

ADITYA BIRLA



BIRLA CARBON

A FOUNDATION OF **EXCELLENCE**

A **SUSTAINABLE** FUTURE

A SUMMARY OF BIRLA CARBON'S
SUSTAINABILITY REPORT 2014



OUR BUSINESS

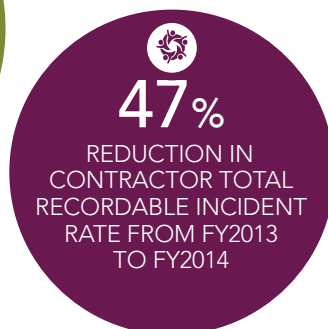
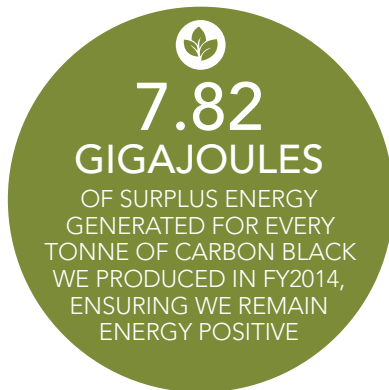
HOW WE OPERATE

Birla Carbon is the world's largest manufacturer and supplier of carbon black. With more than 2,600 employees and operations in each of the key markets of Asia, Europe, Africa and the Americas, we are able to deliver consistent, high-quality products and services to customers in over 70 countries. Our global presence ensures complete supply coverage in both established and emerging markets.

Our comprehensive portfolio of products covers standard ASTM grades of carbon black for Rubber, and Specialty Blacks for a diverse range of applications. Our key brands include Birla Carbon®, Raven® and Conductex®.

ADITYA BIRLA GROUP

Our parent company, Aditya Birla Group, is a \$40 billion global conglomerate with a leading presence in a range of manufacturing and service sectors, including carbon black, cement, textiles, non-ferrous metals, mining, telecommunications and retail. Headquartered in Mumbai, India, the group employs over 120,000 people across 36 countries worldwide.



“While we are invested in creating a better future for all of us, we are mindful that creating excellence in our operations is an everyday responsibility. Our commitment to the safety and wellbeing of our people, providing a fair and secure environment to our workforce and creating a positive influence in the communities we operate remain our priority.”

DR SANTRUPT MISRA, CEO, BIRLA CARBON AND DIRECTOR, HUMAN RESOURCES, ADITYA BIRLA MANAGEMENT CORP. PVT LTD.

SUSTAINABLE OPERATIONAL EXCELLENCE

OUR STRATEGY

To achieve our ambition of being the most respected, sustainable and dynamic global carbon black business, we must act in a responsible and sustainable way while providing a secure supply of the highest-quality carbon black across the globe.

Our strategy of Sustainable Operational Excellence (SOE) helps us achieve this by guiding the way we do business across our global operations. Supported by Enterprise Risk Management and Best Practice Management, SOE helps us improve standards, manufacture carbon black as efficiently as possible and minimize any negative impacts on the environment and society, while continuing to deliver excellence to our customers. It influences the way we behave and the business decisions we make, from designing and operating our plants to engaging with our employees.

