It’s all in the environs.
"This report has been preliminary checked by the GRI Secretariat for the 'in accordance' conditions. Although GRI does not fully audit self declared 'in accordance' reports for conformity with all 'in accordance' requirements, as a "preliminary check, GRI does ascertain whether (a) a content index appears and (b) whether the CEO or Board representative signature appears, pursuant to 'in accordance' conditions in the Guidelines. This is not a certification scheme, but a simple feedback process where GRI can express its opinion as to whether or not the conditions have been met."
In 2007, we have come up with our third CSR, apart from our Annual Report; reflecting our belief that both the reports play a key role in enabling stakeholders to gain an overview of our business.

Corporate Sustainability Report 2006-07 is designed to give an insight of the sustainability activities that we have undertaken. The report demonstrates how we have achieved a balance between environmental, economic and social needs and the steps undertaken to meet global challenges; such as resource conservation, climate protection, and human rights protection.

We believe that it is through providing the right kind of environment at the workplace that we can conserve the environment around us.

For more information on our organisation, vision & strategy, economic performance, corporate governance & investor’s relations please refer to the following sources:

- Website: www.shreecementltd.com
- Company’s Annual Report for 2006-07 available on website
- Company’s various filings to Stock Exchanges, SEBI etc on their websites

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NR = Not Reported
AR(No) indicates the page no. in the Annual Report of the company for the year 2006-07
E&Y Independent Assurance Report

The Board of Directors
Shree Cement Limited
Beawar Rajasthan
India

Independent Assurance Statement for Corporate Sustainability Report (2006-07)
We have been engaged by Shree Cement Limited (the Company) to review the contents of "Corporate Sustainability Report 2006-07" (the Report) prepared under its responsibility and provide limited assurance to the report contents. However, this assurance report should not be taken as a basis for interpreting the Company's performance across the scope of issues covered in the Report. The Report and its content are the responsibilities of the Company and this assurance statement is the responsibility of Ernst & Young.

The Company has published its Corporate Sustainability Report for the year 2006-07. Currently there is no statutory requirement in India for preparation and publication of sustainability reports. We understand that the Company is voluntarily communicating through this report with its stakeholders on its environmental, social and economic performance for the period 01 April 2006 to 31 March 2007. The Company has stated in the Report that it has followed the G3 Guidelines of the Global Reporting Initiative launched in October 2006.

Approach, Scope and Limitation of Assurance
Our review process included a series of customized work steps to ensure consistency in our assessment across the operations of the Company. This involves challenging a sample of assertions and claims made in the Report and verifying on substantiation of the same, and also involved a review of selected processes for the collection, collation and internal reporting of non-financial data relating to Environment, Health, Safety (EHS) and social performance.

Our assurance is in accordance with the 'International Standards of Assurance Engagement 3000 (ISAE 3000)' and our conclusions are for 'limited assurance'. The assurance was performed by a multidisciplinary team of professionals in the field of environment, health and safety (EHS) and social matters in conformity with its standard.

The scope of our work was established through discussions with the Company's management. The scope of services of assurance included verification of the contents of the Report for the year 2006-07, limited to data collection/measurement methodology and general review of the logic of inclusion/omission of necessary relevant information/data in such a report and included in the Report are derived from the Company's audited financial records. We have not performed any review of these data and information. We have not performed review of the past years' information included in the Report.
Procedure
Our approach was based on the International Standard on Assurance Engagement (ISAE) 3000 to obtain limited level of assurance.
- Detailed discussions with the Management of the Company to understand the nature and extent of its business, its aspirations for publishing the CSR report and its expectations from an independent assurance engagement.
- Thorough desk review of the CSR report for familiarization with the content of the reports and gauging the extent of the report coverage.
- Designing an engagement plan and an evidence gathering procedure based on the assessment of materiality and risks to obtain a limited level of assurance.
- Site visit to two of the facilities at Beawar and Ras for interviewing senior executives and relevant departmental heads responsible for Environment, Safety, Governance, Procurement, Personnel & Administration, Production, Quality Control, Management Systems and Marketing and also certain key stakeholders.
- Review of selected documentation pertaining to environmental and social policies, practices, performance, governance etc.
- Review of selected data collection, collation, analysis and reporting procedures and interviews with the person responsible for such processes.
- Review and gathering of evidences, on a sample basis, for the information and data provided in the report and identification of any subject matter information that may materially be misstated

Conclusion
On the basis of the work undertaken, the key conclusions are as follows:
- The report covers a broad range of environmental and social issues that are of key concern to its stakeholders. We have not come across evidence that the management of the Company is not concerned about EHS and social issues pertaining to its domain of business.
- The report details the performance of two of the Company’s manufacturing locations at Beawar and Ras and is in line with the scope and the boundary defined in the Report.
- The Company has demonstrated efforts to compile the Report on the basis of G3 Guidelines of the Global Reporting initiative. The Report provides a relevant description of measures for tracking performance against many of the reported sustainability performance parameters.
- The Company has instituted formal Management systems for managing its EHS and Social performance that help in capturing data.

Other Observations:
During the course of our work our key observations regarding further improvement as are follows:
- The company is responsive to the issues identified by the stakeholders and their feedback has been considered in prioritisation of key concerns pertaining to EHS and Social issues. However all details of stakeholder engagement, including frequency of engagement by type and by stakeholder group has not been presented in the report.
- The Company discloses information to its external stakeholders through multiple channels. Standard protocols for consistent reporting across these channels may be established.
- We observed reasonable data capturing, management and transmission systems; however, further development of formal protocols on protocols on key indicators are desirable.
- Robust monitoring protocol for estimating indirect GHG emissions on account of employee commuting, business travel etc. were found to be lacking.
- Internal review mechanism of reported data may be strengthened.

Ernst & Young Private Ltd.
Sudipta Das
Partner
6th February, 2008
Our environment includes everything around us; it’s not just about the surroundings. It includes the air we breathe, water we drink and the land we step on. It also comprise of the people with whom we interact, the place where we work and the community which we belong to.

As per the common understanding, our environment inspires us to achieve things, which seem unattainable; motivate us to explore the uncharted avenues. The surrounding that we cement involves meticulous planning for the future and yet, keeps sustainability of resources unharmed.

At Shree Cement Ltd., we understand that the environment plays a crucial role in development of an individual, company and the nation. And so, we believe that it’s all in the environs. Be it individual or corporate excellence, the right kind of environ nurtures dreams and make its realisation quite easy. Be it social, economic or political front, thrust should always remain on creating a conducive environment.

Along with being the first Indian cement company to be a signatory to CSI, at Shree our efforts are directed towards creating a friendly and healthy work environment. Motivate the workforce towards accomplishment of our Triple Bottom Line performance, hone individual excellence and create a lasting brand identity.

There is more to Shree that known to the world. With the right kind of environment to work at, constant endeavour towards conserving the external environment has been a priority. And, apart from focus on water conservation, we, at Shree have initiated efforts to reduce carbon footprints, including several energy conservation measures, usage of alternative fuels and attain ‘zero solid waste’.

Every Shree effort is towards building a healthy environment for the workforce and conserves the precious natural resources. We commit to work towards a bright and sustainable future for the years to come.
It’s all in environing the right business practice.
It’s only through exchange of perspectives and ideas that we fulfill our sustainable development commitments.

Shree & Corporate Sustainability

Enhancement of corporate value, through innovation and sound business practice is the cornerstone of Shree’s commitment to corporate sustainability.

We, at Shree recognise that our businesses have direct and indirect impact on the societies in which we operate. Through constructive and proactive dialogue and an exchange of perspectives and ideas, we develop strategies to fulfill our sustainable development commitments.

We give due consideration to the interests of our stakeholders, which include shareholders, customers, employees, suppliers, local communities and other organisations and endeavour to conduct our business accordingly.

At Shree, we continually work towards value addition through adoption of such business practices that give due consideration to the interest of stakeholders. We have instituted appropriate management systems for continually improving our triple bottom line performance.
OUR SUSTAINABILITY POLICY

TO PRODUCE QUALITY CEMENT IN AN ECO-FRIENDLY, HEALTHY & SAFE WORKING ENVIRONMENT IN A SOCIALLY RESPONSIBLE MANNER WITH CONTINUAL IMPROVEMENT IN THE PERFORMANCE LEVEL AND THE PROFITABILITY TO SATISFY ALL STAKEHOLDERS BY ENSURING:

- CUSTOMER SATISFACTION
- CLEAN AND GREEN ENVIRONMENT
- SOUND HEALTH AND SAFE WORKING PRACTICES
- COMPLIANCE TO THE APPLICABLE LAWS AND RESPECTING THE INTERNATIONAL INSTRUMENTS
- IMPLEMENTATION OF THE SYSTEMS AND CONTINUALLY IMPROVING THEIR EFFECTIVENESS
- ADOPTION OF COST EFFECTIVE TECHNOLOGIES AND PRACTICES FOR IMPROVED PRODUCTIVITY AND PROFITABILITY
- MUTUALLY BENEFICIAL STAKEHOLDERS RELATIONSHIP HUMAN RESOURCE SATISFACTION

Our Guidance

Philosophy

"Aah no bhadra : Kartavo yantu vishwatah"
RigVeda

- Let noble thoughts come to us from all over the world

Vision

“Our vision is to become a premier cement maker offering high value realisation for customers and stakeholders alike.”

Mission

- To sustain its reputation as the most efficient cement manufacturer in the world
- To strengthen realisation through intelligent brand building
- To drive down cost through innovative plant practices
- To increase the awareness of superior product quality through realistic and convincing communication process with the consumers

Business Ethics

- Enforce good corporate governance practices
- Inculcate integrity of conduct
- Ensure transparency and credibility in communication
- Remain accountable to all the stakeholders
- Encourage socially responsible behaviour
Dear Stakeholder,

We take pride in the fact that Shree was the first cement company in India to issue a corporate sustainability report in the year 2005. Continuing with our endeavour to be a transparent and accountable organisation, we present to you our third Corporate Sustainability Report. This will give you an insight of our progress on sustainability and the strides we have made in our journey towards achieving this sustainability.

On the Economic front

One of our significant achievements in the year was commissioning of our new unit in RAS. Due to this, our total production capacity increased to 5.6 Million TPA. Further capacity of 3.5 MTPA is lined up for completion during the financial year 2007-08; with grinding unit at Khushkhera near Gurgaon and clinkerisation facility at RAS. We are on line to achieve our target of 10 Million TPA by 2008 with a vision of '20 Million TPA' Company by 2012. With our customer focused approach, we have increased our turnover more than twice this year and have captured 15% of market share in Northern India.

The demand for cement, due to robust construction activity in the country is expected to remain high in the coming year. Shree recognises this as a huge growth opportunity and is fully geared to reap advantage of such high demand.
On the Environmental front

Climate change has been recognised as a threat to our planet and we would like to reiterate our commitment to reducing our carbon footprint. Energy security and natural resource conservation are the other two critical issues which we at Shree, perceive as a major challenge to sustainability. We have initiated multiple efforts at our RAS and Beawar units to address these challenges and this has been detailed further in our report.

It's all in our commitment towards the environment we live in. Multiple efforts at our RAS and Beawar units are addressing our sustainable challenges.

We had joined the Cement Sustainability Initiative (CSI) in 2004, and since then made continuous effort to minimise our ecological footprint. Our excellent track record gained us a membership in Cement Task Force at Asia Pacific Partnership on Clean Development and Climate.

On the Social front

Our employees are the most valuable asset, and we are committed towards providing the right environment for people to work and inculcate a sense of ownership. Our achievements are a tribute to the consistent efforts made by them in realising our vision. We realise that the community in which we operate is affected by our operations and so, it is essential to develop the community for our sustained growth.

Our employees are the most valuable asset, and we are committed towards providing the right environment for people to work and inculcate a sense of ownership

External Recognition

The awards that we have won are indicative of our performance and inspire us to set higher benchmarks. We have received the most coveted ‘Golden Peacock Award 2006’ for excellent environment management practices and the CII National Award for Excellence in Energy Management. We have also secured ‘The Best Corporate Governance Award’ from Rajasthan Chamber of Commerce & Industry for the 2nd consecutive year.

It’s all in giving an environment that enables one to set higher benchmarks.

We would like to thank you for your continued support and co-operation. A detailed picture of our performance on the economic, environmental and social fronts has been presented in the report. Ernst & Young India, an internationally acclaimed CSR Assurance firm, has provided independent assurance for the data covered in the report for the year 2006-07. We welcome your suggestions and request your valuable feedback on our Triple Bottom Line performance and for improving our transparency initiative.

B. G. Bangur
Executive Chairman
"Our rapid growth over the years has been knowledge-driven and innovation-led, enabling us to strengthen our presence in the country."

We are a successful organisation. So, the question that is frequently put to me in different forums is whether we are smart or lucky. My answer is we are smart enough to be lucky.

We believe that lucky things happen to enterprises which are fundamentally innovative, morally compelling and philosophically positive. Our innovative approach to business helps us in addressing some of the pressing challenges that the world is facing. These have the potential to jeopardise our rapid advances and have to be addressed proactively. Integration of sustainability in our day to day business activities helps us in identifying, analyzing, implementing control measures and in mitigating the multiple risks that we, our industry, our country and our planet faces.

It’s all in being smart enough to be lucky.

Depleting Natural Resources

Cement manufacturing is an energy intensive process and energy security is the key to our long term sustainability. We have been committed to being an energy efficient company and undertake multiple steps towards conservation of fast depleting fossil fuels. Our year-on-year declining specific energy consumption trend is indicative of the efforts we have undertaken towards this end.

In line with our commitment to the CSI, we are now attempting to be a part of an industrial ecology and have been trying to increase the use of by-products / wastes that are been generated in other industries to save. Our efforts till date have helped us not only in conserving natural resources but also in being energy efficient.
Climate Change
Climate change has been recognised as a global threat to mankind and the cement industry is one of the major contributors to it. This industry reportedly generates 5% of the global greenhouse gas emissions; primarily due to the dependence on fossil fuels as a source of energy and the calcinations of limestone.

