

Tata Tea Sustainability Report 2007-08



CONTENTS

CHAPTER	PAGE
1 Sustainability at TATA TEA	iv
2 MD's Message	5
3 One Strategy	9
4 Profile	15
5 Governance	19
6 Wealth Creation	22
7 Environmental Performance	25
8 Business and beyond	29
a Engaging with stakeholders	30
b Our customers	34
c Our people	35
d Work environment	39
e Our communities	41
f Case study-Creche: Challenging the challenge	43
g Supporting and strengthening communities	44

Abbreviations used in the report

APPL	AMALGAMATED PLANTATIONS PRIVATE LIMITED
BPC	BANGALORE PACKETING CENTER
BRC-OP	BRITISH RETAIL CONSORTIUM INSTITUTE OF PACKAGING
BSC	BALANCE SCORE CARD
CD & SW	COMMUNITY DEVELOPMENT AND SOCIAL WORK
CMO	CHIEF MEDICAL OFFICER
COP	COMMUNICATION ON PROGRESS
CSR	CORPORATE SOCIAL RESPONSIBILITY
EU	EUROPEAN UNION
FMCG	FAST MOVING CONSUMER GOODS
GJ	GIGA JOULE
GRI	GLOBAL REPORTING INITIATIVE
HACCP	HAZARD ANALYSIS AND CRITICAL CONTROL POINT
IMO	INSTITUTE OF MARKETECOLOGY
ISO	INTERNATIONAL STANDARD ORGANIZATION
ITO	INSTANT TEA OPERATIONS
KDHPL	KANAN DEVAN HILL PLANTATION COMPANY PRIVATE LIMITED
CO	CORPORATE OFFICE
KRA	KEY RESULT AREA
L&L	LISTENING AND LEARNING
MEMW	MOUNT EVEREST MINERAL WATER
MRL	MINIMUM RESIDUE LEVEL
NGO	NON GOVERNMENTAL ORGANIZATION
NIPO	NORTH INDIA PLANTATIONS
NPD	NEW PRODUCT DESIGN
NPOP	NATIONAL PROGRAMME FOR ORGANIC PRODUCTION
OPD	OUT PATIENT DEPARTMENT
PCB	POLLUTION CONTROL BOARD
PDCA	PLAN-DO-CHECK-ACT
PFA	PREVENTION OF FOOD ADULTERATION
PMS	PERFORMANCE MANAGEMENT SYSTEM
PPC	PULLIVASAL PACKETING CENTER
QMS	QUALITY MANAGEMENT SYSTEM
RD	RURAL DISTRIBUTORS
SA	SOCIAL ACCOUNTABILITY
SEBI	SECURITIES EXCHANGE BOARD OF INDIA
SPP	STRATEGIC PLANNING PROCESS
TBEM	TATA BUSINESS EXCELLENCE MODEL
TCoC	TATA CODE OF CONDUCT
TTD	TATA TETLEY DIVISION
TTGB	TATA TEA (GB) LIMITED
TTL	TATA TEA LIMITED
UNGC	UNITED NATIONS GLOBAL COMPACT



**HAR SUBAH SIRF UTHO MAT.
JAAGO RE!**

A “BRAND” – NEW AWAKENING

The new campaign leverages the unique position that tea enjoys in our culture and attempts to migrate tea from being purely a physical and emotional revitaliser to becoming a catalyst for ‘social awakening’.

Sustainability at TATA TEA

Tata Tea is committed to carry forward the Tata group’s philosophy within its sphere of influence. This includes voluntary disclosure of non financial performance as per guidelines of Global Reporting Initiative (GRI), active participation in United Nation’s Global Compact and channeling activities to facilitate achievement of United Nation’s Millennium Development Goals.

Sustainability report 2007-08

To capture the sustainability challenges posed by a fast evolving business environment Tata Tea has been employing GRI guidelines for its sustainability report. This is the fourth report since 2003 and the second consecutive report to be based on 2006 Guidelines(G3) developed by GRI.

Tata Tea is a signatory to United Nation’s Global Compact (UNGC). Continuing the company’s commitment towards making its business an agent of positive change and development, this report also communicates on the 10 UNGC principles related to human rights, labour, environment and anti-corruption; and serves as Communication on Progress (COP) of UNGC. The sections showcasing the activities related to the principles are highlighted by UNGC’s logo along with the principles addressed.



In India tea is much more than just a beverage; it is indeed a way of life. It is so deeply embedded in our psyche, in our roots, that life cannot be imagined without a cup of steaming hot tea. The new campaign has motivated people to internalize the tea experience and externalize their social awakening. This campaign has successfully established thought leadership for the brand to go along with its market leadership.



10

Scope of the report

This report covers operations of Tata Tea Limited from 1 April 2007 to 31 March 2008. The focus is on the Indian branded tea operations and 100% export oriented units of Tata Tetley division in Kochi and Instant Tea Operations (ITO) in Munnar. The strategy for sustainable exit from the plantations was completed with the formation of Amalgamated Plantations Pvt. Ltd. (APPL) in January 2007 and transfer of the business and undertakings of NIPO pursuant to an order of the High Court at Kolkata passed in April 2008.

The Tata Tea Sustainability Report 2007-08, prepared using G3 guidelines can be downloaded from our website www.tatatea.com

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P.T. Siganporia, Managing Director



Innovation, safety and climate change concerns are now entering the realm of basic requirements for fulfillment of new-age lifestyle beverage delivery norms amongst consumers across geographies and segments.

Leading the transformation and growth agenda

Dear Stakeholder,

We achieved recognition for our Business Excellence journey during 2007-08 with a “High Delta” improvement award accorded to the Tata Tea stand alone operations in action plans, process, address of emanating concerns, results and holistic growth at the JRD “qv” Awards Nite on 29th. July 2008. Our teams led the growth agenda of the stand alone entity even as we led the transformation and growth agenda to emerge as a global beverage business. The teams co-created several breakthrough programs and achieved results with our consumers, internal and channel customers, supplier/ vendor partners, local and central governmental agencies, environmental and societal stakeholders in a holistic manner. We will now merge our efforts as one global beverage business as we move ahead. A focus on innovation, climate change and safety has enabled us to alter our previous norms of sourcing, delivery and construct of product offerings and we are beginning to see the benefits from such a commitment. These issues have enabled us alter our previous norms of sourcing, delivery and construct of product offerings and we are beginning to see the benefits from such a commitment. While implementation of these initiatives tends to enhance the short term cost of operation, they are the ‘real’ costs of conducting a sustainable business and we stand committed to developing our business accordingly. We firmly believe that such efforts are in keeping with the Tata Group’s Sustainability Policy, reflect our core Tata Values and help us build brand equity while enriching operations in the long term.

In the last report we shared our business strategy of identifying opportunities for strategic innovation and market expansion and the Environmental, Social and Governance (ESG) considerations linked with the strategy. This year we are happy to share the milestones of our journey across these as well as the new ESG issues that are now factored in the way we do our business. The significant milestones achieved in the Stand Alone entity include:

- Continued volume growth in the Indian branded tea business for the third consecutive year with a volume growth of nearly 15% in 2007-08. Over the last three years the branded business has grown 35% in volume and 47% in value terms.
- New product development for evolving consumer palate such as High Clarity tea and Organic Instant tea, Tata Tea Life (a regular every day tea enhanced with natural herbal extracts), and Tetley Green Tea range.
- Approval from the High Court for restructuring of the North India Plantations as Amalgamated Plantations Private Limited (APPL). With the formation of APPL in 2007-08 and Kanan Devan

Hills Plantation Company Private Limited (KDHP) in 2005, we have exited all but two of the plantations earlier managed by us.

