



TATA TEA Sustainability Report 2006/07



*Trending Beverages for
Tomorrow's Consumers*



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“We need business to give practical value and reach to the values and principles that connect cultures and people everywhere.” Ban Ki-moon

The Global Compact brings companies together with UN agencies, labour and civil society to support universal environmental and social principles. Through the power of collective action, the Global Compact seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalization. Today, thousands of companies from all regions of the world, international labor and civil society organizations are engaged in the Global Compact, working to advance ten universal principles in the areas of human rights, labor, the environment and anti-corruption.



Since this report serves as Tata Tea's Communication on Progress, we have placed the Global Compact logo together with the principle number at sections that showcase our implementation of the ten Global Compact principles.

"The Millennium Development Goals were adopted five years ago by all the world's Governments as a blueprint for building a better world in the 21st century." Kofi Annan

Responding to the world's main development challenges and to the calls of civil society, the MDGs promote poverty reduction, education, maternal health, gender equality, and aim at combating child mortality, AIDS and other diseases. Set for the year 2015, the MDGs are an agreed set of goals that can be achieved if all actors work together and do their part.

We have linked our individual efforts with the framework of the MDGs. The relevant MDG icon has been placed at those sections of the report that represent this linkage.



Abbreviations used in the Report

APPL	Amalgamated Plantations Private Limited
AIDS	Acquired Immuno Deficiency Syndrome
BOP	Bottom of the Pyramid
BSC	Balanced Score Card
BRC IOP	British Retail Consortium Institute of Packaging
CD & SW	Community Development and Social Welfare
CMO	Chief Medical Officer
ESG	Environmental Social and Governance
ETP	Ethical Tea Sourcing Partnership
ECA	Export Credit Agencies
EOU	Export Oriented Unit
FMCG	Fast Moving Consumer Goods
GMS	Global Marketing Services
HACCP	Hazard Analysis Critical Control Point
HRWEPA	High Range Wildlife and Environmental Preservation Association
ILFS	Infrastructure Leasing and Financial Services Limited
ITO	Instant Tea Operations
IFC	International Finance Corporation
ILO	International Labour Organization
ISO	International Organisation for Standardization
KDHPL	Kanan Devan Hills Plantations Company Private Limited
KL	Kilo Litres
KRA	Key Result Area
KT	Kilo Tonnes
MT	Metric Tonnes
MDG	Millennium Development Goals
MEMW	Mount Everest Mineral Water
MRL	Minimum Residue Level
NPD	New Product Design
NOx	Nitrous Oxides
NGO	Non Governmental Organization
NIPO	North India Plantations
OPD	Out Patient Department
PDCA	Plan Do Check Act
R&D	Research & Development
RO	Reverse Osmosis
SC/ST	Scheduled Caste / Scheduled Tribe
SEBI	Securities and Exchange Board of India
SIPO	South India Plantation
SPP	Strategic Planning Process
SOx	Sulphur Oxides
TBEM	Tata Business Excellence Model
TCL	Tata Coffee Limited
TCoC	Tata Code of Conduct
TTGL	Tata Tea Great Britain Limited
TTL	Tata Tea Limited
UNGC	United Nations Global Compact
VMV	Vision, Mission and Values
WHO	World Health Organization

Our Corporate Sustainability Reports

A reporter employing GRI guidelines since 2003, this is the first Corporate Sustainability Report prepared in line with G3

About This Report

The initial Corporate Sustainability Report was released in 2003. This is our third external Sustainability Report. It is the first report based on G3 and that has been externally reviewed. The report covers TTL operations for the financial year 2006-07 focusing on Indian branded tea operations, Instant Tea Operations (ITO) in Munnar and 100% export-oriented unit (EOU) of the Tata Tetley division in Kochi. For the first time, we have communicated the key Environmental, Social and Governance (ESG) issues relevant to our business and described our policies and performance related to these issues.

A significant decision in 2006-07 was to focus on growth of branded operations. While taking this decision we concurrently prepared a sustainable business model to exit from the North India Plantations (NIPO). We are now working towards restructuring NIPO (with 24 gardens in Assam and West Bengal) as Amalgamated Plantations Private Limited (APPL), subject to necessary approvals.

However, the various community-related activities which were part of the erstwhile South India plantation operations (General Hospital, Srishti and High Range School in Munnar) have been retained by TTL.

We are also signatories to the United Nations Global Compact (UNGC). This report serves as our annual Communication on Progress.

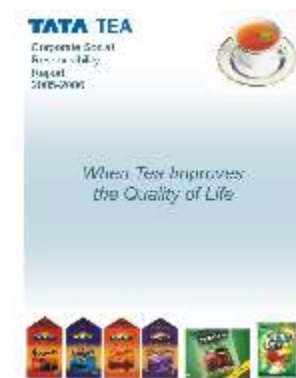
We have therefore marked the relevant sections addressing the ten principles of the UNGC with its logo. Similarly we also endorse the UN's Millennium Development Goals (MDG). The appropriate MDG logo has been placed at sections that provide links to our individual contributions to these goals.

External Review

PricewaterhouseCoopers Private Limited has conducted an independent review. Their Review Statement is available on Page 25.

Our 2005-06 Report, **When Tea Improves the Quality of Life** was prepared employing GRI 2002 guidelines and is available at our website

www.tatatea.com



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Message from the Managing Director

At Tata Tea we pride ourselves in our ability to transform ourselves radically in response to our stakeholders' needs. The biggest driver of this transformation process is the sustainable growth imperative



Welcome to the Tata Tea Sustainability Report. In our previous report we had explored the business case for sustainable development and had focused on our journey for driving well-being and a healthy lifestyle in the beverage industry. In this report we share our redefined business strategy that seeks to identify opportunities for strategic innovation and market expansion for top line growth with attendant profitability. We are therefore looking at trending beverages in three verticals: *tea, coffee and water*. Our growth imperative will be evident in these three verticals as we leverage our core strengths and tap new opportunities for providing consumer facing solutions. As an India based multinational, we remain deeply aware of the issues that our emerging economy faces. Thus,

while realizing our ambition to grow our portfolio of international brands, we have also devised consumer facing solutions that address the Bottom of the Pyramid (BOP) stakeholders.

The key Environmental, Social and Governance (ESG) issues relevant to us have been identified in the section **Our Priorities**. We have identified these issues through ongoing engagement with our stakeholders as well as through internal risk and opportunity assessment systems. Briefly, they include:

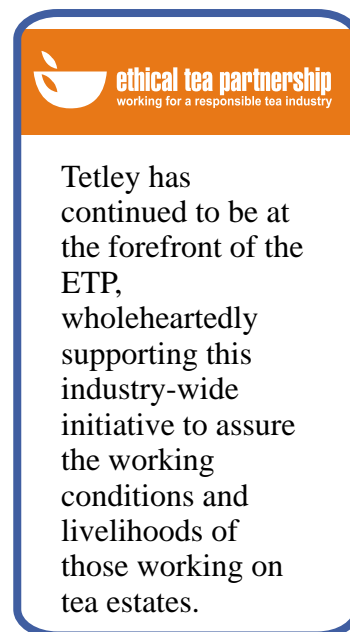
- Our exit strategy from the plantations while evolving a sustainable business model for their stand alone operations
- Brand expansion with inclusive growth
- Ensure fair labour standards across the value chain

-Identification of frontier environmental and social issues pertinent to the business

In all such steps our core Tata values are evident and are integral to our business. Thus, we have invested our efforts in devising comprehensive social welfare programs and ensuring fair labour practices in tea and coffee plantations. We take the initiative to ensure that our contract packing facilities offer their employees all benefits as per the statutes that they are entitled to and drive improved working conditions in their environment.

Over the last decade Tata Tea institutionalized the process of annual **Welfare Audits**. These audits are conducted by renowned consultants trained by the World Health Organization (WHO) and assess various economic, environmental and social aspects of workers at our plantations. The Welfare Audits are unique both in the industry and in the country.

The living and working conditions on our tea plantations are governed by the statutes laid down by the Indian Plantations Labour Act, 1951 and other legislations. Tetley has continued to be at the forefront of the Ethical Tea Sourcing Partnership Initiative (ETP). It wholeheartedly supports this industry-wide initiative to assure the working conditions and livelihoods of those working on tea estates by constantly increasing the percentage of total Tetley purchases worldwide from suppliers where ETP initiatives are evident. This strengthens our suppliers' capacity and involvement in various sustainability initiatives. While providing an overview of Tata Tea's overall business, the focus this year is on our Indian tea operations. As the business moves up the value chain from plantations to brand management, we aim to be India's No. 1 branded tea operations with thought leadership in the sector. This leadership, we believe, will arise from our streamlined efforts for ensuring inclusive growth while expanding our presence across the globe.



To this effect we completely endorse the ten principles laid down by the UN Global Compact (UNGC) and reaffirm our commitment to these principles. In the report we have also attempted to link our individual targets and activities with the framework of the Millennium Development Goals (MDGs).

We trust that the information presented in this Report and that available on our website provides you an insight into how we endeavor to improve the quality of life of our stakeholders while we trend beverages for tomorrow's customers.

