

# CORPORATE SUSTAINABILITY REPORT

2006-2007



**WE BUILD**



**WE ACHIEVE**



**WE DELIVER**



**WE CARE**

## **RALLIS INDIA LTD.**

A **TATA** Enterprise

# CONTENTS



Prologue	
GRI Content Index	1
CEO's Message	3
Our Vision & Mission	5
Key Impacts, Risks and Opportunities	6
Organisational Profile	9
Report Parameters	12
Governance, Commitments and Engagement	15
Economic Performance Indicators	19
Environmental Performance Indicators	21
Social Performance Indicators	27
The Way Forward	30
Assurance Statement	31

## ***THE PROLOGUE***

This report has been prepared using the Third Generation of GRI Sustainability Reporting Guidelines (The “G3”). Rallis was actively involved in the GRI Indian Consultation Meetings held with representatives of UNEP and GRI staff and we have participated in the Indian ‘Sneek Peak’ to engage with different stakeholders from different constituencies and receive feedback on the draft of the G3. We have used this exercise to review and identify opportunities for improvement.



UNEP, GRI & reporting representatives at Consultation Meeting at Mumbai

This is our fifth CSR Report and it provides details to those with an interest and an investment in our business activities. Our aim is to improve dialogue with all our stakeholder groups: shareholders, customers, employees, statutory agencies, the communities in which we work, and any others who might have an interest in any of our business operations. We are proud of our achievements but recognise that we still have more ground to cover. We endeavour to implement systems that provide equal weightage to environmental and social issues.

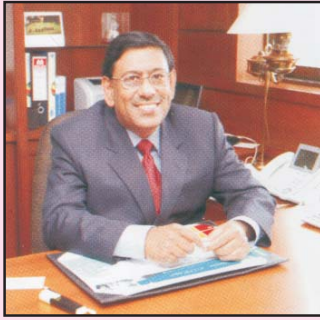
# GRI CONTENT INDEX

GRI	Description	Page No.	GRI	Description	Page No.
<b>1</b>	<b>Strategy and Analysis</b>			governance body that are independent and/or non-executive members	15
1.1	CEO's Message	3	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	16
1.2	Description of key impacts, risks, and opportunities	6	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	16
<b>2</b>	<b>Organisational Profile</b>		4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	16
2.1	Name of the organisation	9	4.7	Process for determining the qualifications and expertise of the members of the highest governance body	16
2.2	Primary brands, products, and/or services	9	4.8	Internally developed statements of mission or values, codes of conduct, and principles	17
2.3	Operational structure of the organisation	9	4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance	17
2.4	Location of organisation's headquarters	9	4.10	Processes for evaluating the highest governance body's own performance	17
2.5	Number of countries where the organisation operates	10-11		<b>COMMITMENTS TO EXTERNAL INITIATIVES</b>	
2.6	Nature of ownership and legal form	10	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	18
2.7	Markets served	10	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	18
2.8	Scale of the reporting organisation	11	4.13	Memberships in associations	18
2.9	Significant changes during the reporting period	11		<b>STAKEHOLDER ENGAGEMENT</b>	
2.10	Awards received in the reporting period	11	4.14	List of stakeholder groups engaged by the organisation	13
<b>3</b>	<b>Report Parameters</b>		4.15	Basis for identification and selection of stakeholders with whom to engage	13
	<b>REPORT PROFILE</b>		4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	14
3.1	Reporting period	12	4.17	Key topics and concerns that have been raised through stakeholder engagement	13
3.2	Date of most recent previous report	12		<b>5 Management Approach and Performance Indicators</b>	
3.3	Reporting cycle	12		<b>ECONOMIC</b>	
3.4	Contact point for questions regarding the report or its contents	12		Management Approach	
	<b>REPORT SCOPE AND BOUNDARY</b>			Economic Performance Indicators	
3.5	Process for defining report content	12	EC1	Direct economic value generated and distributed	19
3.6	Boundary of the report	12	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	19
3.7	Specific limitations on the scope or boundary of the report	12	EC3	Organisation's defined benefit plan obligations	19
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations	12	EC4	Significant financial assistance received from government	19
3.9	Data measurement techniques and the basis of calculations	12	EC6	Policy, practices, and proportion of spending on locally-based suppliers	20
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	12			
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	12			
	<b>GRI CONTENT INDEX</b>				
3.12	Table identifying the location of the Standard Disclosures in the report	1			
	<b>ASSURANCE</b>				
3.13	Policy and current practice with regard to seeking external assurance for the report	31			
<b>4</b>	<b>Governance, Commitments, and Engagement</b>				
	<b>GOVERNANCE</b>				
4.1	Governance structure of the organisation	15			
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	15			
4.3	State the number of members of the highest				

GRI	Description	Page No.
EC7	Procedures for local hiring and proportion of senior management hired from the local community	20
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	20
<b>ENVIRONMENTAL</b>		
Management Approach		
Environmental Performance Indicators		
EN1	Materials used by weight or volume	21
EN2	Percentage of materials used that are recycled input materials	21
EN3	Direct energy consumption by primary energy source	22
EN4	Indirect energy consumption by primary source	22
EN8	Total water withdrawal by source	22
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	22
EN12	Description of significant impacts of activities, products, and services on biodiversity	23
EN16	Total direct and indirect greenhouse gas emissions by weight	23
EN17	Other relevant indirect greenhouse gas emissions by weight	23
EN19	Emissions of ozone-depleting substances by weight	23
EN20	NOx, SOx, and other significant air emissions by type and weight	23
EN21	Total water discharge by quality and destination	23
EN22	Total weight of waste by type and disposal method	23
EN23	Total number and volume of significant spills	24
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	24
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	24
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	24
<b>SOCIAL PERFORMANCE INDICATORS</b>		
<b>Labour Practices and Decent Work</b>		
Management Approach		
Performance Indicators		
LA1	Total workforce	27
LA2	Total number and rate of employee turnover	27
LA4	Percentage of employees covered by collective bargaining agreements	27
LA5	Minimum notice period(s) regarding operational changes	27
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	27
LA8	Education, training, counseling, prevention, and risk-control programmes	

GRI	Description	Page No.
	in place to assist workforce members, their families, or community members regarding serious diseases	27
LA10	Average hours of training per year per employee	28
LA13	Composition of governance bodies and breakdown of employees per category	28
LA14	Ratio of basic salary of men to women	28
<b>Human Rights</b>		
Management Approach		
Performance Indicators		
HR1	Percentage and total number of significant investment agreements that include human rights clauses	25
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights	25
HR4	Total number of incidents of discrimination and actions taken	26
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	26
HR6	Operations identified as having significant risk for incidents of child labour	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour	27
<b>Society</b>		
Management Approach		
Performance Indicators		
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities	25
SO2	Percentage and total number of business units analysed for risks related to corruption	25
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	25
SO4	Actions taken in response to incidents of corruption	25
SO5	Public policy positions and participation in public policy development and lobbying	25
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance	25
<b>Product Responsibility</b>		
Management Approach		
Performance Indicators		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	28
PR3	Type of product and service information required by procedures	28
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications	29
PR9	Monetary value of significant fines for non-compliance	29





## CEO's MESSAGE

*Dear Stakeholders,*

*I am happy to release the fifth Corporate Sustainability Report of our Company prepared in accordance with the 2002 GRI Guidelines version-3. It represents a balanced and reasonable presentation of our organization's economic, environmental and social performance.*

*Sustainable development requires managing risks to ensure the health and safety of our employees, neighbours, customers and others impacted by our business activities, as well as protection of the environment. Good governance is a key element in this mission. Rallis' commitment extends beyond merely complying with regulations, managing risks and limiting adverse impacts. Our core values include commitment to safety, health and the environment, high ethical standards and respect for people.*

*I believe that building a successful Company is directly tied to contributing to the economic, social and environmental well-being of the communities in which it operates. We are dedicated to working with customers to develop products and services that meet their needs. We strive for continuous improvement in our performance, measuring results carefully and ensuring that integrity and respect for people are never compromised.*

*During the year, we launched novel products to promote the concept of eco-innovation and environment friendly applications. We also improved the environmental performance of our brands and developed eco-efficient products and services. Our activities included awareness-raising among our stakeholders; integration of eco-efficiency assessments into innovation programmes; research into customers' attitudes and behaviour on the environment; and developing partnerships with industry and retailers to foster the uptake of products with lower environmental impacts.*

*One of the most important category of stakeholders on whom the fortunes of a Company are dependent, is its own employees. We are fortunate to have so many talented people with different backgrounds, interests and skills who come together to make Rallis a strong and thriving organisation. We continued several HR programs including employee engagement surveys, job specific training and annual performance reviews. By adhering to world safety standards, promoting product and operational safety,*

*and encouraging the active participation of every employee, Rallis has created a healthy work environment that complements its superior product line.*

*Climate change is a complex global issue that has significant implications for governments, industry and society alike. For Rallis, addressing the economic, social and environmental dimensions of climate change is directly related to the company's global competitiveness and preservation of its long-term licence to operate.*

*Rallis has an enviable record in the Pesticides Industry. The Company's distribution network and reach into the rural markets, supplemented by the high quality products and an abiding concern for our customers coupled with environment protection, are all major assets. Collectively, we have to capitalize on these advantages and progress rapidly in future. Accordingly we have set ambitious goals for the years ahead and stimulate the drive for achievement by creating an environment that encourages people to do their utmost to actualize the organization's vision.*

*Consolidation of our business performance in the recent years, has given us confidence that we are now on a growth agenda enhancing economic sustainability. I sincerely acknowledge the support received from the concerned stakeholders with a special mention of shareholders, suppliers, commercial partners and employees in this mission.*



*V. Shankar*  
*Chief Executive Officer*

# OUR VISION & MISSION

- The Vision and Values clearly demonstrate an alignment with the issues identified and the group purpose viz. create value for all stakeholders through leadership, create national capital through innovation, high standards of performance, through delighting customers and empowering employees. The stakeholder centric approach and the commitment to sustainable development is reflected in the focus of values on “building trust” and “In Caring”.