- Continued support of welfare activities to KDHP stakeholders through management of General Hospital, High Range School and Srishti.

Our efforts to ensure inclusive growth while expanding our brands continue through the *Gaon Chalo* initiative which aims at improving the rural distribution of the Company while providing growth opportunities to the economically backward strata of the society. *Gaon Chalo* has now turned into a movement, touching the lives of 20,000 rural citizens of India across 10,000 villages. This unique co-created rural market access channel is currently under study by other Tata Group companies, who will participate to widen the spread of offerings and enhance the rural stakeholder penetration, both working to enhance the economic viability of all entities.

Climate change aligned Business Strategy is now a Tata Group commitment and at Tata Tea we are beginning to understand complexity and address issues going forward. Even while that is under consideration, we commenced activity in specific areas as a build up to an organized effort. To reduce the use of fossil fuels a bio-gasification plant using spent tea has been commissioned at our Instant Tea manufacture unit at Munnar. We initiated mapping of our carbon footprint across our manufacturing facilities and shall evaluate recommendations as they emanate.

Our commitment to the ten principles of the United Nations Global Compact (UNGC) remains as deep and unwavering as before. We are glad to note that the 2006-07 Communication on Progress (COP) was appreciated as a notable COP. In keeping with our commitment, we have employed the *Jaago Re* campaign for Tata Tea for as an attempt at “social awakening” and are happy that it touched the chords of millions of Indians. From September, we have launched the second phase of the *Jaago Re* campaign to awaken the youth to consider issues and exercise their franchise at elections, even as we provide them apolitical linkage options to enable them to do so.

We hope that the information presented in the Report and on our website provides a view of our commitment to the triple bottom line and enables you to track the progress of our Business Excellence journey. We look forward to your feedback on our initiatives and on this Report.

P T Siganporia



Nestled amongst the sylvan plantations is Shrishti Welfare Centre, exemplifying the deep entrenchment of ESG issue in the conduct of our business.

2

Refreshing options for sustainable business in a changing world.

One Strategy

Changing scenario

The tea industry is going through a state of flux and there are several changes occurring across the industry. The change in consumer lifestyle and increase in awareness has led to the change in beverage preference of domestic customers. The globalization of the trade and increased opportunities of global sourcing has rendered the tea industry highly competitive. Globalization has also led to strengthening of regulations and safety standards across food industry. There has been emergence of modern interactive trade formats and high expectation of rural markets.

Strategy for change

The company recognizes that key success factor in the changing scenario is keeping abreast with consumer preferences especially youth, regularly meeting their expectations, increasing the reach of products, offering innovative products across segments and markets, managing raw tea sourcing, leadership in thought, food regulation & policy formulation and supply chain issues. To take the leadership position the company has revisited its strategy. The inputs for the Strategic Planning Process (SPP) come from several sources: various factors shaping the industry, critical success factors, strategic challenges in realizing the vision, internal and external assessments and feedback received from formal/informal meetings with different stakeholders.

Growing together: Inclusive growth and new markets

Rural India accounts for 40% of branded tea sales. The company initiated project *Gaon Chalo* that aims at improving the Rural Distribution of the Company while providing growth opportunities to the economically backward strata of the society. The Project has helped Tata Tea's belief that in order to fuel the economic development of the country, organizations must extend their support to disadvantaged communities. Currently 35% of the company's *Gaon Chalo* Channel Partners hail from these communities. The state of Uttar Pradesh (UP) was selected for Project *Gaon Chalo* since it accounts for 16% of the Indian population, of which 80% resides in rural areas.

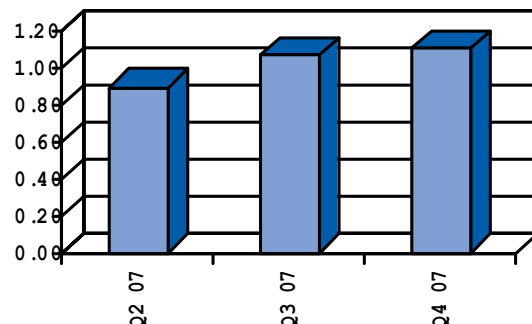


Fig. 1.0 Quarter wise average sales in lac Kg
Market share in % as per ACN Retail Audit

The company's % market share in Uttar Pradesh increased from 19% in mid 2006 to 26% by end of 2007. The all India % volume share increased from 18.5% in March 2007 to 21% in March 2008. The all India % value share increased from 18.55 in 2006-07 to 20.40 2007-08. Tata Tea products are being routed through NGOs who appoint Rural Distributors 1 (RD-1). These RD-1s help appoint supervisors (RD-2s) who visit villages and distribute to rural dealer families (RD-3s). These families sell in the villages to earn a margin equivalent to the retail margin. In a span of one year since started, the company is working with 12 RD-1s, 60 RD-1 coordinators and 430 RD-2s in 10,000 villages reaching out to 20,000 RD-3s across UP, total sale 18.85 lac Kg of tea till Dec 2007.

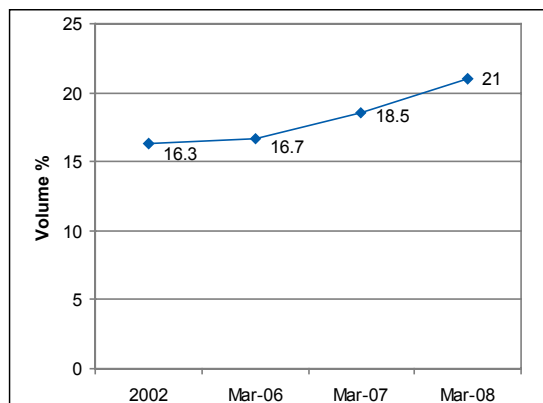


Fig. 1.1 Volume share % in India as on March 2008

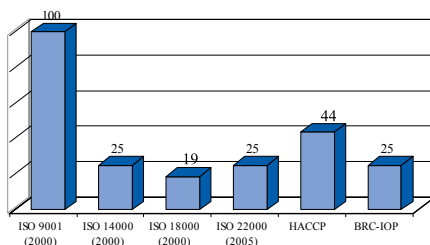
Sustainable business model for plantations:

The success of our model, KDHPL, for exit from plantations in South India enabled us to restructure the plantations in North India. This was echoed in the creation of APPL in North India. Wherein these 2 models work on different principles they highlight the viability of sustainable business models while balancing diverse stakeholder requirements.

Ensuring fair labour standards across value chain

We have a responsibility to ensure the growth of our entire supply chain in both financial and extra financial matters. Our view is that a close network of positive relationships based on confidence with business partners, suppliers and contractual parties open up new opportunities and provide the company with resources and information critical to the penetration of new markets. The implementation of SA 8000 to all packeting centers has led us to address the requirement of social accountability viz. child labour, forced labour, health & safety of workforce, freedom of association & collective bargaining, discrimination, disciplinary practices, working hours & compensation in a systematic manner. Nearly 100% of our vendors are now certified to ISO certified and large section is HACCP/BRC-OP certified.

Fig.1.2 Supplier certification (%)



All these measures have been taken to promote establishment of systems and transparency along our value chain. This in turn allows us to ensure that we deliver better quality products to our consumers.

Thought Leadership

TTL has been providing leadership in areas of product safety and health e.g, leading by being the first to adopt HACCP in the tea industry, using of only PFA approved chemicals, proactive leadership in lobbying for amendment to the PFA Act to: a) include enzymes in tea manufacture, b) use of specific artificial flavouring agents, c) progressive reduction in the levels of iron fillings.

The legal and audit department keeps track of industry developments and requirements that might have a potential impact on the company's processes and practices so that anticipatory measures may be taken well in advance for future legislations, which forms key input towards the SPP.

