

COMMUNICATION ON PROGRESS- 2010



TATA SPONGE IRON LIMITED
Bileipada, At/PO Joda, Keonjhar, Orissa, India 758034

Message from the Managing Director

We at Tata Sponge Iron Limited believe that the promise of good business lies in being good and the primary purpose of a business is to improve the quality of life of people and to serve the society from where it sources its customers and other stakeholders. Our heritage of returning to the society what we earn evokes trust among customers, employees, shareholders and the community.

The company fosters an internal culture of volunteerism and contributes to the socio-economic development of the communities where it operates, through assistance to various causes and organizations. The corporate sustainability activities have been aligned with Employee Volunteering Programmes (EVP). During the year nearly 144 volunteers devoted approx. 1440 voluntary man hours for the communities. Health, Education and creating capacity for Sustainable livelihood have been the focus areas of the company's CS activities.

The organization believes in social equilibrium and has been striving for building an inclusive society based on positive discrimination for schedule caste and schedule tribe communities. The company has adopted Affirmative Action policy towards that end. During the year it has put considerable efforts in addressing three major drives of social equilibrium among SC/ST communities like education, employability and entrepreneurship development.

Tata Sponge is sensitive towards environmental and ecological concerns arising out of its operations. Towards that end the company has an environmental management system in place and has become ISO 18001 certified. It has a well enunciated environment policy to guide its activities.

The company is trying to play a leadership role in climate change by being knowledgeable, responsive and trust worthy and by adopting environment – friendly technologies, business practices and innovation, while pursuing their own aspirations and the enhancement of shareholder value. The company will strive to reduce its carbon foot print and be the benchmark in its own segment of industry. Further, it will engage actively in climate change advocacy, shaping regulations and incorporate 'Green' perspective in key organizational processes.

We at Tata Sponge Iron Limited constantly strive to adhere to our core values, deploy appropriate approaches, create consciousness among employees, suppliers, contractors, customers and the community at large through a process of continuous dialogue, initiative and collaboration in consonance with the principles of Global Compact.



Suresh Thawani
Managing Director

Principles	Company's Policy	Key Results & Measurement
Human Rights		
Principle – 1 Businesses should support and respect the protection of internationally proclaimed human rights (HR 1,2,3,4)	We review our HR policies periodically to ensure that human rights are not violated.	<ul style="list-style-type: none">ü By the company Standing Order, we ensure that contractors do not employ child labourers in our premises.ü Factories Act & Rules, Contractor Labour (R&A) Act & Rules are strictly adhered in terms of working hours and welfare amenities meant for Associates & Contractor workforce.ü Copies of TATA Code of Conduct has been given to each of the employee and to create awareness, classes are being taken on regular basis to reinforce its clauses.ü As a review mechanism, human rights issues are deliberated in co-ordination meeting and HR Committee.ü We ensure that all contract labourers deployed by the contractor should get minimum wages.
Principle – 2 Make sure that they are not complacent to human rights abuses (HR 2,3)	We emphasize on bipartite / collaborative / consultative decision making to address HR issues proactively to avoid conflict with the union and Associates.	<ul style="list-style-type: none">ü Company ensures that our business relations with different agencies who practice relevant standards and ethical practices including compliance to all statutory regulations.ü Various bipartite fora representing Management & Associates are held periodically and resolves various issues and conflicts.ü Statutory Committees like Safety, Canteen & Health resolves various grievances pertaining to statutory in nature.ü Due diligence on human rights like safe working condition and on the job safety to all our employees & contract workmen too, are adhered by the management.

