatives

- The Mentor concept was strengthened and mentor-trainee meet started.
- The system of induction and socialisation process was strengthened.
- Structured monthly training review meeting was started.
- Regular one-to-one communication was established.
- Active involvement of trainees in social / club / sports activities was ensured.

Departmental Initiatives

- Annual plan of on-the-job training and monitoring of quarterly progress was firmly grounded.
- Scheduled interaction of HODs with trainees.
- Assigning departmental facilitator for trainees during on-the-job training period.

Organisation / Business Initiatives

- Compensation review.
- Separate hostel worth Rs. 26.4 million for trainees (under construction).

We have successfully implemented all the findings which has resulted in an increased retention of trainee engineers from 11% in FY 2005-06 to 72% in FY 2007-08.

Education and Training

As a forward-looking Company, we offer our employees various training opportunities and ensure that skill upgradation is a continuous process. The aim is not only to enhance performance but facilitate overall development of the employee. Training needs related to behavioural and functional aspects are assessed based on goals and objectives during the annual appraisal cycle. These are reviewed mid-year and accordingly customised individual training and education plans are drawn out. There is a range of learning modules that the employees can enrich themselves with.

Average Training Hours / Employee / Year			
Category	FY 2005-06	FY 2006-07	FY 2007-08
Leader	7.62	3.93	0.89
Manager	31.62	29.55	17.39
Executive	22.80	19.18	20.25
Trainee	44.42	36.15	48.40
Permanent worker	10.13	11.64	13.27
Outsourced labour	1.47	1.80	3.60

Gyanodaya

The vision of this training centre is, "to be at the core of an effective learning network and as a strategic business partner, harness knowledge and intellectual capital to contribute to the Group's vision of being a premium conglomerate with a clear business focus at each business level". Courses are conducted for senior employees by leading academicians from Indian and overseas business schools like the London Business School, Harvard Business School and Indian Institute of Management, Kolkata among others.

The Virtual Campus

This program offers more than 250 online courses spanning areas such as leadership, sales, marketing and engineering and is supported at unit by 'E-facilitators'.

Continued Learning Mid-career Education

This enables management staff to pursue further education. It is conducted in partnership with Universitas 21, a Singapore based e-university, which offers online MBA programs. 5 managers have successfully completed their MBA and 19 more have come on board from the cement business of Grasim.

E-360 degree Instrument - Pratibimb

This is an online 360 degree feedback tool to heighten self awareness. Managers receive feedback on Group values, global leadership competency and career stage competency.

Knowledge @ Desktop - Gyandhara

A knowledge portal which offers three unique services: **1)** Research assistance facility which guarantees less than 72 hours' response time; **2)** E-books to help managers stay at the cutting edge on 'thought leadership' **3)** A bi-monthly e-newsletter focusing on industry updates, latest industry news and management updates.

The Group Intranet - Adityadisha

The Group intranet is the information gateway for the businesses and the corporate. It serves as a repository of information for the Organisation and a channel for communication. It hosts features like career helpdesk, management circulars and provides access to multiple learning micro sites.

Organisation Case Studies - Anubhav

This captures the tacit learning of managers across various businesses of the Group. It is a knowledge repository of over 600 cases documenting success stories, as well as learning from practical problems and issues from real-life experiences and their solutions by practicing managers of the Group.

Besides these, awareness programs on issues like HIV / AIDS, diabetes, hypertension and other health related aspects are routinely conducted for employees, their families, contract labour and local communities at some of our integrated manufacturing locations.

The Aditya Birla Group also has a policy to impart counseling to its retiring employees who are at senior level. These programs assist them in making a smooth transition after retirement.

Gyānodaya
INSTITUTE OF MANAGEMENT LEARNING

U21Global
Graduate School For Global Leaders

Gyānodaya
VIRTUAL CAMPUS

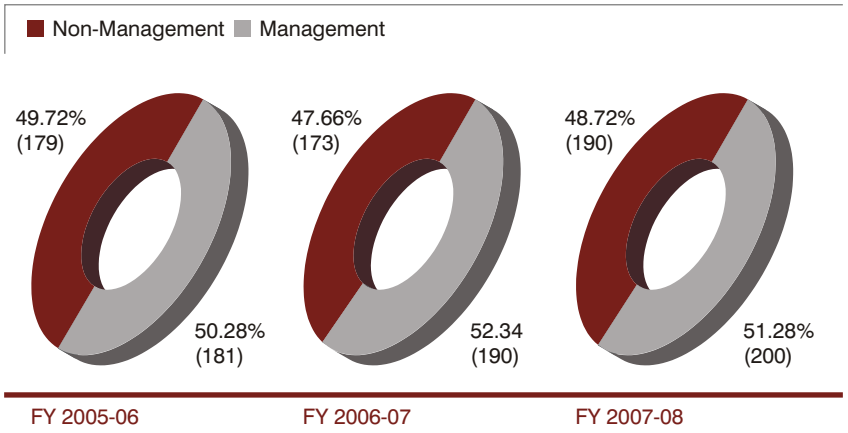
A Safer Workplace

Safeguarding our people and plants involves thinking about the unthinkable and placing safeguards accordingly. We have inculcated a strong safety culture across the Organisation and employ the highest safety standards.

All our cement manufacturing locations are OHSAS 18001 certified and adhere to a comprehensive set of guidelines and industrial norms.

All major operational locations (integrated and grinding units) have joint safety committees manned by representatives across cadres, from workmen to management. The Organisation has initiated necessary steps to enhance safety orientation across employees / contractors at plants. One of the notable actions is introduction of inter-unit safety audits to boost sharing of best practices among units.