At Tata Tea we believe in creating relevant brand differentiation and building a strong franchise with our consumers and customers. This focus along with continuous innovation in all aspects of brand marketing and sales has helped to transform our brands into 'trust marks and love marks'.

2007-08 was an extremely eventful year for us. We attained market leadership in volume terms for the first time in June. Tata Tea was rated as the most trusted beverage by the Brand Equity survey in 2007.

In an attempt to migrate the Tata Tea brand medium of physical and emotional rejuvenation to a platform of intellectual and social awakening we launched the *Jaago Re* campaign in October 2007. The campaign successfully established Tata Tea as a thought leader in the tea category connecting with the hearts, minds and souls of young India emerging social consciousness. This campaign won the prestigious INDY's 2008 Award for the best advertisement with a social message.

In the previous two years Tata Tea had launched one of the most innovative rural marketing programs in UP, working with a network of NGOs to sell tea through villagers thus co-creating value for them. On the back of this initiative Tata Tea launched a girl child education program in UP – Tata Tea *Kaliyan*. They say 'if you teach a girl you teach a family, if you teach a man, he learns

alone – educated women help to nurture and build responsible societies. Educating the girl child we feel will help to transform mindsets, accelerate symbols of progress and help to diligently address issues such as high birth rates, family nutrition, literacy, HIV/Aids, violence etc.

While we focus on our external stakeholders we are also striving to improve the diversity index within our organization, by recruiting women candidates Tata Tea is actively working on creating an enabling environment for its women employees.

In sum, this is certainly a defining moment for us and one that will encourage us to work towards attaining greater heights. With this and more to come we have certainly created the momentum to continue sustainable growth for delivering value to our internal and external stakeholders.



Creating brand differentiation through focus on innovation

Ms. Sangeeta Talwar, Executive Director



Consumer preference has made Tata Tea the market leader in volume terms.

3

Profile

Addressing emerging opportunities to strengthen leadership position in the world tea market and global beverage sector.

Tata Tea: Profile

Second largest global branded tea operations in the world

Global Profile

The company is addressing emerging opportunities to strengthen the leadership position in the world tea market and global beverage sector. There has been increase in the share of high margin products. To increase the global footprint and reach to key customer segments and geographies, several acquisitions have been done. Focusing on green tea extract 70 percent stake has been acquired in a joint venture with Zhejiang Tea Import and Export Company in China for manufacture and marketing of polyphenols, green tea extracts, cold and hot water soluble instant tea, liquid tea concentrates and other value added tea beverage products. The performance of Tetley in international branded tea markets is robust with volume of sales about 6% higher than during the previous year. The growth of the Tetley brand was enabled by customer and consumer insight relevant innovation, introduction of new products, cash generation and in pioneering the agenda for growth of the beverage portfolio. Despite global competition in all key markets, aggressive marketing efforts have grown Tetley's market share and profits in most key markets.

www.tatatea.com

India Profile

The Indian operations are involved in production of branded black tea and instant tea for exports and the company has evolved as FMCG branded B2C construct. The company made entry into the water segment by taking stake in the Mount Everest Mineral Water. The company currently holds 31.73% of the paid up share capital of MEMW. The main products are branded tea consumer packs available in all states in India, distributed by a network of channel partners. The business is divided into three distinct operations:

A. Branded Tea Operations

The Branded tea business continued to maintain the volume growth that it had recorded in the last three years. The national and regional brands of the company recorded a volume growth of nearly 15% during the year under review. In terms of volume market share, according to reports of independent market survey agencies, the company is now the market leader having

Tata Tea the most trusted beverage*

outperformed its nearest competitor. Growth in volume was achieved during 2007-08 across all the brands of the Company and the highest growth was achieved by Tata Tea Agni. Over the last three years the branded business has grown 35% in volume and 47% in value terms.

B. Instant Tea

Instant Tea unit at Munnar produced 39.59 lakh lbs during 2007-08 compared with 41.41 lakh lbs in the previous year. Powders are being developed for customers as per their requirements of an ongoing and need basis. New product development such as High Clarity Tea is being pursued. During the year the Unit had achieved the capability to manufacture Organic Instant Tea which has been duly certified by IMO Control, Bangalore as per NPOP & EU guidelines.

C. Tata Tetley Division:

It is a 100% export oriented unit in Kochi and packs around 4 Mn Kg in consumer packs. It is a key supply base to all TTGB markets outside India, 60% to Australia and 20% to Poland and Middle east.



*Brand Equity survey 2007

The second *Jaago Re* campaign for social awakening was launched recently. Tata Tea is using the campaign to awaken the Indian youth to exercise their franchise.

Vote nahin
kar rahe ho?
so rahe ho!

Jaago RE!
ONE BILLION VOTES



Be the Change You Want to See



TATA TEA

www.jaagore.com

4

Governance

Focus on long term shareholder value without compromising on integrity, social obligations and regulatory compliance.

Ensuring transparency from the tea bush to tea cup

Corporate Governance

The corporate governance policies followed by Tata Tea are aimed at ensuring transparency in all dealings and in the functioning of Board and management. These policies seek to focus on enhancement of long term shareholder value without compromising on integrity, social obligations and regulatory compliances. The company operates within accepted standards of propriety, fair and justice and aims at creating a culture of openness in relationships between itself and its stakeholders.

Ethics

The Tata Code of Conduct (TCoC) is a comprehensive written code which is applicable to all employees including the Managing and Executive Directors. The code, which has been updated in 2008, lays special emphasis on the impact of the groups' activities on climate change. Both the Tata Code of Conduct and the Code of Conduct for non executive directors are available on the website of the company.

www.tatatea.com/code_conduct.htm

www.tatatea.com/group_corporate.htm

Tata Tea Board

The Board as the representative of the shareholders, provides direction and oversight to the management for maximizing shareholder value. As on March 31, 2008 the Board comprised of 11 directors. Currently, there are 7 committees of the Board including Audit, Investors' Grievance, Remuneration, Executive, Ethics & Compliance, Nomination and Corporate Sustainability Reporting. The Corporate Sustainability Reporting Committee tasks the Management Committee to identify shareholders concerns. The committee also maps risks and opportunities emerging from the global sustainability agenda, devises strategies to address them and thereafter monitors, documents, and communicates the sustainability performance as appropriate. This year the CSR committee has also provided guidance to the management committee on additional ESG issues such as water and waste management systems and reducing packaging footprint.

www.tatatea.com/invest_relation.htm



1 2 3 10

Tata Tea Management Framework

The company has adopted the Tata Business Excellence Model (TBEM) as a means of driving excellence through the organization as also the Balanced Score Card (BSC) methodology for tracking progress on longer term strategic goals. This enables the organization to focus on issues beyond financial performance, vis-à-vis its employees, customers and the society at large. The senior leadership of TTL and TTGB consists of the Joint Management Board. This body sets long-term direction, in the global context for the Tata Tea Group as a whole. The leadership system, which consists of various Functional heads and Team leaders across locations, operations and projects utilizes a structured Plan-Do-Check-Act (PDCA) cycle and ensures a focus on balancing value for all stakeholders. The key requirements of stakeholders are the cornerstone and yardstick of our short-term and long-term strategies. This is the road map used to create and execute action plans, ensure fact-based business decisions, prioritize and allocate resources and drive continuous improvement.

Additionally, every unit head is engaged in appropriate monitoring and reporting of compliance issues under Clause 49 of SEBI Regulations. The process considers both identification of comprehensive risks including, high risk areas and self-certification by each entity indicating compliance level from each entity. These compliances are periodically reviewed by Internal / External Auditors to look at the rigour of compliance and to suggest areas for improvements in critical processes.