- The organization is committed to upholding the values and vision articulated in the corresponding statements. The direction and guidance from the House of Tatas is an important characteristic of the company's operating environment and practices. The human resource management function is alive to the need to ensure high morale and commitment to the tasks and, along with the senior management of the operating functions, devises initiatives which address the various motivational and training needs of the organization.



# KEY IMPACTS, RISKS AND OPPORTUNITIES

“Growing population of the developing world and increasing demand for food are creating an expanding market for pesticides”

Tata Group's approach in this regard is articulated in the National Interest Clause of Tata Code of Conduct to which Rallis is a signatory : “ ***it shall not undertake any project or activity to the detriment of the Nation's or those that will have any adverse impact on the social and cultural life patterns of its citizens.***”

## Key Impacts & Risks

Rallis commitment to safeguard the interests of the society is addressed in the Corporate Environment, Health & Safety Policy, which says, Rallis will “respond sensitively to the environmental concerns of the community and take measures for implementing product stewardship”.

## Market related

Timing and distribution of rainfall is crucial for the domestic business. Carry over inventories in the distribution network for some of the products in the industry, and availability of low cost material from alternative sources may further put pressure on the realizations and margins. Farmers' affordability is also an important aspect in view of the rising inflation. However, strong commodity prices and better availability of credit would ease out

some of the pressure on the farming community.

## Process Oriented

There can be various impacts on sustainability due to the Company's operations. The core business of Rallis being agrochemicals, is engaged in the manufacture of pesticides (insecticides, fungicides and herbicides) both of technical grade and formulation. Technical grade manufacturing involves reaction kinetics between and among hazardous and dangerous chemicals, many of which possess high risks in storage and handling aspects. Besides, the end products themselves are toxic in nature and so fitment for the end usage. Thus the factories engaged in the manufacturing process carry various grades of risks based on the activity and materials handled. Risk assessment of all the locations have been carried out to evaluate the nature and degree of associated risks and decide the control measures with implementation to control the risks.

Notified industrial zones are chosen to locate operations so as to be away from residential area. Product change or capacity enhancement is within the overall approved pollution load or under compliance to Environment Impact Assessment (EIA) Notification 1994 wherein societal concerns are addressed through Public Hearing.

## Environment related

Effluent is generated in large volume at the technical grade manufacturing units. In case untreated or partially treated effluent escapes into the premises, it can result in environmental damage. The Company, however, has taken adequate measures to mitigate this risk by

providing extensive waste water treatment facilities at the sites to ensure that waste water is treated to the stipulated standards before discharge into the approved receiving body. Besides, membership of the said units with the Common Effluent Treatment Plant in the area through whose receiving line we discharge the treated effluent, doubly ensures safe disposal.

### **Fire & Safety**

There are fire risks associated with the chemicals that the Company handles. Many of the chemicals are highly flammable in nature and in case of a major fire, there could be a significant impact on life, property and the environment. The Company has taken adequate precautionary measures to prevent fire incidents. Besides the fire prevention plan, the units have well equipped fire control systems like dedicated water reservoir, hydrant system, extinguishers, detection system etc. The Company has also provided manual call point and sprinkler systems at critical areas. Extensive training sessions are conducted on regular basis on prevention and control of fire incidents. The Company has an adequate pool of trained manpower to meet any emergency. Fire risks have been identified and dovetailed into the Onsite emergency plan with regular exercises to check the readiness.

### **Odour Management**

The Chemical and mainly pesticide industry is generally associated with odour issues. Needless to say, odour management is an important area of intervention for the units at Lote and Patancheru. Several steps have been taken to minimise odour levels in the area. It may be noted that more often than not, odour is an issue arising out of

psychological impetus rather than a serious health hazard. However, the presence of odour is a priority area and Company's efforts towards further improvement in odour management continues.

### **Economic**

Increasing dominance of China in the global agro-chemicals market is an economic threat to Rallis. After evaluating this risk, mitigation plan has been drawn out as : identification of specific intermediates in which Chinese manufacturers possess cost competitiveness; finalization of backward integration opportunities to utilize latent Chinese capacities through "buyback" and 'sourcing' arrangements; evaluation of 'alliance' opportunities in R&D / product registration in China.

### **Product life**

In the fast developing scenario of global market with novel trends and technology up gradation, existing products obsolescence to Rallis is a risk in business portfolio. Several steps like, product rationalization, rejuvenation of New product development process, prioritization of existing product development initiatives for allocation and timing of registrations and launches and induction of new products through alliances are the mitigation plans at the anvil.

### **Information security**

Rallis ensures data integrity and reliability by capturing data at source at the lowest level of transaction (depot or factory level) in SAP 4.7 enterprise version which is now being upgraded to my SAP ECC 6.0 version. SAP system has been implemented successfully for

sales & distribution, materials management, finance & controlling, quality management, production planning, project and maintenance. The integrated SAP system ensures uniform implementation of policies and procedures across all functions in the organisation. It also ensures real time information, speed, reliability and 'unique version of truth ' across the organisation.

In order to protect the information, Rallis has a policy for daily on-line backups, weekly offline backups and archiving of the data on regular basis. Rallis has installed reputed Anti-Virus software for all computer systems and servers. This helps in avoiding virus-related data loss. Rallis has installed Cisco firewalls and encryption methods for security. Rallis undertakes regular security audit of its system by reputed firms ( such as E&Y) for checking the reliability of systems.

### **Symbiotic existence**

Today, India is recognised as a centre for knowledge as well as a viable manufacturing destination. The developed world is looking towards India as a partner in both these areas. The Company has made timely investments in building R&D set up as well as modern manufacturing facilities to encash this opportunity. The results are already evident as Rallis is working with almost all the major global agro players. To offer its customers a basket of products for all their crop needs, Rallis has entered into alliances with multinational companies to ensure a broad portfolio of products sold. This is a mutually beneficial relationship with alliance partners, as it leverages the marketing and distribution strength of Rallis on one hand and production capacity on the other for supply of

products manufactured by it to these partners. Rallis field force focuses on generation of demand which is key for sustained growth.

### Review Mechanism

A three tier system exists in the Company for managing its sustainability:

- o At the Board level, which sets the policy
- o At the Senior Management level in Corporate and at Units, which develop the implementation plan for the policies
- o At the Unit level, which implements various action plans

The action plans and their implementation are continuously reviewed at the Board level quarterly and at the Plant level monthly. The Company has integrated environmental management in its business plans. As a result, right from the conceptual stage of each project, EHS aspects are incorporated.

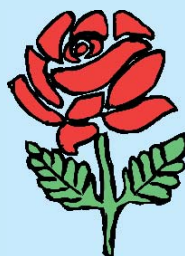
All capital investment proposals are cleared with an environmental assessment and necessary environmental investments are included. The plant Operating Heads review the EHS performance regularly.



Hydrogen Yard Emergency spray shower



Storage Tank emergency water spray







**Manufacturing  
units in  
symbiotic  
existence  
with nature**



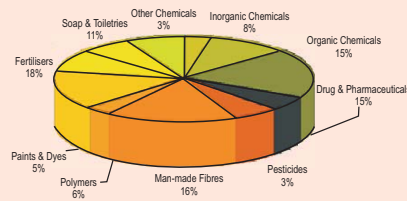
# ORGANISATIONAL PROFILE



“The Rallis emblem  
of alphabet  
'R' enclosed  
within a circular  
motif of  
two-headed  
serpent represents  
the Indo-Greek  
wisdom  
and philosophy”

## Indian Agro-Industry

India has a large and diverse agriculture sector accounting for 33% of India's GDP, 20% of the foreign exchange earnings and 57% to total national employment. With the current food grain production standing at about 200 million tones, India needs to increase the production annually to meet the requirement of an estimated population of nearly 1120 million in 2010 A.D.



The Indian agro Chemicals Industry has a vital role to play in achieving higher levels of productivity in agriculture considering the quantum of food grains lost on account of various pests. Besides, there is a larger role for the agrochemical companies to play in the international pesticides market. The demand for new agrochemicals from India has grown significantly since the last few years on account of concerted efforts of the industry. The pesticide demand is close to 90,000 MT/Annum. India is currently the largest manufacturer of pesticides and the second largest producer of agrochemicals in Asia. Out of around 200 pesticides registered for use in India, 100 of technical grade are locally produced.

## RALLIS HISTORY

An indomitable spirit of enterprise and a keen sense of adventure brought the Rallis brothers to the Indian shores in 1851 when the Indian economy was centered around the trade of spices, cotton, jute and other agricultural products. Thus Rallis has been in existence in India since 1851, when Pandias Stephen Ralli, head of a well known merchant firm, Ralli Brothers, came from Britain and set up trading in cotton, jute and other agricultural products. Incorporated in 1948, has undergone several transformations during its chequered history spanning two world wars and subsequent decades of rapid technological advances. In the 1960s, Fison of UK and Tatas became the chief shareholders of Rallis India, launching the Company into the pesticides business. Today, it is primarily an agri inputs company and is a part of the Tata group, India's largest and most respected business house.

The head quarters of the company is based at Mumbai and Navi Mumbai with manufacturing sites at three states namely Maharashtra, Andhra Pradesh and Gujarat.