We are hence facilitating the increased use of alternative inputs and eco-efficiency and have undertaken multiple initiatives for use of alternative fuels and raw materials. The Clean Development Mechanism under the Kyoto Protocol has also presented us with the opportunity of undertaking a multitude of project activities for reduction of greenhouse gas emission. We already have a project registered with the UNFCCC and intend to implement two more projects with the aid of Carbon Credits.

It’s all about undertaking a multitude of project activities that will reduce greenhouse gas emission and protect our environment.

Employee turnover and Motivation:
Our people are our most valuable resources and recruiting and retaining talent in a competitive market is a big challenge. We strive to provide a congenial, non-discriminatory, challenging working environment to all our employees and provide competitive remuneration and benefits. We have a performance appraisal system and recognise and reward our employees’ contribution to our growth.

It’s all about providing a congenial, non-discriminatory, challenging working environment to all our employees.

Retaining our license to operate:
The communities that we operate in provide us with the license to operate. We understand that financial performance for any organisation cannot be sustained without economic development. We acknowledge that our operations create a negative impact on the local communities around our facilities, and so, we at Shree constantly endeavour to minimise our environmental footprint. We acknowledge the rights of the indigenous people and prefer partnering with the suppliers and contractors from the local community.

We have identified water scarcity and health as the key issues plaguing the local community. For this, we have undertaken multiple steps for water conservation and worked towards providing potable water and medical facilities to everyone. Prior to setting up of our new facilities at Khushkhera and undertaking the expansion activity at RAS, we conducted impact assessment studies to gauge the socio-economic and environmental implication of our entry/expansion at these locations.

We also engage with our stakeholders to identify their concerns and to understand their expectations from us. It helps us in proactively addressing the challenges and gauging the control measures we need to put in place for minimising the adverse impacts of our operation.

H. M. Bangur
Managing Director
"It's not enough to simply wear the badge of corporate responsibility. Business must accept that real challenge is to address and give effective response to climate change and other environmental issues."

During this year total shareholder returns, measured in terms of increase in market capitalisation and dividends, grew at a compound rate of over 60% per annum. This has placed Shree among the foremost in India in terms of efficiency of servicing financial capital.

Our shareholders can draw even greater satisfaction from the fact that these financial results have been achieved even as we are creating new benchmarks in Triple Bottom Line performance.

**It’s all about being sustainable; accepting that real challenge is to reduce the impact of climate change.**

Apart from the focus on water conservation, we have initiated multiple efforts to reduce our carbon footprint including several energy conservation measures, usage of carbon neutral fuels and Clean Developed Mechanism projects programmes. Upon this achievement in the near term, we would perhaps be one of the few global enterprises of its size in the world to have achieved these milestones.

Our third CSR gives us an opportunity to compare our viewpoint on our operations with our stakeholders’ judgment, evaluating our performance with respect to society’s stakes and expectation. The report also presents the opportunity measures and communicates our progress in the evermore ambitious task.

**M.K. Singhi**
Executive Director
Shree at a glance

“Shree is an energy conscious & environment friendly business organisation. Our growth strategy is to create incremental value by moving up the value chain, differentiate through innovative ideas and establish a strong presence in the market”.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Shree Cement Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of Incorporation</td>
<td>1979</td>
</tr>
<tr>
<td>Registered Office</td>
<td>Bangur Nagar, Beawar – 305 901, Dist Ajmer, Rajasthan, India</td>
</tr>
<tr>
<td>Corporate Office</td>
<td>21, Strand Road, Kolkata - 700 001</td>
</tr>
<tr>
<td>Nature of Ownership</td>
<td>Public Limited</td>
</tr>
<tr>
<td>Country of Operation</td>
<td>India</td>
</tr>
<tr>
<td>Capacity</td>
<td>5.6 MTPA</td>
</tr>
<tr>
<td>Production</td>
<td>4.8 Million Tonnes*</td>
</tr>
<tr>
<td>Capacity Utilisation</td>
<td>116 %*</td>
</tr>
<tr>
<td>Market Share</td>
<td>15 % (North India)*</td>
</tr>
<tr>
<td>Brands</td>
<td>Bangur Cement, Shree Ultra-Jung Rodhak Cement, Shree Ultra Ordinary Portland Cement, Tuff Cemento 3556</td>
</tr>
<tr>
<td>Energy Consumption</td>
<td>73.87 kwh / tonne (Industry – 82 kwh/tonne)*</td>
</tr>
<tr>
<td>Captive Power</td>
<td>65 MW (completely self-reliant) as on 31.03.07</td>
</tr>
<tr>
<td>Limestone</td>
<td>100 % Self Dependant</td>
</tr>
<tr>
<td>Units</td>
<td>Bangur Nagar, Beawar: Two units having combined capacity of 2.6 MTPA</td>
</tr>
<tr>
<td></td>
<td>Bangur City, RAS:</td>
</tr>
<tr>
<td></td>
<td>Two units of 3 MTPA cement plants</td>
</tr>
<tr>
<td></td>
<td>Two clinkerisation units of 1 MTPA each (under implementation)</td>
</tr>
<tr>
<td></td>
<td>Khushkhera, near Gurgaon:</td>
</tr>
<tr>
<td></td>
<td>One 2 MTPA grinding unit (under implementation)</td>
</tr>
<tr>
<td></td>
<td>One 1.5 MTPA grinding unit (under implementation)</td>
</tr>
<tr>
<td>Certifications</td>
<td>ISO 9001 Quality Management System,</td>
</tr>
<tr>
<td></td>
<td>ISO 14001 Environment Management System,</td>
</tr>
<tr>
<td></td>
<td>OHSAS 18001 Occupational Health &amp; Safety Standard, SA 8000 Social Accountability Standard</td>
</tr>
<tr>
<td>Land Owned</td>
<td>Beawar 231.94 Hectare</td>
</tr>
<tr>
<td></td>
<td>RAS 110.00 Hectare</td>
</tr>
<tr>
<td>Paid-up Capital</td>
<td>INR 348.37 Million</td>
</tr>
<tr>
<td>Consolidated Net Sales</td>
<td>INR 13680 Million</td>
</tr>
<tr>
<td>Total Number of Employees</td>
<td>2059</td>
</tr>
<tr>
<td>Staff</td>
<td>1410</td>
</tr>
<tr>
<td>Workers</td>
<td>538</td>
</tr>
<tr>
<td>Contract Workers</td>
<td>111</td>
</tr>
<tr>
<td>Number of Shareholders</td>
<td>14807</td>
</tr>
<tr>
<td>Number of Shares Issued</td>
<td>34837225</td>
</tr>
<tr>
<td>Stock Exchange Listings</td>
<td>Bombay Stock Exchange (BSE) 500387</td>
</tr>
<tr>
<td></td>
<td>National Stock Exchange (NSE) SHREECEM EQ</td>
</tr>
</tbody>
</table>

*2006-07 figures

Shree does not have any joint venture, partially owned subsidiary or leased facility outsourced within the reporting boundaries of this report. No change has been observed in the share capital in last five years.

We are one of the top ten cement producers in India and a leading player in North India. Shree’s current capacity is of 5.6 MTPA which is expected to go up to 10 MTPA by 2008. Shree is marching ahead with a vision of attaining 20 million tonne capacity by year 2012.

We have maintained a track record of achieving over 100% capacity utilisation since the inception. In 2006-2007, we registered a capacity utilisation of 116% against industry average of 94%.
**Bigger, Better, Brighter Future**

Shree has grown consistently towards achieving its target of 10 MTPA capacity by 2008 for which, it has put up two Greenfield Projects with a capacity of 1.5 MTPA each at RAS in the Pali district of Rajasthan during 2005-06.

Two cokerisation units of 1.0 MTPA capacity each are under implementation at RAS. Two split locations grinding units with capacity of 2 MTPA and 1.5 MTPA respectively, with a unique combination of one roller press with two ball mills have been undertaken for implementation in Khushkhera near National Capital Region. Taken together, Khushkhera units will constitute the largest grinding capacity in India.

An important opinion-leading role is played by organisations; with national and international associations. As a leading company, Shree is a member of numerous industry associations such as CMA, CII, BEE, FICCI, TERI etc. and extensively engages in the exchange of ideas among members.

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**CSR – Related International Charters / Guidelines**

Shree is the first Indian cement company to join the Cement Sustainability Initiative (CSI) of World Business Council for Sustainable Development.

As a part of this initiative, our efforts are directed to the charter adopted which includes: climate protection, alternative fuels & raw materials, health & safety, emission reduction, local impacts on land and communities and communications and progress reporting.

The Asia Pacific Partnership on Clean Development & Climate (APP-6) was formed by the Government of six countries including India, China, USA, Australia, South Korea and Japan. This is an innovative new effort to accelerate the development and deployment of clean energy technologies. We are an active member of APP-6 since 2006. APP-6 gives us an opportunity to participate in benchmarking exercise, sharing of knowledge, CO2 mitigation strategies and alternate fuel utilisation.

We are also active in the Global Reporting Initiative (GRI). In 2004, we became the first Indian cement company to join the GRI as Organisational Stakeholder, thus contributing our experience to the international discussion concerning the future of corporate sustainability reporting.

We have also endorsed Global Round Table Joint Statement on Climate Change this year. The Global Roundtable on Climate Change brings together high-level, critical stakeholders from all regions of the world — including senior executives from private sector and leaders of international governmental and non-governmental organisations — to discuss and explore areas of potential consensus regarding core scientific, technological, and economic issues critical to shaping sound public policies on climate change.
We believe that corporate governance is a voluntary and self discipline code.

GOVERNANCE
Shree is committed towards conducting its business on sound principles, maintaining good standards of corporate behaviour and complying with all evolving legislation and regulations.

At Shree, corporate governance is defined by the way we organise and conduct the relationship between the Board of Directors and our stakeholders. We, at Shree have always been committed to the principles of transparency, integrity, accountability and social responsibilities. It has been the foundation of our license to operate.

We believe that corporate governance is a voluntary and self discipline code, which not only includes compliance with regulatory requirements, but also being responsible towards stakeholder needs. In order to achieve good corporate governance, we organise our operations in such a way that it promotes first-class entrepreneurship by the Board of Directors and effective supervision.

GOVERNANCE STRUCTURE
Shree's governance structure comprises of Board of Directors, three committees of the Board (Audit Committee, Remuneration Committee and Shareholders' and Investors' Grievances Committee) and Executive Officers.

In addition to these bodies, Shree has Corporate Executives who carry out business operations within their designated areas.
**Board of Directors**

Shree has a unitary board system comprising of both executive and non-executive & independent directors. The primary role of the board is that of trusteeship; protect and enhance shareholder value through strategic supervision. The BOD has been mandated for implementing the corporate governance mechanism. It sets strategic goals and seeks accountability for their fulfillment, provides direction and exercises appropriate control to ensure that the organisation is managed in a manner that fulfills stakeholder aspirations and societal expectations.

The Board regularly deliberates and takes up issues relating to sustainability and approves the periodical performance (quarterly / half-yearly / annual) in terms of financial results and projects undertaken by the company after reviewing the sustainability issues. The Executive Director has been made responsible on behalf of the Board for the addressal of issues related to sustainability.

The Board consists of eminent persons with considerable professional expertise and experience in the industry and also from other fields such as economics, banking, law and finance. It has 9 Directors of which 6 are non-executive and independent as on 31st March 2007.

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td>3</td>
</tr>
<tr>
<td>Non Executive and Independent Directors</td>
<td>6</td>
</tr>
</tbody>
</table>

A brief resume of the directors is attached at the end of this section.

**Committees of Board of Directors**

(a) Audit Committee

The Audit Committee addresses larger issues and examines those facts that could be of vital concerns to the company. These include:

- Oversight of company's financial reporting process
- Review the annual financial statements
- Review the adequacy of internal controls

(b) Remuneration Committee

The Remuneration Committee reviews and fixes the remuneration package of the Whole Time Directors. It consists of a Chairman and three members, all the members are non-executive and independent directors.

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. Remuneration is decided based on the industry trend, job content, company’s performance and remuneration package of similar profile in other companies. Necessary approvals are...
“Our Board consists of eminent persons with considerable professional expertise and relevant industry experience.”

sought from the shareholders in the General Meetings.

(c) Shareholders’ and Investors’ Grievances Committee
The Shareholders’ and Investors’ Grievances Committee deals with all matters related to shareholders’ grievances. Its functions include:
- On periodic basis review the status of cases relating to transfer and transmission of shares
- Monitoring expeditious addressal of investors grievances
- Review of non receipt of dividend, annual report etc.
- Any other matter related to the shareholders

The Committee consists of a Chairman and three members. The Chairman and all the members of the committee are non executive and independent directors. The committee normally meets once in a year. The company has appointed a Share Transfer Agent, which has timely resolved all the shareholders’ complaints (42 complaints received) during the year 2006-07. The Company Secretary acts as the Compliance Officer.

The company also has a Share Transfer Committee of the board for transfers / transmission of shares held in physical form. All the transfer of shares has been done within stipulated time.

Chair of Highest Governance Body
The Chairman of Shree board is the Chief Executive of the company. His primary role is to provide leadership to the Board for realising company’s goals in accordance with the charter approved by the board. He brings along with him a rich and long experience of being in the cement industry.
Executive Directors

Apart from the Executive Chairman (who is also a Whole Time Director), the Board of Directors has two Whole Time Executive Directors, Managing Director and Executive Director, who contribute to the strategic management of the company’s business within the board approved framework. They are responsible for the governance processes and the effectiveness of the top management.