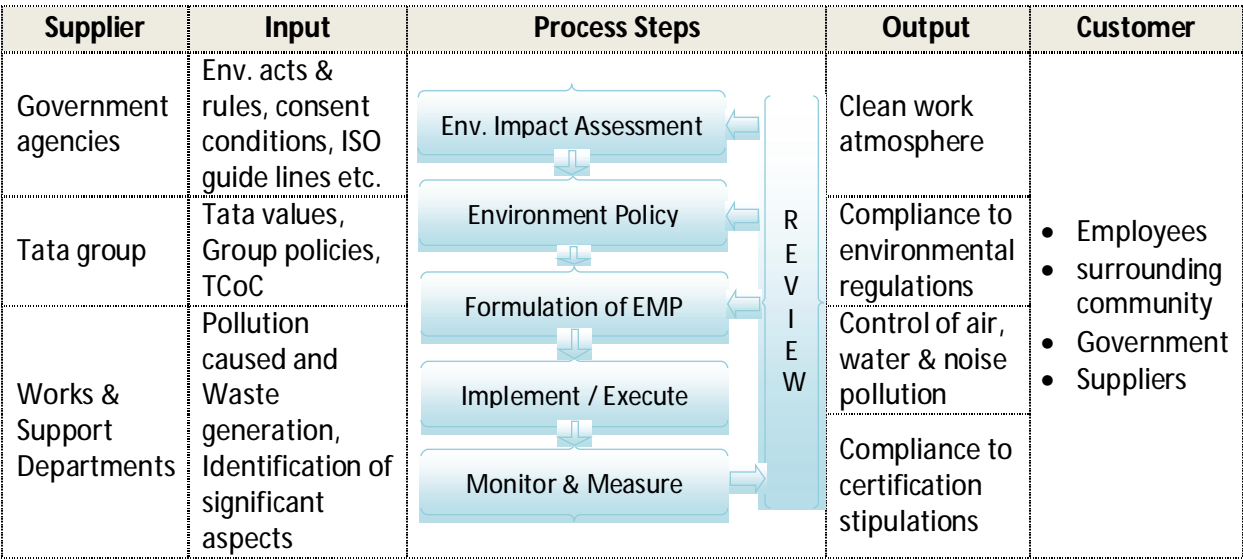
Principles	Company's Policy	Key Results & Measurement
Labour Standards		
Principle – 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	All statutory labour laws are implemented and we have a process to review the statutory compliance by a core committee constituted by the Management.	<ul style="list-style-type: none">ü Focus is given to settle common issues of Associates through collective bargaining forum being represented by equal representative from Management & Associates. Several bipartite agreements are arrived at through this kind of forum.ü In the process of participative management council equal participation of Management & Trade union representatives are ensured by the management.
Principle – 4 The elimination of all forms of forced and compulsory labour (HR 5, 7LA 3, 4)	No forced & compulsory / under aged labour are deployed. This is being ensured through various check post like Security/Safety/HR.	<ul style="list-style-type: none">ü Engagement of contract labourer / indirect employment are in line with contract labour regulation & abolition Act. There is no violation nor any forced / compulsory entry of labour force inside the factory premises.ü Inter state migrant (CL) are given equal opportunity on human rights including remuneration.
Principle – 5 The effective abolition of child labour (HR 6)	All contractors / suppliers are informed not to deploy child labour / under aged personnel. Our standing order also restrict engagement of child labour / under aged labour.	<ul style="list-style-type: none">ü Our hiring policy reflects transparency and focus on equal opportunity by Employer.ü Company ensures engagement of labour over 18 years of age including in its township.ü In process of abolition of child labour in plant and township, we ensure school drop out for readmission in the school through CS activity.
Principle – 6 Eliminate discrimination in respect of employment and occupation. (HR 4, LA 10,11)	We honestly follow TATA Code of Conduct, also practice role of equal opportunity employer.	<ul style="list-style-type: none">ü Company's hiring process evidences that no discrimination prevails on account of age, sex, locality, caste, creed, religion.ü Company doesn't discourage for employment of physically challenged people.

Principle - 7

Business at Tata Sponge - supporting a precautionary approach to environmental challenges

Environmental policy and Environmental Management System at Tata Sponge Iron Ltd. address the twin objectives of environmental protection and maintaining ecological balance. As a part of organization’s Environmental Management system, the company conducts EIA (Environmental Impact Assessment) studies by expert external agencies. Based on the EIA observations and outcome of senior management reviews, appropriate strategy is formulated and deployed. Necessary review mechanisms are established to support the precautionary approach to environmental challenges.

Process of EMS at Tata Sponge is as given below.



Tata Sponge Iron Limited is the first sponge iron manufacturing company in the country to have been awarded ISO-14001:1996 certificate. Certification to ISO-14001with 2004 version was given in May, 2006.

Environmental Policy of Tata Sponge iron Limited is as produced below:

ENVIRONMENTAL POLICY

Tata Sponge Iron Limited is committed to continual improvement in its Environmental performance, activities pertaining to the handling of raw materials, production and despatch of sponge iron; and generation and evacuation of power, so as to maintain a pollution free, clean and safe environment.