5



We have constantly innovated on the construct of our product offering.
Chai Unchai - The newly introduced *chai* bar-is one such example.

Wealth Creation

The total income of the company for financial year 2007-08 was INR 12.63 billion, i.e 10.2 % increase over last years income. The profit after tax also increased to INR 3.12 billion from INR 3.06 billion. The details of Economic Value Generated, Economic Value Distributed, Economic Value Retained are given in the tables below:

Economic value generated (Table 1.1):

Location / Business unit	Direct Economic Value Generated (A)		
	Revenue from net sales	Revenue from sale of assets	Revenue from financial investments
Brands /Exports	114336.071	-	-
Plantations*	2223.421	-	-
Corporate	149.442	16498.571	12918.578
Total (INR Lacs)	116,708.934	16,498.571	12,918.578

* Includes Interdivisional Sales

Economic value retained:

Location / Business unit	TOTAL (C) Economic Value Retained (C=A-B)
Brands /Exports	13,699.527
Plantations*	(1,210.195)
Corporate	(6,526.112)
Total (INR Lacs)	5963.220

(Table 1.3)

Economic value distributed (Table 1.2):

Location / Business unit	07 - 08 Economic Value Distributed (B)					TOTAL (B)
	Operating Costs (See comment)	Employee wages and benefits (See comment)	Community investments	Payments to providers of capital	Payments to government by country (See comment)	
Brands /Exports	91364.650	4406.651	-	1226.552	3638.691	100,636.544
Plantations*	1460.411	1106.623	837.000	-	29.582	3,433.616
Corporate	1,600.570	1670.046	142.032	25052.748	7627.307	36,092.703
Total (INR Lacs)	94425.631	7183.320	979.032	26279.300	11295.580	140162.863

Payment to capital providers include Dividend and Tax thereon is included in Payments to Government

07 - 08 Location / Business unit	07 - 08			
	Tax relief/credits	Subsidies	Investment Grants, R&D Grants and other relevant types of grant	Awards
Brands /Exports		52.63		
Plantations*				
Corporate				
Total INR Lacs		52.631		

* Includes Interdivisional Sales

07 - 08 Location / Business unit	07 - 08			
	Royalty Holidays	Financial assistance from Export Credit Agencies (ECAs)	Financial Investments	Other financial benefits received or receivable from any government from any operation
Brands /Exports		57.933		6.407
Plantations*				
Corporate				
Total INR Lacs		57.933		6.407

* Includes Interdivisional Sales

Financial assistance received from government (Table 1.4)



Shola are tropical montane forest found above 1500 meters on the southern portion of the Western Ghats. They have high ecological significance in protecting the head water of the rivers. They have the capability of holding the water received by precipitation like a sponge thus preventing rapid runoff. Tata Tea has been involved in the conservation and regeneration of this ecosystem.

6

**Climate change aligned business strategy
is a Tata group commitment.**

Environmental performance

Going green

Energy consumption

Several initiatives of energy and resource conservation have been taken across the units. The Tata Tetley division at Kochi has implemented use of light sheets on the roof to eliminate use of electric lighting in the factory during day hours. Wind driven roof exhausts have been installed to reduce the temperature in the factory. The efficiency of the machines used have been improved considerably from 65% in 2003 to 80% in 2008. The Instant Tea Division has also installed Turbo roof ventilators to increase the natural lighting in the factory premises. The unit has improved the power factor by online power factor improver to 0.99 from 0.88, which is resulting in reduction of electricity and savings of INR 35,000-40,000 per month. Similarly the Pullivasal Packeting Center has replaced all the sodium vapour lamps with tube lights.

Case study: Bio-gasifier at Instant Tea Division

The Instant tea division has developed a biogasifier which utilizes the tea waste to replace the furnace oil. The solid tea waste generated in the process contains 60-65% water, which is dried and used as biofuel. This biofuel is converted into producer gas and used by gasifier, The producer gas has the capacity to replace the furnace oil or fuelwood to produce steam. The gasifier produces 10 tons of steam/hr and 200 – 205 tons of steam per day. Though at testing stage the gasifier has capacity to reduce by half the standard requirement of nearly 1800 kilo litre of furnace oil. This initiative has also resulted in optimal utilization of waste generated. Earlier the waste generated was transported to plantations for composting. Earlier 35% of the waste generated was dried and used in fire wood boiler. Now 100% tea waste goes to bio gasifier.

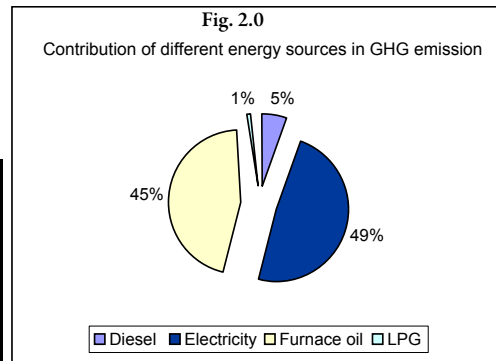


Bio-Gasifier Plant at Instant Tea Operations, Munnar

Energy Efficiency and GHG emissions

The GHG emissions related to total direct and indirect energy consumption related to diesel and electricity consumption is 11950.088 tons Co2 e. Similarly the direct energy consumption for the year 2007-08 was 289.328 TJ and the indirect energy consumption was 24.461 TJ (Table 2.0):

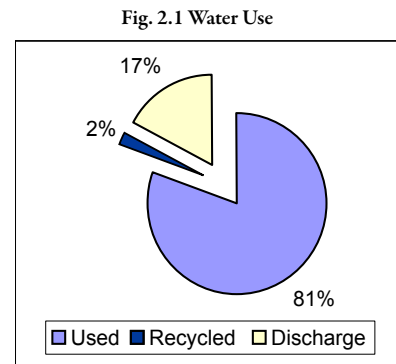
Energy Consumption			
	2007-08	2006-07	2005-06
Direct Energy ⚡ (TJ)	289	300	356
Indirect Energy ⚡ (TJ)	24	103	113



Water Consumption

The total water withdrawn from different sources, mainly the municipality supply and the ground water was 127892.46m³. Instant tea operations at Munnar was the highest consumer of water with 125518.52 m³. It was also the only plant that recycled water. The total amount of recycled water was 3306.48m³.

A total of 25467.910 Tons of raw tea was used by different units and 7113 Tons was produced as spent tea waste.



Environmental expenditure

The total expenditure incurred on the environmental initiatives was INR 40.3 million.



789



Tata Tea was awarded the prestigious Businessworld FICCI-SEDF Corporate Social Responsibility Award - 2007 -Corporate Citizen - II

7

Business
and
beyond...

Engaging with our stakeholders

The company has identified various stakeholders and has defined processes for engaging with them proactively, addressing their concerns. Good citizenship is practiced at all levels of the organization, with the lead being taken by the senior leaders.

Stakeholder	Employees	End consumer
Forum	Employee satisfaction survey	Market visits/Open channels of CCMS and unstructured face to face interactions
Frequency	Regular	As per plan/ as and when required
Participants	Members of senior leadership	Members of senior leadership , Brand and Sales manager, Market Research Team
Feedback received on	Fair treatment and adequate remuneration	Requirement, needs and expectations
Issues addressed	Career growth, job satisfaction	Products- own and competition/ current and future

Two way communication

To synchronize our efforts and better understand the stakeholders expectations, a well defined process has been put in place, wherein inputs are gathered from various stakeholders through structured two way mechanism.