All the Executive Directors are eminent personalities with deep insight, knowledge and experience of the cement industry and boast of excellent academic credentials. The Managing Director brings to the board a technical insight, which is the driving force behind the technical excellence achieved by the company. He is also the President of the Cement Manufacturers’ Association (CMA), the prime body for coordination, policy making and cooperation of the cement industry in India.

The Executive Director is responsible for and provides guidance in day-to-day operations of the company. He is also the leader of the Cement Sector Task Force and the member of CSI of World Business Council for sustainable development.

Non Executive Directors

The Board has a high proportion of Independent Directors (67% as against statutory requirement of 50% of total no. of Directors). Non-Executive Directors are drawn from amongst eminent professionals with experience in business / finance / law / public enterprises.

Shree’s Board considers various aspects before inducting an independent director on Board. All independent directors are eminent personalities with rich experience in diverse fields and contribute significantly to India’s development.
Among the Independent Directors are Ex Ambassador of India to the United States, noted Economist and former Union Minister, Renowned Lawyer, Former Dy. Governor RBI, Ex Managing Director of the State Bank of India and leading industrialist.

The expression ‘Independent Director’ is as per the definition as prescribed in the Listing Agreement entered into with the Stock Exchange. SEBI rules define an Independent Director as a non-executive director of the company, who does not have any material or pecuniary relationships or transactions with the company or any related party which may affect the independence of the director. Also s/he shall not be a substantial shareholder of the company; i.e. owning two percent or more of the block of voting shares.

**Qualification and Expertise of Directors**

All the Directors are eminent personalities and have considerable professional expertise / experience in their field. The Board considers various aspects at the time of appointment of a director, so as to ensure that the balance of its constitution brings an appropriate balance of experience in judging matters of strategy, performance, resources, investor relations, internal controls and corporate governance. Among the Independent Directors are Ex Ambassador of India to the United States, noted Economist and former Union Minister, Renowned Lawyer, Former Dy. Governor RBI, Ex Managing Director of the State Bank of India and leading industrialist.

**Compensation of Highest Governing Body**

The Remuneration Committee consisting of independent directors has been constituted to review the remuneration packages of Whole Time Directors. The remuneration, among other factors, is determined on the basis of company performance, industry trend, job content and remuneration package in similar companies. The same is approved by the shareholders in the General Meeting.

The elements of the remuneration package of non-executive directors consist of sitting fees and commission. The shareholders in the AGM held on 15th July, 2004 approved payment of commission to the Non Executive Directors not exceeding 1% of the Net Profit for the year computed in the manner as prescribed by the Companies Act, 1956. The details of remuneration package, fees paid, etc. to directors is disclosed in the Annual Report for the information of shareholders.

**Meeting Record**

During the reporting year the Board of Directors convened five meetings, i.e. on 5th May, 31st July, 10th Oct, 18th Jan, 2007 and 13th March, 2007. Each director attended at least 75% of the aggregate number of meetings of board and committees on which he / she served.
Corporate Governance is a mechanism by which management policies and procedures are manifested in the real world. The company’s philosophy on corporate governance envisages adherence to the highest levels of transparency, accountability and equity, in all areas of operations and in all interactions with the stakeholders, including shareholders, employees, government and other agencies.

We, at Shree are committed to achieving the highest standards of corporate governance. We believe that all operations must be spearheaded towards attaining the final objective of enhancing stakeholder value continuously.

Focus of board and management has always been to ensure continuous value creation for each of its stakeholders, apprise them of all relevant information on a regular basis in a transparent manner and grow company’s business with long term goal of sustainable development.

**Code of Conduct**

Shree is a professionally managed company. And we at Shree believe in complete transparency and discharge of the judiciary; a responsibility which has been assumed by our Directors as well as by the Senior Management Executives and the Staff. The BOD has approved a Code of Conduct for all the Directors and the Senior Management Executives and other employees too. The same is displayed on official website of the company and is accessible to each and every employee.

**Conflict of Interest**

All transactions entered into with related parties are discussed and ratified by the Audit Committee and subsequently placed before the Board of Directors for its approval. Also a detailed disclosure of the related party transactions is made in the Annual Report for the year. Appropriate disclosure about the related party transactions with non executive and independent directors, having any pecuniary relationship with the company or its directors / employees is also disclosed in the Annual Report.

**Risk Governance**

The consideration of risk is fully embedded in our business practices. The management based on the information provided by the departmental heads through proper channel put the necessary controls or takes the decision to mitigate the risks.

Shree views risk management as integral to its objective of creating and maintaining

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http://shreecementltd.com/CODEOFCONDUCT.pdf
“We are open to comments, challenges, and suggestions from all our stakeholders.”

shareholder value and the successful execution of its strategies. Its Risk Management Framework consists of Strategy, Policy, Processes and Organisation. Implementation of the above framework provides a direct link between the business strategy and risk appetite of the board to the business, which is undertaken and an infrastructure that seeks to ensure the board to meet the goals. The framework is reviewed from time to time as the business environment changes.

Risk identification has been a continuous process at Shree. In order to ensure that risk management activities are clearly understood and executed, the management has defined an organisation structure for risk management with individual roles and responsibilities. The Company Secretary acts as the Chief Risk Officer (CRO).

Management and staff are responsible for implementing risk management in their departments and work areas for identification and reporting of risks. Each risk owner, as part of his line responsibilities, demonstrates the extent to which he has been successful in discharging his assigned responsibilities on a periodic basis. The Functional Heads give a quarterly compliance certificate to the Chief Risk Officer through their risk coordinators on the working of the Risk Management Process.

Corruption and Bribery

We at Shree understand that corruption and bribery remains one of the most significant and unfair barriers to trade and economic development of our country. These practices increase costs, stifle fair competition and represent a significant deterrent to the investment. We have a history of free and fair practice in our dealings with our stakeholders and the State authorities.

Shree’s Risk Governance Manual incorporates, as part of its secretarial and legal risks, the risks attached with corruption and its adverse impact on the reputation of the company due to negative publicity. We have put in place a Code of Conduct policy where efforts have been made to address this issue. We are also considering putting in place a ‘Whistle Blower Policy’, a corporate gift policy and/or any specific anti-corruption policy.

Stakeholders Engagement

We recognise that, every individual and group who see them as potentially affected by, or who can impact our operations at the local, national or international scale as our stakeholder (i.e. neighbours, community, non-government organisations, employees, trade unions, government agencies, contractors, suppliers, customers and investors).

We at Shree have an open culture, and that applies to our approach to CSR. We are open to comments, challenges, and suggestions from all our stakeholders. We make special efforts to engage with our employees and with external stakeholders.

We strive to be transparent and accountable towards individuals and organisations with a stake in our operations and with whom we share common concerns and goals. By learning to understand what drives our stakeholders, we gain insight into the justification and urgency of their demands, as well as their ability to influence us. This way, we prioritise stakeholder demands and use them in the definition of our fields of action.

Key issues raised by our stakeholders include, energy efficiency, management of hazardous substances, supply chain, social and environmental performance, business ethics and anti-corruption, and community involvement. Our stakeholders want us to focus more on the issues of climate protection, water conservation and improvement of medical facilities.
## Stakeholder Engagement

<table>
<thead>
<tr>
<th>Identified Stakeholder Group</th>
<th>Engagement Procedure</th>
</tr>
</thead>
</table>
| Communities                 | • Formal meeting with local and regulatory agencies  
                                 • Dialogue with community representatives  
                                 • Public hearing |
| Customers                   | • Market surveys to understand customer preferences  
                                 • Help centre  
                                 • Online feedback  
                                 • Customer complaints redressal by qualified technical professionals |
| Employees                   | • Employee surveys  
                                 • Suggestion schemes  
                                 • HR policy  
                                 • Grievance cell  
                                 • Briefings, meetings and appraisals |
| Shareholders                | • Annual General Meetings  
                                 • Statutory and other disclosures and reporting  
                                 • Grievances information to Compliance Officer |
| Trade Unions                | • Representation in decision making |
| Government                  | • Participation in developing sectoral / national statutes  
                                 • Compliance with status (through clearances and filing of returns)  
                                 • Participation in Public Private Partnership Programs (PPP) |
| Suppliers                   | • Periodic vendor review  
                                 • Supply - Chain social responsibility program  
                                 • Procurement Management Process |
Reporting

The purpose of this report is to provide information on Shree’s social, economic and environmental performance during 2006-07. The CSR is published on an annual basis. We have been reporting our CSR performance for last 2 years. Our last report published was for the year 2005-06.

Global Reporting Initiative Guidelines

Shree’s CSR has been compiled in line with the third generation of Global Reporting Initiative (GRI) Guidelines, i.e. G3. We believe that G3 provided a sound framework for compiling this report.

The report is as per the standard disclosures of G3 application levels and intends to achieve the application level of A+.

Scope and Boundary

Shree’s CSR describes economic, environmental and social activities between 1st April, 2006 and 31st March, 2007 unless otherwise mentioned. The report covers following units:

- UNIT I and II at Beawar
- Our new units Unit - III & IV located at Ras
- Our mines located at Beawar and Ras

The new units, i.e. Unit V and VI and Khushkhera grinding units which are under implementation have not been included in the boundary defined for this year’s report and we intend to include them in boundary in the forthcoming year.

In this report, we have presented wherever possible, the performance of our units in Beawar and RAS separately. Data pertaining to the year 2005-06 for our Beawar units has also been provided for comparability. Unit III was completed on 26.02.06 while Unit IV was completed on 26.03.07 during the reporting period.
Management Approach

Integrated Management Systems

**Policy:** To channel our efforts to focus on our mission, we have adopted the following policies:

- Environment Policy
- Health & Safety Policy
- Water Policy
- Energy Policy
- HIV / AIDS Policy
- Quality Policy
- Human Resource Policy
- Sustainability Policy
- IT Policy

Our policies are the drivers for implementing our Management System and improving our triple bottom line performance. They provide us the basis for framing our objectives and targets. We operate in a dynamic environment with rapidly changing scenarios and hence revisit our policies on a periodical basis to ensure that they are relevant and reflect the changing conditions and environment. Our policies are communicated to all our employees to make them aware of their responsibilities and guide them in their day-to-day activities.

In order to manage our Environmental and Social performance and to ensure that we meet our policy and regulatory requirements, we have implemented an integrated management system. We are one of the very few companies in the cement industry to be an ‘ISO 14001- OHSAS 18001- ISO 9001- SA 8000’ Company. These international standards provide us with an effective tool to plan, implement, monitor and check our performance against our set objectives.

We have appointed specific ‘Management Representative’ for each of the above system with a defined role, responsibility and authority for ensuring that the systems are implemented in accordance with the international standards and who reports to the top management on the performance of the system and provides recommendations for improvement. The Management Representative has dedicated teams with defined focus on Environmental, Social, Quality and Health & Safety performance. The members of these teams are selected based on the competency requirement and provided with relevant functional and technical training for execution of their designated responsibilities.

We undertake internal audits on a semi annual basis to determine whether our systems conform to the planned arrangement for management of Environmental, Social, Health & Safety and Quality issues. Additionally, our management systems are audited by external parties on an annual basis for conformance that our performance is aligned with our policy and the objectives and targets that we set ourselves. We also have established implemented and maintained procedures for dealing with actual and potential deviations from our policy and take corrective or preventive actions accordingly. Our top management also reviews the performance of our management systems at planned intervals and gauge the continuing suitability, adequacy and effectiveness of the system on the basis of the outcome of the internal and external audits.

Management Approach:

The section below describes briefly our management approach to aspects under each of the indicator category.

**Economic**

Our commitment in the area of economic performance is encapsulated in our vision statement, which is ‘to become known as a premier cement maker offering high value realizations for customers and stakeholders alike’. We are the leading player in the Northern India and enjoy 15% of the market share. We are a market-oriented organization and not market determined. Shree had a couple of years back decided to ramp up our capacity at a time when market demand was low based on various market related cues. Our move then has helped us in reaping the benefits of an ever growing market. Our performance against the economic indicators is provided in the section on Economics and additional information can be also sought from our annual report and website.

In order to manage information and knowledge, we have developed in-house a comprehensive ERP program, christened ‘SUMridddhi’ which integrates multiple functional modules. It helps us capture, store, track and analyse financial and operational data and help us to make our operations online. We are on the cusp of the growth that is spread across multiple locations. Fuelling it in a controlled and paced out manner would be an integrated and robust network that delivers online,
real time access to information and processes. Towards this end, the company is adopting the Oracle e-Business Suite. Imbibing the best practices of companies worldwide, this ERP Suite will impact all processes of the company, right from procurement, through operations, to sales and distribution.

We have effective internal control systems in place to facilitate effective checks and controls as well as tight monitoring on continuous basis. The internal control system also helps in safeguarding and protecting our assets. We have instituted a climate change cell to manage the opportunities and risks arising out of Climate Change, details of which are provided in the environmental section. We prefer indigenous suppliers as our business partners to promote the growth in local areas.

Environment

Cement Industry is an energy intensive industry and its operations impact the local and global environment. We also operate in a water scarce region. Hence, in order to minimize our environmental footprint, we have adopted an Environmental, Energy, Water and Sustainability Policy which can be found on our website (www.shreecementltd.com). Through these policies, we have made a commitment towards efficient use of natural resources, reducing air, water, solid waste and noise pollution, reducing our specific energy consumption and conserving water. In order to achieve our set objectives we have a dedicated CDM cell, Energy cell and an Environmental Department with employees having the relevant competencies. In addition to imparting functional and technical training to these employees, we also encourage our employees to participate in various external forums to stay abreast of world wide happenings and to learn and implement global best practices. We understand that in order to track and monitor our performance, we need to institute robust monitoring systems in place. The parameters measured and reported in here include Electricity consumption, water consumption, fuel consumption, raw material consumption and stack emissions. As a part of the management system, we regularly calibrate the various measuring equipments we have at our plants.