We look forward to your feedback on our progress.

A handwritten signature in blue ink, appearing to read "P.T. Siganporia".

P.T. Siganporia

About Tata Tea

The Tata Tea Group of Companies, which includes Tata Tea and the UK-based Tetley Group, today represent the world's second largest global branded tea operations with product and brand presence in 40 countries

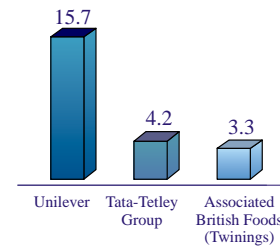
Global Profile

At Tata Tea Limited (TTL), we have constantly re-modeled ourselves, from a small branded business and instant tea operations to a large plantation organization to currently managing branded operations in the beverage arena.

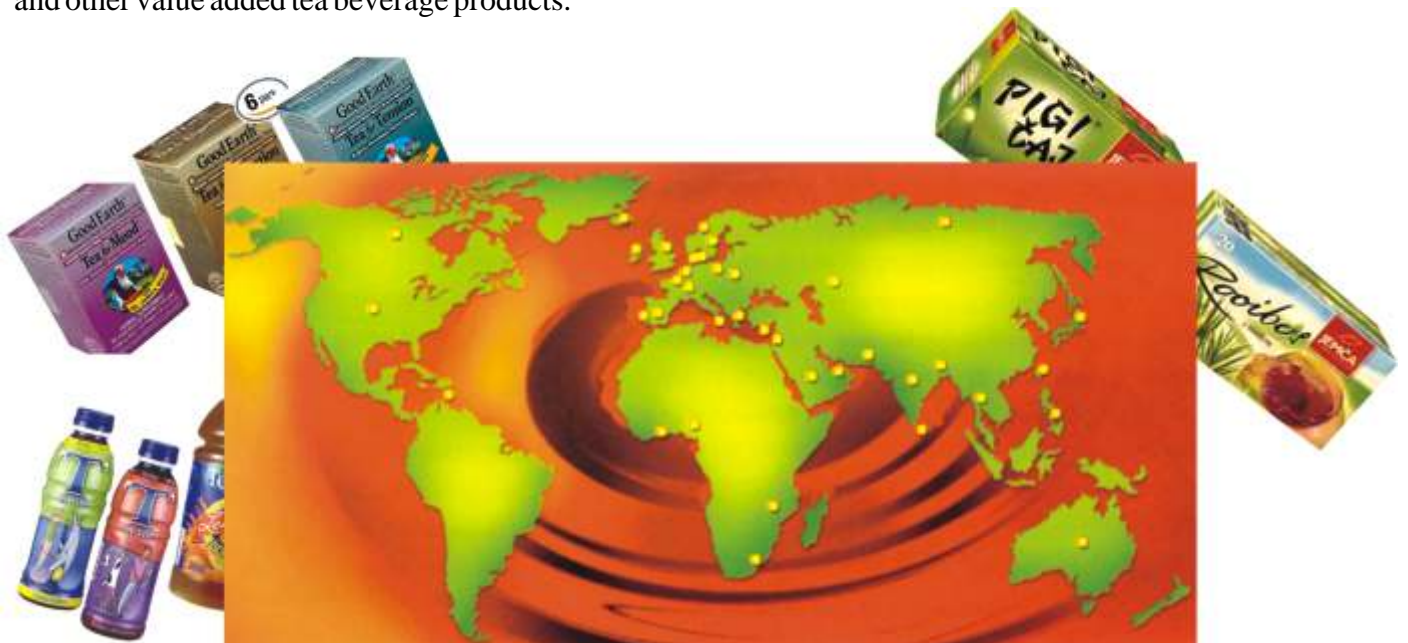
Through the late 80's and 90's, TTL engineered the consumer polypack revolution in India and grew to be the largest integrated tea company in the world with both plantation and branded operations.

We acquired the Tetley Group in the year 2000 resulting in a combined entity that now represents the second largest global branded tea operation with product presence in more than 40 countries. The fragmented nature of the global tea market makes it ripe for consolidation and many tea markets have strong, established brands whose presence makes organic growth slow and costly. In this environment acquisition is, and will remain, a vital element of our growth strategy. With the thrust on Tata Tea Group's strategic globalization agenda, the joint TTL-Tata Tea (GB) Ltd. (TTGL) entity has together acquired *Good Earth* in US, *Jemca* in Czech Republic and *Eight O' Clock Coffee* in the US (through Tata Coffee), brands that have improved our US portfolio and made us brand leader in the Czech Republic. The Joint Venture in Watawala Plantations Ltd. in Sri Lanka continues successfully. We recently acquired trademarks of *Vitax* and *Flosana* in Poland and a significant stake in *Joekels* (South Africa). The process to acquire a significant stake in *Mount Everest Mineral Water* (Himalayan brand of bottled water) is in progress. To enhance our presence in world tea extract market, we have signed an agreement with 70 percent stake in a joint venture with Zhejiang Tea Import and Export Company in China for manufacture and marketing of Green Tea Polyphenols, other green tea extracts, cold and hot water soluble instant tea, liquid tea concentrates and other value added tea beverage products.

Global Value Market Share (%)



Source: Euromonitor 2007



India Profile

Due to our redefined business strategy, our Indian operations too have recently experienced accelerated transition, exiting a predominantly hierarchical and plantation dominated large employee business to become a market oriented FMCG branded B2C construct. Accordingly, we co-created our new Vision, Mission and Values (VMV) for our domestic operations, emphasizing leadership not just in size but also in thought and behaviour. The organizational context and culture are embedded in the VMV of our company and in keeping with the global vision and the Tata Group Purpose statement/ TATA values. Our people are involved in TTL's two main products branded black tea and instant tea for exports. The business is divided into three distinct operations:

- 1. Branded tea-** India is the largest tea consuming market in the world at 773 million Kgs in 2006. Consumption of branded tea in India is estimated to be growing at around 3% annually in the last decade, ahead of the growth in population. The size of this market in 2006 was 354 million kilograms of which TTL's share was 18.5%. Our branded operations reach out to 40 million households across all states of India through our five main brands viz., *Tata Tea*, *Kanan Devan*, *Chakra Gold*, *Gemini* and *Tetley*.
- 2. Instant tea & Tata Tetley Division** - Both the businesses do not operate currently in a direct consumer competitive environment since they are 100 % EOUs and primarily suppliers to Tata Tea Inc. and TTGL respectively. Over time, we foresee an increasing focus on value added products, including for other prospective customers.
- 3. Plantations-** The North India plantations (NIPO) comprising 24 estates and two plantations in South India- Pullivasal and Periakanal - are involved in cultivating tea that is auctioned and also goes into our brands.



Tata Tea India Operations Vision
Be India's foremost tea based beverage company

MISSION

- **Achieve market & thought leadership for branded tea in India**
- **Be recognized as the foremost innovator in tea & tea based beverage solutions**
- **Drive long term profitable growth**
- **Co-create enhanced value for all stakeholders**
- **Make Tata Tea a great place to work**

VALUES

- **Integrity** – conduct business fairly, honestly and with transparency – all our actions must stand the test of public scrutiny
- **Innovation** – Creativity, experimentation, risk taking capability, thought and process leadership, lead and not be led, agility
- **Excellence** – Strive to achieve the highest possible standards in day to day work and in our products / services
- **Unity** – Work cohesively with colleagues and our customers/partners around the world to build strong relationships, based on mutual co-operation, team-work
- **Responsibility** – Be responsible & sensitive in the countries, communities and environments where we work, ensuring that what comes from the people goes back to the people many times over. Work for the benefit of the communities we serve
- **Understanding** – Be caring, show respect, compassion & humanity to colleagues, customers & other stakeholders.

Conducting our business

Good corporate governance practices are critical to making sustainable development central to the way we work

Corporate Governance

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

Ethics

The Tata Code of Conduct (TCoC) is a comprehensive written code which is applicable to all employees including the Managing and Executive Directors. A condensed code of conduct applicable to the non-executive directors was laid down by the Board. Both the Tata Code of Conduct and the Code of Conduct for non-executive directors are available on the website of the company.

www.tatatea.com/code_conduct.htm
www.tatatea.com/group_corporate.htm

Tata Tea Board

The Board as the representative of the shareholders provides direction and oversight to the management for maximizing shareholder value.

As on March 31, 2007 the Board comprised of 10 directors of whom 3 were nominees of the Promoters, 4 non-executive independent directors, 1 managing director, 1 whole-time director and 1 non-executive director. The Board thus consists of a mix of executive and non-executive directors with 80% of the Directors being non-executive. The Chairman of the Board

is a non-executive director and 40% of the Board comprises of non-executive independent directors. For the Director representing Tetley, the Board has also appointed an Alternate Director.