To achieve this, the company shall:

- Comply with applicable legal and other requirements relating to its environmental aspects,
- Identify the impact of its activities upon the environment,
- Prepare and implement an annual environmental improvement plan with targets to meet the objectives and to carry out periodical reviews of its performance, and
- Communicate the policy to all persons working for or on behalf of the organization and make it available to public on request

Suresh Thawani
Managing Director

11/11/08

The best industry practices are deployed for environment protections during plant operations and projects implementation. Tata Sponge Iron is fully compliant with all the regulatory norms and conditions. Actual emission data over the years are far below the norms stipulated by Ministry of Environment & Forest, Central Pollution Control Board and SPCB etc. Safety, Health & Environment (SHE) is identified as a Key Business Process at TSIL and is formally documented in SHEQ apex manual. The entire process is mapped with defined 'Roles & Objectives' and 'Operational Control Procedures'. The same is reviewed through key performance measures for effectiveness and efficiency of the process.

Highlights of Environmental Performance as a support to Business by 'Going Green'

Power generation from waste heat :

Tata Sponge generates 26 MW power by utilization of waste heat of sponge iron production. This power generation replaces fossil fuel based power generation and thereby reducing the emission of GHG, SOx, NOx etc.). After meeting the Company's internal power requirement of about 7.0 MW, the balance quantity of power (19 MW) is sold to GRIDCO, the State Electric Utility Company.



Power generation from waste heat during last 5 years is shown here. TSIL is coming-up with an FBC power plant to generate power of about 25 MW by utilization of its waste such as char and coal fines.

Reduction in Energy Consumption :

TSIL's drive to reduce energy consumption thro' various initiatives such as introduction of VVVF drives, improvement in power factor, replacing high capacity drives by low capacity ones, replacing higher watt incandescent electric bulbs with low watt energy efficient CFL bulbs, bringing awareness among users to consume less power and the overall focus on conserving power has resulted in a decreasing trend in specific consumption of power in DRI produced.

Year	Total power generation (Million KWH)
2005-06	40.2
2006-07	57.75
2007-08	165.5
2008-09	181.01
2009-10	181.39

Specific power consumption per ton of sponge iron production for last 4 years is shown below:

2005-06	2006-07	2007-08	2008-09	2009-10
119.10	106.96	102.39	100.68	100.01

Carbon consumption per ton of sponge iron has also been reduced in last four years. Carbon to iron ratio (C/Fe) in feed (of raw materials) reflects reduction in carbon consumption calculated on the basis of feeding of carbon with respect to feeding of iron ore for production of sponge iron.

2005-06	2006-07	2007-08	2008-09	2009-10
0.473	0.455	0.451	0.451	0.449

Assessment of Carbon Foot Print :

In pursuit of Tata Group’s initiative for Carbon Foot Print exercise, Tata Sponge signed an agreement in December, 2008 with Ernst & Young, an expert agency dealing with climate change in order to ascertain its Carbon foot print. Later an independent study was conducted by Tata Quality Management Services (TQMS) and a separate report was submitted.

The above study was aimed at estimating the GHG emission from different DRI units of TSIL and the associated WHRB power plants. Besides, the objective was to develop a structured monitoring system and also to identify GHG abatement levers so as to enable TSIL to develop an effective climate change strategy considering upcoming Governmental regulations and policies.

In line with the requirement of the study, an internal support team was formed by the management to collate necessary data and coordinate the external agency. The internal support team comprising of an Executive programme sponsor, a chief coordinator and few members drawn from different operational units of TSIL was given a basic exposure on the Climate Change initiatives of the Tata group and the need of GHG assessment at TSIL. Periodical meetings were conducted and the study continued with the help of external experts. The standard followed was the GHG protocol Initiative convened by the World Resource Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The following areas / units were considered as the organizational boundary for the GHG study at TSIL. They are; Raw Material handling system (RMHS), DRI Kiln # 1, # 2 & # 3, Captive Power Plants and other Utilities. As per the requirement necessary data on various operational parameters were collated by the members of the internal team and sent to the external agencies. The key GHG performance indicating parameters were reviewed and assessed by the external teams and were archived in a consolidated manner. Site visits and random inspections by the external teams were carried out in order to assess and improve the reliability as well as the consistency of the data. Periodical reviews of the data submitted were carried out by the external teams over tele-conference. After which the external teams presented their key observations and subsequently interactive sessions were held with the senior management team of TSIL. TSIL is in the process of implementing certain abatement levers which is as an outcome of the above assessment carried out for reduction of CO2 emission.