## PRODUCT & SERVICES

The main product & services of Rallis are:

- Pesticides including insecticides, fungicides, herbicides, and intermediates. The company intends to focus on the development of sales and market share for these products both in India and abroad.
- Polymers ( aircraft use oriented)
- Plant growth regulators / Nutrients / Seeds



Main Products		
Product Type	Manufactured Products	Bought Out Products
Insecticides	<b>Technical:</b> Acephate, Acetamiprid, Lambdacyhalothrin	<b>Technical:</b> Cartap Hydrochloride, Dimethoate, Imidacloprid, Buprofezin <b>Formulations:</b> Carbofuran, Indoxacarb, Thiodicarb
	No of Formulated Products: 33	
Fungicides	<b>Technical:</b> Hexaconazole, Metalaxyl, Metconazole, Triazole, Proticonazole, Tebuconazole	<b>Technical:</b> Isoprothiolone, Captan
	No of Formulated Products: 10	
Herbicides	<b>Technical:</b> Pendimethalin, Metribuzin	<b>Technical:</b> Atrazine <b>Formulations:</b> Clodinofof, Pretilachlor, Sulfosulfuron
	No of Formulated Products: 80	
Plant growth Regulators/Nutrients	Tracel ( Zn, Fe , Mn , Cu & B)	Solubor ( Borombased), Aquafert 19:19:19 (NPK)
	No. of Products: 9	
Seeds	Paddy (Research & Hybrid)	Bt. Cotton
	No. of Products: 13	

Products (technical)	2005-06 MT	2006-07 MT
Propiconazole	91	47
Hexaconazole	225	249
Metalaxyl	145	70
Metconazole	162	142
Pendimethalin	811	1056
Metribuzin	152	258
Acephate	2920	3135
Ethion	910	762
Phorate	897	723
Monochothophos	579	535
Tebuconazole	0	03
Lambda	40	15
Phosalone	274	246
Acetamiprid	29	03
PEKK	9	33

CATEGORY OF SHAREHOLDERS	SHARE PERCENTAGE
<b>TATA Group</b>	<b>45.45%</b>
<b>Govt. &amp; Other Financial Institutions</b>	<b>03.85%</b>
<b>Foreign Financial Institutions</b>	<b>04.30%</b>
<b>Other Bodies Corporate &amp; Trusts</b>	<b>06.34%</b>
<b>Individuals</b>	<b>15.61%</b>
<b>Nationalized banks/ Mutual funds</b>	<b>24.10%</b>
<b>Others</b>	<b>0.35%</b>

The company manufactures two main types of pesticides: a) technical grade pesticides (the basic concentrated chemical compound) and b) formulations from these technical grade pesticides (the usable form of pesticides). Technical grade pesticides are both manufactured locally as well as imported.

### NATURE OF OWNERSHIP & LEGAL FORM

In terms of capital structure and ownership, Rallis continues to be a public limited company, with its shares listed at the stock exchange of Mumbai and at the NSE of India Ltd, Mumbai.

### Markets served

Rallis India Limited, with its service focus in agriculture sector, is expected to be the key driver for attainment of leadership in agriculture sector. Rallis has been a leading player in the Indian agrochemicals market for several decades and intends to consciously transform itself from being an agri input company into one that offers end-to-end solutions to the farming community. In the last two decades of the 20<sup>th</sup> century, Rallis maintained its leadership position in the domestic agrochemicals industry, till merger of Bayer and Aventis pushed it to

second position.. The domestic industry has about 80 players in the organized sector and more than 125 players in the small-scale sector, which mainly comprises of Formulators. The installed capacity of industry is about 124,000 tons. However, demand is seasonal; maximum being consumed in the months from July to November. Average capacity utilization of the industry stands at 65%. Indian agrochemical companies account for only about 35% of the total pesticide sales in the country. These include Rallis, with a market share of 13%.

## Market image

Rallis India Ltd. has a good reputation for providing high quality products with proven efficacy and service support. Loyalty to the company's brands is very high. In several instances, even though the company has been the second one to introduce a product, major market share has been captured in the first year of introduction itself because of the reach and marketing techniques used by the company.

## In international arena

Rallis also has substantial international business (22 % of its total sales) for pesticides, and focuses on the European, Middle Eastern, African, Asian and Australian markets. Its main competitors from India in these markets are UPL, Excel Crop Care and Gharda Chemicals. The company has entered into agreements with international agrochemical companies such as Kureha-Arysta, BASF, Syngenta, Cheminova, Nufarm, DuPont and MicroFlo for tolling arrangements, supply agreements and co-marketing.

## SCALE OF THE ORGANISATION

Rallis recognizes that agriculture is at the heart of human existence where economic, social and environmental considerations intersect, encompassing critical economic and political choices, rural management, development & poverty reduction and resource imperatives. Our business has an impact in all of these areas. We are aware of our responsibilities to all the stakeholders affected by the food and agriculture production chain, from farmers and growers through to consumers, financial providers and society at large. Rallis has

accordingly, with a view to ensuring centrality of stakeholder interests in conduct of business, adopted the TBEM (Tata Business Excellence Model) (based on Malcolm Baldrige Criteria for Performance Excellence), which has "balancing stakeholder needs" as its core theme.

The number of employees at Rallis India Limited was 1038 as on March 31, 2007 of which 710 belong to the management cadre. Net sales for the year were Rs 618.97 crores up by 5 % as compared to the previous year. Materials worth Rs 375 crores were consumed in the year against Rs.399 crores of previous year bringing in 6 % reduction. Rs.157.44 crores worth foreign exchange earned by way of export performance. The year generated a PBT of Rs.55 crores compared to Rs.44.5 of the previous year.

## Technology & Facility

An efficient manufacturing base with adequate infrastructure is the backbone of our success story. With factories spread over 5 locations, and with exclusive sites for herbicides, fungicides, and insecticides to eliminate cross contamination, we have the largest capacity in the country today, producing 10,000 M.T. of technical grade pesticide and 30,000 Litres of formulations per annum.

Factory Name	Location	Type
Akola	Akola, Maharashtra	Formulation
Ankleshwar Unit 1	Ankleshwar, Gujarat	Technical & Formulation
Ankleshwar Unit 3	Ankleshwar, Gujarat	Formulation
Lote	Lote, Maharashtra	Technical & Formulation
Turbhe	Turbhe, Maharashtra	Technical & Formulation
Patancheru	Patancheru, Andhra Pradesh	Technical & Formulation

Our flexible manufacturing process enables us to produce any new product in the shortest lead time and deliver in time to the customers at any part of the world. All our plants are designed user-friendly with need based automation, ensuring

strict adherence to stringent standards of work environment safety & health. Waste management systems are tailor made with multifarious facility for water and air pollution control conforming to the stipulated standards permissible for discharge. Incinerators have been provided for thermal oxidation of all non-treatable wastes.

## SIGNIFICANT CHANGES IN THE REPORT PERIOD

No change in size as far as paid up equity capital is concerned. No change in ownership pattern. The Company continues to be a Tata Company, the Tata shareholding being 45.45%. The entire Preference Share Capital is privately placed with Tata Group of companies.

Rallis Australia Ltd. a wholly owned subsidiary has been incorporated during the year with a paid up capital of AUS \$ 1000

## AWARDS RECEIVED IN THE YEAR

### Lote Unit

1. Golden Peacock Award as a Commendation certificate for Environment Management for second consecutive year.
2. Accident free year certificate from National Safety Council (Maharashtra Chapter)
3. Winner of National safety award under Chemicals category from the Ministry of Labour & Employment, GOI for second consecutive year.

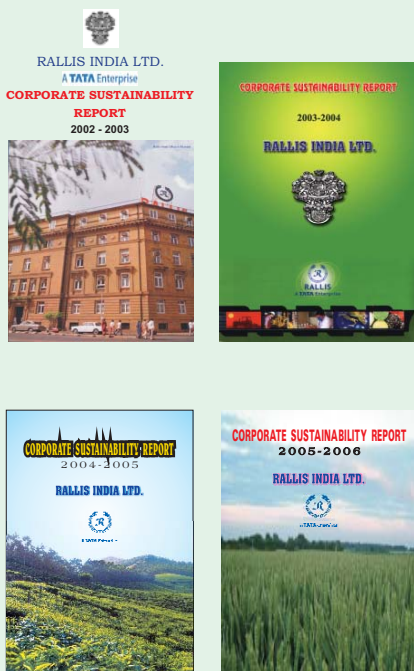
### Akola Unit

4. Accident free year certificate from National Safety Council (Maharashtra Chapter)

### Turbhe Unit

5. National Energy Award (Certificate of Merit) from the Ministry of Power, GOI.

# REPORT PARAMETERS



## Report Profile

This Corporate Sustainability Report covers the period April 1, 2006 to March 31, 2007 i.e. fiscal year 2007 (FY 2007). Starting from the year 2003-04, Rallis has been publishing the Sustainability Report on an annual basis and leading to this fifth report.

## Report Scope & Boundary

The report is based on the G3 guidelines brought out by Global Reporting Initiative (GRI) in October 2006. With a view to address the issues of Triple Bottom Line of Economic, Environmental and Social performance, information on these have been included in the report. Information included in the report, particularly in the social section, covers the overall

community development activities carried out by the Company. The economic indicators cover the financial results of the Company on a consolidated basis. The reporting principles of transparency, materiality, completeness, sustainability context and stakeholder inclusiveness have been considered

.The report covers :

- o The operations limited to India
- o Only pesticides & polymer from its products and services portfolio.
- o All manufacturing facilities in India namely at Ankleshwar (Gujarat), Akola, Lote, Turbhe (Maharashtra) and Patancheru (Andhra Pradesh)

## Exclusion

This report does not include the entities like joint ventures, partially owned subsidiaries, leased facilities, contract manufacturers, outsourced operations, and other situations that can significantly affect comparability from period to period in the scope. Information on operations of the company shall be progressively covered in the scope of definition as we achieve further maturity in the journey.

## Source of Data

The Economic data reported as also the expenditure on Sustainability Issues, wherever reported, have been drawn from the ERP accounting system which conforms to Indian GAAP standards. No other costs and benefits have been reported. Rallis conforms to BIS

standards in recording and measuring performances wherever available and applicable. The economic parameters have been predominantly derived from the Annual Financial statement. Any changes in accounting policies have been duly delineated in the annual report which is available on our website at [www.rallis.co.in](http://www.rallis.co.in). Any changes in measurement methodology as regards environmental and social parameters have been delineated at the respective location in this report.