Currently, there are 7 committees of the Board including Audit, Investors' Grievance, Remuneration, Executive, Ethics & Compliance, Nomination and Corporate Sustainability Reporting. The Board has constituted the Corporate Sustainability Reporting Committee, tasking the management to provide assurance through the Management Committee that it is acting in conformance with the sustainability vision, strategy and policies and making efforts to identify stakeholders' concerns/expectations. The committee also maps risks and opportunities emerging from the global sustainability agenda, address them and thereafter track, document, and communicate the sustainability performance as appropriate.

www.tatatea.com/invest_relation.htm



Tata Tea Management Framework

We have adopted the Tata Business Excellence Model (TBEM) as a means of driving excellence through the organization as also the Balanced Score Card (BSC) methodology for tracking progress on longer term strategic goals. This enables the organization to focus on issues beyond financial performance, vis-à-vis its employees, customers and the society at large. The senior leadership of TTL and TTGL consists of the Joint Management Board. This body sets long-term direction, in the global context for the Tata Tea Group as a whole. The leadership system (Fig. 1.0), which consists of various Functional heads and Team leaders across locations, operations and projects utilizes a structured Plan-Do-Check-Act (PDCA) cycle and ensures a focus on balancing value for all stakeholders. The key requirements of stakeholders are the cornerstone and yardstick of our short-term and long-term strategies. This is the road map used to create and execute action plans, ensure fact-based business decisions, prioritize and allocate resources and drive continuous improvement.

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

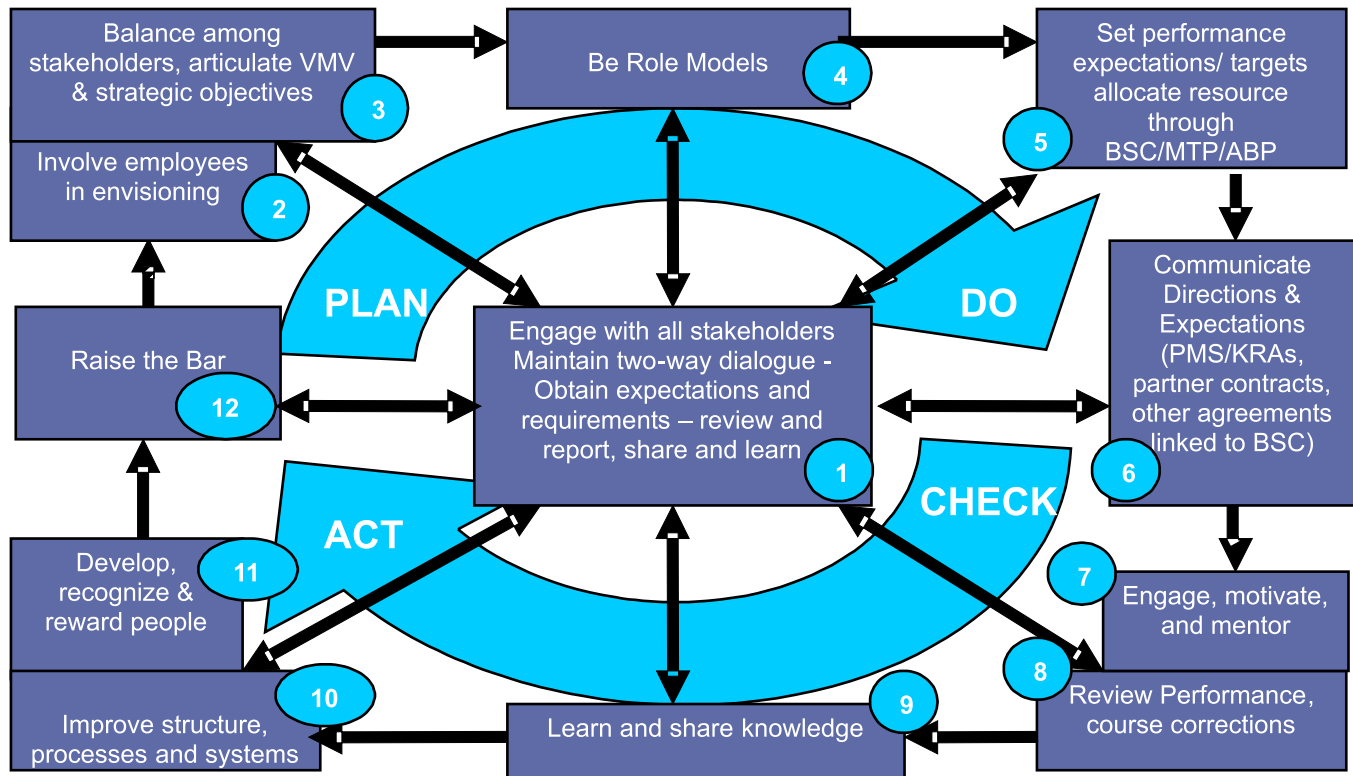


Fig. 1.0 Tata Tea Leadership System

Engaging with our Stakeholders

A systematic process has been evolved that ensures continuous dialogue with all stakeholders

In order to find out the concerns of various stakeholders, and to balance their needs and requirements, a well-defined process has been put in place. While inputs are gathered from various stakeholders through structured 2-way mechanisms, the use of the BSC methodology ensures the address of diverse stakeholder interests and the balance thereof through key strategic initiatives. Performance is constantly monitored through structured BSC reviews. The BSC and its cascade linked to KRAs, enables Senior Leaders to express expectations that balance diverse stakeholder requirements, using the Balancing & Prioritisation Model. The Leadership system therefore provides a platform for proactively addressing the concerns of various stakeholders. Ethical behavior has been the cornerstone of our dealings with all stakeholders and is reinforced through the systematic deployment of the TCoC. Good citizenship is practiced at all levels of the organization, with the lead being taken by the senior leaders.



“Tata Tea was ranked first in the Opinion Leaders category in the 2007 *Corporate Reputation Survey* conducted by TNS India, a Global Market Research Firm. TNS analyzed the Corporate Reputation Strength (CRS) of 70 companies on parameters such as stakeholder expectations and experiences with the company's products, services, processes, management and systems. Companies belonging to the Opinion Leaders category were judged for their focus on social activities and communication. Tata Tea led this category with a CRS index of 92 followed by Infosys, Steel Authority of India, Asian Paints Ltd. and Tata Motors.

“The winners have displayed the ability to manage communication on all fronts thereby building a robust image among their stakeholders, said Shubhranshu Das, VP, TNS. He further added that, “to build a larger goodwill companies today need to take care of all their stakeholders instead of focusing only on their consumers.””

Stakeholder Consultation : Frequency & Issues

Stakeholder	Forum	Frequency	Participants	Two-way communication	
				Issues addressed	Feedback received on
Employees	Employee Satisfaction Survey,	Regular	Member(s) of senior leadership	Fair treatment, Adequate remuneration	Career progression, job satisfaction
End consumers	Market visits / Open channels of CCMS & unstructured face to face interactions	As per plan / as and when	Member(s) of senior leadership	Requirements, Needs and expectations	Product quality, MRL issues
Channel partners	Stockists meet	Quarterly	MD & Commercial head, Brand & sales managers	Pricing, Discounts, Schemes, New opportunities, Co. directions, Stockist expectations, Reward / recognition	Key processes, Customer Feedback, Competitor activity, On time supply, Product Quality
	Launches & re-launches	As planned	Brand & sales managers, Commercial/QM representatives	Product details, Co. expectations, Volumes, Pricing	Strategic inputs, Market reaction, competitor activity
Ad, Media & other MR agencies	Meetings, Briefs, Presentations	Regular	Commercial Head, Brand managers, MR manager	Advertising theme, Brand positioning	Consumer insight, competitor activity
Contract packers	Own representation in packing units	Ongoing	TTL representatives, SCM & Production heads	Setting up facilities, standards expected, processes to be followed	Bottlenecks faced, improvement in processes, competitor activity
Suppliers	Vendor meetings	Formally twice a year / ongoing	Supply chain managers	Strategic sourcing, product quality and specifications, NPD, Rate fixation	Innovations, Competitor activity
Brokers	Auctions, Face to face meetings	Weekly / Regular	MD / Head TBB / other key personnel	Production, Quality and Price	Quality, Industry and market trends, Changing buyer preferences, Price analysis
Shareholders	Analyst meet	Half Yearly	MD/ CFO / ED / Company Secretary / Tetley Directors	Financial Performance / Future Plans	Sustained EVA
	AGM	Annual	Board members of TTL	Company performance, future plans, consistent growth in profits and returns, stakeholder concerns	
Community & Govt.	Meeting with Govt Bodies	Ongoing	MD, Director Special Projects, Head CD&SW, Welfare & Medical staff, Estate managers.	Welfare programs, Health & Hygiene, Agricultural Practices, Relief & Rehabilitation efforts, Infrastructure issues, Security.	Regulatory issues, PLA Issues, Subsidies, Societal welfare, Environmental issues, Industry leadership, breaking new grounds on product safety, e.g. PFA, MRL, Trust and commitment

Strategy and Priorities

Developing innovative customer-facing solutions is our biggest challenge as well as opportunity

STRATEGY

The changing socio-economic environment and varying consumer palette preferences have led us to redefine the business strategy. The inputs for the Strategic Planning Process (SPP) come from several sources : various factors shaping the industry, critical success factors for achieving success, strategic challenges in realizing our vision, internal and external assessments, feedback received from formal/informal meetings with different stakeholders, etc.