Water Conservation:

Water conservation activities comprise of the following broad areas such as;

- ✚ Water management and continuous monitoring system
- ✚ Regular maintenance of water distribution network
- ✚ Optimization and leakage surveys
- ✚ Water re-circulation system
- ✚ Rain Water Harvesting at township

As a policy, TSIL recycles its waste water / effluent and no waste water is discharged beyond its premises and maintains **ZERO effluent discharge status** over the years. Waste water is used for the purpose of road cleaning, coal yard dust suppression, gardening and watering of plants etc. after primary treatment.

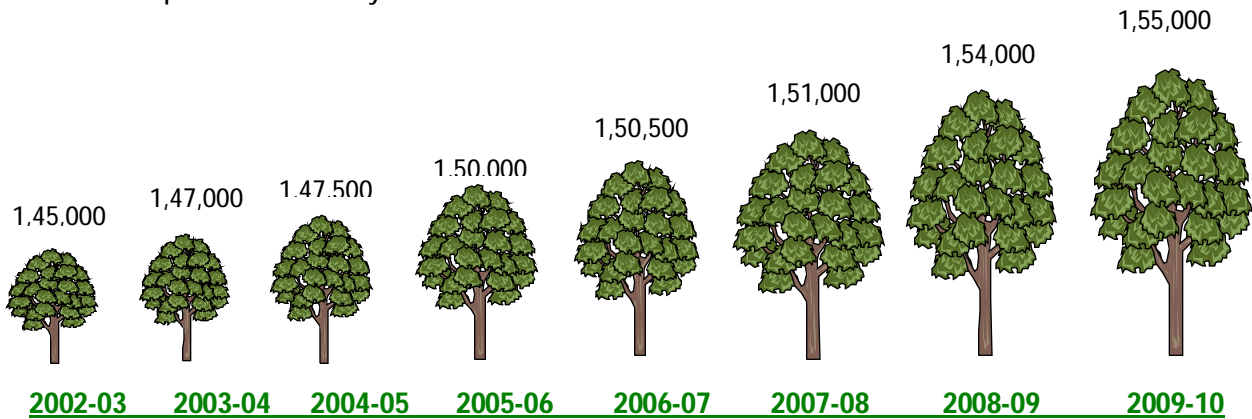
The water consumption (in KL/MT of DRI produced) is as below.

2005-06	2006-07	2007-08	2008-09	2009-10
6.47	5.64	4.85	5.31	5.09

Principle - 8
Initiatives undertaken to promote greater environmental responsibility

Afforestation / Tree Plantation :

Tata Sponge has planted around 1,55,000 trees (cumulative number) over last 25 years with survival rate of about 94 %. Today there is hardly any vacant space left for further plantation of trees. The plant, once situated on a barren stretch of land is now transformed into a green belt. Besides adding to greenery and beautification of the area, the forest so developed owing to massive plantation drive, serves as pollution reduction facility. Plantation of various species include Sandal, Mahogany, Australian teak, White teak, Bamboo, Acacia, Debdaroo etc. has been done. Some rare tree plantation has also been done in the premises. These include Rudraksha, Olive, Silver oak, Tejpatra, Dalchini etc. Given below is the cumulative number of trees planted over the years.



Waste Utilization :

Use of Waste Heat : TSIL presently generates 26 MW power from kiln waste heat, of which about 7 MW power is used internally and balance sold to State Grid.

Use of ESP dust : The ESP waste generated from the DRI plants is used for manufacturing bricks through FAL-G technology. No heat is required for manufacturing of these bricks, thus conserving natural resources such as coal and soil. TSIL is planning to convert 100 % of its fly ash generation into useful bricks by installing high capacity brick manufacturing facility at its premises for which necessary study and DPR preparation is over.

Use of Char : The non-magnetic char generated as a solid waste from the DRI plants at TSIL is being stored for power generation by putting up FBC power plants. As mentioned earlier, TSIL is in the process of installing a 25 MW FBC power plant to utilize its char generation.

Used Oil & Batteries : TSIL does not produce any hazardous waste except used oil and batteries. All the used oil is collected from different user points and sold to authorized dealers (by Central Pollution Control Board-CPCB) for further processing at their end. The same process is followed for used batteries.