Safety Committee Personnel Break up



(Total of 20 committees across plants.)

Safety KPIs

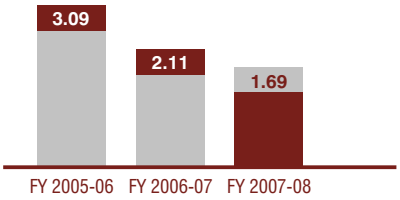
CSI recommendations and guidelines have been implemented to further strengthen the safety culture. Measuring and monitoring of safety KPIs is based on CSI guidelines and over the past 3 years the Company has been consistently improving its performance on these indicators.

There have been no reported fatalities in directly employed employees between the period of 2005 and 2008. There has been one reported fatality in third parties during FY 2007-08.

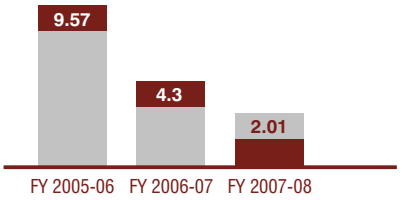
In addition to the data given, there were 14 fatalities at different project sites, which are not included in report scope, concerning subcontracted jobs during FY 2007-08.

Safety has emerged as one of the material issues and the Organisation has initiated a series of preventive and corrective measures to improve the safety performance of contract manpower, some of which are described in case studies.

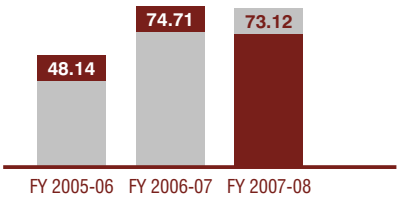
LTI Frequency Rate
Directly Employed
per million manhours



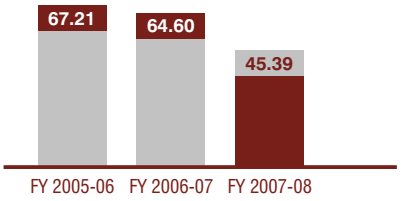
LTI Frequency Rate
Indirectly Employed
per million manhours



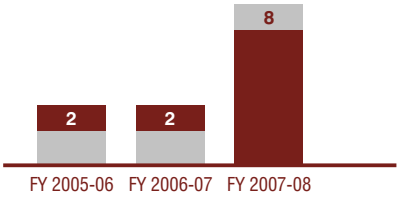
Lost day Severity Rate
Directly Employed
per million manhours (working days basis)



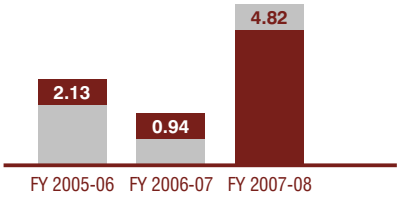
Lost day Severity Rate
Indirectly Employed
per million manhours (working days basis)



No. of Fatalities
Indirectly Employed



Fatality Rate
Indirectly Employed
per 10,000



13 Wagon Loading

We faced a bag jamming problem on loading belts of wagon loading machines at the Shambhupura, Rajasthan plant. This frequently resulted in bags falling on loaders and causing minor injuries during their repositioning/clearing.

A consequent brainstorming by the packing plant team involving the shop floor personnel resulted in modifications to the loading belt assembly. As a result, this problem decreased by 80% and FY 2007-08 was a zero accident period.

14 Combustionless Inert Gas Generation System

The combustion chamber in the old system of inert gas generation at the Malkhed, Karnataka plant was activated by auto/manual ignition. On one occasion due to failure of the auto ignition system, there was an attempt to ignite the combustion chamber manually. This caused a back fire in combustion chamber, resulting in an accident. To avoid such incidents, a new system was put in place which not only helped in safe operation of the inert gas generation, but also eliminated the need to use LPG for combustion. Over and above enhanced safety, it also accrued in fuel saving and reduction of CO_2 emissions.

15 Aluminised Fabric Proximity Suits

During a brainstorming session at the Malkhed plant in Karnataka, on the frequency of burn related accidents, a decision was taken to use aluminised proximity suits which consist of a jacket, trouser, full face shield, hand gloves and shoes. This suit provides full protection to the attendant against any hot gas / dust puffing out during poking as well as cyclone jamming removal. This has minimised the risk of exposure to high temperature hot gas / dust and improved the performance of the pre-heater attendants.

16 Safety Awareness

At the Awarpur plant in Maharashtra, a series of programs like class room training, on-site walk-downs, competitions, on-site safety talks, safety audits, and shop floor meetings are conducted during the entire month while keeping an eye on core thrust areas. A brief summary, learnings and best practices of each month are shared at the safety meeting in the following month and winners of competitions are presented with awards by Unit Head. This awareness program has changed mindsets of employees and increased their acceptance levels to adopt a new and safe way of working.

Action Taken in Response to Corruption

Corruption is the most retrograde element to the sustainable growth of any Organisation. It is like a disease which can render the insides of an Organisation hollow. If left unchecked it could collapse the entire system. We swiftly nip any cases of corruption in the bud. Some of the salient points are as under:

Conflict of Interest

The risk associated with corruption is governed by our code of conduct.