	Channel partners	Ad, Media, other Market Research Agency
Stockists meet	Launches and re-launches	Meetings, briefs, presentations
Quarterly	As planned	Regular
MD & commercial heads, Brand and sales managers	Brand and sales managers, commercial/QM representatives	Commercial head, brand managers, MR manager
Pricing, discount, schemes, new opportunities, co. directions, stockist expectations, reward/recognition	Product details, co. expectation, volumes, pricing	Advertising theme, brand positioning
Key processes, customer feedback, competitor activity, on time supply, product quality	Strategic inputs, market reaction, competitor activity	Innovative tools, consumer insight, competitor activity

Stakeholder
Forum
Frequency
Participants
Feedback received on
Issues addressed

Two way communication

Contract packers	Suppliers
Own representation in packing units	Vendor meetings
Ongoing	Formally twice a year/ ongoing
TTL representatives, SCM & Production heads	Supply chain managers, brand managers
Setting up facilities, standards expected, processes to be followed	Strategic sourcing, product quality and specifications, NPD rate fixation
Bottlenecks faced, improved processes	Innovation, Competitor activity

Brokers

Auctions, Face to face meetings

Weekly/ Regular

MD/Head TBB/Other key personnel

Production, quality and price

Quality, Industry and market trends, Changing buyer preferences, Price analysis, Competitor activity

Shareholders

Analyst meet

Half yearly

MD/CFO/ED/
Company Secretary/
Director

Financial performance/
future plans

Performance expectations, stakeholder concerns

AGM

Annual

Board Members of TTL

Company performance,
future plans, stakeholder
concerns

Community & Govt.

Meeting with Govt Bodies

Ongoing

MD, Director Special Projects,
Head CD&SW, welfare &
medical staff, estate managers.

Welfare programs, health &
hygiene, agricultural practices,
relief & rehabilitation efforts,
infrastructure issues, security

Regulatory issues, PLA issues,
subsidies, societal welfare,
environmental issues.

Our customers

Continuous improvement in the Listening and Learning methods help us in knowing the pulse of market and forge long lasting relations with our customers

India is the largest consumer of black tea in the world, which is consumed in more than 90% of households in India. Due to habit driven nature of the category, the only way to trigger brand switch is to differentiate and innovate the product. The company's products reach end consumers passing through internal customers who are involved at different levels of value/supply chain. Each of these internal customers provides valuable insights on customer reactions and expectations. Identifying their significance the company has developed different sets of 'Listening & Learning' methods to capture them. These L&L methods are evaluated and improved annually at the annual marketing and sales conference. Notable improvements for the reporting period are:

- Benchmarking against local and regional brands introduced
- Special projects to understand the regional player business model to help arrive at strategy for our brands
- Household panel to understand the movement of volume and shifts by segments
- Comprehensive usage & attitude and consumer insight study
- Separate reporting and monitoring of key accounts, special schemes
- Strict benchmarking (achieved for zonal and town level) for media advertisements and pre-testing of all new theme ads
- Bimonthly scan of all media and subscription to target group scan
- Frequency of retailer and stockist surveys increased from annual to biannual.

Although, neither the company's operations nor the products are harmful, adequate checks and measures are in place to ensure that all possible risks are addressed in every process, through Risk Mapping Process and Review of Risk Register annually by the Audit committee. During the evaluation of new projects, the New Product Design (NPD) process in the form of the Stage & Gate model ensures that a detailed analysis is carried out of the impact of products and adherence to all regulatory norms, prior to their introduction. We have established a Commercial Complaint Management System to listen to different types of consumer complaints. Tata Tea has been engaged in dialogue with industry research bodies, e.g. MRL/pesticide levels in tea, food grade certification for packing materials, waste disposal, medical health check up for workers, water quality and energy consumption in production facilities etc. All these go towards ensuring that public concerns with current and future products and operations are anticipated and addressed.

Our People

Efficient management of human resources and application of systems amidst transition and adoption to new work culture has been the major focus

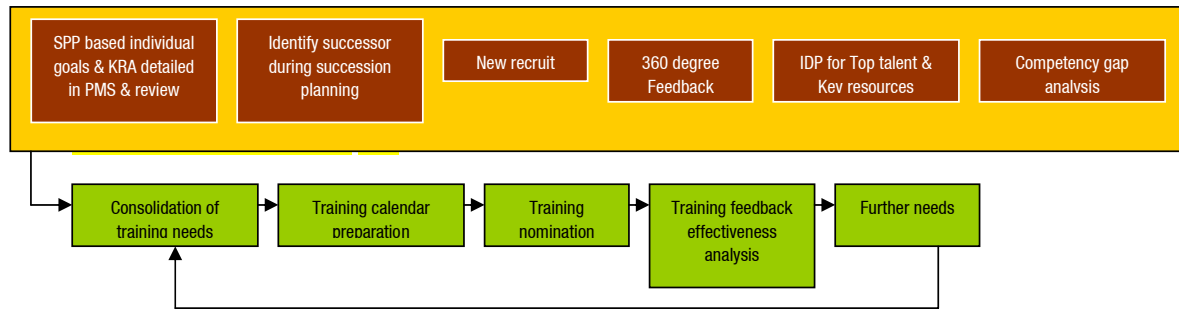
The company has recently experienced accelerated transition, moving from being hierarchical and plantation dominated large employee business to very lean and focused market oriented FMCG branded B2C construct. Today company has 2833 employees. The production operations in the domestic branded tea value stream are being progressively outsourced.

The company engages its workforce through a robust measurement framework that aligns the strategic objectives to performance metrics and tracks individual and team performance. Initiatives like Tata Business Excellence Model, Balance Score Card (BSC), TTWL, competency profiling and mapping succession planning etc are in place as part of Performance Management System (PMS). These systems are supported by segmented approaches of compensation, reward & recognition, career progression and variable pay.

The PMS for executives enables provision of feedback to employees and make improvements in the compensation/reward/recognition/bonuses linked to performance. The corporate objective of delivering superior value to customers is cascaded through the medium of Corporate BSC, driven through the functional BSCs and then linked to key result areas (KRAs) of executives. The KRAs include goals and targets which are aligned to customer and business needs of the organization. For leadership roles this is complemented by performance standards and behavioural assessments on Tata leadership practices. For the officers, staff and workers, specific targets are set to ensure achievement of high performance. As part of extended PMS, other approaches of recognition by peers/seniors/awards night, career development through training and mentoring, job rotations, foreign assignments/visits and gifts during special occasions further reinforce high performance. Employee satisfaction survey is taken regularly to assess the effectiveness of PMS.

A unique feature of company is employee developmental process that identifies individuals who show extraordinary traits of leadership, termed as Key Resources. These resources have significant responsibility for delivering the business agenda of Tata Tea and are exclusive to top talent identification process which trains for future leadership.

The company also has a very dynamic system for identification of development needs of the staff, summarized as follows (Fig. 3.0):



There is structured training module for different segments of employees (Table 3.0):

Employee Group	Training initiative	Employee development and career progression
Senior Management, Top Talent & Key resources	Managerial grid, leadership development, behavioural training	Career progression for senior leadership positions, identification as a group Resource through Group IDP prog, enhancing the leadership & strategic capabilities
Middle Management and need based	TBEM, EWPM, supply chain, project management, finance, total quality, brand management, innovation, benchmarking, team building	Develop competencies for tracking up higher positions and better work delivery in line with action plan requirements
Junior Management, SDOs, Officers, Staff	Selling, packaging skills, computer	Picking up specific skills that help in career progression, job rotations etc
All (need based)	Tea testing skills, Sap, PMS, TBEM, EWPM, TCOC, team building, safety & health	Developing functional skills, align behavioural traits, health & safety awareness