## Information source

Any query on the authenticity and credibility of the coverage of this report and any additional information on the activities of the organisation with respect to sustainable activities in the company can be had from the contact person mentioned below as also from the web site of the organization.

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# STAKEHOLDER ENGAGEMENT

“The Tata Group Code of Conduct states “The Tata Group honours the information requirements of the public and its stakeholders”

## Identification and selection of major stakeholders

Rallis defines its key stakeholders as the various groups who are affected, or who affect the enterprise's effect on the biosphere and on social capital. Identification of the stakeholders is derived from the Vision of the company. Accordingly, these include shareholders, employees, customers, suppliers, and the community in which Rallis operates. While this is a broad definition, Rallis identifies the Key segments within each stakeholder group on the basis of potential impact of its strategic objective or the potential impact of the stakeholder group in the attainment of its strategic objectives.

## Approaches to stakeholder consultation

The Senior Leaders, through Stakeholders engagement processes, identify the contact needs in terms of agenda, media, and frequency. The employee contact and communication happens as a regular and routine feature whereas with suppliers, partners, customers, financial institutes and communities happen as per the plan. Frequency of contact, the rigmarole during the contact and information required to be gathered are pre-determined for most of the contact events. The feedback inputs received from various stakeholders on disclosure of information is fed into the envisioning, strategic planning and action plan development exercise.

## CUSTOMERS & CHANNEL PARTNERS:

Indian farmers living in villages are the ultimate customers of Rallis. These farmers are further segmented based on the crops they grow such as cotton, wheat, paddy and fruits and vegetables

## Stakeholder Engagement :

Stakeholder	Forum of Communication & Feedback
Shareholders. Investors & Providers of Capital	Annual General Meetings; Shareholder Relations in person; Updating major shareholders; Quarterly & Half yearly reports; analysis report, press notes etc.
Customers / Channel partners	Focus group discussions; Customer Engagement Surveys; Census of farmers, retailers & dealers; Market surveys; Dealer & retailer feedback; Helpline for farmer & channel partner; Standard Visit List & Farmer / dealer meetings; Demonstrations, exhibitions / fairs; Sales team Market Intelligence feedback; '4 S' Campaign process; Anubandh; Industry meets; Senior Managers' visits; Flash / monthly reports; telephone & E-mail; Complaint Management cell etc.
Suppliers / Vendors	Feed back from internal customers; Vendor Dialogues; Negotiation & agreement process; Complaint re-dressal meet; supplier satisfaction survey; supplier meetings; e-commerce; reverse auctions; e-mail; phones etc.
Employees	E-Sat Survey; TGIF; Internet & Intranet ; E-mail, SMS; Innogate; AET Meetings; video conference; training programmes; review meetings
NGOs	Regular visits; consultative meetings; e-mail; Phone
Media (Print & Electronic)	Press meet; consultative meetings; interaction/ clarification meet; e- mail; press releases etc
Society	Community development initiatives; Engagement of community members; Village Consultation Committee
Regulatory Agencies	Meetings at the offices; site visits; Industrial Associations;

farmers. Sole Stockists (SS), Preferred Dealers (PD) & Retailers serving the needs of farmers are the Channel Partners.

The distributors of the company play an important part in the value creation process, as they are the windows of access to the farmers. Distributors & dealers provide feedback on product performance when needed, based on which we plan new product introduction and product promotion. They also provide us lot of information on good practices existing in the industry

Commercial complaints from channel partners and farmer's complaints on efficacy (mostly related to usage and application techniques), which needs immediate resolution at field are handled by Regional offices through ASM / Sales Officers. Quality / manufacturing defect based complaints are escalated from Regions to CMC.

Determination and tracking of customer satisfaction is the cornerstone of all improvement measures. The objective is to align all processes from R&D, Supply Chain & Manufacturing, and Sales & Marketing to meet requirements and exceed expectations of customers. Complaint Management Cell (CMC) is responsible for handling all quality related complaints from registration to resolution.

Communication with the partners is maintained at operational level on day-to-day basis. Moreover, leadership makes

regular contact with personal visits and telephonic conversation. Bhagidari Sabha & Anubandh are two important mechanism of communication with customer. Suppliers play important role in the value creation process by supplying quality materials and services to Rallis at competitive price. Total spend of pesticides business was Rs. 363 Cr. in 2006-07.

### Communities

Communities around ten kilometers of all operations are considered as the stakeholders for the community activities.

The nature of interest includes:

1. impact of our operation on the lives of the community and addressing those concerns effectively.
2. volunteer activities by company employees in engaging them by catering to their social, economic, health and educational needs.

Community engagements take place at respective units as per the periodicity decided based on the needs and operational situations. During the Environment Impact assessment studies carried out for clearance of any new / expansion projects, community is covered at large especially during the public hearings as a prelude to the environmental clearance. In case of any apprehensions that may be expressed by the community on the impact of operations of the particular location, company addresses the community in

clearing the issues then and there.

### Regulatory agencies

Pesticides business operates in a stringent regulatory and legal environment, is governed by Insecticides Act 1968 and needs product registration from Central Insecticide Board (CIB). Besides, the manufacturing operations are governed by a series of statutory provisions ranging from general requirements to industry specific, especially in Environment, health and safety aspects. The Intellectual Property Rights protection is envisaged to aid the partnership processes with Multi National Corporations.

### Media

The company maintains regular interaction with the media through out the year not restricted to reporting of the performance of the company. Engagement is done on voluntary basis from time to time.

### STAKEHOLDER SURVEY

The investor survey, customer satisfaction survey, employee satisfaction survey and community need analysis are undertaken periodically and the inputs from these are used to prepare the Annual Business Plan which is finalized by month of March every year for implementation with effect from 1st of April. External agencies and in-house marketing personnel carry out the researches / analysis.



# GOVERNANCE COMMITMENTS & ENGAGEMENTS

## “COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE”

It has been a constant endeavour on the part of the Company to achieve excellence in Corporate Governance by following the principles of transparency, accountability and integrity in functioning, so as to constantly enhance value for all stakeholders and fulfil the social obligation entrusted upon the Corporate sector.

The above philosophy along with the Tata Code of Conduct and Tata Code of Conduct for Prevention of Insider Trading ensures the sustenance of high ethical and moral standards which govern the conduct of the Company and its employees. The Company has also adopted a Whistle Blower Policy to provide a mechanism to enable the employees to approach the Audit



Committee of the Board of Directors while reporting the instances of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy, which may come to their knowledge.

### Governance structure

The Company has a non-executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors. The number of non-executive Directors is more than 50% of the total number of Directors.

Status as on 31.03.2007 :

- ♦ Independent Directors 40% (4/10)
- ♦ Non-Executive Directors 80% (8/10)
- ♦ Independent and Non-Executive Directors 40% (4/10)

Status as on 30.09.2007 :

- ♦ Independent Directors 50% (4/8)
- ♦ Non-Executive Directors 88% (7/8)
- ♦ Independent and Non-Executive Directors 50% (4/8)

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement with the Stock Exchanges), across all the companies in which he is a Director. The necessary disclosures regarding committee positions have been made by all the Directors.

### Shareholders grievance redress

Shareholders'/ Investors' Grievance Committee looks after the matters relating to share transfer / transmission and approves share transfers at its meetings. It also examines and redresses the shareholder grievances.

The Shareholders'/ Investors' Grievance Committee met twice during the year, on

17th April, 2006 and 27th November, 2006. The Compliance Officer of the company is:

P.S.Meherhomji  
Company Secretary  
Apeejay House 7th Floor  
3 Dinshaw Vachha Road  
Churchgate  
Mumbai 400 020  
Phone: (022) 6665 2712  
Fax: (022) 6665 2842  
Email: [pmeherhomji@rallis.co.in](mailto:pmeherhomji@rallis.co.in)

The shareholders can give their suggestions or recommendations at the Annual General Meeting, which are recorded in the Minutes and action, wherever required, is taken thereon. The shareholders do occasionally write to the Chairman/ Managing Director giving their suggestions, or at times visit the Company Executives in person

Shareholders can also correspond with the Company on the email address: [investor\\_relations@rallis.co.in](mailto:investor_relations@rallis.co.in) which has been specifically set up for interaction with investors and to respond to their complaints and queries.

The number of investor complaints/ requests/ queries received and addressed during 2006-07 was 429. There were 4 queries pending as on 31st March, 2007. These were received during the last week of March 2007 and hence were pending on 31st March, 2007, but have been subsequently replied to.

### Remuneration for governance body

The Remuneration Committee is responsible for considering and finalizing the remuneration and commission of the Managing / Executive Directors and recommending the commission payable to the Board of Directors for their final approval. In addition, the Committee has

been given the mandate to consider and approve appointment of and the remuneration payable to Executives upto the General Manager level and also matters relating to Voluntary Retirement Schemes and Early Separation Schemes of the Company.

The Remuneration Committee met 5 times during the year, on 17th April, 2006, 2nd May, 2006, 31st May, 2006, 27th November, 2006 and 12th January, 2007.

### Remuneration Policy

The Company is a part of the Tata Group and the remuneration payable to the Managing / Executive Directors is within the framework of the guidelines laid down by the Tata Group on the remuneration payable to the Managing/ Whole-time Directors of the Company. The Managing/ Executive Director's performance is gauged by the basis of achievements against targets set at the beginning of the year, which are a judicious mix of financial and non-financial goals. At the end of the year, the Remuneration Committee gauges the performance based on the targets set and recommends the compensation to the Board for approval.

The Company links the annual variable pay of senior managers with the performance of the Company in general and their individual performance for the year, measured against Key Result Areas which are aligned to the Company's objectives. The Company, while deciding the remuneration package of the senior management, takes into consideration the employment scenario, the remuneration package in the industry and the remuneration package of the managerial talent of other industries.