Based on the outcome of the SPP, we have reinvented ourselves expanding both horizontally and vertically with a view to achieving profitable brand growth in the beverage arena in three verticals: tea, coffee and water.

One of the most important constituencies driving these changes is **Tomorrow's Consumers**. We aim to offer beverage options that drive well-being and lifestyle for consumers in various geographies and purchasing powers. By trending beverages in this way we work towards improving the quality of life of our consumers. Thus, our efforts are also geared to address BOP consumers innovatively for a win-win situation.

Our business strategy for each of these verticals has been described in brief below:

TEA

We are global No 2 challenging for thought leadership in tea. Our geographical expansion and brand portfolio growth shall be achieved through entry into new markets such as Czech Republic, Russia, and South Africa. This is in addition to our existing markets in India, United Kingdom, USA and Canada.

Our acquisitions in all these geographies bear testimony to our aggressive expansion plans. We are also in the process of launching innovative products such as green tea polyphenols, other green tea extracts and new age beverage/Ready-To Drink configuration.

COFFEE

Tata Coffee is the the largest coffee plantation company in Asia and our main focus in this vertical is to lead in the establishment of plantation operations specialized in producing fair trade, single origin coffees. We have developed a B2B model of soluble coffee developing consumer options. Our acquisition of Eight O'clock coffee has been driving brand focus. Freeze dried coffee and brand play are to drive growth of our coffee vertical.

WATER

We are entering into the water vertical with our plan to acquire significant stake in Mount Everest Mineral Water (MEMW) that markets the *Himlayan* brand of water. We are working towards developing brand play for our water portfolio that includes options for all segments.

Priorities: Four ESG issues form the core

Based on the aforesaid SPP, we have identified the most significant ESG issues affecting our business. These issues form our main priorities and our actions on them have been described below.

i. Sustainable business model for plantations

As domestic consumers redefined their beverage requirements and with growing opportunities for global sourcing of tea at cheaper prices, integrated operations in tea was no longer the most suitable option. The addressal of innovative alternate plantation business models in the domestic arena for economic, employee-welfare and environment related sustainability has been the key to enable a smooth exit from such an activity. The strategy of sustainable exit from plantations, while balancing diverse stakeholder requirements, has been successfully implemented in South India (SIPO) with the formation of Kanan Devan Hills Plantations Company Private Limited (KDHP) in March 2005. Similarly, we are in the process of a sustainable model for North India Plantations (NIPO). In the erstwhile SIPO, while we

manage leased land for the KDHP estates, Pullivasal and Periakanal are retained by Tata Tea. The remaining 17 estates were sub-leased to KDHP wherein employees collectively have 70% ownership. This enterprise, in which we retain an 18.2 per cent interest, has performed well and received plaudits for the way in which it has transferred ownership and management of the business to employees. The remaining two estates mentioned above are in the process of being transferred to KDHPL on management/supervisory contract effective from August 2007. Subject to statutory approval, NIPO is being restructured in which IFC, ILFS, GMS, and the employees will hold the majority share. This will be the first time that IFC will be investing in plantation industry by subscribing to the equity shares of APPL. We intend to retain a shareholding of about 20% in the tea entity to ensure a smooth transition for the social transformation and empowerment of employees in the new organization.

Though both these models are different from each other, they are path breaking and innovative business models. Our sustainable business model and the commitment of our people ensure that the successful growth of our business is matched by meaningful improvements in the lives of our people.

Auction Equivalent Pricing

The Auction Equivalent Pricing (AEP) is a bi-weekly pricing matrix generated from the Auction Buying Module of Tata Tea. It was introduced as a mechanism for pricing of teas transferred to Brands from the Plantations of Tata Tea around 5 years ago. AEP is based on the wholesale data of teas sold in the Auction over a fortnight and are used to determine the price of teas being offered in the following fortnight. The price realized by the teas in the auctions is determined by the combination of Size, Fiber and Body. Tata Tea has put in place a system of calibration of tasters using the Tasters Score Card (TSC). The system enables the tasters to be rated on the basis of their tasting consistency and in the process reduces the deviation among tasters. This in turn enables easier understanding of all aspects of the parameters across all the stakeholders. The channel partners' tasters are also involved in the TSC mechanism conducted by TTL to bring about an understanding and uniformity in the way teas are viewed and valued by the tasters in both the companies. In the event of any dispute, there is a well-laid down Arbitration process and a defined Arbitration Committee.

The relationship established with our suppliers such as KDHP, soon to be formed APPL, TCL and Tetley transcends from the conventional to a meaningful win-win partnership. Our exit strategy from SIPO and NIPO reflect our commitment to respect the people we do business with. We remain committed to various initiatives that are critical to the new plantation owners:

- In South India we continue to support the hospital, school and rehabilitation complex that service them. These include General Hospital, Shristi and High Range School in Munnar. A Director-Special Projects has been assigned specific responsibilities for ensuring the quality of these facilities and developing them in a sustainable way. This ensures the availability of quality healthcare and education facilities to the plantation workers/owners and their families.
- Along with Tetley we have developed an internationally accepted benchmarking system to ensure transparency of Auction Equivalent Pricing.
- We ensure, through audits, that the maintenance of eco-environment by successor companies is in keeping with the tenets laid down by Tata Tea.

Main areas of focus at plantations:

1. Wage terms and benefits
2. Health and Safety
3. Absence of Child labour
4. Freedom of Association
5. Education
6. Healthcare
7. Maternity
8. Housing
9. Human Rights
10. Environment protection
11. Pesticide use
12. Soil erosion
13. Tea pricing

ii Ensure fair labour standards across the value chain

We have a responsibility to ensure the growth of our entire supply chain in both financial and extra-financial matters. Our view is that a close network of positive relationships based on confidence with business partners, suppliers and non contractual parties opens up new opportunities and provides the company with resources and information critical to the penetration of new markets.

There are a number of issues associated with plantation operations, mostly dealing with social aspects. Through TCoC we have been ensuring the compliance with a number of issues including those listed above. Similarly, the implementation of SA8000 to all packeting centers has led us to address the requirement of social accountability viz. child labour, forced labour, health & safety of workforce, freedom of association & collective bargaining, discrimination, disciplinary practices, working hours & compensation in a systematic manner. Nearly 80% of our vendors are now certified to ISO /HACCP/BRC-OP. All these measures have been taken to promote establishment of systems and transparency along our value chain. This in turn allows us to ensure that we deliver better quality products to our consumers.

iii Brand expansion with inclusive growth

The traditional concept of tea as a beverage continues to change exponentially and is growing in value terms. Consumers around the world are seeking more benefits and more exciting tastes, both at home and when they are out and about. This new face of tea around the world presents a remarkable opportunity. Becoming an international branded tea business requires us to invest in developing both our brand and our product range. Last year we introduced new advertising campaigns in 5 major markets and launched over 50 new products. Much of our ambitions are geared towards tomorrow's consumers. Thus not only are we concentrating on the geographical and brand diversity but also cater to consumer diversity. One of the main consumers profiled belongs to the BOP segment for which our offering for well-being and health is a very relevant issue.

Rural India accounts for 40% of branded tea sales. The state of Uttar Pradesh (UP) was selected for **Project Gaon Chalo** since it accounts for 16% of the Indian population of which 80% resides in rural areas. Tata Tea products are being routed through NGOs who appoint Rural Distributors 1 (RD-1). These RD-1s help appoint supervisors (RD-2s) who visit villages and distribute to rural dealer families (RD-3s). These families sell in the villages to earn a margin equivalent to the retail margin. In a span of one year since started, we are working with 12 RD-1s, 60 RD-1 coordinators and 347 RD-2s in 10,000 villages reaching out to 12,000 RD-3s across UP. Total sale 4.73 lakh Kgs of tea in the first year was achieved.



1.2 Project Gaon Chalo

iv Identification of frontier environmental and social issues pertinent to the business

Our CSR committee of the Board is chaired by a Non-Executive Director, Mr. U. Mahesh Rao and supported by Mr P C Tyagi, an environment expert. The committee meets three/four times a year and its members travel to various locations, especially plantations, interacting with our people, local community and other external stakeholders. The committee's observations are shared with the Board, Managing Director and senior manager responsible at the site. These measures help us in identifying frontier environmental / social issues pertinent to our business. In this way the Management team is better empowered in discharging the twin goals of generating long term returns for shareholders and demonstrating respect for environmental limits and social equity.

Wealth Creation

This year TTL reached a new milestone by achieving the highest profit ever before and after tax.

