



alternative
THINKING



Sustainability Review 07-08

www.mahindra.com/sustainability

The sun
revolved
around
the earth



till Copernicus thought
the other way round



alternative THINKING

When today's solutions become tomorrow's problems, it's a sign that conventional thinking won't lead us in to the future.

Every leap in human evolution has been a consequence of our ability to rethink the regular. Many milestones of humanity were crossed by challenging the conventional.

Alternative Thinking is what results in Big Shifts.

Today, as we grapple with emerging issues such as climate change, energy, food and water shortages, accelerated loss of biodiversity, persistent poverty and an ever-widening gap between the haves and the have-nots, the need for Alternative Thinking is vital.



Our Sustainability Report 2007-08 is based on the internationally recognised Global Reporting Initiative (GRI) Sustainability Reporting G3 Guidelines (2006).

It has also been externally assured by Ernst & Young (India) Private Limited.

All figures in the report are current as of March 31st 2008.

Message from the Chairman

Financial performance has always been a very important parameter for judging corporate success and rightly so, since stable economic growth is the basis from which good things flow. But with generation of wealth comes responsibility - the responsibility to look beyond profits and try and redress some of the aberrations that exist in our social and environmental fabric. At Mahindra we have been sensitive to this responsibility and have consistently addressed the 'People' and 'Planet' related issues to the best of our abilities.

When we talk of our 'People', we mean all our stakeholders. Our employees are our main strength and the source of all that we do. Hence all our people practices are shaped by the triple imperative of creating a culture of sustained business growth, of demonstrating care for all stakeholders starting with customers, employees and our shareholders and of sustaining and strengthening the core values of the Group. Talent Management addresses not only our officers, but also our workers through the Transformational Employee Relations initiative.

We are aware that all our businesses have an environmental footprint in some form or another, and the challenge today is to continue to progress while maintaining this delicate ecological balance. This has been a cause for concern at Mahindra, and over the years we have taken steps to mitigate carbon emissions and reduce energy consumption. For example, our Auto and Farm Equipment Sectors have been working on clean technologies and use of green fuels, our Infrastructure Development Sector has started constructing Green Buildings and collectively as a Group we launched Project Hariyali with a commitment to plant one million trees.

Details of all these initiatives and many more have been reported in our sustainability report - Alternative Thinking.



Keshub Mahindra
Chairman,
Mahindra & Mahindra Limited

August 2008



Our philosophy is based on
responsibility
towards our people,
our customers,
communities around us,
our country
and our world.

Message from the Vice Chairman & Managing Director

We are clear that we need to achieve high shareholder returns and we will achieve this through good governance, by taking care of our people, by being customer centric and by being environmentally conscious.

I think there are three business benefits we are beginning to see as a result of putting sustainability on our radar. Firstly, it is becoming increasingly obvious to us that incorporating sustainability into the business vision is a way of prudently managing risk. It is the strategic equivalent of creating financial reserves, of making an investment in the long-term viability, not just of the business, but of the employment it generates and of the social contribution it makes.

Secondly, this exercise is helping us redefine our mission in a new and a more holistic way. Many of our businesses are beginning to see themselves as providers of an improved quality of life rather than of goods and services. For example, our housing business differentiates itself by offering a salubrious environment and wellness rather than brick and mortar, and the business results are encouraging.

Thirdly, sustainability will be a growth engine. Globally, customer sensitivities to sustainability are increasing and these trends are manifesting themselves in India as well. A sharp focus on sustainability will actually enhance customer preference for the Mahindra Brand and its products. It will be a business advantage.

Mahindra is an organisation that is continuously evolving in order to stay ahead of the demands of dynamic market environments. I am proud that with this report, the Mahindra Group has started its journey towards becoming a truly sustainable organisation.



Anand Mahindra
Vice Chairman & Managing Director,
Mahindra & Mahindra Limited
Chairman, Group Management Board

August 2008



**Profits and Sustainability
are not 'either/or'
propositions for the Group,
rather they are
'both/and'.**

Group Profile

Over our 63 year history, Mahindra has been an active player in India's development and has built a strong base in technology, engineering, marketing and distribution.

Our Indian Footprint

Our footprint spans many key sectors of the economy including farm equipment and automobile manufacturing, automotive components, engineering, steel processing, financial services, trade and logistics, information technology, infrastructure development, resorts, aftermarket sales and defence.










Our Global Footprint

The Group has a global presence with approximately 6,700 employees working overseas and features in the Forbes list of 200 Most Respected Companies in the World. Our state-of-the-art manufacturing facilities are found in five continents.