- Each employee shall ensure that all people related decisions including hiring, allocation of job responsibilities, performance rating, promotion, etc are free from bias and personal interest.
- Each employee shall ensure that if there is a perceived conflict of interest in a transaction, e.g. the vendor is personally known to individual, he / she shall inform his / her interest to the team / individual concerned and his / her manager and refrain from being part of the decision making process.
- No employee shall indulge in any action that may be construed as conflict of interest. E.g. insider trading, moonlighting, personal investment in business partners / competition, etc.
- Each employee shall ensure that all policies of the Aditya Birla Group dealing with conflict of interest are adhered to, e.g. employment of near relations, business dealing with friends and relatives, re-employment of ex-employees, etc.

All staff and officers undergo briefing on the subject at the time of joining the Organisation. The managerial cadre employees have to sign and give an undertaking that they would abide by the same. There are committees at Unit, Business and Corporate level to investigate and take actions on the related cases.

The incidents of corruption are monitored periodically to take preventive actions. During the reporting period 5 cases of corruption pertaining to land and Pet coke theft have come to light and have been promptly dealt with. At one of our plants, a staff member and a worker were dismissed, while a third case, is under inquiry for suspension. At another plant, two cases of theft were reported - one of 800 putty tokens and another of 145 putty tokens. These cases were registered with police and employees were dismissed.

Local Community

Before Corporate Social Responsibility found a place in the corporate lexicon, it was already embedded in our Group's value system. As early as the 1940s, our founder Shri G.D. Birla espoused the trusteeship concept of management. Simply stated, this entails that the wealth that one generates and holds is to be held as in a trust for our multiple stakeholders. This means investing part of our profits beyond business, for the larger good of society.

While carrying forward this philosophy, the Aditya Birla Group weaved in the concept of 'sustainable livelihood', which transcended philanthropy. This involves channeling resources, to ensure that people have the wherewithal to make both ends meet. This is best summed up in the adage, "Give a hungry man fish for a day, he will eat it and the next day be hungry again. Instead teach him how to fish and he would be able to feed himself and his family for a lifetime".

Taking these practices forward, the Aditya Birla Group institutionalised the concept of triple bottom line accountability represented by economic success, environmental responsibility and social commitment. In a holistic way, the interests of all the stakeholders have been textured into our Group's fabric.

The footprint of our social work today straddles over villages spread across all our cement manufacturing locations, reaching out to more than 200,000 people annually.

Our Strategy

In Cement Business, the projects are carried out under the aegis of the "Aditya Birla Centre for Community Initiatives and Rural Development", led by Mrs. Rajashree Birla. The Centre provides strategic direction, chalks out thrust areas and ensures performance management.

Our focus is on the all-round development of communities around our plants which are situated - mostly in distant rural areas and tribal belts. All our units have Rural Development Cells which are the implementation arms.

Projects are usually planned after a participatory need assessment of the community. Most projects have a short and a long-term rolling plan with milestones and measurable targets.

Under the aegis of **Aditya Birla Centre for Community Initiatives and Rural Development,** the Organisation has samitis or trusts at units for community development activities. Some of them are:

Aditya Janseva Trust and Jhankar Seva Samiti

Aditya Birla Grameena Vikas Trust

Vikas

Gramin Vikas Kendra

Narmada Cement Foundation Trust

Kagina Jan Seva Trust

Rajashree Seva Samiti

The objective is to phase out our presence over a period of time and hand over the reins of further development to the people. This also enables us to widen our reach. Along with internal performance assessment mechanisms, our projects are audited by reputed external agencies, who measure them on qualitative and quantitative parameters, helping us gauge the effectiveness and providing excellent inputs.

Our development partners include government bodies, district authorities, village panchayats and the end beneficiaries - the villagers. The Government has, in their 5-year plans, earmarked special funds for human development and we productively channel part of this resource. At the same time, we network and collaborate with like-minded bilateral and unilateral agencies to share ideas, draw from each other's experiences, and ensure that efforts are not duplicated. At another level, this provides a platform for advocacy.

Our Focus

The rural development activities span five key areas and our single-minded goal is to help build model self-thriving villages. Our focus areas are healthcare, education, sustainable livelihood, infrastructure and social causes, which are in line with our material issues.

- Education
- Health and Family Welfare
- Sustainable Development and Livelihood
- Infrastructure Development
- Women Empowerment
- Awareness Drives on Knowledge, Attitude and Practices

Our community work is a way of telling the people among whom we operate that
'We Care'

To actively contribute to the social and economic development of the communities in which we operate. In doing so, build a better, sustainable way of life for the weaker sections of society and raise the country's human development index.

Mrs. Rajashree Birla
Chairperson, The Aditya Birla Centre for Community Initiatives & Rural Development

Our Impact

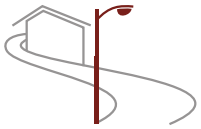
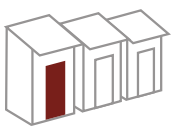
The Aditya Birla Group has a strong corporate track record of success, enterprise, values and performance. The Group's contribution in the field of Corporate Social Responsibility has left an indelible print on the local communities and has made a difference to many lives. Through the activities executed by various trusts at units, the impact has been visible around the community it operates. A summary of beneficiaries through the activities of the cement business of Grasim during FY 2007-08 is presented below.

	Community Development Activities	Beneficiaries - FY 2007-08
	**Health and Medical Facilities**	**185,208**
	**Company Managed Schools**	**405 teachers and 8,918 students in 14 schools**
	**Education and Training Activities**	**13 schools + 25,949 students + 7 Anganwadis**
	**Other Initiatives to Encourage Education** e.g. mid-day meal, kitchen construction, utensils etc.	**24,625**
	**Water Supply & Water Related Activities** (including schools)	**106,118 individuals**
	**Sports Activities** (including school and local)	**2,168**
	**Training Women and SHGs**	**2,784**
	**Agricultural Support and Training**	**927**
	**Awareness & Development Programs** (e.g. seminar on domestic violence act, learners license camp, environment awareness, worker education, wildlife protection etc.)	**3,509**

The Organisation, while setting up new projects, has also been addressing the issues of rehabilitation and resettlement of affected people along with creation of social infrastructure.