OUR PRODUCT AND PROCESSES

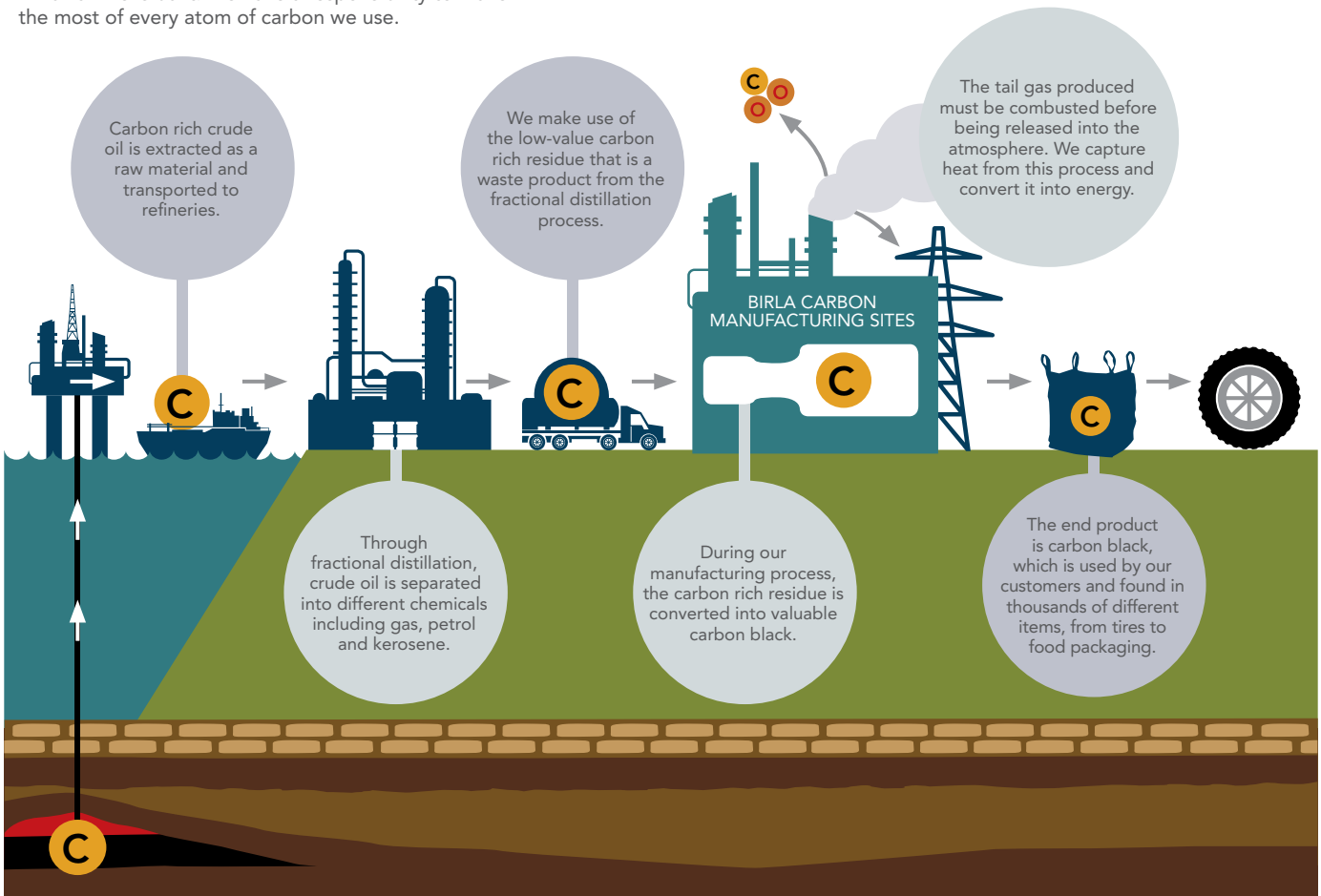
Carbon black is a fine, black powder, essentially composed of carbon, which helps make many of the things we use every day stronger, brighter and longer lasting. It is produced by pyrolysis – partially burning low-value oil residues at high temperatures under controlled process conditions. Carbon black is mainly used to strengthen rubber in tires, but is also used as a pigment, UV stabilizer, conductive agent or insulating agent in a variety of specialty rubber, plastic, ink and paint applications.

OUR APPROACH TO CARBON STEWARDSHIP

Our energy and emissions strategy is based on two pillars: converting more carbon from the oil and gas we use as feedstock into carbon black, and viewing energy – whether electricity, steam or tail gas – as a valuable product that we use to reduce manufacturing cost and sell to increase revenues which enables us to invest in new, improved technologies.

C CARBON ATOMS

Carbon is a naturally occurring chemical element on which all life is built. We have a responsibility to make the most of every atom of carbon we use.



OUR KEY ISSUES

Our sustainability strategy focuses on the issues that are most important to our stakeholders, as well as areas that have a material impact on the future competitiveness of our business. In 2013 we reviewed the materiality analysis we conducted the previous year to help us refine existing areas of focus and identify emerging issues. This enabled us to prioritize the issues deemed most important to our stakeholders, including product safety, human rights, safety performance, compliance and ethics.

We have grouped the issues into six focus areas, which make up the elements of the 2014 Birla Carbon Sustainability Report.

-  GOVERNANCE AND ETHICS
-  PRODUCT RESPONSIBILITY
-  ENVIRONMENT
-  CUSTOMERS AND SUPPLIERS
-  PEOPLE
-  COMMUNITIES

OUR MOST MATERIAL ISSUES

The diagram below shows how the risks and opportunities within these focus areas compare in terms of importance to our business.