### Resolution of conflicts of interest

Half of the Board of the Company comprises Independent Directors, as against the requirement of one third of the Board under the Listing Agreement. Independent Directors take active part in the deliberations of the Board and they lend independence, credibility and an "outside perspective" to the business conducted. Independent Directors are a part of all the Committees of the Board, and the Chairmen of all the Committees, except the Executive Committee of the Board, are Independent. This ensures that interests of all stakeholders are adequately protected

Decisions at all Board and Committee meetings are taken by a majority of non interested Directors. Directors interested in any particular matter do not take part in the deliberations and also do not vote for that particular matter. This ensures that there is no conflict of interest.

The roles of the Chairman and CEO of the Company are performed by two separate individuals, thus lending proper checks and balances under the governance system.

### Nominations Committee

The composition of the Board of Directors is a mix of full time executives and non-executives representing business houses and financial institutions, with requisite experience in handling economic, environmental and social issues. The Board regularly reviews the Company's performance on these issues.

The Nominations Committee is responsible for making recommendations regarding the composition of the Board, identifying independent Directors to be inducted to

the Board from time to time and taking steps to refresh the composition of the Board from time to time.

One meeting of the Committee was held during the year, on 12th January, 2007.

### **Mission, values statements & policies**

Rallis has developed a Quality Policy which is same as the vision & value. Besides, company has formulated the Environment, Health & Safety Policy, Community Development Policy and the Whistle Blower Policy; the last being in accordance with Clause 49 of the Listing Agreement.

The Company has adopted a Whistle Blower Policy, to provide a mechanism to the employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The Policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit committee.

### **Management of triple bottom risks and opportunities**

The Board has clearly delineated the TOR of its audit committee for identifying and managing the economic risks and opportunities that present themselves before the Company. However, there are no committees for the assessment of environmental and social risks by the Board on a proactive basis. On the other hand, the BOD does review the Company's performance for ensuring that the interests of stakeholders' are protected. Presentation on EHS (Environment, Health and Safety) issues is made every six months to the Board.

The Company places a legal compliance

certificate before the Board every quarter. This is based on compliance certificates submitted to the Managing/ Executive Director by each Divisional Head, certifying that all laws applicable to his Unit have been duly complied with. The compliance certificate covers compliance of laws relating to environmental, safety and health issues, labour laws, etc.

### **Evaluating governance body's own performance**

Company-wide information are aggregated, analyzed and reviewed by the senior leadership team to facilitate decision-making and set priorities. The Managing/ Executive Director (MD/ ED) and all direct reports assess organizational success and performance every month at the Corporate Steering Committee meeting. The Owner presents the information related to the measures for each strategic objective and progress relative to the plans. In addition, company operations, current business scenario, performance relative to competitors and existing company capabilities are discussed in detail during review meetings.

The BRC reviews three parameters i.e. ongoing operational & total corporate performance, the future trends of this performance and the opportunities for the future - within a three-year time frame. The Non-Executive Directors are paid remuneration by way of commission and sitting fees. In terms of the shareholders' approval obtained at the Annual General Meeting held on 18th September, 2003, commission is to be paid at a rate not exceeding 1% per annum of the profits of the Company, computed in accordance with the provisions of the Companies Act, 1956.

The overall amount payable as commission, subject to the above limit, depends on the Company's performance during the year. The commission payable to individual Directors depends on their attendance at meetings of the Board, their serving on various Committees and their participation in the deliberations of the Board and its Committees. The distribution of commission among the Non-Executive Directors is approved by the Remuneration Committee and the Board based on the above parameters.

Commission is calculated with reference to the net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year, based on the recommendations of the Remuneration Committee, subject to the overall ceilings stipulated in the Companies Act, 1956. Specific amounts payable as commission, if any, are based on the performance criteria laid down by the Board, which broadly takes into account the profits earned by the Company for the year.

## COMMITMENTS TO EXTERNAL INITIATIVES

The Company has identified and evaluated the hazards associated with its operations mainly under the requirement of OHSAS 18001:1999 certification process. Accordingly risk assessment for such hazards have been carried out and control measures have been put in place. Continuous improvement as a part of Total Productive Maintenance initiative has improved the yield of processes and thus reduction in the use of hazardous substances. Being signatory to "Responsible Care" initiative, all the codes associated with Environment, Health and safety have been rolled out across all the units.

### The Company is signatory to or endorses or honours:

- ❖ Tata Group's Code of Conduct, the salient clauses of the Code include those on national interest, health, safety and environment issues, quality of products and services, regulatory compliance, etc.
- ❖ TBEM (Tata Business Excellence Model)
- ❖ The United Nations Global Compact and abides by its principles.
- ❖ Stockholm Convention on Persistent Organic Pollutants.
- ❖ Kyoto Protocol for Green House Gases
- ❖ Montreal Protocol for Ozone Depleting Substances
- ❖ Responsible Care Initiative of Indian Chemical Manufacturers Association - the Codes of which cover the safety, environment and stakeholder engagement approaches.
- ❖ CREP (Charter on Corporate Responsibility for Environmental Protection) signed with the Ministry of Environment & Forests, Govt. of India as a voluntary initiative to improve the environment management systems.
- ❖ ISO 14001:1996 EMS certification for all the units.
- ❖ OHSAS 18001:1999 standard certification for all the units.



### Membership and promotional initiatives with business associations:

- ◆ Crop Life India
- ◆ I.C.C (Indian Chemical Council)
- ◆ Crop Care Federation of India
- ◆ Pesticide Manufacturer's & Formulators' Association
- ◆ Bombay Chamber of Commerce and Industry
- ◆ National Safety Council of India
- ◆ Confederation of Indian Industries
- ◆ TERI (The Energy Research Institute)
- ◆ British Safety Council
- ◆ Industrial Associations of the respective areas
- ◆ Common Effluent Treatment Plant Associations
- ◆ Waste Management Association



# Economic Performance Indicators

The Company has established and maintains enterprise-wide risk management capabilities for active monitoring and mitigation of organizational risks on a continuous basis. The Company has committed manufacturing facilities developed to give large-scale economies of scale. The Company has captive utilities to support its production requirements on a perpetual basis. Being a low-cost manufacturer in most of its product segments, including intermediates, the Company de-risks itself from pressures of cost competitiveness.

Rallis was the first Tata company to declare its annual financial results for the reporting year on 12<sup>th</sup> April 2007.

## Aspect: Economic Performance

### Direct Economic Value Generated and Distributed

The Company continues to be among few Tata group companies with positive EVA of Rs.36 Crores in the reporting year. The Company also declared a handsome dividend of 80% compared to 40% of previous year. Earnings per share at Rs.42.04 are 44% higher than previous year. EBITDA for the reporting year was 29% higher at Rs. 96.9 crores compared to Rs.69.7 crores in the previous year. Turnover, PBT and overall Employee Satisfaction survey results were correlated on a three point data and found that the correlation is more than 0.98.

	2006-07	2005-06
Net Revenue	618.98	591.63
Add R&D Sales	-	0.90
Adj Excise Duty	3.08	(0.28)
<b>Gross Revenue</b>	<b>622.06</b>	<b>592.25</b>
Operating Expenses	202.46	190.88
Adj Excise Duty	3.08	(0.28)
<b>Total Operating Cost</b>	<b>205.54</b>	<b>190.60</b>

	2006-07	2005-06
Interest	10.89	8.41
Equity Dividend	9.59	4.79
Brand Equity	0.85	0.80
Pref. Dividend	6.60	6.60
<b>Total payment to Capital providers</b>	<b>27.93</b>	<b>20.60</b>

Average staff cost increased from Rs.4.78 lacs per employee to Rs.5.32 lacs indicating the additional financial benefit given to the employees. Contribution to the public exchequer in the form of Corporate Income Tax and other taxes has not increased during the year and remained as Rs105 Crores

## FINANCIAL RATIO COMPARISON

	2006-07	2005-06
Debt : Equity	0.2	0.7
PBT/ Turnover %	8.1	6.8
PBIT on Capital Employed %	27.0	18.5
Current Ratio	1.22	01.29

The Company has been working with the community on several fronts. We do not make any significant direct financial donation to the community. However, the Company works closely with the surrounding community and in partnership, carries out activities wherein financial assistance is provided.

## Risks due to climate change

There are no major financial implications envisaged at present due to climate change. Issues such as rise in sea level will not impact business significantly as the operations are mostly away from the seacoast. If national guidelines are put in place for reduction of Green House Gas (GHG) emissions, the Company's operations are not likely to be impacted to a great extent, as they are not highly energy intensive. However on moral obligation and honouring the Kyoto Protocol, initiatives have been rolled out on energy conservation aspects which indirectly attributes to GHG reduction

## Benefit plan obligations

Apart from defined contribution plan such as Provident Fund and Superannuation, there are defined benefit plans such as Gratuity and Supplemental. All permanent employees of the company are covered under gratuity plan. Supplemental payments are applicable for employees who have put in 20 Yrs of service in the Company and employees are entitled to get fixed monthly supplemental payment after their retirement.



This payment is extended to spouse of the employee also, in case of the death of the employee. Company do have a provision of Rs. 15 Crs towards the future supplemental payments. This is non funded liability appearing in the Company books. Actuarial valuation is carried out at the end of each period to estimate adequacy of this liability.

Provident/Pension contribution, which are in line with Government regulations are covered for all employees including the casual workforce. Contribution of 12% each from employee and company are either transferred to Government funds or to company managed trust. Senior executive of the company are trustees for this trust. Periodic accounts are drawn to ensure proper functioning of this trust.

Company also contributes to superannuation funds for certain eligible employees. These funds are managed by Company with support from leading service providers such as LIC of India & HDFC.

Total Gratuity fund as at the year end was Rs.8 Crs. This is funded liability and the fund is managed by LIC of India and HDFC. Actuarial valuation is carried out at the end of each period to estimate adequacy of this liability.

#### **Financial assistance from government**

Our Company does receive Export incentive and the value of Benefits availed by the Company for the reporting period is Rs.5.34 Crs.