In addition, we also have an organization-wide code of conduct, which includes explicit directives against corruption and bribery.

Labour Practices and Decent Work

We have a dedicated Personnel and Administration (P&A) department that effectively manages our people and cater to their requirements. In addition, we believe in enhancing the skill sets of our employees through provision of various customized training opportunities related to their areas of work such as functional, behavioral, leadership and management capabilities. Through our initiative “Jo Soche Woh Pahve”, we encourage our employees to give suggestions to the management, and in turn we reward them also for their suggestions.

We are very particular in safety related aspects of our work and have a comprehensive health and safety policy that covers all units and addresses aspects like ensuring process safety, compulsory use of personal protective equipment, promoting occupational health, organizing training sessions and creating a safe work environment. Further we also comply with OHSAS 18001:1999.

We respect the right of the workers at our units to form and join associations of their choice. We have trade unions at our units that act as a representative body of our workforce to address and solve labour related issues.

Human Rights

We have a Human Rights policy which defines our commitment to Human Rights aspects. We are committed to honor the individuality of our employees and empower them, ensure non-discrimination in the recruitment process, ensure non-engagement of persons below 18 years of age etc. The same can also be accessed at our website. Our performance against the Human Rights indicators are detailed in the social section of this report.

Society

We are committed to the development and upliftment of the communities we operate in. To this effect, our P&A department at unit level interacts with the local stakeholders and understand their concerns / expectations. We constantly endeavour to address the concerns of our stakeholders through our various initiatives like spreading awareness about HIV/AIDS, supplying water to the nearby communities, providing medical facilities through our dispensaries to the local populace, organizing eye camps etc. We also have a HIV / AIDS policy, which reflect our commitments towards spreading awareness about the disease to our employees and local community.

Product Responsibility

Our products include Ordinary Portland Cement (OPC) of 43 and 53 grades as well as Portland Pozzolanic Cement (PPC). We are committed to be an eco-efficient company and are constantly working towards minimizing the environmental costs of our products. We have a Quality policy which reiterates our commitment to provide quality products conforming to the laws of the land to our customers. The same can also be accessed at our website (www.shreecementltd.com).

Besides, we adhere to BIS standards for manufacturing of these products. We also have adopted ICC International Code of Advertising Practices and review the compliance quarterly. Although there are no systems in place currently to track the lifecycle performance of our products, we intend to undertake measures to compile reliable LCA data related to our product and make them available to our stakeholders.
“We believe that responsible business can be a profitable business”

Economic Performance
“We are having the highest Operating Profit margin in the cement industry at 44.84 %, which is also one of the best in world cement industry.”

Economic Performance

Strong financial performance is the bedrock for fulfilling large social purpose and overall sustainable development. Shree delivered yet another remarkable financial performance driven by timely building of capacities, continued drive for cost optimisation and multiple branding of its products. During the year 2006-07, the Gross Turnover grew by 96 % to Rs. 16131.44 million. Operating Profits (excluding adjustments related to earlier years) increased by 177 % to Rs. 6133.86 million. We are having the highest Operating Profit margin in the cement industry at 44.84 %, which is also one of the best in world cement industry. Refer Annual Report for the year 2006-07 for detailed analysis of financial performance, especially sections of Director’s Report, Management Discussion and Analysis and Accounts. The same is available on our website www.shreecementltd.com.

Shree has been recognised as the second fastest growing mid sized company in India by ‘Business Today’ Magazine in its May, 2007 edition. Total shareholders return measured in terms of market capitalisation and dividend has grown at a rate of 183.5 3% over last 3 years. Company has generated an Internal Rate of Return (IRR) of 25.32 % (since its IPO in 1985) which is far superior to the one available on alternative investment.

Market presence and products:

Company is a leading player in the markets of Delhi, Haryana and Rajasthan. Our market share in the Northern India market is as under:

<table>
<thead>
<tr>
<th>States</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rajasthan</td>
<td>12 %</td>
<td>20 %</td>
</tr>
<tr>
<td>Delhi</td>
<td>18 %</td>
<td>18 %</td>
</tr>
<tr>
<td>Haryana</td>
<td>16 %</td>
<td>19 %</td>
</tr>
<tr>
<td>Punjab</td>
<td>5 %</td>
<td>7 %</td>
</tr>
</tbody>
</table>

**Total Market Share in Northern Indian**: 12 % 15 %

Shree is all set to achieve marked increase in the market share during 2007-08 and 2008-09. We have set a target of expanding our presence in other parts of the country as well as globally, and have been actively working in this direction.

We have three brands: Shree Ultra, our first brand with a unique feature of preventing rust in bars and rods used to hold a structure. Our second offering, Bangur Cement is a premium brand meant for the privileged class and has slogan of ‘Sasta Nahin, Sabse Achhaa (Not cheap, but the best). The recently launched Tuff Cement 3556 has superior compressive strength that allows building structures to last long for years and carries a tagline ‘Make Your Home. Rock Strong’. These brands have been specifically designed to cater to different needs of different consumers and provide value for money. The result is high satisfaction amongst customers and, consequently, getting high customer recalls and better market penetration.

We want to become known as a premier cement maker offering high value realisations for customers and stakeholders.
Direct Economic Impacts

We at Shree believe in sticking to the fundamentals, which is reflected in our outbound performances continued year after year. Shree consciously contributes to and secures competitiveness of the entire value chain of which it is a part. This ensures sustainable development of all its stakeholders in its value chain be it supplier, contractor, employee, government, customer etc. Its direct economic impacts are as under:

- Consistently growing sales (compounded annual growth rate of 35.82% over last three years) has been creating larger business for our value chain distributors
- Rising wages and benefits (per tonne cost risen from Rs. 89 in 2004-05 to Rs. 121 during 2006-07) resulting in higher motivation among employees
- Procured goods and services worth Rs. 1090.02 million from suppliers of Rajasthan, which is where our operations are located. Fostering economic growth in the local communities
- Consistently rising dividends to shareholders (60% during 2006-07 against 50% during 2005-06)
- Contribution to exchequer more than doubled from Rs. 2117 million in 2005-06 to Rs. 4788 million in 2006-07 enabling increase in revenue for spending in public and social activities
- Our contribution to social causes has been rising (Rs. 10.79 million in 2005-06 to Rs. 17.43 million in 2006-07)

Indirect economic impacts:

As a result of our growing operations, the activities of our different stakeholders have also been growing, creating value addition to local and national economy - more clearly known as the ‘multiplier effect’. Although this is difficult to quantify, some of such impacts are given as under (we have also included such impacts throughout this report):

- Our rising levels of operation have enabled increased job creation in our value chain by our suppliers, distributors, contractors, consultants and customers
- Through sharing of knowledge about operational aspects with regard to energy conservation, safety, environment protection etc. we promote operational efficiency and productivity as well as better environmental and safety practices
- Based on the resources derived from our relationships, our employees, suppliers, contractors, distributors and dealers etc. spend such resources for improvement and well being of their families, local communities and society at large
- With use of our products to improve the infrastructure in the country, there has been an improvement in the quality of life of communities
## Direct economic value generated and distributed

<table>
<thead>
<tr>
<th></th>
<th>2006-07</th>
<th></th>
<th>2005-06</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs. in Million</td>
<td>%</td>
<td>Rs. in Million</td>
<td>%</td>
</tr>
<tr>
<td><strong>DIRECT ECONOMIC VALUE GENERATED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Sales*</td>
<td>17552</td>
<td>98.8%</td>
<td>8743</td>
<td>99.6%</td>
</tr>
<tr>
<td>Revenue from financial investments and other sources</td>
<td>212</td>
<td>1.2%</td>
<td>33</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>17763</td>
<td>100%</td>
<td>8776</td>
<td>100%</td>
</tr>
<tr>
<td><strong>DIRECT ECONOMIC VALUE DISTRIBUTED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating costs</td>
<td>6930</td>
<td>39.0%</td>
<td>4123</td>
<td>47.0%</td>
</tr>
<tr>
<td>Employee wages and benefits</td>
<td>580</td>
<td>3.3%</td>
<td>327</td>
<td>3.7%</td>
</tr>
<tr>
<td><strong>Payment to provider of funds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest payment made to provider of loans</td>
<td>104</td>
<td>0.58%</td>
<td>128</td>
<td>1.46%</td>
</tr>
<tr>
<td>Dividends to all shareholders</td>
<td>209</td>
<td>1.18%</td>
<td>174</td>
<td>1.98%</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td>313</td>
<td>1.8%</td>
<td>303</td>
<td>3.4%</td>
</tr>
<tr>
<td>Payments to Government</td>
<td>4788</td>
<td>27.0%</td>
<td>2117</td>
<td>24.1%</td>
</tr>
<tr>
<td>Community Investments</td>
<td>17</td>
<td>0.1%</td>
<td>11</td>
<td>0.1%</td>
</tr>
<tr>
<td>Reinvested to maintain and develop operations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortisations</td>
<td>4331</td>
<td>24.38%</td>
<td>1852</td>
<td>21.10%</td>
</tr>
<tr>
<td>Retained Profit</td>
<td>1532</td>
<td>8.62%</td>
<td>-15</td>
<td>-0.17%</td>
</tr>
<tr>
<td>Deferred Taxation</td>
<td>-727</td>
<td>-4.09%</td>
<td>59</td>
<td>0.67%</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td>5135</td>
<td>28.9%</td>
<td>1896</td>
<td>21.6%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>17763</td>
<td>100%</td>
<td>8776</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Including Excise Duty and Sales Tax

## Distribution of value added: At a glance

<table>
<thead>
<tr>
<th></th>
<th>2006-07</th>
<th></th>
<th>2005-06</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee wages and benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment to provider of funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|                                |        |   |        |   |
| Operating costs                | 39.0%  |   | 47.0%  |   |
| Employee wages and benefits    | 3.3%   |   | 3.7%   |   |
| Payment to provider of funds   | 1.8%   |   | 3.4%   |   |
| Payments to Government         | 27.0%  |   | 24.1%  |   |
| Community investments          | 0.1%   |   | 0.1%   |   |
The higher ratio of retained earnings signifies the fund requirement of the Company to meet the ongoing expansion programmes as well as future capacity additions. The higher value added in terms of payment to government signifies our contribution to the exchequer fulfilling our responsibility in nation's growth through availability of increased revenue.
Shree stands amongst the top tax payers in the region and makes significant contribution to government’s kitty both in form of direct and indirect taxes which helps in building nation’s public infrastructure. We regularly partner government in social development projects.

The share of Shree’s contribution to the exchequer constitute as high as 27.0% and 24.1% of its value added for the last two years respectively.

**Distribution of Value Addition**

**A) In the kitty of exchequer**

Shree stands amongst the top tax payers in the region and makes significant contribution to government’s kitty both in form of direct and indirect taxes which helps in building nation’s public infrastructure. We regularly partner government in social development projects.

The share of Shree’s contribution to the exchequer constitute as high as 27.0% and 24.1% of its value added for the last two years respectively.

**B) Rewarding Employees:**

The driving force behind Shree’s consistently improving performance is its committed and talented employees who have made ours a successful business enterprise. We offer a caring and safe work place and reward our employees at levels which compare favourably with industry. Our policies are oriented to treat its employees with all fairness and respect.

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure on employee wage &amp; salary (Rs. in Million)</th>
<th>%YOL increase</th>
<th>Year</th>
<th>Expenditure on employee wage &amp; salary (Rs. in Million)</th>
<th>%YOL increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>580.10</td>
<td>77.52%</td>
<td>2005-06</td>
<td>326.78</td>
<td>23.84%</td>
</tr>
</tbody>
</table>

**Contribution to Exchequer**

<table>
<thead>
<tr>
<th>Years</th>
<th>Contribution to Exchequer</th>
<th>Amount (Rs Million)</th>
<th>Value added %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td></td>
<td>4788</td>
<td>27.0%</td>
</tr>
<tr>
<td>2005-06</td>
<td></td>
<td>2117</td>
<td>24.1%</td>
</tr>
</tbody>
</table>
Training and Development

We invest in our employees through training and development activities so that they can develop a successful and satisfying professional life and career. We undertake numerous skills and competency development programmes. Training programmes designed for executives to senior management employees help honing their hard specialist skills as well as soft or public skills. Shree has been a very generous employer as regards to promoting the employees to higher positions. Employees showing keenness to take up new challenges and higher responsibilities are encouraged and promoted to make best of their potential. All employees undergo a process of performance evaluation once in a year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Promotions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>29.70%</td>
</tr>
<tr>
<td>2006-07</td>
<td>27.67%</td>
</tr>
</tbody>
</table>

Shree believes that equipments are replaceable, but people are not. Health, safety and security of all the employees associated with Shree are of the utmost importance for us. Our EHS policy describes our commitment to provide a secure and healthy environment to work in. All the rules and regulations regarding security and safety are followed by each employee stringently. Effective steps and measures are taken to neutralise any breach of security and safety regulations. A monthly safety meeting is organised to promote and foster a safe working culture at Shree.
C) Returns to shareholders

Shree has well rewarded its shareholders who keep faith in the company and invest their fund in company's shares. Despite high requirements of fund for capacity expansion programmes, Shree has never overlooked its shareholders' expectations. On the trot, company has declared dividends up to expectations of its shareholders which continue to rise from 2000-01.