Economic Value Generated, Distributed and Retained (2006-07)

Economic Value Generated

Category	Revenue from Net Sales	Revenue from Financial Investment
Brands/Export	10,094.776	0.000
Plantations*	2,977.353	0.000
Corporate	95.297	2,166.824
Total (INR Million)	13,167.426	2,166.824

*Includes Interdivisional sales

The total income of the company during the financial year 2006-07 was INR 11.46 billion, 10% higher than the previous year. The profit after tax recorded was INR 3.06 billion an increase of almost 64% over the previous year's earning of INR 1.86 billion. The total economic value retained by Tata Tea in 2006-07 was INR 1980.423 million. This represents

Economic Value Distributed

Category	Operating Costs	Employee wages and benefits	Community investments	Payments to providers of capital	Payments to government by country
Brands/Export	8,038.639	382.208	0.000	120.652	418.322
Plantations*	1894.694	744.684	44.472	66.981	89.899
Corporate	52.175	140.508	7.345	1,194.428	158.821
Total (INR Million)	9985.508	1,267.399	51.817	1,382.061	667.042

the net of total economic value generated and that distributed, as tabulated. In generating this value, we also received assistance from the government in the form of

subsidies, financial assistance from Export Credit Agencies (ECA) and other miscellaneous financial assistance. A breakdown of the amounts thus received has been provided below:

Financial Assistance received from government

Category	Subsidies	Financial assistance from Export Credit Agencies (ECAs)	Other financial benefits received or receivable from any government from any operation
Brands/Export	0	6.610	0.690
Plantations*	7.613	0	0
Corporate	0	0	0
Total (INR Million)	7.613	6.610	0.690

Financial Implications, Risks and Opportunities of Climate Change

Tea is among the important tropical plantation crops and is particularly vulnerable to climatic variability and change. Additionally, tea derives its distinctive flavors and reputation for quality from its particular regional and seasonal climatic history. Climatic anomalies thus have a direct bearing on tea. Further, over a million people depend on plantations for their livelihoods in the tea industry. Any decline in production or quality will have a direct impact on both livelihoods and on the overall economy. At TTL we are in the process of assessing the specific risks of climate change to our business.

Our Customers

Listening & Learning methods help us to meet and exceed long-term relations with our consumers

The in-depth knowledge of customer requirements and expectations, obtained from various Listening & Learning methods, help us to meet and even exceed them. This has resulted in the establishment of long-term organizational relationships for acquiring, satisfying, and retaining customers. Tata Tea places great emphasis on retention and increasing consumer loyalty of its stockists and key accounts. A number of services are in place to ensure that their key requirements and expectations are met. For our end consumers this is ensured through the segmented primary medium of the brand (imagery, positioning) and by meeting their price-value requirements. In order to ensure that customer loyalty is strengthened, regular surveys are conducted on customer satisfaction and the feedback obtained is used to improve satisfaction levels on key parameters.

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

Apart from ensuring that we provide safe products, we also strive for customer delight by releasing new products.

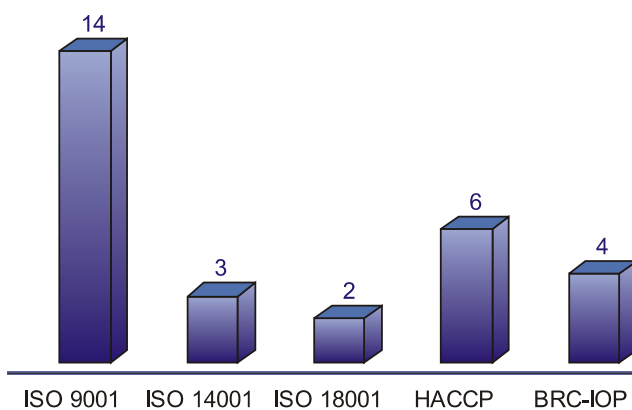
Public Policy Initiatives

Senior leaders take active part in Industry forums for promoting product safety and health. **Tata Tea was amongst the first to propagate adoption of HACCP in the Indian Tea Industry.**

We also insist on the use of TRA/TRA approved weedicides and pesticides to ensure that we do not transgress the PFA stipulations or the MRLs prevailing in India. We continue to lobby for amendments to the PFA Act and the emergent Food Laws to ensure:

- (a) Full disclosure of ingredients and labeling
- (b) Congruence of supply of MRL compliant ingredients
- (c) Modernization of beverage delivery systems and processes to allow consumers access better beverages.

Supplier Certification (Number)



Our People

In a changing business environment, investing in people, ensuring their satisfaction and motivation have been major areas of focus

In 2006-07, TTL employed 34506 people out of which 1280 were in branded operations and 33226 in the plantations. In a business environment where the requisite skills demand a premium, we offer competitive terms to attract and retain the best talent in the country. The skill sets of our people are further enhanced through nominations to various internal and external programs. Training needs are identified based not only on the company's requirements, but also on the potential of the employee. This year we provided a total of 947 man days in training or 2.5 man days of classroom training per executive. The training modules include those for career progression, developing competencies for leadership positions as well as alignment of behavioral traits with TCoC. Training to the non-executive staff is mainly on the job in view of the structures and routine nature of responsibilities being shouldered by them. We also encourage our employees to take up distance learning courses for exploring their full potential.

We are proud of our diverse workforce that provides a balanced representation of regional, gender, experience and educational diversity.

All our people are governed by the Tata Code of Ethics (TCoC) that ensures that fair labour practices, non-discrimination, non-employment of child labour and human rights are observed at all levels of employment.

Our Staff and workers have full right to establish and join trade unions according to their own free will without previous authorization and there is no discrimination against such individuals.

These trade unions draw up their own constitution and rules, elect their representatives, organize their administration and activities and formulate such programs as they deem fit. The Management recognizes registered trade unions and does not interfere in their activities which have the right to establish and join national and/or international federations. In matters of collective bargaining, the applicable local laws are followed.

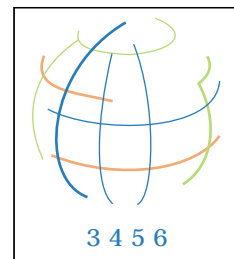
All our people in the bargainable category across all locations are unionized.

The TCoC also provides the framework for freedom of association and collective bargaining for our people that we whole-heartedly accept. Given that our business is witnessing sweeping changes, we have been making every effort to engage with our employees to apprise them of these changes and how it may affect them. Our efforts have been directed towards both skill enhancement as well as helping employees in managing career endings through generous employee separation schemes.

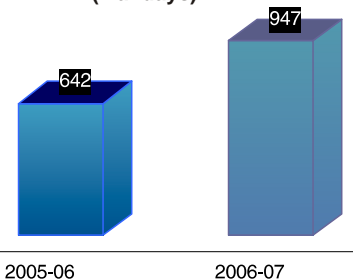
We are a signatory to the UN Global Compact and a member of the Council of Fair Business Practices, both of which underline our commitment to do business in an ethical and transparent manner.

Affirmative Action

Tata Tea believes in social equity and adheres to the principle of equal opportunity to all. We are also committed to directly conducting or supporting initiatives to ensure an equal footing for socially and economically disadvantaged sections, specifically for the Scheduled Caste/ Scheduled Tribe (SC/ST) communities. An action plan is being drawn to support new initiatives to achieve this objective.



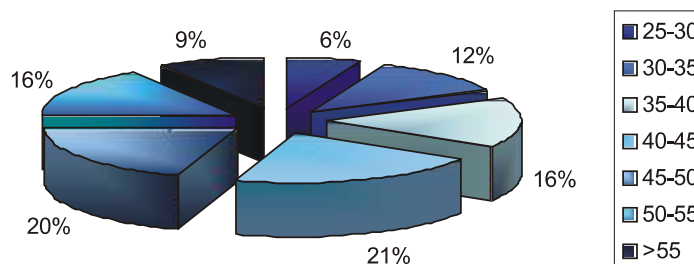
Employee Training (Mandays)



“Yashodamma has been working since the last 10 years as a full-time employee in production department of the Bengaluru factory. Her husband, a TTL employee and the sole breadwinner, succumbed to sudden heart failure at 38 years of age leaving behind Yashodamma and their two young children. Her world turned upside down, Yashodamma faced the bleak prospect of raising her two children alone, the savings too meager to offer any consolation. It was then that armed with primary education and no previous work experience, she approached TTL for employment. Realizing her plight, TTL agreed to take her on as a packer, packing small packets of tea and placing them in cardboard cartons. She received training on the job and since then has become an integral part of the production department team. “I’m so happy to be here”, sighs Yashodamma with content. The timely employment at TTL gave her financial security, generating a steady source of income that kept the kitchen fires burning. Moreover, working in the general shift allowed Yashodamma quality time with her children that ensured that their education and upbringing did not suffer as a result of her work. Now that her children have grown up and the son is working, she feels less weighed down by her responsibilities. “TTL has turned around my life”, declares the diligent worker as she returns to pack the tea bags.”