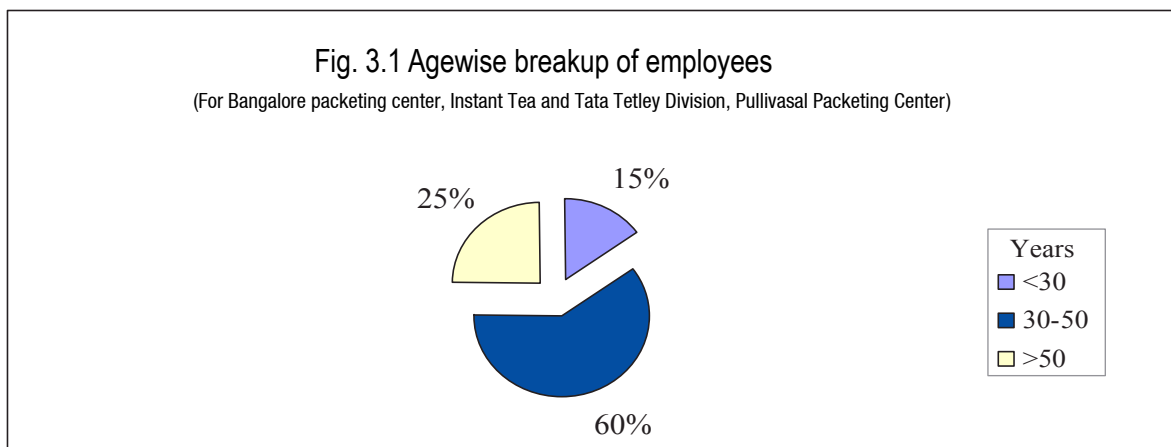


Fig. 3.2 The total man hours of training

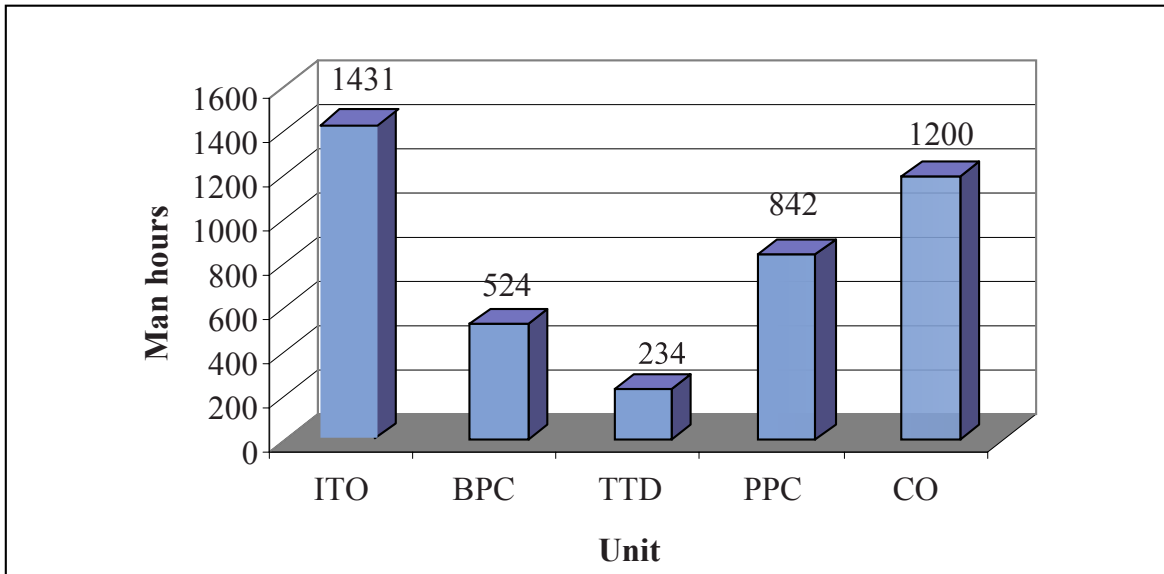


Fig. 3.3 Workforce Categorisation

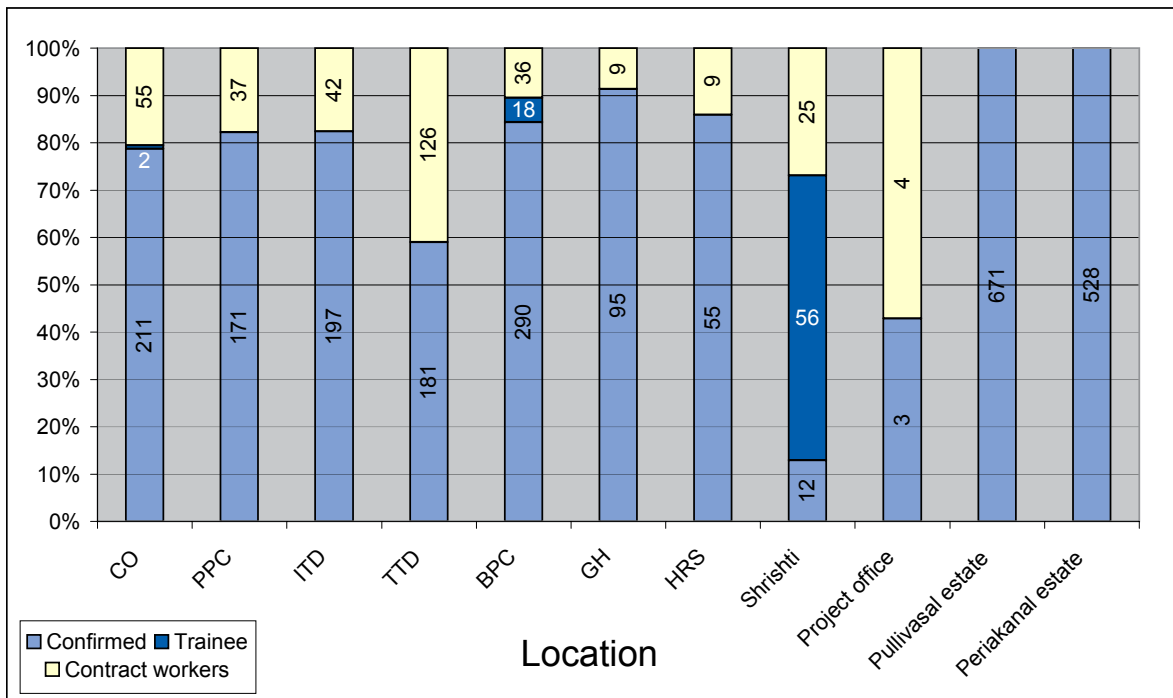
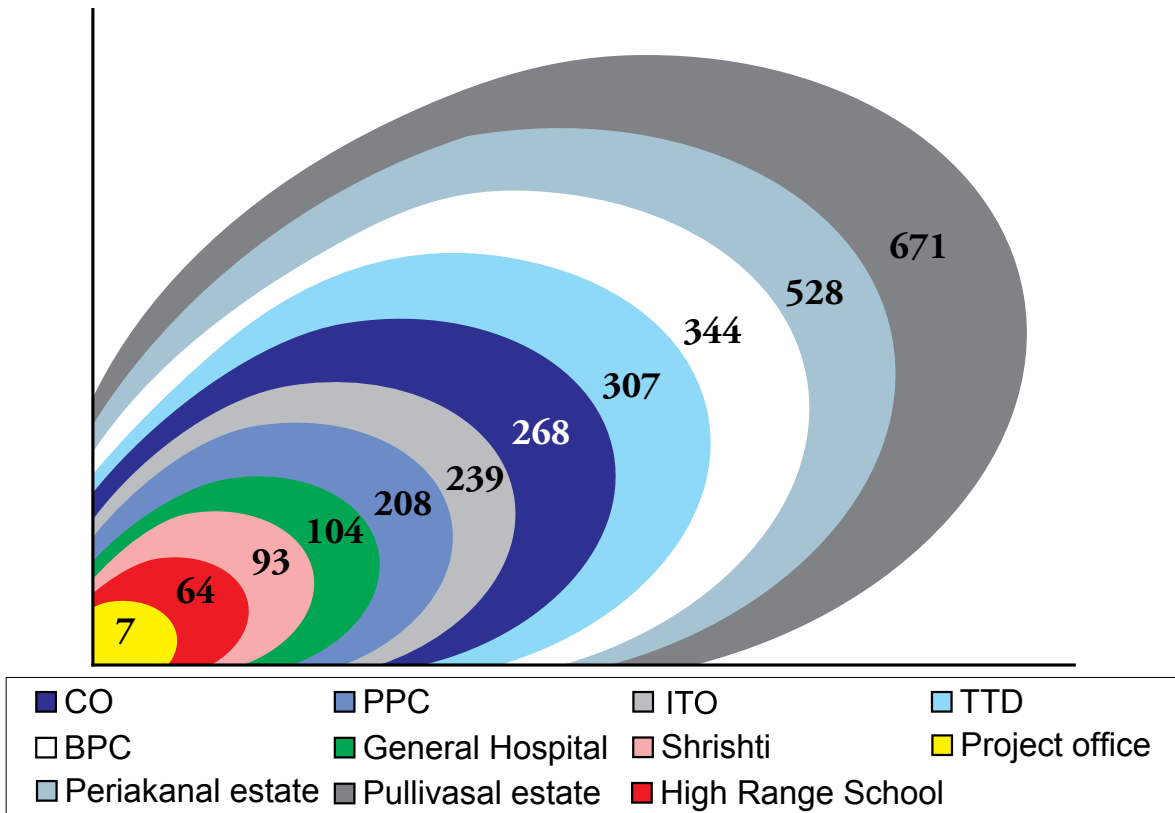