During FY 2007-08, an MOU was signed between Govt. of Rajasthan and the Organisation for an investment of Rs. 48 billion and will generate direct employment for approximately 1,000 people.

The Organisation has identified 'Pro bono work' as its material issue and has been working towards engaging local communities to make their life 'sustainable' in the long run.

	Community Development Activities	Beneficiaries - FY 2007-08
	**Health Awareness Program** (e.g. HIV, awareness on health & hygiene, water borne disease related awareness etc.)	**23,128 individuals + 5 villages**
	**Village and Community Development Plans** (e.g. road construction, street lights, construction of Panchayat bhavans, etc.)	**76,016 + 11 villages**
	**Assistance in Organising Cultural / Spiritual Programs and Other Social Welfare Activities**	**58,244 + 32 villages**
	**Animal Husbandry Development Program and Vaccination Camp**	**31,368 cattle**
	**Housing for Poor People**	**51**
	**Support to Widows, Old Age and Handicapped People**	**151**
	**Plantation** at our plants at Kharia Khangar - Rajasthan, Rawan - Chhattisgarh, Reddipalayam - Tamil Nadu, Hirmi - Chhattisgarh	**2,955**
	**Sanitation**	**1,023 + 302 nos.**
	**Villages Adopted** at our plants at Shambhupura - Rajasthan, Hirmi - Chhattisgarh, Arakkonam - Tamil Nadu, Kharia Khangar - Rajasthan, Rawan - Chhattisgarh, Reddipalayam - Tamil Nadu, Malkhed - Karnataka, Khor - Madhya Pradesh	**88**

The no. of beneficiaries have been estimated based on the population of beneficiary group.

17 Sustainable Livelihood for Local Youth

Jharsuguda plant at Orissa, invited about 40 unemployed youth from the nearby villages and conducted an awareness camp jointly with the District Industries Centre, Jharsuguda and Sultania Memorial Institute, a local NGO.

The youth were introduced to the concept of entrepreneurship and the Prime Minister Rojgar Yojana (PMRY) including training on application, project estimation and timely documentation. Support was extended for preparing project estimate and filling applications. 14 applications got selected under the PMRY.

Further, a one month training program on entrepreneurship, investment and banking was organised for these 14 candidates. Their success is encouraging other Groups and sowing the seeds for socio-economic growth of the area.

18 Vocational Training

Most women in the villages around the Reddipalayam plant in Tamil Nadu, depend on agricultural activities to earn a living. We have been implementing need based social projects for their upliftment. Every year we provide tailoring training to 40 women at a nominal fee, used for machine maintenance. After successful completion of the training, several of them have started their own tailoring shops while some have got jobs at tailoring shops near their villages, as well as at Thirupur textiles mills.

The Khor plant in Madhya Pradesh has also initiated a vocational training program for the rural unemployed youth, so they can learn productive skills and generate sufficient income. Vocational Training is offered in three trades - Two Wheeler Repairing, Motor Winding and Domestic Light Fitting. Out of 450 unemployed rural youth who were imparted training, more than 100 students are generating income through their own business.

19 Free Mega Multi Specialty Camp

Rural people have limited access to specialist doctors. Our Rural development team at the Khor plant in Madhya Pradesh felt the need to organise a mega specialty camp especially for remote villages. At the camp, held in association with reputed Hospitals and Govt. Health Dept. of Madhya Pradesh at our Vikram Hospital located in the Company premises, a total of 2,018 patients from 268 villages were given free treatment. Apart from Medicines, X-Ray, Sonography, ECG and all necessary pathological tests, transportation was also provided. 38 patients (BPL families) were identified and provided benefits under the **"Dindayal Antyoday Upchar Yojana"**. We were awarded by the District Health Department for the initiative and received appreciation letters from community leaders and Sarpanches.

20 De-fluorination Water Treatment Plant

Anantapur district is a rain scarce area with depleted ground water reserves. There is high fluoride content in ground water leading to incidences of disorders like dental fluorosis and skeletal fluorosis (stunted growth in children and severe osteoarthrosis in adults) among the villagers.

To address this problem our Tadipatri plant in Andhra Pradesh installed a water treatment plant (500 litres/hour) at Patha Kotha Cheruvu, near Guntakal in Anantapur district. The fluoride content in the raw water of this village was 1.9 ppm. Now, the purified potable water being supplied to the residents of the village has fluoride of <1.0 ppm. The key benefit of the project has been the reduction of health disorders among children.

21 Man of Help to Orphans (MOHO)

In Sanskrit, MOHO literally means - one's attachment to his own belongings & his family. We define MOHO as “Man of Help to Orphans”- someone, committed to serve deprived children of society and make them feel secure and cared for.

MOHO is a project initiated at our Rayagada Depot under the aegis of the UltraTech Cement Club. Here, each member takes care of the needs of one child through a tele-care concept and engages with the child on special occasions like birthdays, exams, festivals, etc. This makes the child feel special and cared for, builds an emotional bond of belonging and integrates them in society.

MOHO also organises various activities at local orphanages. It provided teaching facilities to 42 children at an orphanage near Bolangir for a year and assisted with essential requirements like mosquito nets, books, safe drinking water radio / tape recorder etc. It also organised a family picnic for orphans to inculcate in them a feeling of social acceptance.