Age-wise Employee Distribution



Employee Profile (as of 31 March 2007)

Function	Executive	Officer	Staff	Worker	Total
Commercial (Brand & Sales)	61	86	12	0	159
Supply Chain	24	11	85	225	345
Support (Fin, HR, etc.)	134	74	188	9	405
TOTAL Branded Operations	219	171	285	234	909
ITO	9	0	99	90	198
Tata Tetley Division	11	8	32	122	173
TOTAL	239	179	416	446	1280
Plantations (NIPO, Pullivasal & Periakanal)					33226
GRAND TOTAL					34506

Our Work Environment

A safe and healthy working environment is a pre-requisite for a successful organization

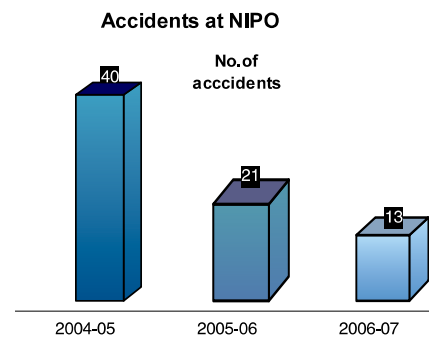
At TTL we strive to provide and maintain workplace, machinery and equipment and use work methods that are safe and minimize the risk to health. Our joint health and safety committee, represented by both workers and management, is responsible for identifying workplace hazards and ensuring their minimization. With modern machines being introduced, the committee is also tasked to identify and standardize the protective gear after undertaking field studies and employees' feedback. Workers are being regularly trained in safety measures. All our units fall under the purview of the Factories Act, 1948 and relevant state Factories Rules. India's Factories Act, 1948 has been modeled on ILO guidelines. Hence, all practices on recording and notification of occupational accidents and diseases are along the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

Occupational diseases are treated in hospitals. The disease profile of different workplaces are maintained regularly and checked/monitored routinely. Any accident that may take place out of and during the course of employment is reported to the concerned authorities.

During 2006-07, there were no accidents in TTL packaging factories.

Even at NIPO, the accidents rate has been progressively decreasing with a 38% decline this year compared to 2005-06.

For serious diseases like HIV/AIDS, we have organized awareness programs for all our people through NGOs. A special emphasis has been placed during the development of the program to make it gender friendly from the beginning. A growing demand for implementing Care and Support Program has been felt more acutely than ever before. The eventual beneficiaries would be employees of businesses, their families and the wider community affected by HIV and AIDS.



Our Communities

Tata Tea is committed to the cause of contributing to, supporting and strengthening its key communities.

Although contributions are made to charitable institutions across the country, Tata Tea has a well-defined process for identifying key communities and implementing social welfare plans (Fig 1.3), which enables maximum beneficial impact for the identified communities. The key communities are concentrated in and around the erstwhile tea estates.

Plantations

We have been partnering with TTL/KDHP in making the plantations commercially sustainable, while ensuring continuity and self-sustainability of the society and environment through the community institutions. An annual welfare audit is conducted in the identified areas of emphasis to review and strengthen the process and improve on the impact of the welfare activities in the community, with a set of measures and targets. Since the last ten years, our plantations have been audited for Health and Safety aspects by specialists certified by World Health Organization (WHO). The Health and Welfare Audit serves to provide a reflection of the efforts of a company towards the overall well-being of its workforce. It is also an indication of the commitment on the part of a company, when the health and welfare services are audited on an annual basis to ensure that a high level of service is being provided.

The audit itself looks into the statutory provisions in terms of infrastructure and extra initiatives of individual estates in providing welfare services to their resident population. Typically, audits are focused around the conditions of the labour lines, the water supply, crèche, first aid station or dispensary, recreation rooms and other mandatory facilities. In addition, a review of the primary health care indicators is also carried out, with a view to identifying any acute departures from healthy living and to correct possible areas of deficiency. Uniquely, the audits in Tata Tea have also looked at other surrogate indicators of welfare such as the saving capacity of individuals in workforce.

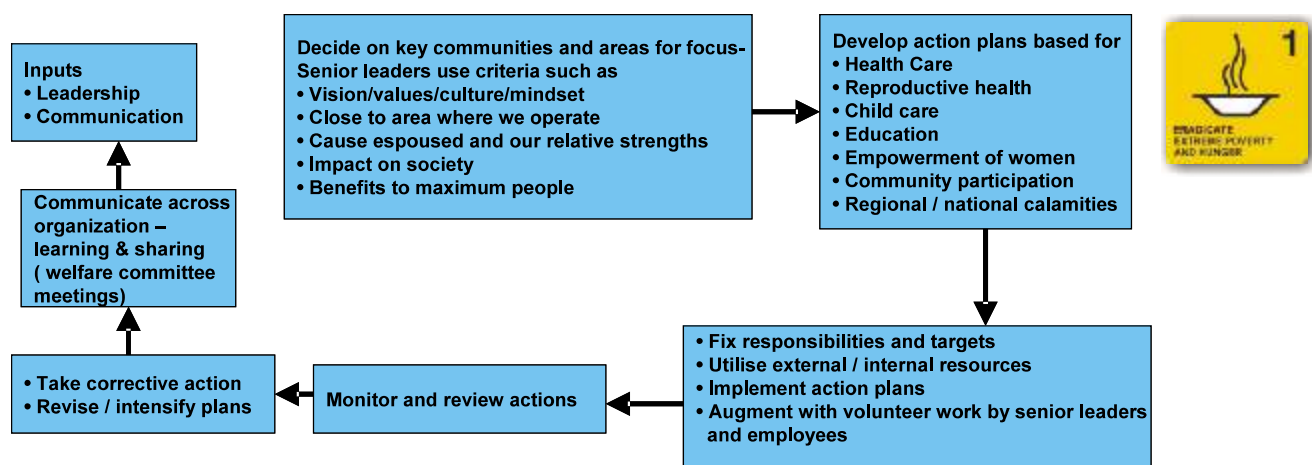


Fig. 1.3 Process for identifying key communities and implementing social welfare plans

Our tea community comprises of employees and families of TTL, KDHP, and the residents of Munnar town. We contribute to our tea community through ongoing support to the welfare institutions set up by us earlier.

We have a well-equipped **General Hospital** (GH) catering to the tea community. GH, with a staff of 14 specialist doctors and 25 nurses, provides a range of diagnostic and curative facilities. During 2006-07 more than 5300 patients were admitted to GH of which 2300 underwent major surgical operations. Over time, GH has been catering more to the residents of Munnar town than the employees and families of KDHP and TTL. The success of GH can be gauged from the fact that out-patient attendance has gone up by 37% and that non-employee patient attendance showed a rise of 30% compared to the previous year.

During 2006-07, INR 13.8 million was invested in the upgradation of equipments and facilities, while the civil works and repairs cost INR 8.5 million. The net cost of running the hospital is approximately INR 33.5 million.

The **High Range School** (HRS) provides quality education for the children of all categories of employees of KDHP. During 2006-07, it had a combined student strength of 520 spread across from kindergarten to senior secondary level. Supported by a qualified and committed staff of 70, HRS recorded a 100 % Pass both in 10th and 12th Standard with more than 50% distinctions. Several students have also been sent for special coaching to help prepare them for professional entrance examinations.

During 2006-07, INR 1.5 million was invested in the upgradation of library and other facilities, while the net revenue expenditure incurred was INR 11.8 million.



Trainees at High Range Strawberry Preserve Unit



Greeting Cards designed at DARE School



Srishti Welfare Centre (Srishti) a unit set up for the differently abled children of tea community runs a Dare School, Vegetable Dye Unit, Strawberry Preserve Unit, Hand Made Paper Bag Unit and Vocational Training Centre. During the year it had a total strength of 151 including students, teachers, trainees and support staff engaged in various activities such as making strawberry preserves and greeting cards. The hand made paper products and those from vegetable dye unit are retailed in high end shops.

During 2006-07, the net expenditure incurred on infrastructure was INR 3 million.

Some of the other concerns of the tea community that are being addressed are:

- Lab to land programs has been taken up by all NIPO estates. In this initiative, poor farmers were selected with the help of the village leaders. These farmers were then trained in scientific cultivation by the Government's Agriculture Department so as to increase the yield of output from the same acreage. More than 500 farmers from 21 villages adjoining 17 estates have benefited.
- Outreach programs have been ongoing at both KDHP and NIPO. At the Hattigor tea estate in NIPO, several camps were held during the year. These were for medical assistance, flood relief, eye treatment, family planning, malaria, etc. The camps recorded attendance of nearly 60,000 people across 47 villages.
- Similarly, a free medical camp was conducted at Bison Valley in November 2006. A total number of 550 patients attended the camp. Specialist doctors of General Hospital examined and treated patients for various ailments and medicines were dispensed free. Haemoglobin estimation, speech therapy and audiometry were also conducted for a few patients. Medical programs such as these led to the decrease in incidence of infant and maternal mortality, waterborne diseases, malaria, diarrhea and skin ailments amongst the plantation community.

In addition to holding independent camps, we are also collaborating with the Government of India's national programs for universal primary education (Sarva Shiksha Abhiyan) and National Pulse Polio. These programs are being taken up at the estates and adjoining villages.

Suppliers and Stockists

Apart from our ongoing work with the tea community, we have also established new initiatives for our stockists and their salesmen. We undertook to providing insurance for 3000 salesmen of stockists. Similarly, plans are in place to award scholarships to girl children of stockists. *Project Gaon Chalo* (Let's go Rural) initiative as mentioned above is an innovative response to the challenge on rural penetration.