Fig. 3.4 Workforce strength at different locations



The HR policies outline separate approaches, based on employee segment, location, work level, and nature of job. 475 workers are members of various unions across TTD, ITO, BPC and PPC. For the mentioned units the turnover for the reporting period was 32 employees and 325 manhours of lost time injuries were reported. We have also instituted affirmative action plan as per the group guidelines, which was approved by the CSR committee of the Board. Data was collected from within the company on a voluntary basis and a detailed action plan on employability and education was formulated within and outside the company. Tata Tea is working closely with Industry bodies on this initiative. As part of the initiative 11 colleges in Kerala were selected for training of the candidates from disadvantaged communities on IT skills and Communicative English. This was requested by the college principals and initial response has been very good.



3 4 5 6

Work Environment

Safe and healthy work environment at work

At Tata Tea, we strive to provide and maintain workplace, machinery and equipment and use work methods that are safe and minimize the risk to health.

We provide safe, healthy and ergonomically designed work stations to our employees, which go well beyond statutory requirement. Proper lighting, air conditioning, comfortable furniture and regular house keeping ensures a pleasant workplace in the offices. Fire fighting equipments are suitably placed and security guards are posted at all work locations to ensure safety of TTL's property and employees. Even as the work place is relocated in line with the new business model, movement is facilitated through special policy deployment that addresses work and family requirements e.g., extended stay in service apartments, relocation allowance, financial assistance for school admission, rental advance and brokerage, daily local conveyance and additional investments in work stations.

We also own full fledged medical facilities surpassing legal requirements. As part of our services to our employees we provide annual medical check ups/ vaccination for contagious diseases, and free medical service to employees and family, dependent parental medical insurance cover, cashless hospitalization, through arrangements with hospitals.

As statute all our employees are covered under various insurance schemes.

Various units of the company have instituted different safety measures across the factories. Some prominent initiatives taken by Tata Tetley division at Kochi include issuance of Safe Work Permit prior to execution of all jobs deemed to have a risk element. The packing material storage warehouse is susceptible to fire accidents; smoke sensors and full fledged fire fighting system have been installed in the Systems Dept. to counter the fire threat. All the electrical switchgears have been upgraded and acoustic enclosures have been built for all equipments that have a noise generating potential viz - Generator, compressors etc. The unit has also maintained complete data base of blood types for all factory / office personnel so that donors can be identified without delay. The factory is ISO 9001 certified for QMS and ISO 22000 certified for Food Safety Management Systems. ISO 22000 combines HACCP, Prerequisite Programmes and Operational Prerequisite Programme into single Food Safety Management Strategy. An incinerator approved by PCB is installed for disposal of paper based process waste.

Innovation at work place:

The company firmly believes that innovation happens best with the people who are involved in the process. The workers are encouraged to come up with suggestions and innovations that help in process improvement. This open door policy has led to inclusion of several improvements in the production process and significant cost savings of approximately INR · 5 Million. These suggestions include changing the placement of coding window on the carton, rearrangement of checkweigher and coding machine resulting in optimization of the manpower in the process. Also there have been suggestions that include use of stamp pad instead of stenciling and use of washable cloth mask instead of surgical masks. The engineering team has designed and built several equipments in the factory which are a first, and unique to company's operations. A key example is the SNAP Carton maker, which has enabled the Australian market to sell a new generation carton, using low cost capital equipment developed entirely at Kochi. This has enabled the market to have a projected growth of 2- 3%, as against a 2 % drop had the innovation not been introduced. The factory has also developed an indigenous teabag enveloping mechanism, at a cost 1/30th of the cost prevailing in UK (INR 3 million vs. 90 million).

Also to improve the traceability of product complaints received from the market, we have installed a tag coder which operates in tandem with the Constanta tea-bagging machine at a speed of 150 per minute, which is again a first-time.

Our communities

Committed to holistic social development

TTL is committed to the cause of contributing to supporting and strengthening its key communities. Although contributions are made to charitable institutions across the country, there is well defined process for identifying key communities and implementing social welfare plans, which enables maximum beneficial impact to the identified communities. We are pioneer within the industry in CSR and have won several awards in this sphere and have a well structured process for identifying key communities and implementing social welfare plan. Our key communities are concentrated in and around erstwhile estates.

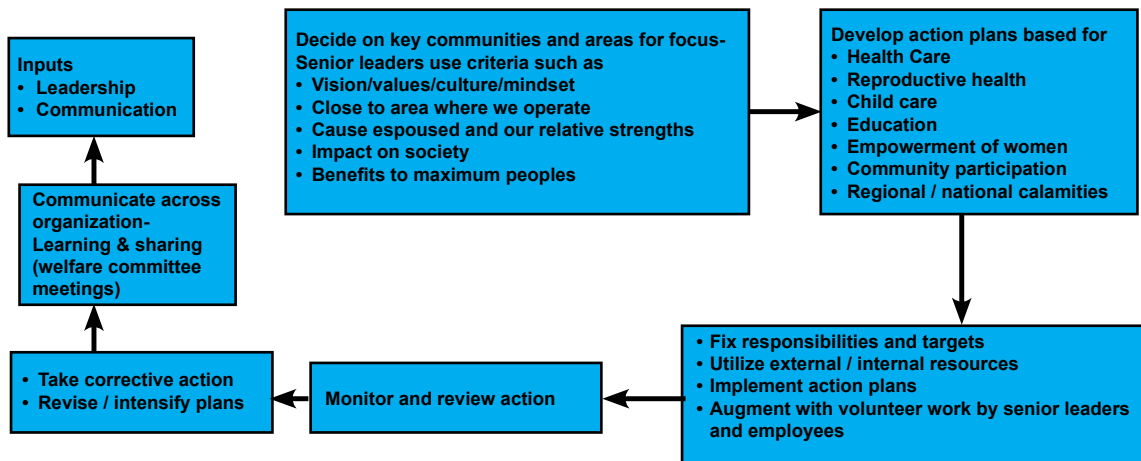


Fig. 4.0 Process for identifying key communities and implementing social welfare plans

We continue to partner with KDHP and APPL to make the plantation commercially viable and ensuring continuity and self sustainability of the society and environment through the community institutions. An annual welfare audit is conducted in the identified area to review and strengthen the process and improve on the impact of the welfare activities on the communities with set of measurements and targets. We continue to retain the complete responsibility for the General Hospital, Shrishti welfare center & High Range school at Munnar.