OUR PRIORITIES



GOVERNANCE AND ETHICS

We aim to conduct our business with integrity at all times, promoting a culture of respect for our customers, employees, suppliers, and the environment. Our Code of Conduct, global policies and governance structure ensure we remain committed to high ethical standards and are compliant with laws wherever we operate.

By August 2014 we will have reached 100% of our employees with our Code of Ethics training. We also continued to roll out a hotline that allows our employees to anonymously report any illegal or non-compliant behavior they observe at work. So far it has been made available at 11 sites, with the aim of covering all sites by the end of 2014.

We also implemented a new Birla Carbon business continuity initiative, which is modeled under the ISO 22301 Business Continuity Management standard. The standard is designed to help organizations, regardless of their size, location or activity, be better prepared to deal with disruptions of any type. Achieving ISO 22301 will demonstrate to our customers and suppliers our proactive approach to dealing with potential risks to the business.

2014

LAUNCHED OUR
UPDATED **CODE OF
ETHICS** IN APRIL 2014

Read more at www.birlacarbon.com



PRODUCT RESPONSIBILITY

We are committed to providing our customers with high-quality, thoroughly tested products that meet or exceed all regulatory requirements and lead the way in efficiency. This will enable them to provide the safest, highest-performance products to their consumers. It is also important that we communicate our developing knowledge of carbon black to all our stakeholders.

In the last year we boosted our product testing capacity by approximately 400%, while our product stewardship team engaged with customers on 1,224 occasions. In addition, the seven product stewardship audits we carried out in FY2014 told us that employees don't always know where to find our updated product safety guidance and that there can be inconsistencies in how we communicate customer requests for product stewardship information. We therefore designed a repository for Safety Data Sheets and will introduce Product Stewards to increase knowledge and expertise in our workforce.

95%

**OF CUSTOMER
INFORMATION REQUESTS
ANSWERED WITHIN 24
HOURS IN FY2014, AHEAD
OF OUR FIVE DAY TARGET**

“We recognize that success is not just about growth; it’s about contributing solutions to challenges facing society. I believe it’s essential that we act as responsible stewards of the environment and, by the nature of our business, as responsible stewards of the world’s carbon.” **KEVIN BOYLE**, CHIEF OPERATING OFFICER



ENVIRONMENT

Our business depends on limited natural resources such as oil, gas and water, and we recognize that we have a responsibility to grow our business in a way that uses these resources wisely. Our environmental strategy focuses on four areas – energy and emissions, water, waste, and responsible sourcing and consumption.

In FY2014 we invested \$20.2 million in process improvements related to energy efficiency and reducing greenhouse gas emissions (GHG), including high temperature and heat recovery technology which reduces fuel consumption and increases yield. We also started introducing Regional Energy Managers (REMs) at our sites in Asia, Europe and Africa to identify any potential emission reduction measures and provide expertise and support to the sites as they implement improvement processes.

During the last year one further Birla Carbon plant became energy positive, meaning that, globally, we generate surplus energy while manufacturing carbon black. In FY2014 we conducted a Life Cycle Assessment (LCA) to measure the impacts of our feedstock and carbon black – from crude oil extraction to the delivery of carbon black to our customers’ gates. The assessment will help us better understand our impact with regard to CO₂ emissions and identify opportunities to reduce our overall carbon footprint.

4.6%

REDUCTION IN **DIRECT**
CO₂ EMISSION INTENSITY
FROM FY2013 TO FY2014

Read more at www.birlacarbon.com



CUSTOMERS AND SUPPLIERS

As the only global business focused solely on carbon black production, we are in a strong position to supply our customers with groundbreaking products of the very highest quality. Our goal is to ensure that every batch of carbon black we produce complies with our clients’ stringent specifications relating to cleanliness, morphology, and bead properties.

To remain as the global carbon black leader we must engage closely with our customers to fully understand their needs, further strengthen our rigorous product quality program, and work with suppliers to ensure they are always able to meet our high standards.

In FY2014 we held our second global Customer Satisfaction Survey, which will provide important feedback on what matters most to our customers. We also held a number of customer audits last year and are working on our own supplier code of conduct, which will ask suppliers to adhere to a number of components across key areas such as human rights, labor practices and corporate governance.