Principle - 9
Development and diffusion of environmentally friendly technology - Use of cleaner & greener processes :

Tata Sponge iron Limited being in the business of Sponge iron, an industry, infamous for causing pollution, has kept pollution parameters under check by employing environment friendly technologies such as: Electrostatic precipitators (ESPs) [in place of age old Gas Cleaning Plants (GCP)], modern Dust Extraction systems & Chemical dust suppression systems for its raw material processing, product handling circuits, telescopic unloading spouts, vacuum road cleaning machines, Road water sprinklers etc.

Parameters	Kiln-I with GCP (Before)	Kiln-I with WHRB & ESP (After)
Air emission level from stack	100-110 mg/NM ³	40 mg/NM ³
Volume of gas emission	1,54,000 NM ³ /hr	77,000 NM ³ /hr
Generation of waste water	500 KL/ day	Nil
Generation of fly ash	50 MT/day	40 MT/day (Useful brick making)
Generation of power	Nil	7.5 MW

In addition, TSIL has undertaken the following **development activities** over the years.

- **Reduction in CO₂ emission** from 2.02 to 1.97 MT per MT of sponge iron produced by reducing specific coal consumption.
- **Use of alternate energy** : TSIL has provided rural electrification in the nearby villages by installing **solar powered panels**.

TSIL has a policy in place to **check vehicles emission** at fixed intervals for vehicles entering the plant premises.

- **Rain Water Harvesting** : Tata Sponge has developed a water reservoir (lake) to collect rainwater in its residential township. The contour of the township has been made in such a way that all the rainwater gets collected in the reservoir that looks like natural lake. TSIL has developed a park and has planted trees around the reservoir for improved aesthetic look and has beautified the area with greenery in & around. This area serves as a place for amusement and recreation not only for the township residents but also people from neighborhood.



- **Telescopic unloading spouts** have been provided at the discharge point of bunkers to **control fugitive dust** in the air. This arrests land contamination during unloading of dust generating material.



For cleaning of roads, the **road vacuum-cleaning machine** is used. The machine sucks the road dust and controls air pollution. Besides, the machine is also used for vacuum cleaning of the deposited dust from the floors of raw material circuits and finished product circuits using flexible pipe assembly.

- **Chemical dust suppression system** is used to reduce the dust in running circuits. Viscous chemical is sprayed over the running belt to entrap the flying dust and bring it back on the belt. A significant reduction in the fugitive dust is achieved by this process.

The **total expenditure** incurred on account of installation and maintenance of pollution control equipments over last few years is as shown below.

Year	Expenditure * (Million INR)
2002-03	18.04
2003-04	20.71
2004-05	24.34
2005-06	21.60
2006-07	157.84 million INR (Addition of new Pollution Control Equipments)
2007-08	26.07
2008-09	55.54
2009-10	56.22

(* Expenditure of power for operation of Pollution control equipments is approximately 20 million INR per annum apart from above expenditure)

Awards & Accolades received over the years :
Following Environmental Awards are received by Tata Sponge Iron Limited.

Assessing Organization/Institution	Type of Award	Rank	Year
TERI	Corporate Environmental Award	1 st Prize	2002-2003
Greentech Foundation	Environment Excellence Award	GOLD Award	2002-2003
Greentech Foundation	Environment Excellence Award	GOLD Award	2003-2004
Confederation of Indian Industries (CII)	SHE award	1 st Prize	2004-2005
Greentech Foundation	Environment Excellence Award	Platinum Award	2004-2005

Assessing Organization/Institution	Type of Award	Rank	Year
World Environment Fndn	Golden Peacock Award	1 st Prize	2005
Directorate of Factories & Boilers	Best Environmental award	1 st Prize	2005
Greentech Foundation	Environment Excellence Award	GOLD Award	2006
Srishti Publications	G-Cube Award	Winner Award	2007
Greentech Foundation	Environment Excellence Award	GOLD Award	2007

TERI	Corporate Environmental Award	Appreciation	2007
World Environment Foundation	Golden Peacock Award for combating Climate change	Finalist Certificate	2008
Times of India Group & JSW	Earth Care award on GHG Mitigation	Runner Up Award	2008
Srishti Foundations, New Delhi	G-Cube Award (Good Green Governance)	Winner Award	2008
Greentech Foundations	Environment Excellence Award	Gold category Award	2009
Frost & Sullivan	Green India Award	Green Challengers' Award	2009
State Pollution Control Board, Odisha	Excellence in Pollution Control	Appreciation Award	2010

Policies addressing TSIL environment :