### **Aspect: Market Presence**

#### **Spending on locally-based suppliers**

The Company has a wide supplier base and major raw materials are supplied by large firms, except for those available locally, preference being given to local suppliers within the competitive price range. Out of a total purchase of Rs.350 Crs. of the reporting year, Rs.225 Crs. had been from domestic market of which Rs.22 Crs. had been geographically local. Whenever available, the Company procures goods and services from local suppliers located close to the respective manufacturing unit.

### **Local hiring and proportion**

The Company believes in hiring the best talent for which it does not favour any region in the country. However, preference is given to the local region. Being in remote areas, good skilled professionals (as required by the nature of job) are at times not available locally, in close proximity to the manufacturing units. Contract works are allotted to the local contractors, whenever possible again based on their capability and potentiality, and contract labourers are hired from the local

### **Aspect: Indirect Economic Impacts**

#### **Development and impact of infrastructure investments**

The Company has participated with the community to build infrastructure around the manufacturing locations keeping in mind the obligation to the affected society at the neighbourhood. All our manufacturing units are located in the notified Industrial area in all the states and so, due to the presence of our Company along with so many other industries of the area, several economic activities have come up in the region. Several traders, mechanics, SSIs, transporters, house keeping agents etc. have found business due to the external activities related to manufacturing activities of the Company.

# ENVIRONMENTAL PERFORMANCE



## Policy

Company's policy on protecting and safe guarding the environment is incorporated in the Environment, Health and Safety Policy ( which is readily available in the website of the company ) of the company by the statement of commitment: "Respond sensitively to the environmental concerns of the neighbourhood community and take measures for implementing product stewardship practices." The main focus of the Company is energy conservation and pollution abatement mainly at the source of origin rather than at the pipe end.

## Training & Awareness

Regular training sessions are conducted for creating awareness on environmental aspects to the employees including the men on contract. These trainings form a part of the environment management system which the company has voluntarily adopted leading to certification of the system to ISO 14001:2004 standard at all the reporting units. The monitoring followed by corrective and preventive actions are an integral part of this management system and are followed in spirit at all the units.

## MATERIALS

Total materials used (other than water) by type :

	2005-06	2006-07
Acetic anhydride	2497	2581
Ammonia ( Liquid)	1991	1874
Bromine	354	305
Carbon disulphide	105	161
Caustic Lye 100%	2040	1382
Chlorine	306	275
Cuprous Cyanide	106	189
Cee 9	2936	2348
Cyclohexanone	399	339
Denatured Spirit	1564	1296
Diethyl Ketone	321	381
DMPAT	3571	3508
Dimethyl sulphate	759	795
Ethyl Acetate	677	514
Ethyl mercaptan	236	196
Formaldehyde	413	340
Formic Acid (85%)	394	330
Hydrazine Hydrate 80%	343	394
Hydrochloric acid	879	709
Hydrogen	30	34
Methanol	364	359
Methylene dibromide	432	361
Methylene dichloride	677	699
Monomethyl aceto acetamide	440	403
Nitric Acid	979	1189
Nox - 4	486	510
Phosphorous penta sulfide	1275	1051
Soda Ash	382	523
Sulfuric acid	1719	1949
Trimethyl Phosphate	364	355

Due to complexity of chemical reactions involved in the manufacture of a particular technical grade pesticide coupled with the number of such products manufactured at each site, the number of chemicals handled are many with varying quantity of consumption depending upon the type molecules and the quantum of production. Hence for brevity purpose only those chemicals whose consumption threshold is more than 300 T / Annum as well as those with high risks have been considered for reporting irrespective of the quantity. The increase in consumption quantity is proportional to the increase in production volume compared to the previous year.

## Recycled Input materials

None of Rallis' units use any input

materials that are wastes to any other industry and thus procure from any external sources for consumption. However certain by products of Rallis are sold to other industries as input. The Company is in the process to identify usage (re-sue) of certain eco-friendly wastes generated elsewhere within the Company as alternate fuel.

### Direct energy consumption

Energy is a vital industrial input for Rallis' operations, especially in the manufacturing aspects. The energy mix, its relative availability and cost affect Rallis' competitiveness, stakeholder interests, and a range of environmental issues related to sustainable energy management. Natural gas supply is available for industrial usage only in Ankleshwar where gas is consumed for boiler operation and for captive power generation. A Captive Power Plant exclusively on gas as the fuel resulted in gas consumption increase. This has resulted reduction in carbon to the environment. The financial benefits derived from captive power generation

and tangible reductions achieved mainly in electrical consumption. Promoted by the achievements, Turbhe & Ankleshwar units participated in the National Energy Conservation Award with the result



1MW CO - GEN Power Plant (CPP) on Gas



90 TR CHW Plant from CPP flue Gas heat



Waste heat recovery boiler

ENERGY SOURCES			
		2005-06	2006-07
Furnace oil	KL	4030	3863
LDO	KL	500	227
Gas	M3	1762595	2501280
HIGH SPEED DIESEL	KL	404	331
Captive generation(DG)	Lac KWh	15.05	55.83

supplemented the cascading effect from increase in fuel price and grid power rate at Maharashtra. Thereby the company could sustain the consumption per unit of production in line with that of the previous year, in spite of negative impact from many other factors that were beyond the control of the company. Various energy conservation initiatives were rolled out in the year across all the manufacturing units

Turbhe unit won Certificate of Merit from the Ministry of Power, GOI.

### Indirect energy use

Electricity is the only indirect energy that is bought out from the electricity distribution authorities of the respective states. Initiatives on energy conservation have been rolled out bringing in appreciable reduction in energy

consumption at individual locations. Compared to 248 lac KWh of electrical energy consumption equated to the bought out electricity for the previous year, the reporting year consumed only 188 lac KWh drawn from the public grid as captive power generation by cleaner mechanism supplemented the short fall.

## WATER

### Water Conservation

Total Water withdrawal by source

Purpose of Usage	2005-06	2006-07
Industrial	240642	250010
Domestic	119729	134946
<b>TOTAL</b>	<b>360371</b>	<b>384956</b>

Although water consumption by annualised volume was more than the previous year, unit consumption per ton of product reduced from 54KL/MT of the previous year to 52.4KL/MT in the reporting year. This was achieved only by the conservation initiatives rolled out across the units.

### Annual withdrawals of ground and surface water

Source	2005-06	2006-07
Surface water (public supply)	325876 CM	380906 CM
Ground water (bore well)	71323 CM	4049 CM

Water is drawn from the bore well at Akola and Ankleshwar units and is used exclusively for horticulture and so is not considered in the consumption data. Turbhe draws, by way of rain harvesting, water from a pond created on account of the stone quarrying activity done yesteryears. This water also finds usage in gardening and fire fighting. Rain harvesting is done to the extent possible at all the locations and recycled within the premises for identified uses.

### BIODIVERSITY

#### Land Owned adjacent to protected areas

All units engaged in the manufacturing

activity are located in notified industrial areas and thus not affecting the bio diversity or any flora and fauna of the neighborhood. Environment impact assessment has been done by the development authority before declaring the industrial zones whereby protection of bio-diversity is taken care in the planning stage itself. None of the units is located in any restricted zone like CRZ

### Major impacts on biodiversity

All the units are located in the notified industrial areas with all infrastructure developed for the industrial activity. Hence there is no major impact on any biodiversity as defined in IUCN Protected Areas Category 1-4.

## EMISSIONS, EFFLUENTS and WASTE

### Greenhouse Gas emissions (as per Kyoto Protocol definition)

#### A) Direct emissions from sources owned or controlled by the reporting entity

The Company is still in the process to carry out a formal detailed accounting of the green house gas emissions especially for those other than Carbon dioxide. However the Company realises the detrimental effects of Global Warming and accordingly rolled out initiatives in energy conservation by alternate fuel sources of low carbon ones, replacement of existing machinery by energy efficient drives etc.

CO2 in MT		
	2005-06	2006-07
From fuel sources	17430	17765
From other sources	18	18
<b>TOTAL</b>	<b>17448</b>	<b>17783</b>

#### B) Indirect emissions from imported electricity, heat or steam in terms of Carbon dioxide

The quantity of GHG emission on account

of bought out electricity has been calculated on the assumption of source of fuel for generation of electricity to be coal although the pattern of electricity generation varies from state to state as thermal, nuclear or hydro as the case may be. Accordingly emission for the reporting year is 523.2 M Tons of CO2 against previous year's figure of 743.2MT of CO2 equivalent.

### Emissions of ozone depleting substances (as per Montreal Protocol)

	USAGE in MT		EMISSION in MT	
	2005-06	2006-07	2005-06	2006-07
Methyl Bromide	340	290	0.285	0.276
Freon	1.326	1.245	1.326	1.245

Methyl bromide is produced and consumed in-situ in the manufacturing process at Ankleshwar unit. There is no storage or emission from the source and does not fall under the statutory requirement of The Ozone Depleting Substances (Regulation) Rules 2000. However, keeping in view the commitment under Montreal Protocol 1987, alternate routes of manufacture will be put in place within the stipulated time specified under the rules. Freon gas usage and consumption is for the refrigeration system and air conditioners. The quantity of emission has been derived from the quantity used in the year for refilling the system to maintain the equilibrium. Re-engineering is in process to replace Freon 22 medium of low OD potential.

Type of waste	Unit	2005-06	2006-07
<b>Wastes sent for secured land fill to approved TSDF</b>	MT	3026	3245
<b>Used packing containers by way of sales to approved recyclers</b>	Nos	14126	24238
<b>Metal Scrap</b>	MT	477	543
<b>HDPE &amp; Polythene Scrap</b>	MT	176	92
<b>Used lube oil</b>	KL	2.7	1.2

### Significant air emissions by type. (in MT)

POLLUTANT	2005-06	2006-07
NO x	228	217
SO x	256	248

### Total water discharge by type

The pollution load is calculated based on the level of pollutants at the discharge point and is dependent on the permissible level at each location based on the receiving body of the treated waste water. Wherever relaxed standards are permissible in case of

receiving body is Common Effluent Treatment Plant, the pollutant levels are calculated accordingly

Pollutant in MT / year	2005-06	2006-07
COD	688	648
BOD	148	138
TDS	724	720
TSS	54	48

### Total amount of waste by type and destination

Data on certain type of wastes like glass bottles, broken laboratory glassware etc. have not been maintained in the reporting year and is in the process of monitoring for future reports.