2015

COMMITTED TO LAUNCH
SUPPLIER CODE OF
CONDUCT IN FY2015

“Developing and promoting internal talent is a key part of our people strategy, as it ensures that we continue to have a good set of skills available across all levels of the business.”

TIMOTHY FEDRIGON, DEPUTY CHIEF PEOPLE OFFICER



PEOPLE

At Birla Carbon, we engage our employees and offer opportunities to help build successful careers. That's one of the reasons why many of our people stay with us for a long time. Attracting, developing and retaining talented college graduates is a key priority and in many of our regions we are now hiring more graduates with an emphasis on technical and leadership skills.

In 2013 Birla Carbon launched the Management Development Program – a development initiative for management cadre employees based on technical and behavioral competencies. The online system captures development needs for every employee within the business. Then, with the assistance and support of their supervisors, employees can define their personalized development plan in a structured way. 100% of management cadre employees are currently taking part in a Management Development Plan.

Nothing is more important to us than the health and safety of our people. While our employee Total Recordable Incident Rate (TRIR) is strong for our industry, the rate has plateaued in recent years. Our target remains zero injuries, year on year, and we will continue to work toward this goal by focusing on an improved culture of safety within Birla Carbon.

\$7.9M

INVESTED IN **HEALTH,
INFRASTRUCTURE
AND EQUIPMENT**

Read more at www.birlacarbon.com



COMMUNITIES

We engage closely with our local communities to understand and address the priorities of the region. Our social investment programs, developed in partnership with local community groups, are designed to deliver long-term socio-economic benefits to the region and support local people. Our focus areas are health, education, social investment and charitable giving.

Our community activity in FY2014 included helping to launch Community Development Associations (CDAs) in four villages in Egypt. These locally governed organizations enable communities to set up, formalize and coordinate their own development programs, from health clinics to literacy classes. In Angthong, Thailand, we introduced an English language training program for local school teachers, and in Gummidipoondi, India we installed water purifiers in nine schools, benefitting 2,500 children.

We also provided vocational training for local women in Patalganga and Renukoot, India, giving them the skills to earn a reliable income. During September and October 2013, our plants in Europe (Germany, Spain, Italy and Hungary) held open days, during which we invited the local community to visit the plant so they could learn more about the business and carbon black.

\$70,742

RAISED FOR **UNITED WAY**, A
CHARITABLE ORGANIZATION
THAT SUPPORTS SOCIAL
DEVELOPMENT PROGRAMS

OUR TARGETS AND PROGRESS



- Improving
- On track to meet target
- Behind schedule

	PERFORMANCE			PROGRESS	TARGETS
	FY2012	FY2013	FY2014		FY2020
BUSINESS MANAGEMENT					
Maintain our leadership position in terms of carbon black production capacity	No. 1	No. 1	No. 1		No. 1
Approximately double our annual capital spending versus FY2012 baseline to reach \$100M	\$51.8M	\$66.5M	\$64.1M		> \$100M
GOVERNANCE AND ETHICS					
100% of employees to receive Combined Code of Ethics training	94%	94%	100% ¹		100%
ENVIRONMENT					
Reduce our direct emission intensity (tCO ₂ /t _{carbon black}) by over 22% versus 2005 baseline	98.8%	95.2% ²	90.7%		< 78%
Increase our net energy output intensity (tCO ₂ -eq/t _{carbon black}) by over 25% versus FY2013 baseline	n/a	100%	99.6%		> 125%
Reduce by 50% our water withdrawal intensity (m ³ /t _{carbon black}) versus FY2012 baseline	100%	106%	104%		< 50%
Reduce by 50% our waste generation intensity (t/t _{carbon black}) versus FY2012 baseline	100%	208%	144%		< 50%
Zero environmental releases	0	0	1		0
PEOPLE					
Zero recordable injuries (report on TRIR progress)	0.62	0.57	0.78		0
100% of Birla Carbon managers to have stated and measured leadership development goals set annually	n/a	n/a	100%		100%
COMMUNITIES					
100% of our facilities to participate in community engagement	100%	100%	100%		100%

¹ We are on target to achieve this by August 2014

² Revised value based on improved calculation methodology

FEEDBACK

Feedback on our second report is an essential component of our commitment to Sustainable Operational Excellence. Comments are reviewed by our management and will, in many cases, be incorporated into future reports.

For more information please visit www.birlacarbon.com

Please send your feedback to:

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Birla Carbon

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