Shree believes in focusing on intrinsic value of shares which ultimately increases their market value. The continued increase in market capitalisation is a result of our belief. We have delivered an Internal Rate of Return (IRR) of 25.32% (since its IPO in 1985) which compares quite favourably with any other alternative investment. By sticking to their investment in Shree, our shareholders have earned good returns in view of its solid financial performances over the years. Our three year performance on market capitalisation front is as under:

<table>
<thead>
<tr>
<th></th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Price</td>
<td>45.90</td>
<td>144.00</td>
</tr>
<tr>
<td>Closing Price</td>
<td>893.50</td>
<td>921.85</td>
</tr>
<tr>
<td>Difference</td>
<td>847.60</td>
<td>777.85</td>
</tr>
<tr>
<td>Add: Cum. Dividend</td>
<td>12.00</td>
<td>15.00</td>
</tr>
<tr>
<td>TSR</td>
<td>859.60</td>
<td>792.85</td>
</tr>
<tr>
<td>TSR %</td>
<td>1872.77</td>
<td>550.59</td>
</tr>
<tr>
<td>Avg.TSR %</td>
<td>624.26</td>
<td>183.53</td>
</tr>
<tr>
<td>BSE SENSEX RETURN %</td>
<td>90.45 %</td>
<td>44.49 %</td>
</tr>
</tbody>
</table>

Shree practices high standards of corporate governance geared towards protection of shareholders' rights with long term value creation. We pursue this object by framing competitive corporate strategies, prudent business plans, systematic risk monitoring, rigorous internal control systems etc. The ultimate decision making authority is the Board of Directors which has high number of independent directors. More details about constitution of Board of Directors and their committees, director's profile, corporate structure may be taken from our Annual Report particularly in "Report on Corporate Governance" section.
D Community Investment

Shree believes that its corporate responsibilities extend beyond the areas of its manufacturing facilities and offices. We also believe that for ensuring sustainable growth, organisational growth objectives need to be aligned with the overall upliftment of society and the community at large. Shree plays a proactive role in the development of the community. Activities are geared to serve a range of needs, from something as basic as water to something as important as culture. Developing water huts in water-deficit areas; organising eye camps for local community; distribution of books, study materials, uniforms etc. among the students of local schools, installing computers in schools to promote computer literacy, providing shelters to people affected by natural calamity, organising a cultural fiesta on the occasion of Sankatmochan Hanuman Varshikotsav etc. are some of the activities which have been undertaken by us towards our commitment to repay the society. In kind, assistance in form of supplying products at concessional or no charge rate are also some of the examples of non-measurable investment made towards Society.

Shree engages and promotes engagement of local suppliers, contractors and distributors for supplying materials and services. This initiative promotes the local industries and creates a value chain for them. The high proportion of engagement among local suppliers and contractors fosters economic growth in the communities. Shree also supports hiring of local people scaling up the income and standard of living level of the local communities.

Shree plays a proactive role in the development of the community.

Climate change and financial obligations and risk & opportunity for Shree

Climate change has become one of the most worrisome environmental concerns that the humanity has ever faced. Never before has humanity been forced to grapple with such an immense environmental crisis. This happens because of rising concentration of greenhouse gases (GHGs) in the atmosphere which prevent reflected and radiated heat from the earth to return to space. The governments of all the countries of the world have joined hands in their fight against climate change and global warming. Government of India also attaches great importance to climate change issues and is, therefore, seriously concerned with the possible impacts of climate change. India is party to the United Nations Framework Convention on Climate Change (UNFCCC), the apex body formed for climate change issues.

The signs of climate change are visible in the form of reduction in the availability of fresh water, threat to agriculture and food security, adverse impact of sea-level rise etc. The possible consequences of climate change are profound, particularly on people in the less developed countries. The question therefore is not whether climate change is happening, but what to do about it. The answer lies in making a strategy. Cement industry is responsible for about 5% of all man made emissions and therefore does have its impact on climate change.
“Our management has been very proactive in formulating strategies and policies against climate change.”

How Shree tackles Climate Change

Shree places utmost importance to climate change and has taken several initiatives to contribute to the global efforts to manage climate change. Shree's management has been very proactive in formulating strategies and policies against climate change. Though due to the very nature of process industry, it is bound to leave its imprints on earth, we have tried to minimise these imprints in the best possible manner.

We became pioneers by registering our Clean Development Mechanism (CDM) project, "Optimal Utilization of Clinker" with UNFCCC. This project was first of its kind registered by any cement company in the world. This project involves higher blending of Pozzolanic materials in cement grinding, consuming less clinker. As clinker production consumes high energy and resources, using less clinker means saving energy and emitting less hazardous effluents in environment.

The other step that is being taken in this area is utilising the waste heat generated from the cement kiln. This heat would be used in generating steam for company's captive power plant thus saving the coal requirement. Our continued drive to reduce its energy consumption levels shall help us to fight the threat of climate change.

A better ambience also helps to combat with atmospheric reactions. Atmospheric emissions have been coming down in recent years due to stringent air pollution control measures. A plantation campaign has been taken up to scale up the greenery level at plant area as well as area of immediate vicinity. The above efforts have put the green cover level at commendable 34.36% of total area at cement plant & colony and 39.14% at power plant in Beawar. The consistently rising expenditure on
Coverage of the organisation's defined benefit plan obligation

A defined benefit plan for employees not only motivates but also helps us in maintaining the workforce support in the long-term financial and strategic planning on part of the employer. Superannuation and Gratuity funds representing employee's retirement benefits schemes are monitored by duly constituted independent trusts approved under applicable legislations.

Regular contributions in the government account/approved independent trust towards provident fund are made to ensure safety and timely accumulation in the funds. All the eligible headcounts on roll are covered under the plans.

We make sure that our contributions to the retirement benefit schemes are parked in highly secured and regular return yielding investments. In respect of gratuity payments, actuarial valuations are carried out and liability is ascertained accordingly. Any variation in respect of estimated liability and valued liability is funded by the company.

Significant financial assistance received from the Government

We have been availing incentives and assistance by government through various schemes and policies. We have been availing incentives available under the state's investment promotion policy as per our entitlement.
Shree offers its employees highly competitive remuneration packages compared to companies of similar size within the industry.

**Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation**

Shree offers its employees highly competitive remuneration packages compared to companies of similar size within the industry. The remuneration package consists of a wide range of perquisites and amenities. Examples include accommodation facilities, leave travel assistance, medical facilities, group insurance, etc.

Our remuneration policy does not discriminate on caste, religion, age, gender, residential status, etc. rather it is attached to the roles, responsibility and performance of the incumbent. It complies with and exceeds minimum legislative requirements including minimum wages and notice period. The provisions of Equal Remuneration Act which prescribe the employer to pay equal remuneration to men and women for work of similar nature are also adhered to. Shree pays wages to its employees and workers above the prevailing rates in the local market. Paying wages above the minimum level ensures loyalty and builds strong community relations.

Our payments above the minimum requirements increase competitiveness in the local market and set benchmark for others. This ultimately increases standard rates of local wage, improving the income level of the local community.

Our employees derive economical resources from their relationship with us. These resources are spent by them for well being of their families. This serves the community by improving incomes and generally raising the standard of living.

**Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operations**

Shree operates in the state of Rajasthan, India where the manufacturing facilities of the company are situated. Shree has a policy of hiring of people from the surrounding area and providing them suitable remuneration. A significant number of employees and workers belong to Beawar, the immediate town near the manufacturing facilities and nearby areas. Larger percentage of employees sitting at senior management positions belongs to the state of Rajasthan.

As a matter of practice, we give preference to local residents of its location of operations. This is an in-built feature in our selection process. It has been observed that local residents normally tend to stay in their area of belongingness, therefore contributes to low attrition and also enhanced human capital and economic development of the local area.

The economic and social upliftment of community belonging to SC, ST and OBC has been an agenda of governments in India. Shree is helping this cause through employing a high 38% of people belonging to these categories. As a matter of policy, we do not use child labour or forced labour. We also try to make sure that our suppliers, distributors, contractors etc. do not engage child labour or forced labour.
Policy, practices and proportion of spending on locally-based suppliers at significant locations of operations
Shree has over 1400 suppliers of goods and services and 95% of them are indigenous suppliers. As a matter of policy to promote the locally based suppliers at the locations of operations, we have engaged a high 43% of suppliers from the state of Rajasthan. We preferably deal with suppliers, contractors, distributors of the locations where any part of our operation is situated. In the year 2006-07, we have procured 78% of goods and services from suppliers situated in India and 37% from the suppliers of the state of Rajasthan.
Shree has a policy of hiring of people from the surrounding area and providing them suitable remuneration.
We believe that local sourcing is a strategy that we follow to ensure stable supply of materials and services which in turn help in growing the local community and fostering economic growth.

Contractors and transporters:
We engage high proportion of local contractors and transporters in our day-to-day operations. This move entails significant employment generation for local community. We listen to the needs of contractors and suppliers and work hand-in-hand with them. This helps us in building strong relationships with them. For our transporters, we have ‘freight bidding system’ which is unique in itself. Any participating transporter can bid for freights for different routes any time online. The one who quotes the lowest bid, eventually wins. This system ensures that any one who wishes to contract with company gets equal opportunity to contract.

Distributors and Customers:
We want our customers and distributors to gain the full value of our product. To ensure that our customers receive best services, we work closely with our distributors. We ensure that our products meet all the quality parameters, legal requirements of safety and are conducive for environment protection. Our products need to be highly safe and secure for those who use them. We have been granted ISO 9000 certification in recognition of our quality production process. We listen to the complaints/queries of our customers and address them in a timely manner. We invite views and suggestions of our customers to make our products more qualitative.

We treat our suppliers with all fairness and give them equal opportunity to transact with us. We try to make sure that our suppliers comply with all the laws and norms regarding quality of their product, regarding protection of environment and regarding development of society. Our endeavour helps suppliers become competitive regarding quality and pricing of their product. We make out of the contract arrangements to support them with resources and people.
“Corporations are social institutions. If they don’t serve society, they have no business existing.”

Social Performance
Social Performance

We at Shree believe that we live and operate in a society. It’s part of our socially responsible supply chain, that we undertake such business practices which enable us to uplift the deprived section of the society.

We need to learn to retain the trust and commitment of the communities and work towards creating a positive atmosphere for the communities that we come in contact with.

And the scope of corporate responsibility extends beyond areas of manufacturing facilities and offices. As part of our initiatives towards the society we work for, Shree has carried out various activities.
**Employees**
We believe that what is present in the minds of people is more valuable than the assets on the shop floor and all our initiatives are directed to leverage the value of this asset. We believe in the self-actualisation of the employees by injecting the concept of Human Resource Development in all our policies and strategies.

**Non Discrimination**

We realise that diverse views by representatives of different sections of the society are essential for our growth. A diverse workforce helps in generation and exchange of multiple ideas and enhances team performance at all levels. Diversity also enhances our company and employer image and stimulates creativity and innovation. A strong culture is a key to successful attraction and retention of employees.

Shree provides equal opportunities to all sections of the society. We prohibit discrimination on the basis of race, colour, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal. Our policy is widely communicated to all our employees and they are made sensitive to the organisation’s relevant procedures at the time of their joining.

The company also encourages employees to report discrimination to a supervisor, human resources representative or any member of management so that Shree can address the situation promptly. However, the fact that we have had no reports of discrimination in our company is indicative of the strong culture that we have at Shree. Youth is the key to sustainable development and assure a bright future for the company as well as the community. But at the same time, experience should not be forgotten. Keeping these in mind, Shree stresses on a crucial blend of youth and experience of the employees. We have started employing females. In 2006-07 the number of female employees was 17.
Motivating the Employee

We are committed towards maintaining our position in the market and aim for accelerated growth. We believe that our success depends on our people. Our programs allow our employees to save, set aside supplementary income for their retirement and protect their families through insurance policy with death benefits.

At Shree, compensation philosophy is linked to responsibility levels of the role that the incumbent is performing and based on performance. Shree also ensures compliance with the Equal Remuneration Act which mandates every employer to pay equal remuneration to men and women employees for the same work or work of similar nature.

Benefits provided to employees:
- Fully equipped housing colonies
- In-complex landscaping to improve workplace ambience
- Group Medical Insurance
- Annual Health check-ups for employees and medical facility for employees and their families
- Rewards and recognition

Employees are given due recognition for the knowledge and expertise gained or acquired during the course of their professional life and are facilitated at public functions. By recognition and reward the employees are motivated to give their best in the interest of the organisation in particular and for the society in general.

At Shree, employees are given due recognition for the knowledge and expertise gained.

Suggestions received from employees under ‘Jo Soche Wo Pave’

<table>
<thead>
<tr>
<th>Status of Suggestions</th>
<th>06-07</th>
<th>05-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. received</td>
<td>311</td>
<td>957</td>
</tr>
</tbody>
</table>

Safety has top most priority at Shree and we have adopted a proactive approach for providing a safe workplace for all our employees. Significant hazards exist in areas of cement plant operations that need a proactive approach with management, employees and contractors working together to control and prevent harm. Shree has a long history of commitment to health and safety. The safety committee at Shree has always believed that workplace injuries and illnesses are preventable. We supply all the modern safety gadgets and equipment to our employees within the plant premises. We, at Shree, understand that spreading health and safety awareness plays a key role in achieving our ultimate goal. That is why a safety meeting is organised on the first day of each month, where safety issues are discussed in front of an audience comprising of employees and workers / labours.

We celebrate our past achievements and set our future targets on our Annual Safety Day on 4th of March each year. Vocational training on safe handling of mining equipment is organised for staff working in mines. Training related to safety aspects is provided to all employees prior to engaging them.

A special safety committee has been formed by equal participation of management and workers. These committees also discuss issues pertaining to health and safety on monthly basis.