### Significant spills

There has not been any instance of significant spills of chemicals reported from any units in the reporting year. In from any units in the reporting year. In certain areas involving manual handling of materials in the containers, there could have been instances of mild spills. Similarly pumps could result in mild drips from the pumps. However, these have not been counted. Reporting and recording system has been initiated supplemented by ISO-14001 initiative.

### Significant environmental impacts of principal products and services

The products are pesticides that are used in agriculture for protecting crops from various insects, fungi, weeds, nematodes, mites etc. These chemicals being poisonous, their residues left on crop plants, in water and soil may pose certain problems for health of man and domestic animals. While handling these pesticides, there are possibilities of accidental hazardous exposure through ingestion, contact and inhalation. The systemic effect of the product, which is dependent on the magnitude of exposure,

is in turn dependent on the concentration of the chemical, which could either be the parent chemical or its metabolites at the target site.

Many a times extensive use of certain products becomes necessary due to development of resistance by target organisms and this can cause : Persistence in water, Persistence in soils, Persistence in / on crop plants and soil and harvest time residue of pesticides. Improper use of the products can lead to environmental pollution and affect non-target organisms / resources. Persistence in soil may lead to accumulation followed by leaching to watercourses.

### Reclamation of the products

The products manufactured at Ankleshwar, Patancheru, Turbhe and Lote are consumables for formulations and so product reclaimability does not arise. In the light of the toxic nature of the product, even the containers are advised for immediate and safe disposal at the user's end. The law of the land, pertaining to the type of products from our basket, also does not permit recycle

of any containers / packing material. As the end product has a shelf life, any withdrawal from the market cannot be recycled.

### Significant fines for non-compliance

The company has not paid any monetary fines for non compliance related to laws governing environmental aspects. However, we paid Rs.2.98 lakhs as a contribution to provide drinking water to the pollution affected people of Medak District in Andhra Pradesh. This was a direction to all the industries in the area from the Honourable Supreme Court while disposing off a PIL under the ruling "Polluter Pays". This was a sign of our voluntary approach to protect the community from any impact.





# SOCIAL PERFORMANCE

## SOCIETY

### Aspect: Community

#### Impacts of operations on communities

The Company believes and considers itself to be an integral part of the society where ever it operates. As such, it also believes in playing a pivotal role in development of the society at large and the neighbourhood community in particular. Primary objective of the Company's work with the community around is to contribute towards improving the quality of life. Based on the need assessment studies carried out at each location, programmes are developed to cater to such needs. Since there are considerable gaps in India in almost all areas of social development, the Company tries to align the activities with the Millennium Development Goals (MDGs) of the United Nations and thus contributing to the wider cause of sustainable development.

The Company determines its Key Communities through a systematic approach and develops programs for them. Every year, all Regions / Factories prepare their annual community developments' plan based on above findings and budgets are allocated in Annual Operating Plan.

### Aspect: Corruption

#### Coverage for related risk analysis

Internal Audit Process and TCOC (Tata Code of Conduct) program analyzes the risks related to non-compliance and deviations in all units/locations. No specific program is put in place for risk

analyses related to corruption. However, every management cadre employee endorses adherence to TCoC by way of signature which brings in a self analysis before signing his / her declaration.

### Training on anti-corruption policies and procedures

The company does not have any specific anti-corruption policies and procedure as the TCoC itself, in totality, has been integrated in the company. Employee training and communication about TCoC was strengthened by the Chief Ethics Counselor of the company. Copies of TCoC are displayed all across the company and every employee has been given a copy of the booklet on TCoC, that ensures cent per cent coverage in the aspect of training.

### Incidents of corruption

The Chief Ethics Counselor monitors adherence to TCoC within the company. There has not been any incident of violation relating to corruption policies and procedures in the reporting year.

### Aspect: Public Policy

#### Participation in public policy

The Company participates in the formulation and execution of community development related policies by the local administrative and development authorities. Company also encourages and actively involves in drawing out action plans for such policies for the benefit of the public in the neighborhood.

### Political Contributions

Rallis does not encourage any political

lobby or contribution to political parties. The Ethics counselor procedure ensures the adherence to this aspect. Tata Code of Conduct clearly describes the aspect : 'a Tata company shall not support, directly or indirectly, any specific political party or candidate for political office. The company shall not offer or give any company funds or property as donations, directly or indirectly, to any specific political party, candidate or campaign'.

### Aspect: Compliance

In the reporting year the Company has not paid any monetary value of significant fines and there has not been any instance of non-monetary sanctions for non-compliance with laws and regulations.

### Human Rights

#### Aspect: Investment and Procurement Practices

#### Investment agreements that include human rights clauses

There has not been any significant investment agreement executed in the reporting year and so has not been subjected screening for inclusion of human rights clauses.

#### Suppliers and contractors on human rights

At present Rallis does not have a structured system to assess human rights performance of our locations' contractors and suppliers under supply chain. However the contractors working in the premises of the organization are required to follow the employees benefit schemes and human right policy of the organization including payment of minimum wages, deduction of provident fund and ESI. Concerned departments do the monitoring of the contractor's performance and wages are paid under

supervision of HR. The tender notices and enquiries issued to the contractors during reporting period include clauses on human rights, safety and health and the bidders are required to conform their compliance to these clauses.

#### **Training on policies and procedures of human rights**

Human rights issues are covered under the training on Code of Conduct and in creation of awareness on Model Standing Orders (which addresses most of the Labour Rights and Human Rights at work related issues) for the employees. Awareness is created among the new employees joining Rallis as part of their induction training. A monitoring system to evaluate total hours of training imparted to the specific aspect of human rights is planned for the next reporting year.

#### **Aspect: Non-discrimination**

##### **Incidents of discrimination and actions taken**

There has not been any instance of discrimination in the reporting year. The Company honours the Global Compact Principles and the status is being reported to United Nation's monitoring wing. Tata Code of Conduct emphasises on equal opportunities and non discrimination. The HR Recruitment Policy of Rallis lays stress on recognising the people as primary source for its competitiveness.

Policy on providing opportunity of employment without any discrimination:

1. Gender Equality employment except at operations / locations where statutes prohibit employment of women.
2. Employment of physically challenged persons at permissible operations for safety reasons.
3. Applications for employment do not carry columns for religion, province, mother tongue etc.

#### **Aspect: Freedom of Association and Collective Bargaining**

##### **Right to exercise freedom of association and collective bargaining**

Tata Code of Conduct through Regulatory Compliance Clause sets out the policy since Freedom of Association is enabled in India through the Trade Union Act. Accordingly all Non Management employees of the organization are the members of respective Unions at different locations. Company recognises unionism among workers and invites collective bargaining for causes. The process of association and collective bargaining exists in all relevant operations at Ankleshwar, Turbhe and Patancheru sites.

#### **Aspect: Child Labor**

##### **Incidents and measures for elimination of child labor.**

Tata Code of Conduct through Regulatory Compliance Clause sets out the policy since Prevention of Child Labour is addressed in Factories Act also. As per the various standing orders of Rallis, the minimum age required for employment is 18 years and hence Rallis engages no child labour. The recruitment process of Rallis requires furnishing of appropriate proof of age to ensure the age bar. The Company prohibits at the gate, entry of any child within the factory premises to ensure inadvertent employment by contractors.

#### **Aspect: Forced and Compulsory Labor**

##### **Incidents of forced or compulsory labor**

There is no forced and compulsory labour in Rallis and is deemed an illegal activity in India. The Grievance Re-dressal Mechanism and the Ethics Counsellor

procedure adequately monitor violation of such requirements. The grievance redressal procedure is documented and accessible to all employees. However, voluntary retirement scheme with pecuniary benefits declared for workers and given the freedom of option. Our declaration on conformance to Global Compact Principles addresses the issue.

#### **Aspect: Security Practices**

##### **Security personnel trained in human rights.**

Security personnel are hired, preferably ex-service men, from Securities Board to cater to the need of Rallis across its factory locations. No specific in-house human rights training is imparted to them. However they have been trained by the security agency and by their previous employment in the services, they are aware of the human rights.

#### **Aspect: Indigenous Rights**

##### **Incidents of violations rights of indigenous people**

The National Interest Clause of Code of Conduct articulates Rallis' Policy in this regard. In line with the Group Purpose & Code of Conduct of the organization, Rallis returns to the society what it earns. This evokes trust among consumers, employees, shareholders and the community it serves. Rallis has a portfolio of Community Initiatives to implement the group purpose and addresses the needs of the local people and the community around. Various types of Community development initiatives carried out by the Company to the indigenous society is mentioned later in this chapter. There has not been any incident in the reporting year wherein the indigenous people were deprived of any of their human rights in relation to the operations of the company.

## Labor Practices & Decent Work

There are several policies in the Company, which relate to labour practices. These are given under the relevant indicator. Head of Corporate Human Resource department is the senior most officer who is responsible for labour practices. Each unit has a head for HR department who looks after the local requirements and reporting to the Corporate head. An employee engagement programme is taken up every year in the Company to carry out a broad survey. The intention behind the exercise was to have a satisfied workforce, which would result in higher productivity.

### Aspect: Employment

#### Total workforce by employment type

We have a diverse workforce. Both Management & Non-Management employees are from various regions and come with varied work experience, as the Company has manufacturing & sales operation spread all across the country. Although official language for communication is English, the language of day to day communication especially for non-management staff in different factories is local. The field staff is predominantly local having a rural agrarian background, to facilitate interfacing with the customer community (farmers). We place a high emphasis on health and safety of our employees, and the larger surrounding community.