S. Ramsubramanian

Tata Tea has established systems to encourage and recognize employee participation and volunteering in environmental and social initiatives. Employee recognition and reward processes include identification of **Champions of Heart and Soul**. These schemes contribute to organizational sustainability, systematic training, learning and personal growth. Their benefits for our business go far beyond image-building.

S.Ramsubramanian, finance executive with Tata Tea joined the Tata group of volunteers in Feb 2006, stepping in to help Tsunami-affected people by distributing relief kits. Since then he has put in 18 months of service, supporting the affected communities in re-building their livelihoods, restoring houses and constructing new houses and community centres. He also helped to set up a mobile desalination plant at Nagapattinam that continues to serve the community. *I deem it a matter of great honour and privilege that I represented Tata Tea in the Tata group of volunteers* says Ram. For his noble efforts, Ramsubramanian was identified as the Champion of Heart and Soul for 2006.

Supporting and strengthening key communities

Major Areas	Key Initiatives	Process	Results
Health care	<ul style="list-style-type: none"> • Surveillance for effective early warning system for communicable diseases • Training of personnel on tackling morbidity & introduction of medical units • Putting in place satellite clinics 	Analyzed on a monthly basis for modification / improvement & reviewed by CD & SW Dept.	Child Care Programs are improving on Birth rates, Malnutrition, Family Welfare, Mandays lost due to medical reasons
Reproductive health	<ul style="list-style-type: none"> • Behaviour change communication • Building competencies of personnel 	Disease tracking profile tracked daily/ weekly / monthly diseases along with treatment and referrals and reviewed monthly by CD & SW Dept	Maternal health
Child care	<ul style="list-style-type: none"> • Nutritional surveillance • Universal & extended immunization • Supplementary feeding • Vitamin A prophylaxis • Improving service infrastructure 	Targets/ Goals for each activity are set for the estate Medical Officers by the CD& SW Dept along with action plans, reviewed every quarter for corrective action	Childhood Diseases, Increase in Welfare Audit scores
Education	<ul style="list-style-type: none"> • Enhancement of competencies and skills of primary school staff and Mahila mandals • Enhanced resources for providing high school level / adult education 	Actions taken are analyzed by the CD & SW Dept.	Unemployment amongst the non-worker dependants reduced
Empowerment of women & physically challenged	<ul style="list-style-type: none"> • Schemes for income generation • Encouraging bank savings 	Regular monitoring for timely action through the estate hospitals & CMOs	Reduction in diseases, more healthy workers, reduction in health related absenteeism
Community participation	<ul style="list-style-type: none"> • Organization of Community building groups such as Mahila mandals 	Early reporting, Early diagnosis and treatment' system introduced through Link workers, Mahila mandal, line chowkidars, para-medicals, field staff	Reduction in sick days, absenteeism, Attendance in meetings , No of link workers & self help groups
AIDS awareness / adult literacy	<ul style="list-style-type: none"> • Promotion of AIDS awareness, adult literacy & encouraging family planning 	Voluntary blood testing procedures	Reduction in AIDS cases
Promotion of economic growth	<ul style="list-style-type: none"> • Tie-ups with institutions • Financial and managerial support • Vocational training to economically backward strata 	Collaboration with Assam Agricultural University	Improved agro practices & increased yields which help in building trust, loyalty & goodwill
Power distribution	<ul style="list-style-type: none"> • Licence holder for generation and transmission of electricity in Munnar and its surroundings including billing and collections 	Entire network of over 350 km of lines supplying power to 15000 domestic & commercial users	240 sq. km supplying 10.9 million units per year
Environmental preservation	<ul style="list-style-type: none"> • High Range Wildlife & Environment Preservation Association, which comprises all executives in Munnar Plantations • Joint Management of Erivikulam National Park • Tea & Energy plantation 	Partnering with Forest Dept., Wildlife Dept. & other NGOs for protection of wildlife and preservation of environment through various joint initiatives Continuous replanting of fallow areas with high quality clones / species	Region has been recognized as one of the hot spots of the world. Census data shows increase in population of all protected species. No. of tea & energy plants
Natural calamities	<ul style="list-style-type: none"> • Preparation for disasters • Provision of economic relief 	Treating economically poor patients in the OPD of Referral Hospital, Chubwa & Munnar	Improved health and a reduction in morbidity profile

Our Environmental Performance

We are committed to operating responsibly with high and consistent environmental standards

Materials Management

The raw material for our tea manufacturing operations is dependent on a renewable resource-tea leaves. However, the tea bushes whether clonal or mixed need to be cultivated carefully to ensure high productivity. Tata Tea works closely with the plantations in employing best cultivation practices for high yielding tea bushes. Our R& D centre have worked on this earlier. As a result of our efforts, this year the actual saleable tea production was 80 KT an increase from the previous year. We also recycled 7% more tea waste this year from the plantations, using it for manufacturing instant tea.

The processed tea requires to be packed in airtight containers that retain its freshness and flavor. Thus, it is packed in non-biodegradable but recyclable packaging types that include laminates and polypropylene. In fact, Tata Tea led the consumer polypack revolution in the late 80s and 90s. We have innovated on bulk packaging through use of natural fibres such as jute and cotton, flax and hemp. We used more biodegradable packaging this year 234 KT- six times as much as non-biodegradable packaging which was 39 KT.

To the extent possible, efforts to recycle the non-biodegradable packaging were made.

Water & Wastewater Management

We source fresh water from many sources for our operations including springs, borewells/ tubewells. Other than tea cultivation and ITO Munnar, water is not used for process but is required for drinking and other domestic purposes. We have been working towards an integrated water management that allows more judicious use of water. For instance, ITO Munnar has a Reverse Osmosis (RO) plant, the permeate of which is used for cooling tower make up water. The total fresh water consumed at our operations including NIPO and South India estates was 248 million KL. The RO rejects constitute the only process related wastewater which are completely recycled. The total water discharged is about 200 KI primarily from the plantations.

Waste Management

Both hazardous and non-hazardous wastes are generated from the units. The major non-hazardous waste is the packaging materials, as described in the Materials section above. Hazardous wastes comprise mainly of used oils which were 3.4 KT this year. Tata Tea follows an established procedure of disposal of hazardous wastes through authorized waste managers only.

Environmental Expenditure

We upgraded the environmental facilities at our through preventive and end-of-pipe treatment measure. As a result, our environmental expenditure rose by more than 10 times compared to last year to INR 42 million.

Using Safe Inputs

The insecticides and pesticides used in tea cultivation are registered with the Central Insecticide Board of India. Registration with this central government body implies that a competent authority has accepted the documented proof submitted in support of claims of safety and efficacy. This information includes data on the compound's acute and chronic toxicity to mammals, birds, fish and non-target organisms, persistence on soil and in water, carcinogenicity, mutagenicity, etc.

Energy Efficiency & GHG Emissions Energy efficiency and minimization of related GHG emissions remain our top priority. In 2006-07 we consumed 300 TJ of direct energy, a reduction of 16% over the previous year. The indirect energy consumed was 103 TJ across both branded operations and plantations, with the specific electricity consumption being 0.24 kWh per Kg of tea produced. Energy conservation measures taken included the following:

- Use of firewood boiler was maximized in ITO that led to reduction in fossil fuel usage
- Mercury lamps have been replaced with double fitting tube lights in the Pullivasal Packeting centre
- Energy efficient fibre reinforced plastic axial flow fans have been installed in 8 NIPO estates and shall be extended to 3 more estates

Related to the above mentioned generation of direct energy, 16209 tons of CO₂ were emitted, nearly 11% less than as compared to last year.

Energy Consumption at Branded Operations & Plantations		
	2006-07	2005-06
Direct Energy (TJ)	300	356
Indirect Energy (TJ)	103	113

Air Quality

The emissions from our operations include Suspended Particulate Matter (SPM), Nitrous Oxides (NO_x) and Sulphur Oxides (SO_x). This year both SPM and SO_x emissions showed a decrease over the previous year.

Air Emissions (T)		
	2006-07	2005-06
SPM	4166	5685
SOX	5288	9478
NOX	96	76

Note: NO_x contribution from EOUs not included



Safeguarding Biodiversity

Over the years Tata Tea has initiated a number of innovative practices aimed at conserving and restoring the biodiversity of the mountainous expanse that is home to the company's operations.

We currently own, manage or lease 25000 hectares of total fenced area. More than 70% of our activities are in biodiversity rich habitats as they are located in and around tea estates that are notified green belts. The region encompassing KDHPL/TTL plantations in Munnar, Kerala along the Western Ghats has been classified as one of the world's biodiversity hotspots, with the centerpiece being Eravikulam National Park. The Park houses a large number of endemic and endangered life forms, mainly the Nilgiri Tahr, some 700 of which graze here. It is jointly managed by Kerala's Department of Forests and Wildlife and the High Range Wildlife and Environment Preservation Association (HRWEPA).

Tata Tea has been at the forefront of safeguarding the incredibly rich flora and fauna in and around these plantations.