TSIL has following policies in place as a part of its commitment to the environment:

- ✚ Environmental policy
- ✚ CSR policy
- ✚ TPM policy (addressing environment) and
- ✚ Mission of the company

ANTI-CORRUPTION***Principle – 10***

Business should work against corruption in all its forms, including extortion and bribery

Consistent with Tata Group purpose & in line with Tata Code of Conduct, the company has a set of defined Values (TSIL)

T – Trust & respect

S – Social equity

I – Integrity

L – Loyalty

and an Organisation culture (WHEAT)

W – Welfare of employees & surrounding community

H – Honesty in dealing

E – Environment friendly operations

A – Adaptability to changing scenario

T – Trust in all its transaction.

In order to enhance shareholders' value and promote national interest, the company is committed to good corporate governance and to achieve this, the company follows the principles of transparency , disclosure, fairness, independent supervision, healthy competition, equal opportunity in employment and compliance to all relevant laws, rules and regulation.

Keeping in view the Values (TSIL), Organisational Culture (WHEAT) and requirements of good corporate governance, the company strictly adheres to the Tata Code of Conduct (TCoC). It is mandatory for the company and all employees to follow the TCoC which has 25 clauses.

All employees of Tata Sponge have signed the "Tata Code of Conduct". This has also been extended to suppliers and customers along with the contract for compliance in respect of relevant clauses. To strengthen company's firm resolve towards fostering an ethical environment, employees are encouraged to utilize the Whistle Blower Policy, a formal mechanism for all employees to make protective disclosures about unethical behavior, actual or suspected fraud or violation of the company's Code of Conduct. The Ethics Counselor personally addresses employees, local contractors, suppliers & customers to support them in upholding ethical transactions.

Clause 2 (regarding financial Reporting and records) of the Tata Code of Conduct states that the company shall prepare and maintain its accounts fairly and accurately and in accordance with the accounting and financial reporting standards which represent the generally accepted guidelines, principles, standards, laws and regulations of the country in which the company conducts its business affairs.

Internal accounting and audit procedures shall reflect, fairly and accurately, all of the company's business transactions and disposition of assets, and shall have internal controls to provide assurance to the company's board and shareholders that the transactions are accurate and legitimate. All required

information shall be accessible to company auditors and other authorised parties and government agencies. There shall be no willful omissions of any company transactions from the books and records, no advance-income recognition and no hidden bank account and funds.

Any willful, material misrepresentation of and / or misinformation on the financial accounts and reports shall be regarded as a violation of the Code, apart from inviting appropriate civil or criminal action under the relevant laws. No employee shall make, authorise, abet or collude in an improper payment, unlawful commission or bribing.

The company has laid down a Gift Policy clarifying its rules and regulations on gifts and entertainments.

The clause -5 of the Code of Conduct (regarding gift & donation) states that the company and its employees shall neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits that are intended, or perceived, to obtain uncompetitive favours for the conduct of its business. Further, the company shall cooperate with governmental authorities in efforts to eliminate all forms of bribery, fraud and corruption.

Clause 6 of the Code of Conduct (regarding dealing with Government Agencies) makes it obligatory for the company and its employees, unless mandated under applicable law, not to offer or give any company funds or property as donation to any government agency or its representative, directly or through intermediaries, in order to obtain any favourable performance of official duties. The company shall comply with government procurement regulations and shall be transparent in all its dealings with government agencies.

Clause 7 of the Code of Conduct (regarding political non-alignment) requires the company to be committed to and support the constitution and governance systems of the country in which it operates. The company shall not support any specific political party or candidate for political office. The company's conduct shall preclude any activity that could be interpreted as mutual dependence / favour with any political body or person, and shall not offer or give any company funds or property as donations to any political party, candidate or campaign.

As per Clause 17 (Ethical Conduct), failure to adhere to the Code could attract severe consequences, including termination of employment.

During the year 2010, total of six concerns were received out of which five have been resolved and one is pending as on 31st December, 2010.

Awareness session was held by the Ethics Counsellor on TCoC / WBP with the following stakeholders :

- Employees - 4 nos. (covering 96 employees)
- Service Providers - 1 no. (covering 32 service providers)

A female Ethics Coordinator was appointed during the year.

The Whistle Blower Policy gives freedom to all the employees to raise concerns regarding actual / potential violation of Code of Conduct at the same time ensuring full protection to Whistle blowers against any form of victimization or harassment/reprimand.

--The End--