<table>
<thead>
<tr>
<th>Year</th>
<th>05-06</th>
<th>06-07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beawar</td>
<td>RAS</td>
</tr>
<tr>
<td>No. of Accidents</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Fatality Rate</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Frequency Rate</td>
<td>0.77</td>
<td>1.43</td>
</tr>
<tr>
<td>Severity Rate</td>
<td>16.48</td>
<td>2274</td>
</tr>
<tr>
<td>Lost Day Rate</td>
<td>0.0001</td>
<td>0.001</td>
</tr>
<tr>
<td>Injury Rate</td>
<td>1.66</td>
<td>2.34</td>
</tr>
</tbody>
</table>
Learning & Development

Learning is seen as an important component of our corporate culture. Competence management is aligned with our business requirements as well as job profiles and roles, and supports talent management. Emergence of new technologies makes work efficient as well as sustainable to keep pace with the rapid changes. In 2006-07, an integrated learning function with the objective of creating a stimulating learning environment was introduced. In line with this, several customised training and development interventions were offered such as functional, behavioural, leadership and management capabilities, to expose the employees to the dynamics of business needs, organisational functioning and interdependence of various functions. The numbers of employees trained for anti corruption was 20.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2005-06 In-house</th>
<th>2005-06 External</th>
<th>2006-07 In-house</th>
<th>2006-07 External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programmes</td>
<td>446</td>
<td>43</td>
<td>277</td>
<td>76</td>
</tr>
<tr>
<td>Participants</td>
<td>4918</td>
<td>74</td>
<td>3911</td>
<td>119</td>
</tr>
<tr>
<td>Persons - days spent on training</td>
<td>1996</td>
<td>232</td>
<td>1911</td>
<td>340</td>
</tr>
<tr>
<td>Persons - hours of training</td>
<td>15976</td>
<td>1859</td>
<td>15901</td>
<td>3009</td>
</tr>
<tr>
<td>Average training hrs per member</td>
<td>18.54</td>
<td>18.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The training needs for the employee are identified based on the responsibilities they have been designated with. However, no formal records of training by employee category are available. We are instituting a system in place to track category wise training hours and will be reporting the same in the next cycle.

Engaging our employees

We are committed to an open constructive dialogue with our employee's representatives. Policy is actualised through consultative meetings with representatives of employees, culminating in joint minutes/agreements. Shree believes in the process of negotiation between the representatives of unions and employer to ensure transparency in respect of the terms and conditions of employment of employees, such as wages, hours of work and working conditions.

We respect the right of the workers to form and join associations of their choice. All our employees (with the exception of the Management and Supervisory staff) are covered under collective bargaining either through trade unions or workmen
Shree offers its employees highly competitive remuneration packages compared to companies of similar size within the industry.

committees. We have a process of negotiations with the workmen and ensure that their interests and the interests of the company remain aligned at all times. The cordial worker management relations at Shree are reflected in the fact that we have not faced any instances of strikes or lockouts.

Significant operational changes, if required, are brought in after development of mutual understanding with the employees. Business plans are shared with employees at all units through communication meetings. Employees at the concerned units are informed of all major changes well in advance through their representatives.

The cordial worker management relations at Shree are reflected in the fact that we have not faced any instances of strikes or lockouts.

Suppliers:

Shree is committed to be the part of a socially responsible supply chain. We seek to engage with companies with whom we share common values and beliefs. We expect our suppliers to take a similar ethical business approach and share our values relating to Human Rights with them.

At Shree, processes are designed to choose suppliers carefully and on merit. Shree is committed to human rights which extend to all its significant investment decisions in order to ensure integration of statutory compliance, environmental, occupational health & safety while assessing the economic suitability. In cases of material contacts entered into by Shree and for the construction or expansion of our units, wherever possible, we seek to oblige our suppliers through inclusion of clauses related to compliance with Environment, Health, Safety and Labour laws and require them to honour the fundamental human rights. Implementation of large construction and installation projects undertaken by Shree are managed and supervised by our managers who monitor the adherence to our policies.

We seek also to implement our policies, not merely in letter but also in spirit. We undertake visits to the suppliers’ facilities and have procedures in place for evaluation of the vendor’s performance with respect to compliance with the local, regional and national EHS and labour regulations and their commitment to honouring fundamental human rights.
Community:
Our operations have significant positive and negative impacts at a local level. On the positive side we create employment opportunities for the local population. However, the negative impacts include disturbance to the landscape, dust and noise. In order to retain our license to operate, we need to earn and retain the trust of the communities in which we operate. Our performance is also dependant on the socio-economic development of the communities in which operate. Acknowledging this, we have made a commitment to the socio-economic development and the upliftment of the deprived section of the society.

Assessing our impacts
During the reporting period, the significant projects under implementation were the project at RAS. Prior to the implementation of these projects, independent parties carried out environmental impact assessments. Public hearings were also conducted at both the sites to take on board the concerns of the local community and other civil society groups. For any industry its impacts on the community are the real indicators of its effective functioning. Shree has always worked hard towards minimising its negative impacts and creating a blanket of positive atmosphere for the communities that we come in contact with.

Child Labour Rights
As an organisation compliant with SA 8000 standards, we do not employ child labour or forced labour and our internal processes have been designed to meet this objective. Still, the problem of child labour continues to pose a challenge before the nation. Government has been taking various pro-active measures to tackle this problem. Considering the magnitude and extent of the problem, SHREE has joined the government initiative to solve this social problem which is inextricably linked to poverty and illiteracy and requires concerted efforts from all sections of the society. Our efforts are channelised to prevent child labour in our supply chain as well.

Indigenous
We create business opportunities for various suppliers and contractors operating in the region of our operations. We seek to partner with suppliers and contractors operating in our area of operation, as they are most likely to be affected by our operations.

Shree has over 1400 suppliers of goods and services and 95% of them are indigenous suppliers. To promote the locally based suppliers at the locations of operations, we have engaged 43% of suppliers from the state of Rajasthan. We preferably deal with suppliers, contractors, distributors of the locations where any part of our operation is situated. In the year 2006-07, we have procured 78% worth of goods and services from suppliers situated in India and 37% from the suppliers of the state of Rajasthan.
"We at Shree believe that our performance is dependant on the socio-economic development of the communities in which we operate."

Social Endeavours

Shree has undertaken multiple initiatives to improve the health quotient of the community.

Water is the elixir for life and the area we operate in is primarily a water deficit region. With the adoption of dry processes at our facilities, our water consumption per tonne of cement manufactured is low, which helps us minimise the impact of our operation. Additionally, we have undertaken multiple initiatives for conserving water and to help the communities in gaining access to potable water. The water conservation initiative includes waste water management, water conservation methods and awareness among the employees.

We have undertaken multiple initiatives to improve the health quotient of the community, which is essential in building a healthy economy.

HIV AIDS

Shree has been conducting HIV/AIDS awareness programs in Beawar, Rajasthan, to disseminate information about this curse throughout its workforce, and in the neighbouring communities. Apart from that Shree Cement has organised several meetings with casual labourers, contract labourers, ladies club members & employees of Shree. We also organise interaction sessions between specially trained doctors and school children, local people, truck drivers to effectively communicate the seriousness of the disease.

Dispensary

The dispensary in Shree Township provides round-the-clock medical facilities. Not only the ailments of the colony residents are cured here but the dispensary has also taken the responsibility of treating the patients of the nearby communities.

<table>
<thead>
<tr>
<th>Patients Treated</th>
<th>Beawar 05-06</th>
<th>Beawar 06-07</th>
<th>RAS 05-06</th>
<th>RAS 05-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Particulars</td>
<td>19589</td>
<td>22741</td>
<td>800</td>
<td>1200</td>
</tr>
<tr>
<td>Villagers</td>
<td>10901</td>
<td>9502</td>
<td>13512</td>
<td>18550</td>
</tr>
<tr>
<td>Staffs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Customers
We at Shree understand the need to be accountable and transparent to our customers and endeavour to, at minimum, disclose information required by law.

We manufacture Ordinary Portland Cement (OPC) of 43 and 53 grades, Portland Pozzolanic Cement (PPC) as per the specification of Bureau of Indian Standards (BIS). As per guidelines of Bureau, bags normally contain information about the grade, year of manufacture, weight, lot no. and location where the product is packed.

Shree ensures to indicate complete information about the product quality and services, so as to provide our customers with complete satisfaction. Market survey to assess customer satisfaction is carried by the marketing team. We comply fully with the relevant statutory regulations and legislations pertaining to product information and labelling. Shree has adopted ICC International Code of Advertising Practices and review the compliance quarterly.

We also believe that our efforts focused on providing eco-efficient products to like minded customers help us in building a long term relationship with them and in gaining their confidence. We are committed to be an eco-efficient company and maximise the environmental and economic costs while maximising the benefits. However, for a full eco-efficiency evaluation of our product, we need to consider the impacts during the entire life cycle of the product. LCA, with its systems analysis, has emerged as a powerful tool to help us map our journey towards sustainable development.

With the development of multiple tools, execution of a Life Cycle Assessment study has become comparatively easier. However, greater effort is still required for developing and presenting the studies to external stakeholders for public policy making or for marketing purposes. As an active and committed member of the Cement Sustainability Initiative, we intend to undertake measures to compile reliable LCA data related to our product and make them available to our stakeholders.

The way we do business
A competitive environment and market forces the companies to strive for better products and services. The winner that emerges out of all this is the consumer. Thoughts like these drive us towards cooperation and competitive behaviour for creation of a better market structure. That is why we have never had any legal actions for anticompetitive behaviour, anti-trust, and monopoly practices. No significant sanctions have been imposed on us for non compliance with any of the law or regulation.

Demanding, offering, accepting bribes or any illegal gratifications whatsoever, from any person in connection with the work of the establishment is considered as a major misconduct. During the reporting year 20 employees at executive level have been trained on anti-corruption policies to run the organisation ethically. No incidents of corruption were reported in the current reporting period.

A competitive environment and market forces us to strive for better products and services.
Shree has been actively involved in various decision making activities at different levels with Bureau of Energy Efficiency, Pollution Control Board, National Council for Cement and Building Material, Asia Pacific Partnership on Clean Development and Climate.

The understanding of needs and demands of the industry can be understood by the industry itself. We are the ones who can understand the need for particular policies for the betterment of the industry, the community around it and the consumers. Our involvement in the policy decisions assures us that the policies being introduced sustain the development of the industry, community and consumers. However we, have a policy of not contributing in cash or kind to political parties, politicians and related institution.

Not only our employees, but their families have also taken a vow for social upliftment. Spouses of the people working at the company have formed this club which has been very active on the social front through activities like eye camp.

“Our marketing team carries out regular market surveys to assess customer satisfaction.”
“Climate change is not an environmental issue, but much more to do with society and economics.”

Environment Performance
Environment Performance

Being the first Indian cement company to join the Cement Sustainability Initiative, Shree has always been committed towards maintaining the sustainability of the resources. And as part of this, the company has initiated several initiatives of Asia Pacific Partnership, Global Reporting Initiative and Global Roundtable on Climate Change.

At Shree we understand that climate change does affect our environmental, social and financial challenges and also influences our business activities and operations. And so, we are committed towards improving the sustainability of our precious natural resources. For us, environment is our asset.
Raw Material in production

All Shree businesses ensure long-term availability of necessary raw materials at optimum and competitive prices. Not only are these businesses required to ensure sustainability of raw material sources, they are mandated to aggressively pursue efficient use of raw materials through extensive R&D and waste minimisation through product and process improvements.

At Shree complete care is taken that the raw materials we utilise in production of our cement are within the compliance limits set by the government. The following raw materials have been used in our company during 2005-06 and 2006-07:

<table>
<thead>
<tr>
<th>Material Used</th>
<th>Beawar(MT) 2005-06</th>
<th>Beawar(MT) 2006-07</th>
<th>RAS(MT) 2005-06</th>
<th>RAS(MT) 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limestone</td>
<td>33667353</td>
<td>3562607</td>
<td>520837</td>
<td>1479534</td>
</tr>
<tr>
<td>Marble- Grade I</td>
<td>86108</td>
<td>8752</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Laterite</td>
<td>-</td>
<td>39249</td>
<td>5455</td>
<td>20398</td>
</tr>
<tr>
<td>Mill Scale</td>
<td>42477</td>
<td>18775</td>
<td>3910</td>
<td>10850</td>
</tr>
<tr>
<td>Gypsum</td>
<td>191734</td>
<td>216858</td>
<td>9470</td>
<td>95112</td>
</tr>
<tr>
<td>Fly Ash (Raw meal)</td>
<td>102048</td>
<td>105704</td>
<td>14675</td>
<td>43153</td>
</tr>
<tr>
<td>Fly Ash</td>
<td>564958</td>
<td>786858</td>
<td>12221</td>
<td>284549</td>
</tr>
<tr>
<td>Packaging Materials</td>
<td>4088</td>
<td>4459</td>
<td>238</td>
<td>2013</td>
</tr>
<tr>
<td>Lubricant Oil(L)</td>
<td>49592</td>
<td>59057</td>
<td>-</td>
<td>12300</td>
</tr>
</tbody>
</table>

Recyclable Waste

Solid Waste

- Fly Ash, generated from Shree’s Captive Power Plant is used 100% as it is a low calorific value fuel (LCV), for production of clinker. Not only that, solid waste generated from the cement plant like stationary, packaging materials are collected and fed into the kiln.

- The used oil generated in the plant from the various sources are recycled and used within the plant such as chain of stacker and reclaim & sold as well to the government authorised dealers.

<table>
<thead>
<tr>
<th>Total Quantity received</th>
<th>% Quantity Reused</th>
</tr>
</thead>
<tbody>
<tr>
<td>Particulars</td>
<td></td>
</tr>
<tr>
<td>Used Oil (L)</td>
<td>46236</td>
</tr>
</tbody>
</table>

Energy Efficiency: Leading the Way

Energy conservation is an effective way of reducing the manufacturing costs, green house gas emission and preservation of natural resources. The best practices we have employed to attain highly energy efficient level are:

- Setting goals and targets for good and best practices
- Benchmarking with world best performance and with Indian plants
- Drawing future plans for Energy Conservation
- Increasing utilisation of waste products generated by other industries.
- Conducting energy audit
- Conducting small group activities
- Adoption of new technology
- Training employees


"Energy conservation is an effective way of reducing the manufacturing costs."

## Our Initiatives

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>DETAIL OF THE WORK DONE (2006-07)</th>
<th>DETAILS OF ACHIEVEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Installing high efficiency SG fan &amp; Raw mill ESP fan</td>
<td>Energy saving 3.5 kWh / tonne of material</td>
</tr>
<tr>
<td>2</td>
<td>Optimisation of cement mill-II after close circuiting</td>
<td>Grinding Capacity increased by 20 TPH and reduction in specific energy consumption by 1.0 kW / tonne cement</td>
</tr>
<tr>
<td>3</td>
<td>Use of RO rejected water in kiln-II GCT</td>
<td>Saving of fresh water</td>
</tr>
<tr>
<td>4</td>
<td>Installation of high efficiency fan for dust collector</td>
<td>Resulted in energy saving</td>
</tr>
<tr>
<td>5</td>
<td>Cement mill to outlet elevator capacity increased by providing high filling buckets</td>
<td>Capacity increased</td>
</tr>
<tr>
<td>6</td>
<td>Energy saving dust collector by incorporating high efficiency fan</td>
<td>Saving around 21.8 kW / hr</td>
</tr>
<tr>
<td>7</td>
<td>Heat exchanger in Raw mill-I gear box shifted from close room to open atmosphere</td>
<td>Resulted in reduction of gear box oil temperature</td>
</tr>
<tr>
<td>8</td>
<td>Removal of orifice from fan in let ducks in Raw Mill-III</td>
<td>Resulted in power saving</td>
</tr>
<tr>
<td>9</td>
<td>An additional Kiln shell cooling saving fan has been installed at Kiln III</td>
<td>Resulted in thermal energy saving</td>
</tr>
<tr>
<td>10</td>
<td>Capacitors provided in bucket elevator in U III</td>
<td>Power factor increased</td>
</tr>
</tbody>
</table>

By using various energy saving & process optimisation techniques we have reduced the energy consumption per tonne of cement as well as fuel consumption per tonne of clinker.
### Fuel Consumption

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel (KCal/Kg of clinker)</td>
<td>761</td>
<td>743</td>
<td>733</td>
</tr>
<tr>
<td>Total Energy Saving (GJ)</td>
<td>186769</td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

### Energy Consumption

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity (kWh/tonne of cement)</td>
<td>73.05</td>
<td>70.72</td>
<td>79.64</td>
</tr>
</tbody>
</table>

Reduction in energy consumption has resulted in reduction of CO₂ emissions by 2.92 kg CO₂/tonne of cement in 2005-06 and 6.408 kg CO₂/tonne of cement in 2006-07 compared to 2004-05.

### Direct Energy Consumption

At Shree we utilise different grades of fuels according to their requirement in the plant and for other operations such as transport of raw material in a sensible manner.

#### Cement Plant:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pet coke</td>
<td>GJ 7098138</td>
<td>GJ 6192720</td>
<td>GJ 513749</td>
<td>GJ 1853399</td>
</tr>
<tr>
<td>LCV</td>
<td>GJ 575922</td>
<td>GJ 1119005</td>
<td>GJ 12489</td>
<td>GJ 189073</td>
</tr>
<tr>
<td>Coal</td>
<td>GJ 0</td>
<td>GJ 62642</td>
<td>GJ 201477</td>
<td>GJ 856618</td>
</tr>
<tr>
<td>Alternate Fuel (Agro + MSW + Tyre)</td>
<td>GJ 5942</td>
<td>GJ 331576</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>GJ 7680002</td>
<td>GJ 7706843</td>
<td>GJ 727715</td>
<td>GJ 2899090</td>
</tr>
</tbody>
</table>

#### Power Plant:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pet coke</td>
<td>GJ 3561258</td>
<td>GJ 4458030</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Coal</td>
<td>GJ 102685</td>
<td>GJ 9737</td>
<td>0</td>
<td>10338</td>
</tr>
<tr>
<td>Total</td>
<td>GJ 3663943</td>
<td>GJ 4467767</td>
<td>0</td>
<td>10338</td>
</tr>
</tbody>
</table>

### Indirect Energy Consumption

#### Electricity Consumption

<table>
<thead>
<tr>
<th>Unit</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beawar</td>
<td>GJ</td>
<td>10999</td>
</tr>
<tr>
<td>RAS</td>
<td>GJ</td>
<td>13357</td>
</tr>
</tbody>
</table>

*Unit III at RAS commissioned on 26 Feb. 2006*
“At Shree we utilise different grades of fuels according to their requirement in the plant and for other operations such as transport of raw material in a sensible manner.”

<table>
<thead>
<tr>
<th>Description</th>
<th>Before</th>
<th>After</th>
<th>Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power consumption by SG fan (kW /hr)</td>
<td>1736</td>
<td>1400</td>
<td>336</td>
</tr>
<tr>
<td>Power consumption by ESP fan (kW/hr)</td>
<td>441.1</td>
<td>288</td>
<td>156.1</td>
</tr>
</tbody>
</table>

Total power saving = 492.1 kW / hr
Saving in kWh /Yr = 3897432
Emission reduction per year = 3312 tonne CO₂ equivalent

**Down comer water spray arrangement at Pyro & Kiln stream outlet in Kiln – II**
Installed down comer water spray arrangement at Kiln & Pyro stream in Kiln – II. The system was running continuously from Sept.29-2005 till date without any stoppage. This has resulted in the following:

Kiln stream temperature reduced from 301°C to 201°C. Pyro stream temperature reduced from 299°C to 220°C.
Stopped booster fan after down comer water spray mainly due to reduced fan volume, resulted in energy saving.
Case Study: Use of Fly Ash

To enhance production Shree put in efforts to increase the utilisation of Fly Ash. For this, two way approach was adopted. First, collection of good quality Fly Ash from thermal power plants and second, constant feeding of Fly Ash to cement grinding system. In most thermal power plants wet system is used (for easy fluidity) for disposal of Fly Ash. One of the major factors hindering the utilisation of Fly Ash was an economic system for collection, handling and transportation of Fly Ash at the thermal power plants.

Shree has invested in construction of collection system at various power plants. Dry Fly Ash is transported to site in closed tankers/trucks taking care of the environment. The collection system based on dense phase pressure conveying system is described in the figure.

There were a number of problems in unloading system of Fly Ash and it was very difficult to unload the required quantity of Fly Ash at the plant. RCC hopper restricted free flow of Fly Ash as Fly Ash stuck with hopper walls and most of the time rotary airlocks run idle due to bridging of material. To optimise the blended cement production we modified our Fly Ash storage system. The RCC hopper was used with a 6 mm thick M.S. plate and an aeration system was installed to enable free flow of Fly Ash.

For ensuring the constant feeding of Fly Ash we have constructed two silos at the plant. The storage capacity of Fly Ash Silo is 2200 MT each. This helped to increase production of PPC.

Climate Change

At Shree, we recognise that the effects of climate change present environmental, social and financial challenges to the global economy as well as our own business activities and operations. We continue to engage our employees and clients on this issue to both minimise the risks and maximise the opportunities presented by climate change.

Shree has adopted a very proactive approach and has constituted a Carbon Committee. The Carbon Committee:

- Proactively participates in global forums
- Studies emerging trends to identify various risks/threats and opportunities from climate change
- Formulates strategy and supports businesses in evaluation and mitigation measures

India, as a Non-Annexure I country, does not have any GHG emission reduction targets in the first commitment period up to 2012. However, being part of the United Nations Framework Convention on Climate Change (UNFCCC), India is committed to improving its sustainability index.
and participating in the use of the Clean Development Mechanism (CDM) under the Kyoto Protocols.

Shree units are, therefore, actively engaged in reducing Green House Gases emission and a number of CDM projects are in various stages of development. Three Projects have already been registered with the CDM Executive Board. Out of three, one project has been issued CERs twice. The sale of Certified Emission Reductions obtained from these CDM projects will provide financial incentive and motivation to enlarge SHREE contribution to this important global concern.

**Direct GHG Emissions**

<table>
<thead>
<tr>
<th>Unit</th>
<th>Beawar</th>
<th>RAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct emissions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tonnes / year</td>
<td>2282979</td>
<td>2355295</td>
</tr>
<tr>
<td>Indirect emissions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tonnes / year</td>
<td>1037</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tonnes / year</td>
<td>2284016</td>
<td>2355295</td>
</tr>
</tbody>
</table>

*Direct emission for RAS has not been included this year as started recently, will be reporting next year. The figures given above have been calculated as per CSI protocol.*

**Estimated GHG emissions (in-house / travelling)**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Beawar Tonnes</th>
<th>RAS Tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light motor vehicle</td>
<td>12.65</td>
<td>16.26</td>
</tr>
<tr>
<td>Bus</td>
<td>29.41</td>
<td>33.09</td>
</tr>
</tbody>
</table>

**Water Conservation**

As this region is water deficit, we are engaged in recharging the ground water. Check dams and rainwater harvesting structures have been constructed to recharge the ground water levels and to use the recycled water as much as possible. Shree Cement is a dry process cement plant where water requirement is low. In order to reduce the water consumption, the plant is using recycled water to maximum level. To do the same Shree has installed a 350 KL Sewage Treatment Plant (STP). The waste water generated by power plant is used at cement plant.

**Consumption in m³**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cement Plant and Mines</th>
<th>Power Plant, DG and WHR</th>
<th>Domestic</th>
<th>Cement Plant and Mines</th>
<th>Power Plant &amp; DG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>539965</td>
<td>1112824</td>
<td>305356</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>620260</td>
<td>1310448</td>
<td>336840</td>
<td>200042</td>
<td>9083</td>
</tr>
</tbody>
</table>

**Recycled**

<table>
<thead>
<tr>
<th>Year</th>
<th>Recycle Qty. (m³)</th>
<th>% Recycled Qty.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>129458</td>
<td>6.55</td>
</tr>
<tr>
<td>2006-07</td>
<td>209946</td>
<td>9.26</td>
</tr>
</tbody>
</table>

**Water receipt by source Beawar**

<table>
<thead>
<tr>
<th>Source</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory Well (m³)</td>
<td>49380</td>
<td>25986</td>
</tr>
<tr>
<td>Mines Pit (m³)</td>
<td>101173</td>
<td>93517</td>
</tr>
<tr>
<td>Outside Well (m³)</td>
<td>1695498</td>
<td>1936700</td>
</tr>
<tr>
<td>Effluent Water (m³)</td>
<td>129458</td>
<td>209946</td>
</tr>
</tbody>
</table>
Case Study:

Reduction in water consumption at power plant and recycling of R.O reject water.

Introduction

Shree power plant with a capacity of 44 MW was installed to cater the power requirement of Shree cement. Initially there was one R.O plant for production of boiler feed water. This R.O. generates 45 KL/hr reject of high TDS as waste. To reuse this water Shree R & D centre adopted step by step approach to use this water.

1st Step

A 2nd Reverse Osmosis (R.O) unit was installed at Shree Power plant which reduces the quantity of waste water generation. 27 KL/Hr out of 45 KL/hr reject water from RO-1 is further treated in RO-2. The capacity of RO-2 is 27 KL/hr and recovery is 67%. Total waste coming out from this plant is around 196 KL/Day. The quality of water is TDS: 26000 ppm, Hardness: 8000 ppm, Chlorides: 8000 ppm. It is very difficult to use this water, as it has heavy scaling problem in the distribution system.

2nd Step

Experiments were conducted to distillate this water using waste heat gases coming out from the cooler (Unit II). Cooler gases are vented out from cooler at a temperature of 220-230°C. Waste heat gases are drawn from cooler ESP outlet chimney into heat exchanger through fan with a capacity of 42000m³/hr. Inlet temperature of heat exchanger is approx. 220°C and outlet temp. is 100-110°C. Outlet gases are again fed into same chimney through outlet duct of heat exchanger. This project was economically not feasible.

3rd Step

Shree R & D centre again worked for other possibilities to use this water. At Gas Conditioning Tower fresh water was used to cool down the pre heater exit gas temperature several experiments were carried out for replacement of fresh water with R.O. reject water as it may scale the distribution line, process abnormality, E.S.P. tripping etc. To overcome these problems following remedial measures were taken.

- Frequency of distribution line cleaning was increased from 1 week to once in two days - Modification in nozzle diameter
- Replacement of distribution line from Mild Steel to Stainless Steel

- Cast iron pump is replaced by SS 316 pump
- Steel spray nozzle is replaced by tungsten carbide.

By adopting these changes use of this water was found feasible and resulted in saving of 196 KL fresh water per day.

4th Step

Overall water recovery of this plant is 100%. With the commitment of waste reduction, Shree Cement Shree Power is a combination of zero discharge.

Biodiversity around us

None of Shree units / operations are situated in a biodiversity sensitive zone. Newly constructed units / under implementation units at RAS have been taken up on land acquired from private parties / government while the ones under implementation at Khushkhera have been taken up in a government identified industrial area. These projects have been undertaken after detailed Environmental Impact Assessment and Stakeholders Consultations. All the issues from these studies and consultations have been suitably addressed. In the vicinity no wild life sanctuary exists hence, no impact on biological environment comprising birds and animals. On the contrary, with the growing plantation in and around the plant & storage of water in mines pit, biological terrestrial environment has improved.

In the vicinity of the plant and mining area there are no habitats of IUCN Red List species and national conservation list species. We are not engaged in any kind of activities whose emission results in ozone depletion.

Emission from stack
At Shree, we practice an efficient implementation of the practices to dispose off the waste generated and strive to maximise the utilisation of alternative materials in the plant.