Executives of Tata Tea are active members of HRWEPA along with the wildlife warden of Eravikulam National Park, the divisional forest officer, Munnar, as honorary members, and eminent environmentalists as its trustees. Since its formation, HRWEPA, which is instrumental in the management of the Park, has received the full support of Tata Tea.



A Nilgiri Tahr (*Hemitragus hylocrius*) stands tall and proud against the backdrop of tea plantations. The 4th World Mountain Ungulates Conference 2006 was held in September at Munnar. The first time that the conference was being held in Asia, it enabled global awareness on the activities undertaken at the High Range by the High Range Wildlife and Environmental Preservation Association (HRWEPA). Tata Tea has been supporting HRWEPA since the last 30 years.



The Karanjia flowers in full bloom. These blue flowers bloom once in 12 years and lend the hills a bluish tinge.

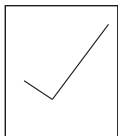


Our Approach to Reporting

Tata Tea continues to fine-tune its reporting to meet the different needs of its stakeholders

Alignment with G3 Guidelines

The Global Reporting Initiative released its new G3 guidelines for sustainability reports in October 2006. In response, we have made a number of changes to our reporting systems and style to align with these guidelines. According to our own assessment, we achieved an A level of application of guidelines. Since the report has been externally reviewed hence, the application level of this report is A+.

	C	C+	B	B+	A	A+
Mandatory	Self Declared	Report Externally Assured		Report Externally Assured		Report Externally Assured

Reporting on what Matters Most

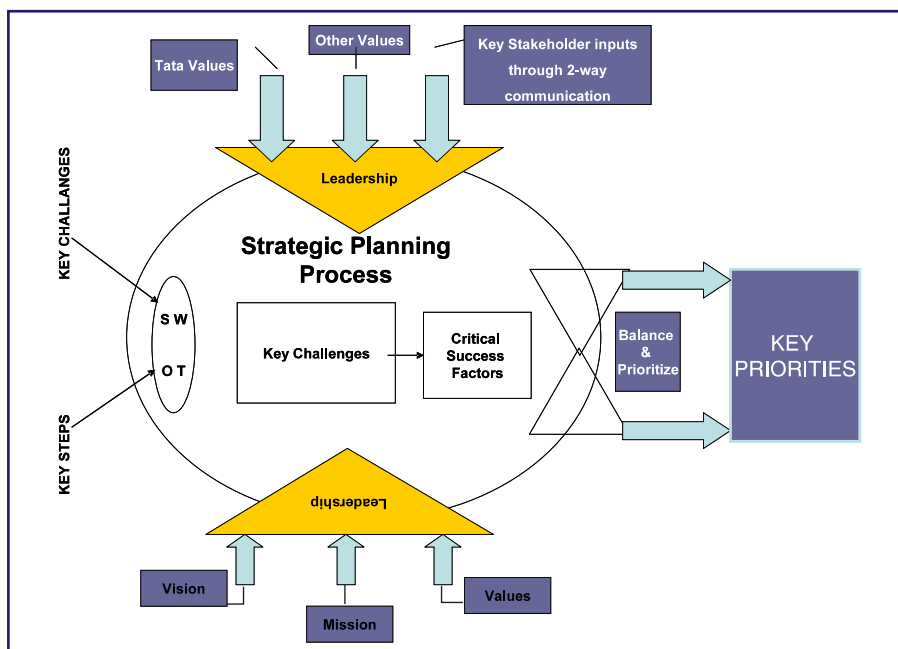
Sustainability reporting must focus on the environmental, social and governance issues that are most significant to a company and its stakeholders. Issues identified and discussed in this report are the outcomes of a well-defined process comprising of the following steps:

Step 1: Key issues are identified based upon a structured dialogue with our stakeholders and their alignment with our VMV & SWOT analysis.

Step 2: These are then taken up during the SP and prioritized using the Balancing & Prioritizing model.

Step 3: The ESG issues thus identified form the core of our priorities and are captured through robust processes.

The figure below provides a snapshot of how we prioritize the ESG issues.



INDEPENDENT REVIEW STATEMENT

Statement on TTL's Sustainability Report for 2006-07

PricewaterhouseCoopers (PwC) was retained by Tata Tea Limited (TTL) to review TTL's Sustainability Report ("Report") based on Global Reporting Initiative (GRI) 2006 guidelines (G3). The Report, which relates to TTL's triple bottom line performance for the period 1 April 2006 to 31 March 2007, covers all units of TTL in India.

This statement to TTL provides PwC's Independent Review ("Review") on economic, environmental and social (EES) information and data presented in the Report. This Review is based on short-listed EES indicators selected on a sample basis as delineated in *Scope of Review* below.

Our responsibility in performing our review activities is to the management of TTL only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Report is entirely at its own risk.

Objective of Review

The objectives of this review were to:

- (i) Review EES data collection and collation systems;
- (ii) Verify on a sample basis data completeness, determination, comparability (with previous years data, where applicable), and reliability at four sample sites visited by us.

Responsibilities during Review

The Management of TTL is responsible for the collection and presentation of the EES information in the Report. Our responsibility, as agreed with the Management, is to express conclusions with limited review of select data and information contained in the Report. We planned and performed our evidence-gathering procedures to obtain a basis for our conclusions in accordance with an ISAE 3000 limited assurance engagement. The evidence gathering procedures are more limited than for a reasonable assurance engagement. We have not performed an audit according to International Standards on Auditing. Accordingly, we do not express such an audit opinion.

The Report of TTL has been produced both electronically and in print. The Tata Tea Sustainability Report 2006-07 and its contents are the responsibility of the management of Tata Tea, while the observations made under Independent Review Report is the outcome of the professional work undertaken by PricewaterhouseCoopers Private Limited.

Scope of Review

The scope of the review covering sample sites and indicators which were considered material and /or relevant to TTL's businesses, included:

1. Visits to 4 sites viz.
 - a. Bangalore Packeting Centre (Bangalore, Karnataka)
 - b. Instant Tea Division (Munnar, Kerala)
 - c. Pullivasal Estate (Munnar, Kerala)

- d. Pullivasal Packeting Centre (Munnar, Kerala)
2. Review of the following short-listed EES indicators on a sample basis at the four sites mentioned above:
 - a. Economic value distributed through community investments
 - b. Energy
 - i. Direct Energy use segmented by primary source
 - ii. Initiatives to use renewable energy
 - c. Water
 - i. Total Water withdrawn segmented by source
 - ii. Water recycled and reused
 - d. Solid Waste
 - i. Solid waste generated, reused and recycled
 - e. Current actions and plans for managing impacts on biodiversity
 - f. Impacts of operations on communities

Consequent to the above review activities undertaken by us, as well our discussions with the senior management at TTL's Corporate Office provide a view on material reliability and completeness of:

- Select EES data verified at four sample sites (as listed above) and provided in the Report for the period 1 April 2006 to 31 March 2007.

Scope Limitation

Excluded from the scope of our work is information relating to:

- Units and indicators other than those mentioned above ;
- Statements of commitment to, or intention to, undertake action in the future;
- Statements of opinion, belief and / or aspiration.

Basis for Review

We planned and performed our work based on ISAE 3000 for limited review engagements. We were given information and explanations to provide sufficient evidence to ascertain that the above indicators were consistent with the activities in the four sample units for the financial period; and were documented and stated in accordance with G3 as well as TTL's corporate guidelines.

Review Procedures carried out

Our evidence-gathering procedures included the following work:

- a. a desktop review of EES issues relevant to TTL's business
- b. Understanding of the operations and systems established at each of the four sample sites mentioned above with respect to the delineated indicators for the period 1 April 2006 to 31 March 2007
- c. an understanding and assessment of systems for data generation, collection, analysis, consolidation and reporting at business unit, divisional and group level;
- d. review and sample testing at four sample sites of eight indicators and associated statements presented in the Report
- e. interviews with senior management at Corporate Office as well as relevant TTL personnel at the four sample sites
- f. review of conclusions drawn from data and corresponding statements made in TTL's Report for the delineated indicators in the context of completeness and reliability.

Conclusion

- a) On the basis of the work undertaken and subject to the recommendations below , nothing has come to our attention that would cause us not to believe that:
 - The information for the indicators stated above [at (2) under *Scope of Review*] has been stated in a fair

- and balanced manner.
- b) Completeness: Based on the limited sample of our review, we consider that the data and text presented in the Report relating to TTL's EES performance includes information on targets and indicators in respect of sustainability reporting
 - c) Reliability: The EES reporting system is aligned with the management systems which are in turn embedded in most business processes. The process for 2006-07 EES data collation was found to be consistent within the context of the existing management systems at the unit level and the common framework for reporting established within the organization.

Recommendations

- a) The systems for data collation and analysis relating to environmental data performance can be further strengthened at the packaging centres.
- b) It was observed during the site visits that TTL has several initiatives across its value chain that are being implemented successfully. However, the report does not capture all these initiatives equally. We recommend greater reporting on these initiatives in the future.



Tapan Ray
Executive Director
PricewaterhouseCoopers Private Limited
Dated: 11 September 2007
Place: Mumbai