A USD **6.7 billion** (INR 266 billion) confederation of diverse businesses, with an employee strength of almost 65,000 and a dominant position in virtually every sector in which it is present, **the Group is among the top ten industrial houses in India.**



The Mahindra Group

M&M Ltd.		Auto Sector	Mahindra & Mahindra Ltd. Automotive Division
		Farm Equipment Sector	Mahindra & Mahindra Ltd. Farm Equipment Division
		Trade, Retail & Logistics Sector	Mahindra Intertrade Ltd. (MIL) Mahindra Steel Service Centre Ltd. (MSSCL)
		Financial Service Sector	Not included in the report
		After Market Sector	Not included in the report
		Speciality Businesses Sector	Not included in the report
		Systems & Technologies Sector (Systech)	Mahindra UGINE Steel Company Ltd. (MUSCO) Mahindra Composites Ltd. Mahindra Castings Private Ltd. (MCPL) Mahindra Forgings Ltd. (MFL)
		Information Technology Sector	Tech Mahindra Ltd.
		Infrastructure Development Sector	Mahindra Lifespace Developers Ltd. (MLDL)

Workforce Snapshot

At Mahindra we firmly believe that people are our most important assets and we encourage individual creativity and teamwork. Our sustainability reporting currently covers 42,198 employees across locations.

42,198
Total Employees

 
79.5% **20.5%** **Gender***


98% **<50 years old** **Age***


88% **Full Time* Employees**


14.7% **Attrition* Rate**

Officer Statistics

*Officer Statistics

Sustainability and Mahindra

While this is our first communication on sustainability, we have a long history of socially and environmentally responsible actions.

We feel a strong responsibility towards the growth of the nation and the well-being of its communities. **This sense of responsibility is ingrained in our ethos and practised by integrating sustainable solutions into our long term business strategy.**

Sustainability Management

An active **Sustainability Council** comprising senior management works to institutionalise the principles of sustainability, reduce the ecological impacts of our operations and re-strategise businesses to achieve sustainable growth.

A **Corporate Sustainability Cell** helps the Sustainability Council manage environmental sustainability concerns in the Group and anchors triple bottom line reporting.

Sustainability Champions, selected to represent their Sectors, form the backbone of sustainability related initiatives and drive them in each business unit.

Sustainability Reporting

In our first sustainability report the focus is to document the actions taken by our various business verticals towards:

meeting global challenges of climate change



nurturing our human resources in addition to our profits



becoming dependable neighbours



We intend to report our sustainability performance on an annual basis and expand its scope on an ongoing basis.

Sustainability Commitments 2008-2009

Mahindra has four sustainability commitments for the next year, centred around two key domains: **Knowledge and Vision.**



Knowledge

Achieve 100% awareness of sustainability issues amongst all employees

From our boardrooms to the shop floor we will ensure that everyone is aware of the key information regarding environmental, social and economic issues. We see this awareness as an essential step in integrating sustainability into our management and processes.

Enhance the breadth and depth of sustainability monitoring

We feel that we need to know where we are now, in order to plan our way ahead. Therefore we will put in place robust measuring and monitoring mechanisms to improve the quality of our monitoring and expand its scope to encompass more companies.

Vision

Articulate a Sustainability Roadmap for the next 3 to 5 years for each sector

To truly ingrain sustainability into our values, each sector will outline a Sustainability Roadmap. Such an exercise will allow us to plan for opportunities and risks associated with sustainability and will lead us towards a more plentiful tomorrow.

Set a target for reduction of non-renewable energy use for each sector

Energy is integral to our manufacturing processes, our office buildings, our product functionality, our profits, our employee mobility, our quality of life and our planet's health. Therefore, we will all be beneficiaries if we can reduce the amount of energy we use and increase the share of renewable energy in this reduced consumption.



Environmental Responsibility

Concerns about pollution, global warming, climate change, energy security, rising energy costs and fuel prices have pushed alternative energy and propulsion technologies to the forefront of a global mandate. There is a heightened demand from the global community to reduce emissions and adopt cleaner forms of energy.