Employee Categories (As on April 1, 2007)		
SN	Category	Total
1	Non Management Staff (NMS)	328
3	Management Staff (MS)	710 (582 + 128)
Total no of employees:		1038

## Rate of employee turnover

2004-05 -12.1%  
2005-06 -13.7%  
2006-07 -15.6%

### Aspect: Labor/ Management Relations

#### Employees covered by collective bargaining agreements

100% of the non-management employees are covered under the trade union or collective bargaining agreements. In numbers, it is 328 employees relating to 32% of the total strength of the company.

#### Minimum notice period(s) for significant operational changes

Sufficient time is given as notice period as and when necessitated by operational changes. Although the notice period is not mentioned specifically in the collective agreements, the union is taken into confidence before any such eventuality and a collective decision is taken. There has not been any such instance of operational change in the reporting year

### Aspect: Occupational Health and Safety

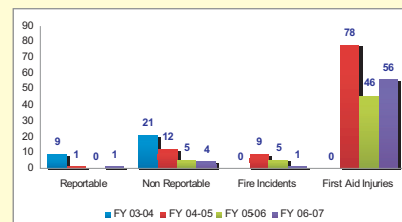
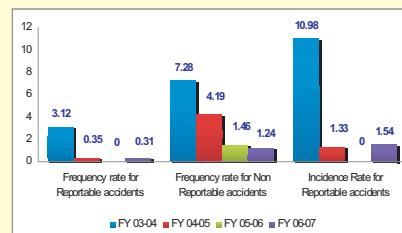
#### Workforce represented in safety committees

Safety committees formulated as per the guidelines of the law function at all units. As for representation of the work force, minimum conformance is to the provisions of the Factory Rules of the respective states where the operations are located. The Committees meet periodically (at most units monthly) to discuss Safety issues. This is another venue for employee consultation and communication. One of the main item of discussion is -Accidents in the past month, whether minor or major. Medical officer is also part of Safety committee.

Prior to the meeting, agenda is circulated and after the meeting minutes are made which are displayed on Notice board and or circulated to concerned employees.

### Rates of injury & occupational diseases

There has not been any fatal accident in the company during the reporting year and a no case occupational health illness has been identified at any of the operational locations where probability of occupational diseases has been identified and evaluated.



### Education, training, counseling, prevention, and risk-control programs

In the reporting year, 288 training sessions were conducted exclusively on safety & health related topics covering 5520 hours of training with the inclusion of contract labour as well and another 250 hours of training on material handling.

Best practices of British safety Council were adopted by way of incorporating the elements at the operational units at Lote, Ankleshwar and Turbhe and at the end of the year, the said units faced the audit and were awarded with 5 star grade to all the units. Employee Communication & Consultation, welfare and hygiene, off the job safety, risk assessment & safe working procedures, traffic routes &

aisles, emergency planning etc were novel elements introduced that would cater to the safety of employees, their families and the community.

### Aspect: Training and Education

#### Hours of training per year by employee category.

The employees undergo trainings on various subjects. Internal trainings are conducted for the employees at regular intervals. Starting with induction, training is imparted to all depending on the nature of job to be assigned. Training is carried out through classroom training, workshops, role plays, single point lessons, seminars/ conferences, on-the-job & off the job training and best practice sharing. As for consideration for training, there is no difference between company employees and contract workers. The average works out to be 40 hrs per management staff and 14 hours per non management cadre.

Training Manhours		
	2005-06	2006-07
Mgmt staff	36949	29752
Non Mgmt	4318	4424
Contract labour	821	11585
Total	42088	45761

#### Skills management and lifelong learning

Rallis undertakes Skill Development across all functions to identify critical skills required for enhanced plant performance along with individual growth. The Skill Development approach also focuses on multiskilling apart from upgrading the skills of individuals. By use of skill matrix evaluation tool, training needs are identified and accordingly programmes are developed.

We have Knowledge Management (KM) programs and processes which capture the tacit knowledge residing with the employees (past and present), customers and suppliers. The organization believes in critical mass training that converts employee learning to organizational learning and behavioral change. In addition, memberships in professional institutes, Company-visits and conferences (domestic and international) bring in external perspectives and catalyze the learning cycle. The adoption of Business Excellence models like TBEM & IMC-RBNQA promotes and drives organizational learning. OFIs arising out of these models are used as learning for future improvements.

### Aspect: Diversity and Equal Opportunity

#### Breakdown of employees against indicators of diversity

##### Gender Diversity:

	MS	NMS
Men-	666	314
Women-	35	6

##### Age Diversity:

< 30	143
30 - 40	287
40 - 50	189
50 - 60	82

##### Diversity related to affirmative action:

	MS	NMS
Gen	384	203
SC	10	12
ST	03	02
OBC	96	103
DW	16	
Null	192	

#### Ratio of basic salary of men to women by employee category

As mentioned above, the criteria for basic salary and other emoluments are based only on merit. The Company follows the principle of equal pay for equal work. There is no differentiation in salary of men to women in the Company. However,

the women employees in the Company are entitled to maternity leave with benefits.

### Product Responsibility

The Company respects the privacy of its customers and has put in place an Intellectual Property Rights Policy. This is a basic need for the type of business conducted by the Company. Many international companies chose us as a Preferred Partner based on the confidence level related to customer

### Aspect: Customer Health and Safety

#### Health and safety impacts of products and services:

Rallis commitment to safeguard the interests of the society is addressed in the Corporate Safety, Health and Environment Policy, which says, Rallis will "respond sensitively to the environmental concerns of the community and take measures for implementing product stewardship". Before introducing a new product into the market, an exhaustive safety evaluation and risk analysis is carried out by R & D for determining product suitability based on the properties related to a user & environment friendly product.

Before transfer of bench scale technology to commercial production, an exhaustive Risk Benefit Analysis with respect to field application against the target organism is carried out. In this process, the Company generates essentially exhaustive data packages on important issues related to the products.

The Company is continuously working at its R&D centres to develop products, which use materials that are safe, both at the production stage as well as in the usage phase. The Company is



continuously working towards reducing the consumption of solvents and other toxic chemicals. Reduction or substitution of these Chemicals will result in making the processes safer.

The product labelling system follows the international guidelines for export purpose and Insecticides Rules for domestic market. All the products, which are exported, have labels as per the requirement of the region where the product is being exported. Additionally, the Company provides Material Safety Data Sheet (MSDS) with the product, which gives the necessary information to the customer.

### Aspect: Marketing Communications

The Company believes in conducting business in an ethical manner. The end customers of the products are the farmers. Therefore, most of our marketing promotion is done through product advertisements, testimonial advertisements, press, radio promotion, electronic media, exhibitions, direct mails, one to one contact with the customers etc. The basic goal is to provide the correct information to our customers. Although the Company does not have any voluntary codes relating to

### Aspect: Compliance

#### Significant fines for non-compliance

The Company has not paid any significant fines for non-compliance with laws and regulations concerning the provision of its products and services.

### Support of key Communities

Being a multi-location Company, Rallis plans its community development work at various locations under the leadership of location head. It identifies key communities in consultation with

employees. Proper budgetary allocation is obtained wherever necessary. Rallis takes guidance and support from TCCI (Tata Council for Community Initiatives) in its endeavor for community work. Some initiatives, which are the epitome of Rallis' work in community development, are:

- ♦ Ralli love at HO Mumbai.
- ♦ Contribution to the Angan trust
- ♦ Contribution to Akanksha Foundation, Mumbai.
- ♦ Girl Child Project of Rallis Committed. Community Development Trust (CCDT), Mumbai.
- ♦ Lote: Educational support for under-privileged students, distribution of school materials and uniforms. Polio health check up and plantation of trees in and around.
- ♦ Turbhe: Health check up programs for woman and girl child for Adivasi Pada, started pre-primary School.
- ♦ Patancheru: Afforestation (Internal/External)- Saplings, Donation of Tractor to Gram Panchayat for removal of garbage, Donation of Medicines, Clothes, Rice & Toys to the Home for the Disabled & Destitute Children, Aids Awareness Programs to the Children, Govt. School, Blood Donation Camp.
- ♦ Ankleshwar: Volunteers attended flood relief work as a part of road safety, bicycle stickers have been provided to local community.
- ♦ Akola: Regularly supplying drinking water to the needy during March to June.



At the Old Age Home



Uniform to school children



HIV/AIDS awareness



Assistance to SSC students



With the Blind Children

## Way Forward

At Rallis, we are proud of a decade of reducing our environmental footprint. We have come a long way, certainly in reductions of waste and emissions, but also in recognizing the impact of our operations on global issues such as climate change.

As a company that is owned by hundreds of investors, our challenge is to address these issues in a way that makes business sense. We define this direction as sustainable growth - the creation of shareholder and societal value while decreasing our environmental footprint along the value chains in which we operate. Against this, Rallis will:

- ♦ Continue to develop more efficient products, the use and disposal of which contributes to lower GHG emissions.
- ♦ Engage local stakeholders regardless of community size or location.
- ♦ Contribute to community sustainability through special programs and active participation
- ♦ Ensure a safe and healthy environment for employees, contractors, suppliers, customers and communities.



## ASSURANCE STATEMENT

This report has been prepared in accordance with the 2002 GRI Guidelines version -3 ( G-3).

It represents a balanced and reasonable presentation of our Organization's economic, environmental, and social performance.

Rallis has considered seeking an independent assurance on the report in due course as this is the first report in accordance to G-3 guidelines and looks forward to attain a better maturity level.

However following the GRI guidelines on Application Levels, we have carried out a self evaluation based on the criteria that are presented in the column for the relevant levels of application and made a self declaration of the level as indicated in the Application Level grid.

	2002 Version-3 In Accordance	C	C+	B	B+	A	A+
Self Declared			Assured		Assured	✓	
Third Party Checked			Externally		Externally		
GRI Checked			Report		Report		



**A TATA Enterprise**

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