### Significant Air Emissions

<table>
<thead>
<tr>
<th>Year</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dust (g/ton of clinker)</td>
<td>210</td>
<td>212</td>
</tr>
<tr>
<td>SOx (mg/Nm³)</td>
<td>Below detection limit</td>
<td>Below detection limit</td>
</tr>
<tr>
<td>SPM (mg/Nm³)</td>
<td>Beawar</td>
<td>Beawar</td>
</tr>
<tr>
<td>Kiln Stack</td>
<td>57</td>
<td>53</td>
</tr>
<tr>
<td>Coal Mill Stack</td>
<td>46</td>
<td>31</td>
</tr>
<tr>
<td>Cement Mill Stack</td>
<td>32</td>
<td>28</td>
</tr>
</tbody>
</table>

### Ambient Air Status in and around plant at Beawar

<table>
<thead>
<tr>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPM</td>
<td>SO₂</td>
</tr>
<tr>
<td>Station 1</td>
<td>250</td>
</tr>
<tr>
<td>Station 2</td>
<td>264</td>
</tr>
<tr>
<td>Station 3</td>
<td>189</td>
</tr>
<tr>
<td>Station 4</td>
<td>164</td>
</tr>
<tr>
<td>Station 5</td>
<td>267</td>
</tr>
</tbody>
</table>

### Ambient Air Status in and around plant at RAS

<table>
<thead>
<tr>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPM</td>
<td>SO₂</td>
</tr>
<tr>
<td>Station 1</td>
<td>327</td>
</tr>
<tr>
<td>Station 2</td>
<td>254</td>
</tr>
<tr>
<td>Station 3</td>
<td>345</td>
</tr>
<tr>
<td>Station 4</td>
<td>254</td>
</tr>
</tbody>
</table>
Efficient Waste Disposal Practice
At Shree, we practice an efficient implementation of the practices to dispose off the waste generated and strive to maximise the utilisation of alternative materials in the plant.

Fly Ash: Waste generated by thermal power plant is stored in silos and used for the production of blended cement in the existing cement plant. In the reporting year we have consumed 7.87 Lac MT.

LCV: Boiler ash generated by the Shree power plant is ground in a separate grinding mill then the total LCV fuel (boiler ash) generated by the power plant is fed to the cement kiln.

Liquid Waste: Liquid waste such as lube oil, generated from the various sources are recycled and used within the plant & sold as well.

Waste Water: Waste water generated from power plant is used for dust suppression after neutralisation. Domestic Waste Water after treatment at S.T.P is used in process/ green belt.

Waste Gas: Waste gases generated in the clinker cooler are utilised through waste heat recovery boiler which generates 3.5 MW power which partially replaces coal. Another project coming up is to trap waste heat from Preheater kiln through vertical co-flow boiler to generate steam and use this steam in existing power plant which saves around 14051 tonne pet coke/annum and results in CO₂ emissions.

We are careful
Due to nature of our operations, the type and quantity of waste generated are very rare in the plant. However Corporate EHS guidelines require all Shree units to have effective spill control measures to eliminate or contain any spills of chemicals, oils, fuels and hazardous wastes/substances to prevent any adverse impact on environment and sub-soil. The only hazardous waste generated at the plant is used lube oil which is partially recycled and reused and rest is sold out to the authorised dealers. We are not engaged in the importing or exporting of hazardous waste material.

Environmentally sound products and services
Cement does not have any significant environmental impact after coming in to the structure. We provide technical support and training to contractors and masons for safe and effective use of the product. Cement is a fine powder consisting of minerals such as Tricalcium Silicate, Di Calcium Silicate, Tricalcium Aluminates and Tetra Calcium Alumino Ferrite and it gives strength when mixed with water due to hydration of these components. Cement is not used alone; it is mixed with aggregates, sand etc. Durability of cement is also very high. Thus reclaiming of cement is not needed. The packaging material of cement is also not reusable by cement plant for repacking however cement bags is utilised by different agencies.

At Shree cement we are having a full fledged Environmental Cell which takes care for all the environmental issues.

Well within Compliance
During the reporting year, third party certified, management systems like ISO 14001 & OHSAS 18001 and the use of state-of-the-art processes/technologies supported by audits by the Corporate EHS ensured that all Shree units continued to be free of any violations of regulatory or voluntary requirements. However, At Shree cement we are having a full fledged Environmental Cell which takes care for all the environmental issues. The Cell takes care of not only pollutant levels but also keeps an eye on the proper functioning of the operational units so as to ensure the compliance level. We have not been levied with any significant penalty for legal non compliance during the reporting period.

We Care: We Show
During the transportation of our products to our dealers, air pollution takes place. For reduction of that, cemented roads have been constructed in the passing area and parking lot. Drivers are given training on best driving practices time to time. Employees are motivated to go for carpool so as to reduce the number of cars on the road, thus reduce the emission into the atmosphere.

At Shree, we prioritise the local environment around us and put all possible efforts in order to achieve a stable environment. The total environmental expenditure made by Shree is given below.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Environmental expenditure</td>
<td>24.60</td>
<td>30.40</td>
</tr>
</tbody>
</table>

(Rs. in Million)
“We at Shree strive to maximise the utilisation of alternative materials in the plant.”

ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>CII</td>
<td>Confederation of Indian Industry</td>
</tr>
<tr>
<td>FICCI</td>
<td>Federation of Indian Chambers and Commerce of Industry</td>
</tr>
<tr>
<td>NCB</td>
<td>National Council for Cement and Building Materials</td>
</tr>
<tr>
<td>SE</td>
<td>Stock Exchange</td>
</tr>
<tr>
<td>BSEL</td>
<td>Bombay Stock Exchange Limited</td>
</tr>
<tr>
<td>NSEIL</td>
<td>National Stock Exchange Limited of India</td>
</tr>
<tr>
<td>SEBI</td>
<td>Securities Exchange Board of India</td>
</tr>
<tr>
<td>CMA</td>
<td>Cement Manufacturing Association</td>
</tr>
<tr>
<td>BEE</td>
<td>Bureau of Energy Efficiency</td>
</tr>
<tr>
<td>TERI</td>
<td>The Energy and Resource Institute</td>
</tr>
<tr>
<td>APP</td>
<td>Asia Pacific Partnership on Clean Development and Climate</td>
</tr>
<tr>
<td>CSI</td>
<td>Cement Sustainability Initiative</td>
</tr>
<tr>
<td>GROCC</td>
<td>Global Round Table on Climate Change</td>
</tr>
<tr>
<td>SCL</td>
<td>Shree Cement Ltd.</td>
</tr>
<tr>
<td>MTPA</td>
<td>Million Ton Per Annum</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
</tbody>
</table>
**Board of Directors**

- Shri B.G. Bangur - Executive Chairman
- Shri H.M. Bangur - Managing Director
- Shri R.L. Gaggar
- Shri O.P. Setia
- Shri Shreekant Somany
- Dr. Abid Hussain
- Dr. Y.K. Alagh
- Shri A. Ghosh
- Shri M.K. Singhi - Executive Director

**Management Team**

- Shri Prashant Bangur - Sr. Executive
- Shri Ashok Bhandari - Chief Finance Officer
- Shri H.C. Kabra - Sr. Vice President (Power Plant)
- Shri H.L. Jain - Advisor (Marketing)
- Shri Diwakar Payal - Sr. Vice President (Marketing)
- Shri Vinay Wadhwa - Sr. Vice President (Marketing)
- Shri PN. Chhangani - Vice President (Plant Operation)
- Shri Rahul Kaushal - Vice President (Marketing)
- Shri S.M. Khira - Advisor (Technical)
- Shri M.M. Sharma - Vice President (Project)
- Shri PK. Tripathy - Vice President (Plant Operation)
- Shri C.R. Bilyani - Advisor (Project)
- Shri Gopal Daga - Jt. Vice President (Project)
- Shri Ramakant Sharma - Jt. Vice President (P.R.)
- Shri K.C. Gandhi - Jt. Vice President (Purchase)
- Shri Sanjay Mehta - Jt. Vice President (Commercial)
- Shri P.C. Jhawar - Asst. Vice President (P&A)
- Shri S.C. Suthar - Asst. Vice President (Mines)
- Shri Arvind Khicha - Asst. Vice President (Commercial)
- Shri Anil Kumar Singh - Asst. Vice President (E&I)

**Company Secretary**

- Shri S.S. Khandelwal

**Bankers**

- State Bank of Bikaner & Jaipur
- State Bank of India
- ICICI Bank Ltd.
- IDBI Bank Ltd.
- UTI Bank Ltd.
- Standard Chartered Bank
- DBS Bank
- ABN Amro Bank
- BNP Paribas

**Advertising Consultant**

- Shri Alyque Padamsee
### Auditors
M/s. B.R. Maheswari & Co., New Delhi

### Cost Auditors
M/s. K.G. Goyal & Associates, Jaipur

### Internal Auditors
M/s. P.K. Ajmera & Co, Ahmedabad

### Registered Office
Bangur Nagar, Beawar - 305 901,
Distt. Ajmer, Rajasthan
Phone: (91)1462-228101-06,
Fax: (91)1462 228117/19
Toll free no: 1800 180 6003-04
Website: www.shreecemntltd.com
Email: sclbwr@shreecemntltd.com

### Corporate Office
21, Strand Road, Kolkata - 700 001
Phone: (91)33-22390601-05
Fax: (91)33 22434226
Email: sclca@shreecemntltd.com

### PLANTS

#### Unit I & II Bangur Nagar, Beawar - 305 901,
District: Ajmer, Rajasthan (India)
Phone: (91)1462-228101-06
Fax: (91)1462 228117-119
Email: sclbwr@shreecemntltd.com

#### Unit III & IV
Bangur City, RAS, Tehsil Jaitaran- 306 107,
District: Pall, Rajasthan (India)
Phone: (91)1462-228101-06
Fax: (91)1462-228117-119
Email: sclbwr@shreecemntltd.com

### Khushkhera Cement Grinding Units (Under implementation)
Plot No SP 3-11(A1), RIICO Industrial Area,
Khushkhera (Bhiwadi) - 301 707, Distt.
Alwar, Rajasthan (India)

### Marketing Offices

#### Shree Ultra Cement
122-123, Hans Bhawan,
1 Bahadur Shah Zafar Marg,
New Delhi-110 002
Phone: (91)11-23370828, 23379218,
23370776 Fax: (91)11-23370499
Email: scldel@shreecemntltd.com

#### Bangur Cement
68,6th Floor,Hansalaya Building,
15, Barakamba Road,
New Delhi-110 001
Telefax: (91)11-23702794-96
Email: sharmapal@bangurcement.com

#### Tuff Cement 3556 Cement
14E, 14th Floor, Hansalaya Building,
15-Barakamba Road,
New Delhi-110 001
Phone: (91)11-23731085, 61512430
Fax: (91)11-23731084

#### A-6 Yudhisther Marg, Opp. Yojana
Bhawan, C-Scheme, Jaipur-302005
Rajasthan
Phone: (91)141-2223918, 2225950
Fax: (91)141-2381091
Email: scljpr_jp1@shreecemntltd.com

#### 91, Dulheshwar Garden, C Scheme,
Sardar Patel Marg, Jaipur-302 001
Phone: (91)141-2361735, 2361696
Fax: (91)141-2360891
Email: jhanwara@bangurcement.com

#### 14-15, Indira Plaza,
Hawa Sarak, Sodala,
Jaipur-302 001 (Rajasthan)
Phone: (91)141-2222032, 6455692
Fax: (91)141-2222031
SHREE CEMENT LTD.
ENVIRONMENT POLICY

To ensure:
- Clean, green and healthy environment.
- Efficient use of natural resources, energy, plant and equipment.
- Reduction in emissions, noise, waste and green house gases.
- Continuous improvement in environment management.
- Compliance of relevant environmental legislations.

CLEAN AND GREEN IS PROFITABLE

SHREE CEMENT LTD.
WATER POLICY

To provide sufficient and safe water to people & plant as well as to conserve water, we are committed to efficient water management practices viz:
- Develop means & methods for water harvesting.
- Treatment of waste discharge water for reuse.
- Educate people for effective utilization & conservation of water.
- Water audit & regular monitoring of water consumption.

Water adds value to people & organization, conserve it intelligently.

SHREE CEMENT LTD.
HIV / AIDS POLICY

Being a socio-economic issue concerning stakeholders of the society Shree Cement is committed to:
- Create awareness on HIV/AIDS and its prevention among all stakeholders of the society.
- Treatment of AIDS/HIV infected patient in the Company’s Dispensary without any discrimination.

SHREE CEMENT LTD.
HUMAN RESOURCE POLICY

We at Shree Cement committed to:
- Honour individuality of every employee irrespective of caste, colour, creed, place of origin, religion, faith and physical disability.
- Non-discriminate in recruitment and provide an equal employment opportunity to the physically disabled wherever possible.
- Provide ample opportunities for employees to develop.
- Forbid individuals below 18 years of age to work.
- Honour statutes in letter and spirit and follow standard labour practices. Make every employee accountable to the law of the land and follow the same without any deviation.
- Follow safety and health, quality, environment, energy and such other policies so framed by the management from time to time.

SHREE CEMENT LTD.
QUALITY POLICY

To provide products conforming to national standards and meeting customers requirements to their total satisfaction.

To continually improve performance and effectiveness of quality management system by setting and reviewing quality objectives for:
- Customer satisfaction
- Cost effectiveness

"Jo Soche, Woh Paave"
Feedback form for Shree Corporate Sustainability Report 2006-2007

1. Relevance to sustainability of the issues covered in the Report.
   a) High
   b) Medium
   c) Low

2. Clarity of information provided in the Report.
   a) High
   b) Medium
   c) Low

3. The quality of design and layout of the Report.
   a) Good
   b) Average
   c) Poor

4. Suggest what other issues should be covered in the Report.

5. Suggest the areas, if any, where more details should be reported.

   Name :
   Designation :
   Organisation :
   Contact Address :
   E-mail :

Please mail your feedback to:
R.BHARGAVA
G.M. (ENV)
Shree Cement Limited
Bangur Nagar
Beawar -305901
bhargavi@shreecementltd.com