'Differently abled' - Empowered

Shrishti Welfare Centre (Shrishti) a unit set up for the differently abled children of tea community runs a DARE School for special children, Strawberry Preserve Unit, Athulya- Hand Made Paper Unit and Aranya- a dying unit specializing in shibori dying, a Japanese tie and dye art form. The DARE school identifies children with special needs from the surrounding communities and trains them depending on their requirement. The training is based on the basis of hearing capacity. Children who are

hearing impaired are given training which helps them work in the strawberry preservation unit of the center. The children with special needs are given training on speech and other forms of education. The aim is to mainstream the children in the formal schools. The children who do not join formal schools are given training on other forms of art like painting, gardening etc. The hearing impaired candidates get employed with the Athulya and Aranya centers and earn respectful living for them selves. Athulya uses the waste generated from the factories and other wastes for manufacturing papers. Aranya specializes in unique Japanese tie and dye form of printing called shibori.

The High Range School (HRS) run by the company has taken several pioneering steps in the region in the field of education. It aims to integrate personality and intellectual maturity along with course curriculum for overall development of students. Currently this mix is 40% and 60%. It uses audio visual method of teaching to make learning more interactive and also exposes the children to the technologies which makes them more confident. The school in collaboration with Amada Group has developed an operating system called UBUNTU which can analyse student performance, areas of improvement and strong areas by an online assessment. Currently this system is enabled for english and mathematics only. Identifying the need for additional training for preparation of various entrance exams, the school has entered into understanding with TIME institution for enrollment of the students. The school funded training of 8 students at TIME and reimbursed the lodging and boarding expenses of 5 students. It spent INR 42000 and INR 16952 respectively. One of the students of the school R Sairam achieved the 13 rank in Kerala in AIEEE 2008 examinations.

CASE STUDY

Creche

The support and training provided at DARE school and confidence of earning their own livelihoods at strawberry preservation unit, Athulya and Aranya go a long way in making the people and children with special needs independent. The fact that they become earning members helps them to lead a normal life. This confidence gives them inspiration to progress ahead in the cycle of life. The adult workers in these units find their life partners among themselves and carry on with the married life like a normal couple and become proud parents.



A happy mother with her child



Joys of childhood

is fitted with all the required amenities like cribs, nursing section, play area, etc. The crèche maintains constant temperature with help of heaters despite of fluctuations in external temperature. It also has facilities for cooking and cleaning for the children. 2 full time caretakers are employed in the crèche. The mothers of the children come at required time to nurse the babies and dont have to worry about the wellbeing of their children while they are away working. The crèche houses 12 children.

Maheshwari and Peter are one such couple with special needs. But this did not restrict their courage to gain employment at the Aranya center or dream of a family of their own. After Maheshwari gave birth to baby girl last year, the couple came across another challenge, where to keep the girl when they are out for work. The well being and feeding of child was a problem. To counter this, the company invested approximately INR 3.5 lakhs to develop a crèche in the Shrishti campus which became functional in December 2007. The crèche



Full of life

Supporting and Strengthening Communities

Health Care

– Surveillance of early warning system for communicable disease

– Analyzed on a monthly basis for modification/ improvement and reviewed by CD & SW dept.

– Child care programs are improving on birthrates, malnutrition, family welfare, mandays lost due to medical reasons.

Reproductive health

– Behaviour change communication, Building competencies of personnel

– Disease tracking profile tracked daily/ weekly/monthly, along with referrals and treatment and reviewed monthly by CD & SW dept.

– Improved maternal health

Child care Education

– Nutritional surveillance, universal and extended immunisation, supplementary feeding, Vitamin A prophylaxis, Improving service infrastructure

– Targets/goals for each activity are set for the estate medical officers by CD & SW dept along with action plans, reviewed every quarter for corrective action plan.

– Childhood diseases, increase in welfare audit scores.

Education

– Enhancement of competencies and skills of primary school staff and mahila mandals, enhanced resources for providing high school level/adult education.

– Actions taken are analyzed by CD & SW dept

– Unemployment among non-worker dependents reduced

<p>AIDS awareness/ Adult literacy</p>	<p>Promotion of aids awareness, aids literacy and encouraging family panning</p>	<p>– Voluntary blood testing procedure</p>	<p>– Reduction in Aids cases</p>
<p>Employment of women and physically challenged</p>	<p>Schemes for income generation, encouraging bank savings</p>	<p>– Regular monitoring for timely action through the estate hospitals and CMOs</p>	<p>– Reduction in diseases, more healthy workers, reduction in health related absenteeism</p>
<p>Community participation</p>	<p>– Organization of community building groups such as Mahila Mandals</p>	<p>– Early reporting, early diagnosis and treatment system introduced through link workers, mahila mandal and line chowkidars, paramedics, field staff.</p>	<p>– Reduction in sick days, absenteeism referrals, attendance in meetings, No. of link workers and self help groups</p>
<p>Environmental preservation</p>	<p>– High range wildlife and environmental preservation association, Joint management of Ervikulam national park,</p>	<p>– Partnering with forest dept., wildlife dept., and other NGOs for protection of wildlife and preservation of environment through various joint initiatives, continuous replanting of fallow areas with high quality clones/species</p>	<p>Region has been recognized as one of the HOT SPOTS of the world. Census data shows increase in population of all protected species. No. of tea and energy plantations.</p>
<p>Natural calamities</p>	<p>– Preparation for disasters, provision for economic relief</p>	<p>– Treating economically poor patients in OPD of referral hospital in Munnar</p>	<p>– Improved health and reduction in morbidity profile</p>

GRI CONTENT INDEX

Standard Disclosures	GRI Indicators	Page
Strategy and Analysis	1.1, 1.2	5-7, 9-13
Organizational Profile	2.1-2.10	Cover page, 15-17, Inside front cover page, 28, 35-38
Report Parameters	3.1-3.13	iv,v
Governance, Commitments and Engagements	4.1-4.4, 4.6, 4.8-4.17	11,19-21, 30, 35-37
Economic		
	EC1	23
	EC2	7
	EC3	20,23,39
	EC4	23
	EC6	10,11
	EC7	NR
	EC8	23,41-45
Environment		
	EN1	27
	EN2	NR
	EN3	27
	EN4	27
	EN8	27
	EN11	NR
	EN12	NR
	EN16	27
	EN17	NA
	EN19	NA
	EN20	NR
	EN21	27
	EN22	27

	EN23	NA
	EN26	26
	EN27	NR
	EN28	NA
Social		
	SO1	45
	SO2	NR
	SO3	NR
	SO4	NA
	SO5	12
	SO8	NA
Human Rights	HR1	NR
	HR2	NR
	HR4	NR
	HR5	11,38
	HR6	11,38
	HR7	11,38
Labour	LA1	37
	LA2	38
	LA4	38
	LA5	NR
	LA7	38
	LA8	13,45
	LA10	37
	LA13	NR
	LA14	NR
Product Responsibility	PR1	34,39
	PR3	11,12
	PR6	NR
	PR9	11,23

NR-Not reported
NA-Not applicable

UNGC INDEX

UNGC Principle	Page
1	20
2	20
3	20,38
4	38
5	38
6	38
7	27
8	27
9	27
10	i,20