We are constantly identifying and putting into practice plans to seize emerging opportunities and address new challenges such as:



Reducing our energy consumption



Controlling and reducing our greenhouse gas emissions



Effectively managing our water consumption and waste



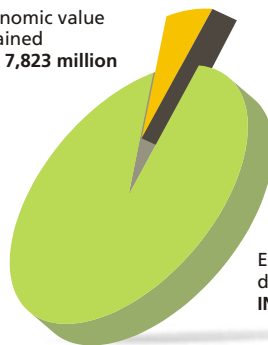
Developing greener products and services

Economic Responsibility

Mahindra always works to ensure positive economic returns for its shareholders each year. Like many before, the gross revenues and other incomes for the Mahindra Group grew, this time by 37% - from INR 1,94,170 million (USD 4.5 billion) to INR 2,66,000 million (USD 6.7 billion).

The profit before tax for the corresponding period increased 21%.

Economic value retained
INR 7,823 million



Economic value distributed
INR 1,11,254 million

Economic Value Retained for M&M Ltd.:

- Direct economic value generated (revenues):
INR 1,19,077 million

Amount spent on R&D:
INR 2,453.3 million

Social Responsibility

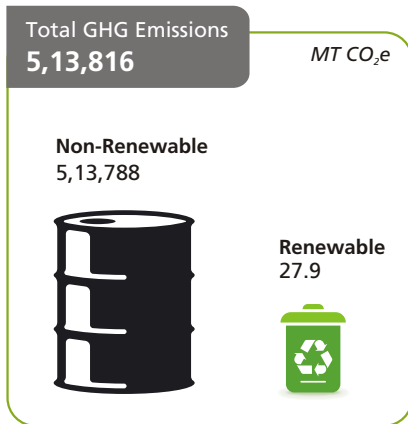
"Corporate social responsibility has always been an integral part of the Group's vision and the cornerstone of our core value of Good Corporate Citizenship."

Keshub Mahindra

At the Mahindra Group, corporate social responsibility is not just a duty, it is a privilege. Mahindra, as a responsible citizen, has always been aware of its obligation to society. At the time of announcing our results in 2005, our 60th year of operation, the Chairman pledged to commit 1% of PAT on a continuous basis to support social responsibilities. From then on all companies under the Mahindra Group set aside this amount to fulfil their social responsibilities, in the areas of health, education and environment.

Environmental Performance

Greenhouse Gas Emissions



Scope I - Direct Emissions

From combustion of fuel: 1,21,214 MT CO₂e (27.9 MT CO₂e from biomass)

Scope II - Indirect Emissions

From electricity consumption: 3,92,602 MT CO₂e

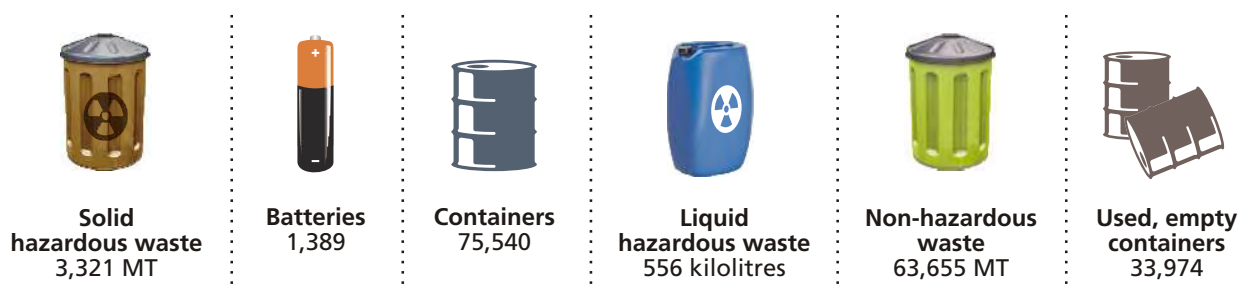
In the future, we intend to measure, report and work towards reducing Scope III GHG emissions from travel, commuting, shipping and receiving supplies.

Water Consumption 43,01,470 m³



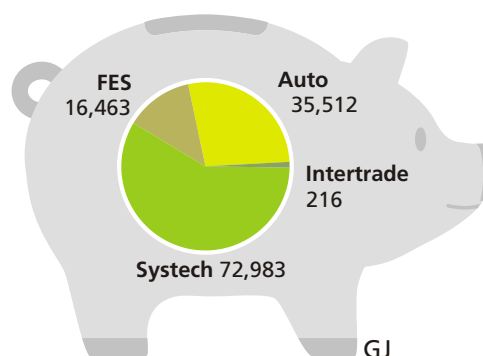
Over the next year, we hope to improve the efficiency of our water usage, increase recycling and reuse of water, expand rainwater harvesting initiatives and put in place measures to better track our discharges.