22 Providing Infrastructure

The villages around our Reddipalayam plant at Tamil Nadu had poor infrastructure with inaccessible muddy roads inundated with waste water, inadequate drinking water for students, open defecation very close to the village, etc.

With the objective of providing better infrastructure facilities, our team decided to jointly implement existing schemes with the concerned department of the Tamil Nadu Government. We contributed on behalf of the community to help kick-start government schemes such as Sarva Shiksha Abhiyan Scheme and Namakku Naame Thittam. Our total mobilisation for creating infrastructure facilities for FY 2007-08 was about Rs. 51.98 million.

23 Supplementing Government Schemes

Students studying in Standard 1 to 5 are provided mid-day meals daily under the government scheme **"Sarva Shiksha Abhiyan"**.
To support this project, a tripartite agreement was signed among Shambhupura plant at Rajasthan, State Government and an NGO (Naandi Foundation). This plant contributed Rs 7.5 million for the development of a hi-tech mechanised kitchen. The kitchen today serves meals to around 22,000 students in 332 schools.

24 Animal Breed Improvement through Artificial Insemination

The Hirmi plant in Chhattisgarh has undertaken initiatives to promote and motivate villagers to improve the breed of their livestock. The initiative includes access to skilled manpower for livestock development, educating villagers on the subject, conducting vaccination and treatment camp, door to door treatment services and providing general guidance for better animal health and castration of local bulls.

This has resulted in increased milk production (from ½ litre to 6-8 litres/day) and income, rearing of superior quality bullocks which in turn economically empowers the cattle owners. Recently the Government Veterinary Department and Krishak Samridhi magazine honoured 3 farmers representing Paraswani village with **"Krishak Ratna"** award at Indira Gandhi Agriculture University, Raipur on their achievements in this area.

25 Low Cost Toilets for the Community

In collaboration with district authorities, the Arakkonam plant in Tamil Nadu adopted 4 villages with the objective of improving sanitation facilities. We started at Chitteri and Parthiputtur villages and identified the requirement for 275 sanitary units. Street plays were conducted to educate the community on health and sanitation. Thus, we not only provided the infrastructure, but also invested in awareness to ensure that the villagers use them and maintain them.

26 Drug De-addiction Camp

Drug addiction is a social problem around the local community at the Bathinda plant in Punjab. Crime rate is on the rise and thousands of families are facing socio-economic deterioration. In a combined initiative with the district administration, our unit is playing a pivotal role in combating the problem.

Over and above financial and infrastructural assistance we operate a de-addiction camp. The camp is open every Saturday for free consultation and medication. Till date the camp has conducted 340 consultations and rehabilitated more than 25 addicts who are now living a normal healthy life.

the road **ahead**

Social Satisfaction Survey at all Sites (Integra
Biodiversity Survey on Protected Land at Jaffarabad & Kovaya plants, Gujarat
Implement 3rd party Environmental Audit
Implement 3rd party Annual Safety Audit
Address Issues on Composition of Joint Safety Committees
2009-10
2008-09
2008-09

Future Roadmap

Monitoring SO_x and NO_x at Integrated Plants — 2010-11

Set Targets on CSI KPIs — 2010-11

Reporting on all CSI KPIs — 2010-11

ated Plants) — 2009-10

2009-10

Ernst & Young Pvt. Ltd.
3rd Floor,Block 'C'
22, Camac Street
Kolkata-700 016, India
Tel: +91 33 6615 3400
Fax: +91 33 2281 7750
www.ey.com/india

Independent Assurance Statement

The Management
Grasim Industries Ltd - The Cement Business
Mumbai, India

Independent Assurance Report

Aditya Birla Group - The Cement Business ("the Company") has requested Ernst & Young Pvt. Ltd. ("EY") to provide an independent assurance on its Corporate Sustainability Report for the financial year 2007-2008. The Company's management is responsible for the content of the report, identification of key issues, engagement with stakeholders and its presentation. EY's responsibility is to provide independent assurance on the report content as described in the scope of assurance. Our responsibility in performing our assurance activities is to the management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any dependence that any such third party may place on the Report is entirely at its own risk. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

Scope of Assurance

The scope of the assurance covers sites and indicators considered relevant to the Company and include:

- Data and information related to the Company's sustainability performance for the period 1 April 2007 to 31 March 2008;
- Review of key performance indicators of Cement Sustainability Initiative (CSI) relating to CO_2 emissions and safety;
- The Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data;
- Sustainability specific data and information related to materials, energy, water, waste, biodiversity, environmental expenditure, workforce and safety covering a sample of 18 of the Company's 43 units, including integrated cement units, grinding units, bulk terminals and Ready-Mix-Concrete (RMC) units across 15 locations in India.

Exclusions

The assurance scope excludes:

- Aspects of the Report other than those mentioned above;
- Data and information outside the defined reporting period (1 April 2007 to 31 March 2008);
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention provided by the Company;
- Issues related to Intellectual Property Rights and other competitive issues;
- Data and information on economic and financial performance of the Company.

Methodology

The assurance was based on interaction with key personnel of the Company to identify the processes in place; capture sustainability performance data as per GRI 2006 (GRI G3) guidelines; followed by reviews of the processes for collecting, compiling, and reporting these indicators at the corporate and operating unit levels.

We conducted "limited assurance" in accordance with International Federation of Accountant's International Standard for Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

EY's multidisciplinary team of professionals visited the Company's corporate office and manufacturing locations to gain assurance on the data and information presented in the report. The team interacted with a select set of internal and external stakeholders; reviewed the Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data to arrive at the conclusions.

Site Visits to the Company's locations

Site visits to manufacturing and marketing locations, as mentioned above, were carried out to review the sustainability performance data. Sample data were tested for their auditability and accuracy. Assumptions made for arriving at final numbers against the sustainability performance indicators were understood and necessary clarifications were obtained. Stakeholder engagement process was reviewed through interviews with concerned personnel.

Appropriate evidences to support the conclusions in this assurance report were obtained. Most of the information and data reviewed were supported with documentary evidence; wherever such documentary evidence could not be collected on account of confidential information, our team physically reviewed the documents.

Observations

Our observations on the Report are as follows:

- The Report elaborates the material issues that have been identified by the Company in consultation with its key stakeholders;
- The Report presents safety and CO_2 emissions information as per CSI protocols and includes key sustainability commitments for 2008-09;
- Ground water withdrawal has been estimated at several locations. Improved systems need to be established for accurate monitoring of water withdrawal;
- The recording of disposal of non-hazardous concrete slurry from concrete units may be improved;
- There is an opportunity for improvement for ensuring that training details are uniformly reported across sites;
- The Company is involved in extensive Corporate Social Responsibility (CSR) activities, and common CSR framework/ guidelines for the entire cement business may help strengthen the focus on business-wide social responsibility programs.

Conclusions

On the basis of our assurance methodology, nothing has come to our attention that would cause us not to believe that:

- The Report presents the Company's sustainability performance covering the indicators as mentioned in the scope;
- The Company has reported on material issues that have significant impact on the Company and are of high importance to stakeholders.

for Ernst & Young Private Limited

Sudipta Das
Partner

29 April 2009
Kolkata

The Grasim CSR Report 2007-08, 'Cementing Relationships' is a

'GRI Checked' Application Level A+ Report.

GRI Application Levels

There are three levels in the system. They are titled C, B, and A.

Each level reflects a measure of the extent of application or coverage of the GRI Reporting Framework, A being the maximum and C being the minimum.

Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures: G3 Profile Disclosures OUTPUT	Report on: 1.1, 2.1 - 2.10, 3.1 - 3.8, 3.10 - 3.12, 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2, 3.9, 3.13, 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
Standard Disclosures: G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
Standard Disclosures: G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human Rights, Labour, Society, Product Responsibility.		Report on each core G3 and Sector Supplement Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

To know more about GRI please visit www.globalreporting.org

Content Index - GRI

Profile Disclosure	Description	Reference	Extent of Reporting	Remarks
1: Strategy and Analysis				
1.1	Statement from the most senior decision maker of the Organisation	3-4	Full	
1.2	Description of Key impacts, risks and opportunities	19-20 & 25-26	Full	
2: Organisational Profile				
2.1	Name of the Organisation	13	Full	
2.2	Primary brands, products and/or services	15	Full	
2.3	Operational Structure of the Organisation, including main divisions, operating companies, subsidiaries and joint ventures	13-14	Full	
2.4	Location of Organisation's headquarters	Index	Full	
2.5	Countries where the Organisation operates	15	Full	
2.6	Nature of ownership and legal form	13, 28	Full	
2.7	Markets served	15	Full	
2.8	Scale of the reporting Organisation	13-14	Full	
2.9	Significant changes during the reporting period regarding size, structure, ownership	24	Full	
2.10	Awards received in the reporting period	16	Full	
3: Report Parameters				
3.1	Reporting period for information provided	23	Full	
3.2	Date of most recent previous report	-	NA	No previous report has been published.
3.3	Reporting cycle	23	Full	
3.4	Contact point for questions regarding the report or its contents	24	Full	
3.5	Process for defining report content	22-23	Full	
3.6	Boundary of the report	23-24	Full	
3.7	Specific limitations on the scope, or boundary of the report	23-24	Full	
3.8	Basis for reporting on joint ventures, subsidiaries, outsourced operations, etc	13-14 23-24	Full	
3.9	Data measurement techniques and the bases of calculations	23, 30	Full	
3.10	Explanation of effect of re-statements of information provided in earlier reports	-	NA	No previous report has been published.
3.11	Significant changes from previous reports in the scope, boundary, or measurement methods	-	NA	No previous report has been published.
3.12	Table identifying the location of the Standard Disclosures in the report	71-75	Full	
3.13	Policy and current practice with regard to seeking external assurance for the report	23	Full	
4: Governance, Commitments and Engagement				
4.1	Governance structure of the Organisation	28	Full	
4.2	Indicate if Chair of the Board is also an executive officer	28	Full	
4.3	Board members that are independent and/or non-executive members	28	Full	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction	32	Full	
4.5	Link between compensation of Board and management with performance	29	Full	Refer AR Page Nos. 25-26 www.grasim.com/investors/downloads/Grasim_Annual_Report_FY2008.pdf
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	29	Full	
4.7	Process for determining the qualifications and expertise of the members of the Board	29	Full	Refer AR Page No. 30 www.grasim.com/investors/downloads/Grasim_Annual_Report_FY2008.pdf
4.8	Internally developed statements of mission or values, codes of conduct, and principles	7-12, 29	Full	
4.9	Procedures of the Board for overseeing identification and management of performance	28	Full	
4.10	Processes for evaluating the Board's own performance	29	Full	Refer AR Page Nos. 25-26 www.grasim.com/investors/downloads/Grasim_Annual_Report_FY2008.pdf

Content Index - GRI

Profile Disclosure	Description	Reference	Extent of Reporting	Remarks
4.11	Explanation of whether and how the precautionary approach or principle is addressed	29	Full	Refer AR Page No. 18 www.grasim.com/investors/downloads/Grasim_Annual_Report_FY2008.pdf
4.12	Externally developed economic, environmental and social charters / principles	30	Full	
4.13	Memberships in associations	54	Full	
4.14	List of stakeholder Groups engaged by the Organisation	32	Full	
4.15	Basis for identification and selection of stakeholders with whom to engage	32	Full	
4.16	Approaches to stakeholder engagements	32	Full	
4.17	Key topics and concerns that have been raised through stakeholder engagement	32	Full	
DISCLOSURES ON MANAGEMENT APPROACH (DMAs)				
DMA EC	Disclosure on Management Approach EC	30	Full	
DMA EN	Disclosure on Management Approach EN	30	Full	
DMA LA	Disclosure on Management Approach LA	30	Full	
DMA HR	Disclosure on Management Approach HR	30	Full	
DMA SO	Disclosure on Management Approach SO	30	Full	
DMA PR	Disclosure on Management Approach PR	30	Full	
PERFORMANCE INDICATORS				
Environmental				
Performance Indicator	**Description**	**Reference**	**Extent of Reporting**	**Remarks**
EN 1	Materials used by weight	42	Full	
EN 2	Materials used by weight that are recycled input materials	43	Full	
EN 3	Direct energy consumption by primary energy source	41	Full	
EN 4	Indirect energy consumption by primary source	41	Full	
EN 5	Energy saved due to conservation and efficiency improvements	41	Full	
EN 6	Initiatives to provide energy efficient products and services.	40	Full	
EN 7	Initiatives to reduce indirect energy consumption	41	Full	
EN 8	Total water withdrawal by source	46	Full	
EN 9	Water sources and related habitats significantly affected by withdrawal of water	45-46	Full	
EN 10	Percentage and total volume of water recycled and reused	45	Full	
EN 11	Location and size of land owned, leased, or managed in, or adjacent to, protected areas and areas of high bio-diversity value outside protected areas.	46	Full	
EN 12	Description of significant impacts of activities, products & services on biodiversity in protected areas	46	Full	
EN 13	Habitats protected or restored	46	Full	
EN 14	Strategies, current actions, and future plans for managing impacts on biodiversity	46, 67-68	Full	
EN 15	IUCN Red List species and other list species with habitats affected by operations	-	Full	No listed species are affected by operations
EN 16	Total direct and indirect GHG emissions by weight	43-44	Full	
EN 17	Other relevant indirect GHG emissions by weight	43-44	Full	
EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved	43-44, 49	Full	
EN 19	Emissions of ozone-depleting substances by weight	44	Full	
EN 20	NOx, SOx, and other significant air emissions by type weight	44	Full	
EN 21	Total water discharge by quality and destination	45	Full	
EN 22	Total weight of waste by type and disposal method	45	Full	
EN 23	Total number and volume of significant spills	45	Full	
EN 24	Weight of waste transported deemed hazardous	45	Full	
EN 25	Details of water & habitats significantly affected by discharges of water and runoff	45	Full	Zero water discharge from all cement manufacturing locations.

Content Index - GRI

Performance Indicator	Description	Reference	Extent of Reporting	Remarks
EN 26	Initiatives to manage the environmental impacts of products and services and extent of impact reduction	48-50	Full	
EN 27	Percentage of products sold and their packaging materials reclaimed by category	42	Full	
EN 28	Incidents of, and fines or non-monetary sanctions for, non-compliance with applicable environmental regulations	-	Full	No such incidents in the reporting period.
EN 29	Significant environmental impacts of transporting products etc and workforce	44	Full	
EN 30	Total environmental protection expenditures by type	47	Full	
Labour Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region	52	Full	
LA2	Total number and rate of employee turnover by age group, gender, and region	54	Full	
LA3	Minimum benefits provided to full-time employees, which are not provided to temporary or part-time employees	53	Full	
LA4	Percentage of employees covered by collective bargaining agreements	53	Full	
LA5	Minimum notice period(s) regarding significant operational changes	-	Full	There is no documented policy on this matter, however, such changes are informed to employees through management circulars.
LA6	Percentage of workforce represented in formal joint management full worker health and safety committees	57	Full	
LA7	Rates of injury, occupational diseases, lost days & number of work-related fatalities by region	57-59	Full	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	52 & 61-62	Full	
LA9	Health and safety topics covered in formal agreements with trade unions	53	Full	
LA10	Average hours of training per year per employee broken down by employee category	56	Full	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	55-56	Full	
LA12	Percentage of employees receiving regular performance and career development reviews.	53, 55-56	Full	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	-	Full	The Company does not discriminate based on minority, hence this classification is not captured.
LA14	Ratio of basic salary of men to women by employee category.	55	Full	
Human Rights Performance Indicators				
HR1	Percentage and total number of significant investment agreements that include human rights clause or that have undergone human rights screening.	53	Full	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	54	Full	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	-	Full	The trainings are imparted on the subject through various training programs, but the total hours on this account are not captured explicitly.
HR4	Total number of incidents of discrimination and actions taken	-	Full	There have been no cases.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	53	Full	
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	54	Full	There have been no such operations.
HR7	Operations identified as having significant risk for forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour	54	Full	
HR8	Percentage of security personnel trained in the Organisation's policies or procedures concerning aspects of human rights that are relevant to operations	-	Partial	Training is imparted on the subject through various training programs, but the total hours/persons on this account are not captured explicitly.

Content Index - GRI

Performance Indicator	Description	Reference	Extent of Reporting	Remarks
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	-	NA	It does not apply to the geography where Company operates.
Society Performance Indicators				
SO1	Nature, scope and effectiveness of any programs and practices that access and manage the impacts of operations on communities, including entering, operating and exiting	61-62	Full	We are in the process of formulating uniform practices across all sites.
SO2	Percentage and total number of business units analyzed for risks related to corruption	59	Full	
SO3	Percentage of employees trained in Organisation's anti-corruption policies	59	Full	
SO4	Actions taken in response to incidents of corruption	59	Full	
SO5	Public policy positions and participation in public policy development and lobbying	20, 54	Full	
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by Country	-	Full	We contributed Rs. 40.5 million to General Electoral Trust, which is related to political institutions.
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	54	Full	
SO8	Monetary value of significant fines and total number of non monetary sanctions for non compliance with laws and regulations	-	Full	No such incidents took place during the reporting period.
Product Responsibility Performance Indicators				
PR1	Life cycle stage in which health and safety impacts of products and services are assessed for improvements and the percentage of significant products and services categories subjected to such assessments	35	Full	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	35	Full	
PR3	Type of product and service information required by procedures and percentage of significant products and services subjected to information requirements	35-36	Full	
PR4	Number of incidents of non compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	35-36	Full	
PR5	Practices related to customer satisfaction, including result of surveys measuring customer satisfaction	34-38	Full	
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	36	Full	
PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising	36	Full	
PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	35	Full	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	35-36	Full	There were no significant fines or monetary sanctions in the reporting period.
Economic				
EC1	Direct Economic value generated and distributed	34	Full	
EC2	Financial implications and other risks and opportunities for the Organisation's activities due to climate change	19-20	Full	
EC3	Coverage of the Organisation's defined benefit plan obligations	-	Full	The benefit plan is in compliance with regulation.
EC4	Financial assistance received from Government	-	Full	Received Rs.1845.50 million as tax relief / credits from Government during the year.
EC5	Ratio of entry level wage to local minimum wage	53	Full	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	-	Full	There is no Company policy of local purchase. During the last 3 years, more then 80% (by Value) purchases were from the same locality (same or neighbouring states where plants are located.)
EC7	Procedures for local hiring, and proportion of senior management hired from the local community in locations of significant operation	55	Full	
EC8	Development and impact of infra-structure investments and services provided primarily for public benefit	61-65	Full	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	61-65	Full	

Acronyms

ABG	Aditya Birla Group
ABMCL	Aditya Birla Management Corporation Limited
AIDS	Acquired Immuno Deficiency Syndrome
BIS	Bureau of Indian Standards
BOD	Biological Oxygen Demand
BPL	Below Poverty Line
BPO	Business Process Outsourcing
C&F team	Clearing and Forwarding Team
CDM	Clean Development Mechanism
CEO	Chief Executive Officer
CII	Confederation of Indian Industry
CIMPOR	European Cement Manufacturing Company
CMA	Cement Manufacturers' Association
CO_2	Carbon Dioxide
COF	Customer Order Fulfilment
CRZ	Coastal Regulation Zone
CSI	Cement Sustainability Initiative
CuM	Cubic Metre
DACs	Development Assessment Centres
DLF	A Construction Company
ECG	Electrocardiogram
EPL	Environmental Protection License
ERP	Enterprise Resource Planning
ESOS	Employee Stock Options Scheme
ESP	Electro Static Precipitator
ETP	Effluent Treatment Plant
EVG&D	Economic Value Generated and Distributed
FHs	Functional Heads
FLS	FL Smidth (a company)
GHG	Greenhouse Gases
GJ	Giga Joules
GPS	Global Positioning System
GRI	Global Reporting Initiative
HIV	Human Immunodeficiency Virus
HODs	Head of Departments
IDP	Individual Development Plan

Acronyms

IMC	Indian Merchants' Chamber
ISO	International Organisation for Standardisation
IUCN	International Union for Conservation of Nature
Kcal/kg	Kilocalorie per Kilogram
KPI	Key Performance Indices
kWh/tonne	Kilowatt Hour per Tonne
LPG	Liquified Petroleum Gas
LTI	Lost Time Injury
MOHO	Man of Help to Orphans
MOU	Memorandum of Understanding
MSW	Municipal Solid Waste
NGO	Non Government Organisation
NO_x	Oxides of Nitrogen
OHSAS	Occupational Health and Safety Assessment System
OPC	Ordinary Portland Cement
PM	Performance Monitoring
PMYR	Prime Minister Rojgar Yojana
PPC	Portland Pozzolana Cement
ppm	Parts-per-Million
RMC	Ready Mixed Concrete
S&OP	Sales & Operations Process
SEZ	Special Economic Zone
SHG	Self Help Group
SHs	Section Heads
SLP	Special Leave Petition
SO_x	Oxides of Sulpher
SPCB	State Pollution Control Board
SPM	Suspended Particulate Matter
sq. ft.	Square Feet
TASC	Technical Assistance and Service to Customers
TPA	Tonnes per Annum
TPH	Tonnes per Hour
TSS	Total Suspended Solids
UK	United Kingdom
USA	United States of America
WBCSD	World Business Council for Sustainable Development

Concept & Design: Cognito, India

www.grasim.com | www.ultratechcement.com

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-2086
© 1996 Forest Stewardship Council

EMAS

Printed on environment-friendly, chlorine-free Arctic Volume HighWhite paper