Waste



Energy Savings

Our Automotive Sector, Farm Equipment Sector, Mahindra Intertrade and our Systech companies have all been working towards reduction of their energy consumption. During the past year, we recorded a total of 1,25,175 GJ of energy saved due to various initiatives.



Sources of Energy Savings

Process redesigns, conversion and retrofitting of machinery, changes in personnel behaviour, employee travel pooling.

Product Performance

At Mahindra, our products are our ambassadors. They are a direct manifestation of our innovations, quality standards and stringent processes. Our customers rely on our products' safety, efficiency and reliability.

Product responsibility therefore, is not confined to the boundary of our premises; it is a part of our long term commitment across the lifecycle of our products.

Our Farm Equipment Sector sees potential in biodiesel as a sustainable fuel. Therefore, we launched India's first biodiesel tractor in 2007. We are currently working towards making our tractors compatible with higher blends of biodiesel and thereby further reducing our dependence on fossil fuels. In close coordination with biodiesel suppliers, we ensure the quality of biodiesel used for blending is in compliance with IS 15607.

Mahindra Lifespace Developers Ltd. has embarked on a mission to "Go Green" for all new residential building projects in India. We have applied for LEED-CS pre-certification for four projects. These buildings will feature low energy consumption, superior water management, improved indoor air quality, and will be constructed in part with recycled materials.

Our Automotive Sector's R&D department has introduced several initiatives to reduce the harmful impacts of various materials used in our vehicles:

- Trivalent chromium is used instead of toxic hexavalent chromium.
- Recyclable thermoplastic material is used for design changes and new components.
- Pigmented plastics are used to eliminate hazardous paint coatings and chips.
- We refrain from using PVC to limit the release of chlorine.





alternative
GROWTH

At Mahindra we are sowing the seeds of Alternative Growth.
Growth that will help

re-establish the balance
between ecology and economy.



GROWTH

Growth has been the guiding mantra of humanity for centuries. Along with this growth, population, poverty, environmental degradation, consumption and resource shortages all grew at an alarming rate.

Growth silently slipped into a **zone of diminishing returns, keeping us all in an illusionary comfort zone.**

Active stewardship of the environment is the need of the hour as it can make a world of strategic difference. We planted this belief on the ground when we announced the Hariyali Project with the goal to plant one million trees and make our environment greener and the air cleaner.

By the time the project was officially launched on our 62nd Founder's Day, Oct 2nd, 2007; 1,50,000 trees had already been planted. By October 2008, the goal of one million trees had been met. Beyond the environmental benefits, the Hariyali Project is also about reaching out to people and uniting them for a common goal. Besides Mahindra employees we have forged strong partnerships with stakeholders such as customers, vendors, dealers, NGOs, educational institutes and the Forest Department.

Each of our business sectors set and accomplished their individual targets to ensure that when the initiative formally concluded in October 2008, over

10,00,000

healthy trees were thriving throughout India.





alternative
MOVEMENT

It is time to ease off the accelerator, opt for a pit stop and replace this movement with one that runs on



alternative technologies,
inexhaustible fuels and opens up the
highway to limitless possibilities.

MOVEMENT

Man created vehicles to facilitate movement, enhance quality of life and keep the wheels of progress turning. Today as their numbers increase exponentially and fossil fuel runs out, these vehicles are becoming an impediment in our journey.

In our need for speed we have zoomed past quite a few red lights. Now with fossil fuel getting dearer and scarcer we could soon be coming to a dead end.

At Mahindra we realise that a new type of mobility is required. With this in mind our 1,200 strong R&D team has been developing alternative propulsion technologies as part of our Sustainable Mobility Solutions Program.



sustainable mobility solutions

Electric Vehicles: Mahindra currently has two zero-emission, electric vehicles: the Bijlee and the E-Alfa.

Hybrid Electric Vehicles (HEV): The hybrid Scorpio combines the best features of combustion engines with electric vehicle technologies to deliver incredible fuel economy and high performance.



Compressed Natural Gas (CNG) Vehicles: We have developed CNG vehicles on three platforms - The Mahindra Champion, Mahindra Tourister and the Mahindra FJ Minibus.

Biodiesel Vehicles: Leveraging our advanced R&D capabilities and strategic partnerships, we are today one of the world leaders in biodiesel vehicles.

Hydrogen Vehicles: The zero emission, hydrogen-powered Alfa 3-wheeler vehicle comes in passenger and cargo versions. A first of its kind in the world, the Hy-Alfa runs on only compressed hydrogen gas without the need for any conventional fuel.



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SAVINGS

We are in dire need of an Alternative Savings plan.

We need to economise

the use of natural resources, reduce energy consumption

and cultivate habits of investing in green energy.

Recognising the myriad advantages associated with reduced energy and water consumption, our Automotive Sector makes a concerted effort to increase the efficiency of its manufacturing processes. The efforts are anchored by an energy management policy which states our commitment to benchmarking, alternative fuel use, innovative process designs, efficient equipment and regular energy audits.

We have focused on various initiatives to achieve savings, including waste heat recovery by installing heat pumps for preheating of washing machine in the axle production unit and superheat recovery from air conditioning units.

To further reduce our carbon footprint, we try to use renewable energy including biogas plants at three locations, solar water heating systems at three locations, and passive turbine air ventilators at four plants which replace electrically operated ventilators.

These initiatives have helped cut down energy and water consumption at our plants:

Energy Savings

Electrical (kWh/Eq. Vehicle)			Thermal (Mkcal/Eq. Vehicle)		
2006	2007	2008	2006	2007	2008
1,330	1,299.5	1,181.9	0.896	0.792	0.752



SAVINGS

Planning, curtailed spending, efficient and disciplined consumption and prudent purchasing are the pillars of a good saving habit. India's economy is growing and wealth is not as scarce as it was before.

Unfortunately the same cannot be said about energy. Energy supply is struggling to meet the exponential increases in rate of consumption.



alternative
REALITY

At Mahindra we are committed to alter her reality. Homework instead of working at home, books instead of brooms, playgrounds instead of four walls, an asset instead of a burden, tears of joy instead of a sad smile. The transformation tool that we have employed is



primary education
to the underprivileged girl child
through Project Nanhi Kali.

REALITY

Even as India becomes increasingly progressive and modern, girls are still victims of minds strongly anchored to archaic ideologies.

Girls face innumerable challenges - malnutrition, discrimination, neglect and at times even abuse.

Since 1996 we've been giving 10 years of quality primary education to underprivileged girl children through Project Nanhi Kali. In 2005 KCMET partnered with Naandi Foundation to administer the program.

Project Nanhi Kali is founded on the belief that education has the power to break the intergenerational cycle of poverty, myths, social norms and gender stereotyping. Research has shown that a literate female population is linked to reduced population growth rates, empowerment and countless other benefits.

The Mahindra Group sponsors 6,000 'Nanhi Kalis' every year in low-literacy areas of Chhattisgarh, Madhya Pradesh and Andhra Pradesh. The project currently supports the education of over 33,000 underprivileged girl children and is well on its way to meet the goal of sponsoring 1,00,000 girls.



"My parents think I'm special now. My father used to say that I should work at home and leave studying to my brother. But since you've come to our schools and given us books and uniforms and started calling us Nanhi Kalis, we feel special. I'm trying to do my best at class and whenever I recite poems and read out stories to my parents they smile and say "good, make us proud".

Ramkatha, a Nanhi Kali, Std. IV, Sheopur district, Madhya Pradesh



alternative
ENERGY

At Mahindra, our people are the alternative source of energy we run on. From this energy



springs forth ideas

that inspire us to make a real difference.

ENERGY

We now put a lot of effort into **battling the aftereffects of conventional energy use. Fast depleting resources further aggravate the situation. The world today is struggling to find effective alternative energy to fuel progress, transform lives and effect social change.**

We are tapping into this large pool of potential energy through Esops - Employee Social Options, a systematic employee - volunteering program, which channels this energy to power progressive movements in society.



Esops enables the Mahindra workforce to collectively work for various social projects, in the three focus areas of health, education and environment. Since 2005, the number of Esops volunteers has increased manifold from just a few hundred to 14,535.

"At Mahindra, CSR means not just the sharing of wealth, but also of our time and of ourselves."

Anand Mahindra

Esops in Education: include providing infrastructural support for local schools, providing infrastructural and material support for residential homes such as orphanages, providing career counselling, extra curricular activities and computer education for schools.

Esops in Health: include health check-up for marginalised groups, HIV/AIDS awareness, hygiene awareness, mobile dispensaries, free surgical camps and cochlear implants.

Esops in Environment: include planting trees, conducting waste management workshops, awareness on power saving techniques and cleanliness drives at local levels.

"When the patient hugged me, I felt like I received a Nobel prize."

Esops, Lifeline Express Volunteer



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or call our toll free number:

