



**Hotels Resorts
and Palaces**

THE INDIAN HOTELS COMPANY LIMITED



**Corporate sustainability report
2006-07**



THE INDIAN HOTELS COMPANY LIMITED

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Raymond Bickson
Managing Director

July 30, 2007

From the MD's Desk

Dear Stakeholders,

The boom in the travel and tourism sector witnessed in 2005 was sustained in 2006-07. The Travel and Tourism Industry grew by 8.2% in South Asia, 6.9% in Sub Saharan Africa, 6.6% in North East Asia and by 6.3% in South East Asia. Thus, it remains one of the world's most important and fastest growing economic sectors, generating quality jobs and substantial wealth for economies around the globe. According to World Travel & Tourism Council (WTTC), global travel & tourism are expected to generate in excess of US \$7 trillion in 2007 and rise to more than US \$13 trillion over the coming decade.

The forecast for this Industry globally over the next ten years is positive.

Continuing our sustainability journey

Expansion in the International Market

We continued to expand into different geographies and market segments. During the year, IHCL added 383 rooms to its portfolio. We acquired the erstwhile Ritz Carlton, Boston through an outright purchase and completed the acquisition of the Campton Place Hotel in San Francisco in April 2007. With these acquisitions, we have completed our first phase of expansion in the US market. Additionally, we have also made commitments in South Africa which is a key market for hospitality ventures. Project work on the management contracts of our hotel in Langkawi, Malaysia and Thimpu, Bhutan is almost complete and both hotels will be launched during this financial year. Work on the Palm Island, Dubai continues. This year witnessed signing of a management contract for a 150 room Taj Exotica Golf Resort in Doha and acquisition of a site on Koh Lon, Phuket for the construction of an 80 Villa Taj Exotica Resort & Spa on the Island. We also formed a new joint venture with Tata Africa in South Africa, *Taj International South Africa*. The first investment of this joint venture is towards a 175 room luxury hotel in Cape Town in a joint venture with Eurocape, an Irish-based investor undertaking, a comprehensive redevelopment in the city center of Cape Town.

India, an exciting place to visit

The Readers Travel Awards 2006', conducted by *Condé Nast Traveller* has recently placed India at number four among the world's must-see countries, up

from number nine in 2003. India's growing recognition as an exciting place to visit, has helped boost its image as a leisure destination. The tourist arrivals in India touched 4.44 million during the calendar year 2006. This reflected continued buoyancy in foreign tourist arrivals and the number is expected to go up to 10 million by 2010.

The *Incredible India* campaign has also been a huge success. Domestic travel, both business and leisure, has benefited from a strong performance of the corporate sector in India, and the overall sense of optimism with regard to the economy. The increase in international flights, seat capacity and frequency into the country has had a positive impact on tourist and business arrivals into India, by way of providing additional seats to key destinations.

Integrating our sustainability business agenda

We upheld our trend of responsible competitiveness while aiming to maximize shareholder value. This is reflected in our new product offerings that continue to cater to economic, social and environmental needs of our stakeholders. For instance, the newly launched economy *Ginger* hotels in seven Tier II cities of India have been established to provide basic hospitality facilities at attractive prices. These hotels have been well accepted in the market and plans to establish another seven are underway.

Similarly, our foray into ecotourism through the concept of *Wildlife Lodges* arose as a corporate response to protecting and preserving the fragile ecosystems at wildlife sanctuaries. We firmly believe that controlled and planned tourism can aid the environment as well as generate income for the local communities. Thus, it acts as a demonstrator and catalyst for responsible tourism. Through a joint venture company, *Taj Wilderness Lodges Limited*, we started operations of two lodges at Bhandavgarh and Pench (both in Madhya Pradesh). Plans are afoot to establish two additional lodges that shall become operational by 2008.

These efforts are additional to our existing offerings of Serviced Apartments, Spas, enhancing guest experience through best in class product and service levels.

EARTH - Environment Alignment and Renewal at Taj Hotels is a new movement at the Taj. It is our response to the world-wide concern regarding global warming and allied eco-related issues. A special task force is working to revisit the existing Eco- Taj vision and co -create a new Environment vision for Taj. The aim is to provide a renewed vigor and involvement from all quarters to Taj's environment initiative with a strong strategic focus.

Our ongoing engagement with our communities through the Building Livelihoods initiative got further strengthened this year. Social responsibility is now established as a Taj core value.

Reporting our sustainability principles and progress

This report, prepared employing GRI 2006 guidelines (G3), reflects our principles and progress on various economic, environmental, social and ethical issues that are of interest to our stakeholders. The report, thus, is one of the outcomes of our efforts to be transparent and accountable. This year we have increased the scope from reporting only Luxury division to including Leisure and Business divisions as well. Together these cover a major portion of our business in India. We aim to progressively report on other business units both Indian as well as international in the future. We also continue with our unwavering commitment to the principles of the UN Global Compact (UNGC) and the fight against HIV/AIDS. This report also serves as the Communication of Progress in observing the ten principles of UNGC.

We have long believed that we have a responsibility to make a lasting contribution to the people and communities around the world touched by our business. Yet, as we move forward we acknowledge the limitations of the role we want to play or can even play. We strive to be positive and progressive, going beyond our own boundaries while contributing to sustainable development within our sphere of influence.

I sincerely hope that this report will be of interest to you. I solicit feedback from our stakeholders on our report for an open and constructive dialogue.

With regards,

Sincerely,



Raymond N. Bickson

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Corporate Sustainability Report

2006-07

Taj Hotels Resorts and Palaces



Vision & Strategy

Vision & Strategy

STRATEGY & ANALYSIS

The Indian Hotels Company (referred to as Taj) and its subsidiaries are collectively known as Taj Hotels Resorts and Palaces, recognized as one of Asia's largest and finest hotel company. Incorporated by the founder of the Tata Group, Jamsetji N Tata, the company opened its first property, The Taj Mahal Palace Hotel, Bombay, in 1903. The Taj, a symbol of Indian hospitality, completed its centenary year in 2003. Taj Hotels Resorts and Palaces comprises 70 + hotels in India and key international destinations.

In India, Taj is recognized as the premier hospitality provider, spanning the length and breadth of the country, and gracing important industrial towns and cities, beautiful beaches, historical and pilgrim centres, and wildlife destinations

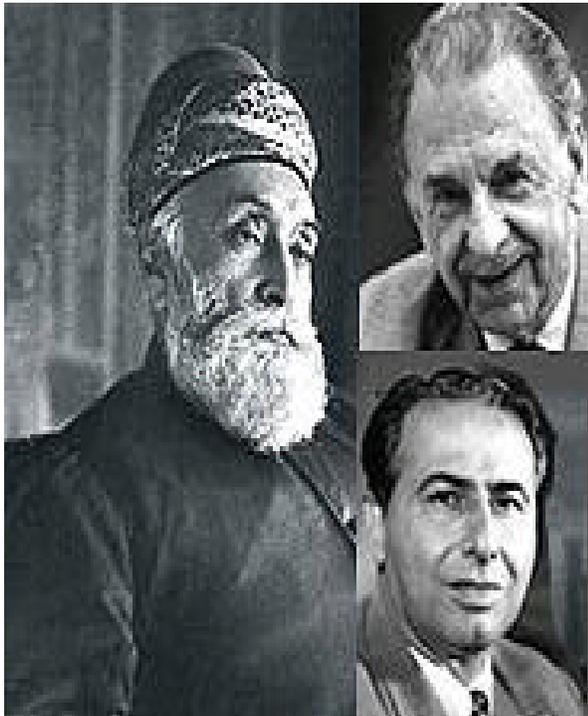
The company as had a long-standing commitment to the continued development of the Indian tourism and hospitality industry. From the 1970s through the 1990s, the Taj played an important role in launching several of India's key tourist destinations. Working in tandem with the Indian government, the Taj developed resorts and retreats while the government developed roads and railways to India's hidden treasures.

AREAS OF BUSINESS

Taj Hotels Resorts and Palaces is grouped into Luxury Domestic, Luxury International, Leisure and Business categories to provide consistency across the different hotels and standardised products and services.

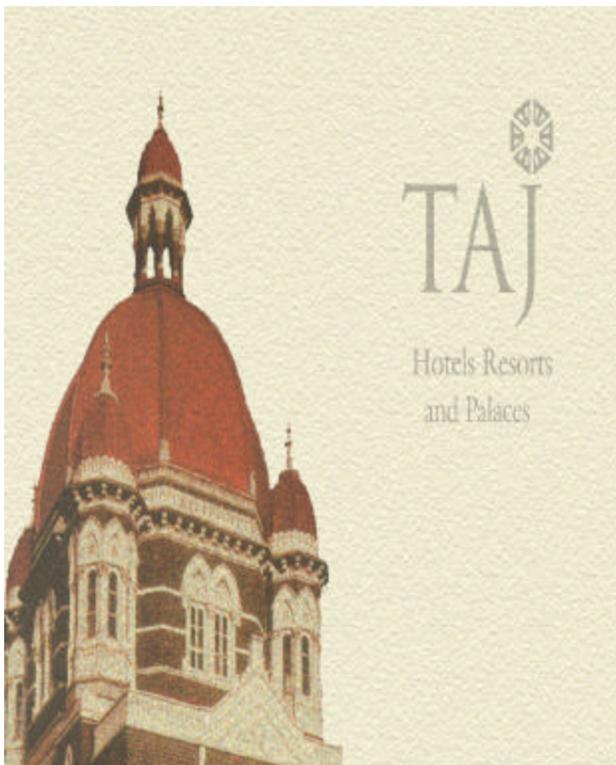
“I do believe that we in the (Tata) Group have held a view and held a sense of purpose that our companies are not in existence just to run our business and to make profit and that we are responsible and good corporate citizens over and above our normal operations. By that, I mean, that we play a part in the community and we shoulder community responsibility as part of social responsibility of our nation. And, these responsibilities are not to be confused with employee welfare, (because) they go beyond our own employees and in fact concentrate on contribution to the community and to the nation” *Ratan N. Tata*





TATA GROUP PURPOSE

At the Tata Group our purpose is to improve life of the communities we serve. We do this through leadership in sectors of economic significance, to which the Group brings a unique set of capabilities. This requires us to grow aggressively in focused areas of business. Our heritage of returning to society what we earn evokes trust among consumers, employees, shareholders and the community, formalizing the high standards of behavior expected from employees and companies. The Tata name is a unique asset representing leadership with trust. Leveraging this asset to enhance Group Synergy and become globally competitive is the route to sustained growth and long term success.



Vision

Embrace **Talent** and harness **Expertise** to leverage

standards of **Excellence** in the **Art of Hospitality** to

Grow our **International** presence, **Increase** domestic **Dominance**

and **Create Value** for all stakeholders

BROAD TRENDS

AN OVERVIEW OF THE GLOBAL TOURISM INDUSTRY

Travel & Tourism is one of the world's most important and fastest growing economic sectors, generating quality jobs and substantial wealth for economies around the globe. World Travel & Tourism (WTTC) undertakes extensive annual macro-economic research, which assesses the current and projected impact of Travel & Tourism on a total of 174 national economies around the world.

World Travel & Tourism is expected to generate in excess of US \$7 trillion in 2007, rising to more than US \$13 trillion over the coming decade, according to the World Travel & Tourism Council's (WTTC's) Tourism Satellite Account (TSA) Research, sponsored by Accenture and prepared by Oxford Economics.

DEMAND

Encompassing all components of Travel & Tourism consumption, investment, government spending and exports, in 2007 Travel & Tourism Demand is expected to generate some US\$7,060 billion of economic activity worldwide, growing to US\$13,231 billion by 2017.

GDP

The world's Travel & Tourism Industry is expected to contribute 3.6 per cent to gross domestic product (GDP) in 2007 (US\$1,851 billion), rising in nominal terms to US\$3,121.7 billion (3.4 per cent of total GDP) by 2017. The broader perspective of the Travel & Tourism Economy, which includes the direct and indirect impact of our industry, is expected to account for 10.4 per cent of global GDP (equivalent to US\$5,390 billion), rising to 0.7 per cent (US\$9,781 billion) over the next ten years.

EMPLOYMENT

In 2007, world Travel & Tourism Economy employment is estimated to reach 231.2 million jobs, representing 8.3 per cent of total employment worldwide (1 in every 12 jobs). By 2017, this figure is expected to rise to 262.6 million jobs, accounting for 8.3 per cent of total employment.

VISITOR EXPORTS

Expenditure by international visitors on goods and services within an economy can have a significant impact on the exports of that country. Of total world exports, Travel & Tourism accounts for some 12 per cent (US\$1,847.8 billion) in 2007. Over the next years, world Travel & Tourism exports are expected to grow at a rate of 4.6 per cent per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

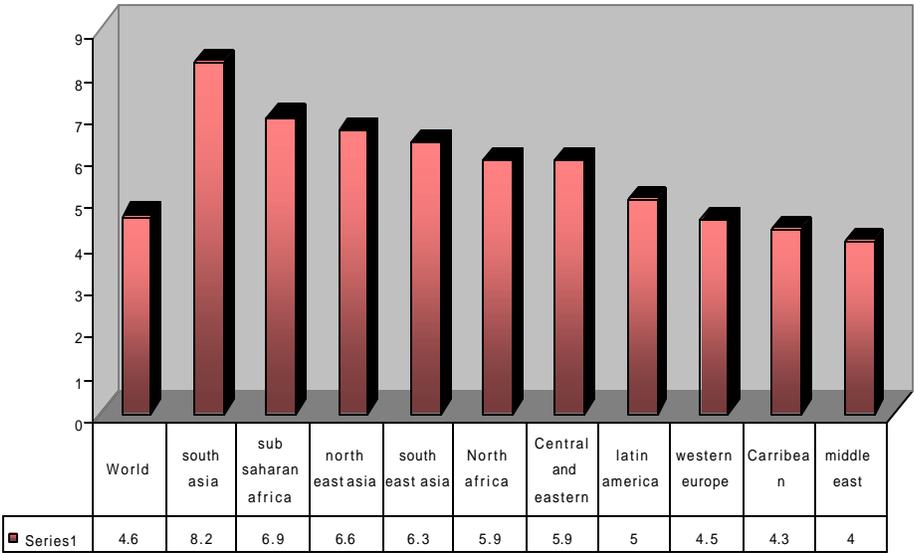
The global growth rate for Travel and Tourism Industry during the year 2006/07 has been extremely good with Tourism growing significantly during this period. The forecast for this Industry globally over the next ten years is positive. While 2005/06 had brought about buoyancy and further consolidation, in the year 2006/07, there has been significant growth trends witnessed globally. The Travel and Tourism Industry grew by 8.2% in South Asia, 6.9% in Sub Saharan Africa, 6.6% in North East Asia and by 6.3% in South East Asia.

As per the World Travel and Tourism Council (WTTC) Report released in 2007, travel and tourism is currently one of the World's largest economic activities. Not only it is the leading industry in many countries, it is the fastest growing economic sector in terms of job creation worldwide. In 2006, the sector generated 10.3% of the World Gross Domestic Product (GDP) providing 234 million jobs which translated to 8.2% of the total world employment.

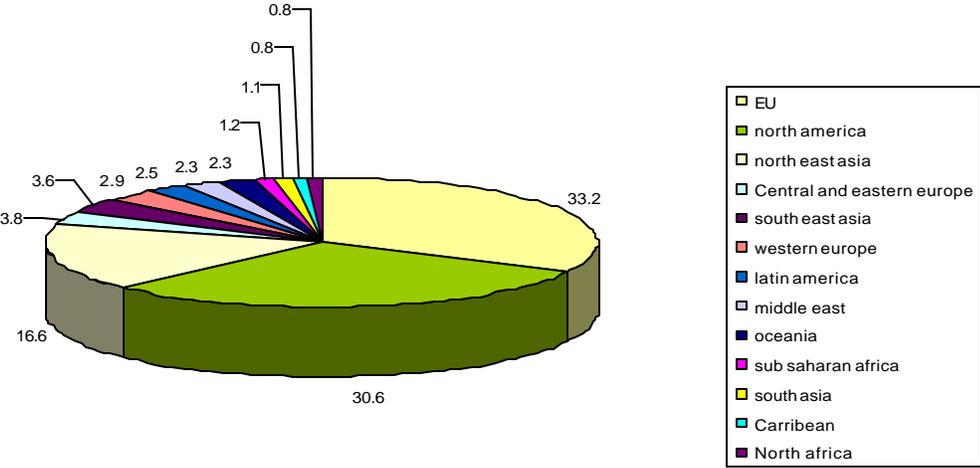
The tourist arrivals in India touched 4.44 million during the calendar year 2006. This reflected continued buoyancy in foreign tourist arrivals and the number is expected to go up to 10 million by 2010.

The charts below depict the world growth rate region wise in Travel and Tourism and the region wise market share of Travel and Tourism. The data released by Ministry of Tourism about the tourist arrivals in India both in the recent past years and as projected till 2010 is also depicted.

GLOBAL TOURISM GROWTH RATE



TRAVEL & TOURISM : REGION WISE MARKET SHARE



INDIAN TREND

INDIAN ECONOMY & THE TOURISM INDUSTRY

India's growing recognition as an exciting place to visit ('The Readers Travel Awards 2006', conducted by *Condé Nast Traveller* has recently placed India at number four among the world's must-see countries, up from number nine in 2003) has helped boost its image as a leisure destination. The *Incredible India* campaign has also been a huge success. Domestic travel, both business and leisure, has benefited from a strong performance of the corporate sector in India, and the overall sense of optimism with regard to the economy. The increase in international flights, seat capacity and frequency into the country and the decision to allow private airlines like Jet Airways and Air Sahara to fly overseas has had a positive impact on tourist and business arrivals into India, by way of providing additional seats to key destinations. Increase in charter flights into India and new airlines providing additional seats for domestic travel are expected to have a significant impact on affordable air travel within the country.

Domestic demand for hotels in India is much higher than demand from foreigners and much of the domestic demand is not leisure-related but tends to be business demand. However, with liberalisation and an overall improving economy, an increasing number of Indians have started taking annual holidays, both within the country and overseas. Many states within India such as Goa, Rajasthan and Kerala have started focusing their marketing efforts at the Indian leisure traveller after realising the potential of this segment.

A buoyant economy, robust corporate results and a booming stock market are strong indicators for surging domestic leisure demand.

INDIAN ECONOMY & THE TOURISM INDUSTRY

With the GDP growth forecast around 9%, and the rate of investments and savings going up, the Indian economy is showing signs of sustained growth. The business outlook for the year ahead is expected to be positive. The general economic conditions remain bullish for the coming year. There has been a sharp rise in the rate of investment in the economy. The rate of Gross Domestic Capital Formation (GDCF) for 2007/08 is 33.8%. This sharp increase in the rate of GDCF reinforces the outlook for continued growth and business optimism.

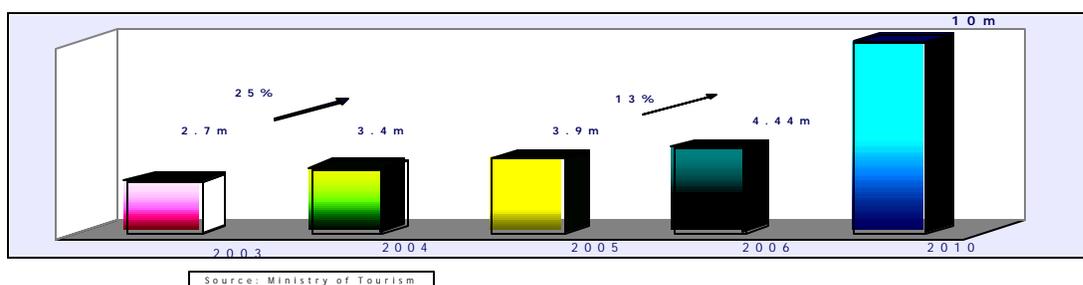
The services sector growth has continued to be broad based. Among the three sub sectors of the services sector, namely Trade, Hotels Transport and Communication Services, significant growth rates were witnessed during 2006/07. Each of these sub sectors continued to boost the overall growth rate of the services sector by growing at double digit rates for the fourth successive year. The Airline Industry registered rapid growth with several new flights being commissioned and new sectors added. The overall passenger movement in the country grew by 33% and 9 out of the top 45 Airports registered a 50% growth. The rapid growth in the tourism and airline industry has had a very positive impact on the hospitality industry. The Government has proposed to increase the provision for building tourist infrastructure from Rs.423 crores in 2006/07 to Rs. 520 crores in 2007/08. The Government has recognized the need for more hotel

rooms in the wake of the Commonwealth Games planned in Delhi in 2010 and given certain fiscal concessions for specified category of Hotels in and around Delhi.

INDIA: TOURIST ARRIVALS

The WTTC Report released in 2007 acknowledges India as a major tourist destination on account of several positive factors like cultural endowments, presence of several World Heritage Sites, excellent price competitiveness, low ticket taxes and airport charges, welcoming attitude towards foreign travelers etc. The Travel & Tourism Competitiveness Index (TTCI) ranks India around the middle of the 124 countries considered.

The Hotel industry expects that these positive developments will continue to drive tourist and business traffic globally and in the domestic market. This will directly benefit the hospitality industry of which IHCL is a leading player. With a surge in business travel and a soaring interest in India as a leisure destination, the prospects of the hospitality industry continue to be bullish. The Company continues to actively pursue targeted destinations to leverage the business potential that these markets have to offer.



KEY EVENTS & ACHIEVEMENTS DURING THE REPORTING PERIOD

IHCL operates its hotels under the “Taj Hotels Resorts and Palaces” umbrella brand and is the largest hotel chain in South Asia. It comprises of hotels with 9400 rooms and over 280 Food & Beverage outlets. The total numbers of hotels which are owned or managed by the Company are 77 as against 75 in 2005/06. Internationally, the Company has hotels, among other locations, at USA, Australia, Maldives, Mauritius, Malaysia, UK, Bhutan, Sri Lanka, Africa and the Middle East. IHCL owns either directly or through its associates and partners, properties in many key business and leisure destinations and has built for itself several sources of competitive advantage.

Among the key sources of competitive advantage that IHCL enjoys are branding, infrastructure and best in class services. The “Taj” brand has been built over the years by consciously investing into brand building, establishing high brand standards and adhering to the same with the objective of providing an exclusive TAJ experience to the guests. The brand equity is further strengthened by the ownership and backing of Tatas, a Group with varied business interest operating in several countries and enjoying high credibility.

The Company has a good infrastructure by way of properties at prime location in India. It has the largest portfolio of rare and authentic Original Palaces and is the largest hotel chain in South Asia. The Sales and Marketing network, the network of Partners and Associates, Reservation network and the Information Technology Services add to a robust and strong infrastructure. The Company has also been a pioneer in the Food & Beverage experience in India.

IHCL has been named one of the eight Indian companies identified by Standard & Poor's as part of S&P Global Challengers Class of 2007. The selection was made out of representations from 37 Countries. The list includes mid cap Indian Companies who show the highest growth characteristics along dimensions encompassing intrinsic and extrinsic growth. These companies are expected to emerge as challengers to the World's leading companies and IHCL is one of them.

UPDATE ON KEY INITIATIVES

New Properties and Expansion Plans

During the year, IHCL added 383 rooms to its portfolio by continuing its expansion in international destinations and within India. The Company acquired the erstwhile Ritz Carlton, Boston through an outright purchase and completed the acquisition of the Campton Place Hotel in San Francisco in April 2007. With these acquisitions, the Company has completed its first phase of expansion in the US market. During the year, IHCL has also made commitments in South Africa which is a key market for hospitality ventures. Project work on the management contracts of our hotel in Langkawi, Malaysia and Thimpu, Bhutan are almost complete and both hotels will be launched during this financial year. Work on the Palm Island, Dubai continues. During the year, IHCL signed a management contract for a 150 room Taj Exotica Golf Resort in Doha and has completed the acquisition of a site on Koh Lon, Phuket for the construction of a 80 Villa Taj Exotica Resort & Spa on the Island. Design work on this project is under way and construction of a mock up room will commence in the month of June. IHCL has also formed a new joint venture with Tata Africa in South Africa, Taj International South Africa. The first investment of this joint venture is towards a 175 room luxury hotel in Cape Town in a joint venture with Eurocape, an Irish-based investor undertaking, a comprehensive redevelopment in the city center of Cape Town.

In the rapidly expanding domestic market, the Company continued project work in its key projects in Whitefield - Bangalore, Falaknuma Palace, Hyderabad, Racecourse Road – Coimbatore and Santa Cruz – Mumbai. During the year, the Company has also been allotted a site in Noida and is planning to construct a 500 room premium business hotel with a comprehensive hotel convention center. Additionally, the company signed a lease agreement to operate a 350 room premium business hotel in Yeshwantapur, Bangalore. During the year, the Company has signed management contracts for a premium business hotel in Nagpur, Trivandrum and Panjim, Goa and a premium leisure hotel in Bekal, North Kerala. Management contracts for Gateway hotels have been signed in Raipur and Jullundur. During the year, Taj GVK continued construction of its premium business hotel in Chennai and commenced work on a new project in Begumpet, Hyderabad. Oriental Hotels Ltd. signed a lease agreement for a Gateway Hotel in Bannerghatta, Bangalore.

Ginger Hotels

The Economy hotels segment has generated a considerable amount of interest with a large number of International operators such as Accor, Holiday Inn and Dawnay Day Hotels having announced plans to enter the segment. IHCL has identified this opportunity ahead of the other chains and is in an enviable position in this segment by being the first operator to actually have set up hotels in this segment. Ginger hotels are housed under Roots Corporation Limited, a wholly-owned subsidiary of IHCL.

As on March 31, 2007, the Company has seven Ginger hotels in operation at Bangalore, Haridwar, Bhubaneshwar, Mysore, Trivandrum, Pune and Durgapur. In addition, seven more Ginger hotels are under various stages of construction at Nashik, Agartala, Pondicherry, Baroda, Ludhiana, Pantnagar and Panaji.

The hotels have been well accepted in the market with increased visibility now created through an innovative marketing campaign. The outdoor campaign was recognized as the best outdoor campaign for the year by The Economic Times – Brand Equity section.

Further locations where deals have been signed for setting up Ginger hotels and where construction will commence shortly include Ahmedabad, Guwahati, Mangalore, Jamshedpur and Tirupur.

IHCL has been the first hotel group in the country to introduce Automatic check-in counters, which require no manual intervention to check in to a Ginger hotel. Similarly, un-manned vending machines dispensing toiletries, snacks and juices have been installed at most of the operational Ginger hotels to enhance the “Please Help Yourselves” tagline followed by the company in its branding and advertising campaign. IHCL has also embarked upon a project for implementation of a new ERP system using SAP - Simhotels platform across all of its Ginger hotels and this is expected to become operational in the middle of the next Financial Year.

The Company is committed to maintaining the first-mover advantage that has been established in this segment by continuously improving the quality of operations at the individual units, as well as expanding rapidly across the country.

Wildlife Lodges

The Company manages its wildlife safari lodges business through a joint venture company namely Taj Wilderness Lodges Limited. The operations of two lodges at Bhandavgarh and Pench both in Madhya Pradesh have commenced during the year 2006/07. The first lodge at Bandhavgarh, called Mahua Kothi, opened its doors to the guests on November 1, 2006. The second lodge at Pench, called Baghvan, was opened for operations on February 1, 2007. Taj Wilderness Lodges Limited has recently acquired land in Panna for its third lodge. The fourth property is proposed to be located at Kanha. Both the new properties are expected to be ready for operations in the last two quarters of the financial year 2007/08.

Serviced Apartments

IHCL recognizes that Serviced Apartments/ Apartment Hotels is emerging as an important segment in the hospitality business. Keeping this in mind, the Company had initially prototyped the concept with the Taj Wellington Mews in Mumbai. With the success of Taj Wellington Mews and the growing demand for apartment hotels, IHCL desires to have a significant presence in this segment of the hospitality business. During the year, IHCL entered into a Contract with Sansara Hotels India Private Limited, a joint venture amongst Portman of USA, Citigroup and HDFC to set up Serviced Apartments in five metro cities within the next five years.

Spas

The philosophy of our Spas is rooted inherently in India's ancient approach to wellness. The ethos of our carefully recreated treatments is drawn on the rich and ancient wellness heritage of India; the fabled lifestyle and culture of Indian royalty and the healing therapies that embrace Indian spirituality. In the year 2006/07, one more spa at Taj Malabar, Cochin was added to the existing 13 spas.

The focus of the year was on launching the Spa product line. These products have been specifically designed and blended for our Spas and are used in our treatments. Our natural range of products are therapeutic by nature and contain Indian herbs, pure essential oils, lipids, clays, mud, salts and flower waters all of a botanical source. The pottery exclusively designed for our Spas is toxin-free and completely eco-friendly.

Product Upgradation

Continuing with its ongoing programme of investing in renovation and upgradation of its properties, the Company further invested resources to upgrade rooms and suites and Taj Mahal Palace and Tower, Mumbai, Taj Palace, Delhi, Taj Holiday Village, Goa, Fort Aguada Beach Resort, Goa and Jai Mahal Palace, Jaipur. Some key public areas were taken up during the year including the Ballroom at Taj Mahal, Mumbai, and lobbies at Jai Mahal, Jaipur and Taj Holiday Village, Goa. Renovation work in hotels of associate companies continued, with the renovation in Taj Residency, Bangalore being completed and three floors in President Hotel being undertaken.

Guest Experience

IHCL is committed to enhancing Guest experience by improving the product and service levels so that they are best in class. Towards this objective the Company has continued its efforts and this has resulted in several key initiatives being taken in terms of service and product aspects. The hotel concierge service was further reinforced through on-site training by expert international trainers and enhanced technology. The concierge service has been received well by our guests and has been a significant value addition. The continuing efforts in training our Food & Beverage associates in the skills required for sommeliers and bartenders has significantly improved the guest experience in our restaurants. Similarly, various product refinements were introduced in the hotels covering the entire aspect of floral arrangements, lighting aroma etc.

In IHCL's quest to benchmark against the world's finest hotels the services of world renowned international firm was retained to refine the Taj brand standards. This will enable IHCL to establish a unique identity in its endeavor to clearly differentiate the brand.

KEY MARKETING INITIATIVES

Marketing Alliances

During the year IHCL entered into some Marketing initiatives. The key amongst those were the marketing alliance with Silversea Cruises. Silversea is a well-known European cruise company known for defining elite luxury experience. This alliance will allow IHCL to develop cross promotional opportunities by leveraging each other's strengths in respective markets of dominance. Furthermore, the alliance will facilitate in building and strengthening brand exposure for both the Taj and Silversea Cruises. Other such alliances are also being pursued.

During the year, IHCL also tied up with Qantas Airline for their Frequent Flier loyalty program. The Qantas frequent flier program has 1.2 million members of which majority are Australia based. The alliance allows IHCL to have access to their data base and thereby gives IHCL an opportunity to do a customized communication in the Australian market. As part of this tie up, the frequent fliers can earn 1000 miles per stay at participating Taj hotels in India. In addition, we also signed up with KLM and American Airlines. The total number of such airline alliances are now fifteen.

Launch of Taj Brand Campaign

The Taj brand campaign was launched in the US market in January, 2007. The campaign has two distinct elements namely the 'Perspectives' and the 'Portraits'. While the former captures the jewel like individuality of the Taj in an unusual composition, the latter focuses on specific features of the Taj by showing unique and aspirational enjoyment of unusual pursuits or experiences.

Launch of Taj EasyPay

Taj EasyPay is a unique billing & payment solution designed for the Taj Bill-to-Company Corporate in association with American Express Bank Ltd. Taj EasyPay will be used by the bookers at the Bill-to-company corporate. The Taj EasyPay will help Taj send the bills to the correct person and also collect monies on time i.e. within six days viz-a-viz the current sixty days average. This program also aims at uniquely tracking the bookers which in turn helps in cleaning our databases.

Development of Virtual Tours on www.tajhotels.com

Virtual Tours for a total of 40 hotels went live in a phased manner this year on our website. These are hosted on the Taj website, used in promotional emails, and also sent to customers with reservation confirmations and query responses, and will serve to up sell our hotels. Also the Taj Brand Campaign was showcased on the home page of the website in order to create larger awareness of the brand and also to elevate the look and feel of the web site. Work has also been initiated to refresh and enhance the Press Room in order to make it more interactive, vibrant and visually attractive.

ORGANISATION'S MAIN CHALLENGES, RISKS & OPPORTUNITIES & FUTURE PLANS

IHCL is poised strategically to take advantage of:

- Rapidly growing market in India, South Asia and key gateway cities in source-market destinations.
- Expansion in international destinations with top-of-the-line luxury and leisure properties.
- Meeting growing demand in the budget and mid-market segments.
- Extending the product portfolio into related offerings viz. luxury residences, wildlife lodges and spas.

THREATS

The threats identified by IHCL are related mainly to the markets in which IHCL operates and general factors related to the tourism industry. Significant among these are:

- Appreciating Indian Rupee vis-à-vis the US Dollar resulting in lower realisation on foreign exchange earnings.
- Cheaper international airfares increasing affordability of travel to international destinations, especially South East Asia, Europe and Australia.
- Growing presence of international hospitality chains competing in the luxury and business segments to meet excess demand situation.

RISKS & CONCERNS

Industry Risks

Hotel business in general is sensitive to fluctuations in the economy. The hotel sector may be unfavourably affected by changes in global and domestic economies, changes in local market conditions, excess hotel room supply, reduced international or local demand for hotel rooms and associated services, competition in the industry, government policies and regulations, fluctuations in interest rates and foreign exchange rates and other natural and social factors. Since demand for hotels is affected by world economic growth, a global recession could lead to a downturn in the hotel industry.

Socio-political risks

In addition to economic risks, your company faces risks from the socio-political environment, internationally as well as within the country and is affected by events like political instability, conflict between nations, threat of terrorist activities, occurrence of infectious diseases, extreme weather conditions and natural calamities, etc. which may affect the level of travel and business activity.

Company specific Risks

The Company specific risks remain by and large the same as enumerated last year. These are:

Heavy Dependence on India

A significant portion of your Company's revenues are realised from its Indian operations, making it susceptible to domestic socio-political and economic conditions. Moreover, within India, the operations and earnings are primarily concentrated in hotel properties in five cities.

Dependence on the high-end Luxury segment

Luxury hotels contribute a significant proportion of the total revenue and earnings of your Company. This segment is affected by the international events and travel behaviour and suffers from high operating leverage.

Competition from International Hotel Chains

The Indian subcontinent, South East Asia and Asia Pacific with high growth rates have become the focus area of major international chains. Several of these chains have announced their plans to establish hotels to take advantage of the demand supply imbalance. These entrants are expected to intensify the competitive environment.

Increased outbound travel

Recent competitiveness in international airfares and strengthening of the Indian Rupee resulted in destinations like Europe, South East Asia and Australia becoming more affordable to the average Indian traveler. This has increased outbound travel and presents a risk to the domestic segment for leisure resorts.

High Operating Leverage

The industry in general has a high operating leverage which has further increased with on-going renovations and product upgrades. However, it has been observed that the Company has been able to earn higher revenues with acceptance of its products in the market and improved economic conditions.

Foreign Exchange Fluctuation Risks

The Company has a significant exposure to currency fluctuations with a large portion of its revenue denominated in foreign currency, particularly US Dollars. Appreciation of the Indian Rupee against foreign currencies may affect realisation of foreign currency sales.

The Company also has a portfolio of foreign currency debt, in respect of which it faces exposure to fluctuations in currency as well as interest rate risks.

RISK-MITIGATION PLAN

IHCL employs various policies and methods to counter these risks effectively, as enumerated below:

- To reduce the geographical and economic risk, your Company is looking at increasing its presence internationally in key gateway cities and resorts in South East Asia and the Indian Ocean rim.
- To counter the risk of dependence on the high end luxury segment, your Company is entering the mid-market segment which is comparatively insulated from political and social changes in India.

- To successfully counter the risk from growing competition and new properties, your Company is renovating and repositioning all its key properties. It is also improving its service standards in consultation with international experts to provide exceptional service consistently across its hotels.
- Your Company aims to control its operating and financial leverage, by expansion through management contracts and leveraging the strengths of its associates.
- Your Company closely monitors foreign currency exposures and hedges in consultation with its advisors. Net exposures, including those from derivative instruments, are kept at acceptable levels and within overall limits approved by the Board. These exposures are subjected to regular reviews.

FUTURE PLAN

On the backdrop of a successful year, the outlook for the hotel industry in the coming year remains bullish. With the number of tourist arrivals expected to go upto 10 million by 2010, the interest in India as a leisure destination has tremendously gone up. This will drive tourist traffic into India. Further, the general economic conditions in most industrial sectors remain bullish for the coming year. This will drive business travel into India which will benefit the hotel industry. Certain major events like the Commonwealth Games planned in Delhi in 2010 would require addition to the additional inventory of rooms which would again help the hotel industry.

IHCL would aggressively pursue its strategy both in the domestic as well as the international market at different price points from the Smart Basic Hotels to the luxury segments. With its leadership position in most markets in the luxury and leisure segments, IHCL expects to achieve sustainable and profitable growth in the coming years.

STRATEGIC SHORT TERM AND LONG TERM GOALS

Strategic Challenges	Strategic Objective	Short Term Action Plans 1-2 years) Initiatives	Long Term Action Plans (3-5 years) Initiative
<p>1) <u>Business</u></p> <ul style="list-style-type: none"> • Establishing Taj as a significant global brand • Continuing to dominate the domestic market • End- to- End Project Management 	<ul style="list-style-type: none"> • Strategic International Presence • Domestic Dominance • Competitive Leadership • Superior Financial Performance • Brand Building 	<ul style="list-style-type: none"> ▪ Resource mobilisation by leveraging Taj Group Balance Sheets ▪ Thus, bifurcate resources for international and domestic markets ▪ Explore partnership opportunities for growth in India with real estate players and pursue growth through management contracts ▪ Judicious selection of International markets for entry ▪ HR solutions for talent retention/reward and talent attraction ▪ IT solutions to ‘wire’ the organisation ▪ Invest behind a robust customer loyalty program ▪ Room inventory expansion to match market growth ▪ Maintain RevPAR leadership in the cities ▪ Work towards maintaining highest Brand Equity score with respect to competition ▪ Strengthen existing Spa facilities ▪ Building enhanced capability for project execution 	<ul style="list-style-type: none"> ▪ <u>Domestic</u> <ul style="list-style-type: none"> – Invest behind growth of ‘Ginger’ – Roll out the ‘Gateway’ brand strategy – Rapid roll out of new generation Business hotels – Complete renovation program – Enter new high end Luxury Destinations – New Management Contracts – Roll out of brand restructuring strategy ▪ <u>International</u> <ul style="list-style-type: none"> – Entered New York, Boston and Sydney – Entering Cape Town, Johannesburg – Taj Exotica & Resorts in Dubai, Phuket and Doha – Looking at China, West Coast – Reposition and upgrade St. James – New Management Contracts

<p>2)Operational</p> <ul style="list-style-type: none"> • Creating brand differentiation through unique Taj experiences and operational excellence 	<ul style="list-style-type: none"> • Operational Excellence • Brand Loyalty & Customer Relationship • Brand Building 	<ul style="list-style-type: none"> ▪ Implement HACCP / OSHAS / ISO 14001 in the remaining properties ▪ Implement TPAM across all units 	<ul style="list-style-type: none"> ▪ Leveraging technology as an enabler to deliver world class hospitality ▪ Partnership with international signature restaurants and signature celebrity Chefs
<ul style="list-style-type: none"> • Infusion of technology in S&M and hotel operations 	<ul style="list-style-type: none"> • IT –enabled front & backend operations • Unique Taj Experience 	<ul style="list-style-type: none"> ▪ Implement active directory services ▪ Implement MS Exchange Email Technology to replace Linux 	<ul style="list-style-type: none"> ▪ Overhaul of front-end systems (CIS and CRS) ▪ Create systems for linking global distribution with CRS Implement Orion (SAP) in the rest of the Taj properties
<p>3) <u>Human Resource</u></p> <ul style="list-style-type: none"> • Talent Retention and Career Planning (to match the growth and expansion plans) 	<ul style="list-style-type: none"> • Creating & Managing Talent Pool of Taj Global Managers • Competent, High Performance workforce 	<p>HR PLAN FOR SUPPORTING ABOVE GOALS</p> <ul style="list-style-type: none"> ▪ Identification of potential leaders ▪ Cultural Sensitivity training ▪ Implementation of competency based training program ▪ Refine and re-launch the Performance Monitoring systems <p>Strategic Alliances with premier educational institutes – Cornell, IIMs, Lausanne, Les Roches, SP Jain, NMIMS</p>	<p>HR PLAN FOR SUPPORTING ABOVE GOALS</p> <ul style="list-style-type: none"> ▪ International Talent Swaps ▪ Effective succession planning Mentoring Programmes

VIEWS ON PERFORMANCE WITH RESPECT TO TARGET

Revenues:

The total income of the Company increased by 40% from Rs. 1154.80 crores to 1618.83 crores. Of the total increase, Rs. 148.93 crores was on account of amalgamation of five companies into the Company. The Room Revenue increased by 50% from Rs. 563.44 crores to Rs. 845.10 crores which included the impact of Rs. 88.59 crores on account of merging companies. The average room rate (ARR) increase by 29% from Rs. 7186 to Rs. 9234.

The Food & Beverage (F & B) revenue increased by 28% from Rs. 406.60 crores to Rs. 521.20 crores which included the impact of Rs. 41.90 crores on account of merging companies.

Operating expenses:

The operating expenses increased by 22% from Rs. 804.64 crores to Rs. 983.14 crores which included Rs. 37.63 crores being the impact of merging companies. The increase was mainly on account of payroll to keep in line with competition and industry, increase in advertisement and general administration expenses. Operating revenue expenses were in line with the increased volume of business. The increased advertisement expenses are an endeavour to make Taj a global brand and create awareness of its rapid international expansion.

Earnings before Interest Depreciation Tax and Amortization (EBITDA):

The EBITDA increased by 78% from Rs. 358.26 crores to Rs. 637.97 crores which included Rs. 112.21 crores being impact of merging companies.

Interest costs and Depreciation:

Interest cost increased from Rs. 20.36 crores to Rs. 71.89 crores due to acquisition of loans of Rs. 414.03 crores from merging companies.

Profit Before Tax:

Profit before tax, increased from Rs. 272.00 crores to Rs. 474.64 crores, an increase of 75% which included Rs. 47.87 crores on account of merger.

Profit After Tax:

Profit after tax for 2006/07 increased by 75% over that of 2005/06 from Rs. 183.78 crores to Rs. 322.39 crores.

Balance Sheet

Working Capital:

The Company implemented various initiatives like inventory scheduling, new improved policies on receivables management, and strengthening of cash management systems in order to reduce its net working capital to Rs. 53.64 crores.

Fixed Assets

The gross fixed assets increased by Rs.197.45 crores due to renovations carried out in some of the properties and incremental spends on Greenfield projects.

Investments:

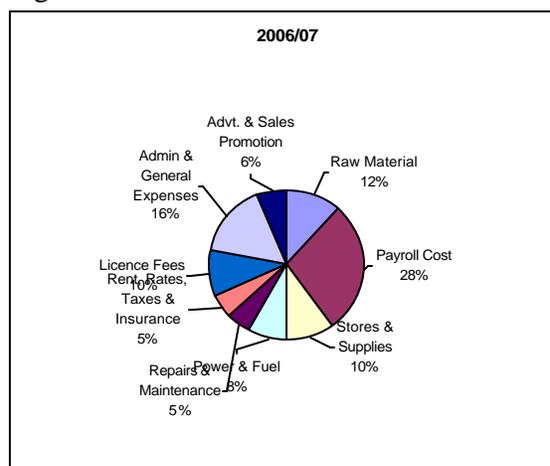
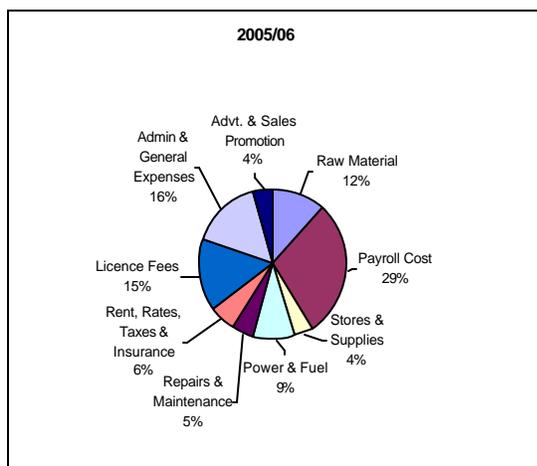
Investments increased by Rs. 306.23 crores from Rs. 656.57 crores in 2005/06 to Rs. 962.80 crores in 2006/07. Investments during the year were made mainly in International Hotel Management Services Inc., the US subsidiary to acquire Ritz Carlton in Boston, Roots Corporation Ltd. and Taj Asia Ltd for acquisition of land for a proposed ‘Taj Exotica’ hotel in Phuket, Thailand.

Financing:

The gross debt increased from Rs. 544.34 crores in 2005/06 to Rs. 943.94 crores in 2006/07 as debt of Rs. 414.03 crores was acquired from the merging companies.

Composition of costs

The increased focus on costs has helped the Company to achieve a substantial jump in Gross Operating Profit.



Results of Operations – IHCL Consolidated Results

IHCL has Consolidated its Financial Statements with those of its Subsidiaries, Joint Ventures and Associates (together referred as ‘Group Companies’ or ‘Group’) in accordance with generally accepted accounting practices prevailing in India. The Consolidated statements include the financial position of Subsidiaries by line items to the extent of proportionate holding and Associates by a one-line consolidation of share of profit after tax. A synopsis on the performance of Consolidated entities is presented below:

Profit and Loss Account:

The consolidated operating results reflect the strength of the entire portfolio of hotels through IHCL’s Group companies. The Group’s business, managed entirely by IHCL, grew in line with the market dynamics discussed earlier. Total income increased by 39% over the previous year to Rs. 2665.87 crores from Rs. 1914.18 crores. Profit Before Tax improved significantly by 49% with increase in operating margins. Profit after tax, including share of profit from Associates and after eliminating minority interest in profit/losses, improved substantially from Rs. 248.74 crores in 2005/06 to Rs. 369.93 crores in 2006/07, an increase of 49%. Earnings per share diluted for conversions of FCCBs improved from Rs. 4.24 to Rs. 6.14.

Balance Sheet:

Consolidated net worth of Group companies, increased by Rs. 164.75 crores to Rs. 2089.45 crores in 2006/07, of which Rs. 12.76 crores was on account of conversion of FCCBs. Consolidated debt increased by Rs. 559.35 crores over the previous year to Rs. 2060.30 crores, resulting in the consolidated Debt-Equity ratio increasing from 0.78 in 2005/06 to 0.99 in 2006/07. Net Fixed Assets increased by Rs. 1100.68 crores while Net Current Assets reduced by Rs. 232.85 crores to Rs. 47.59 crores.

APPROACH FOR ORGANISATIONAL SUSTAINABILITY

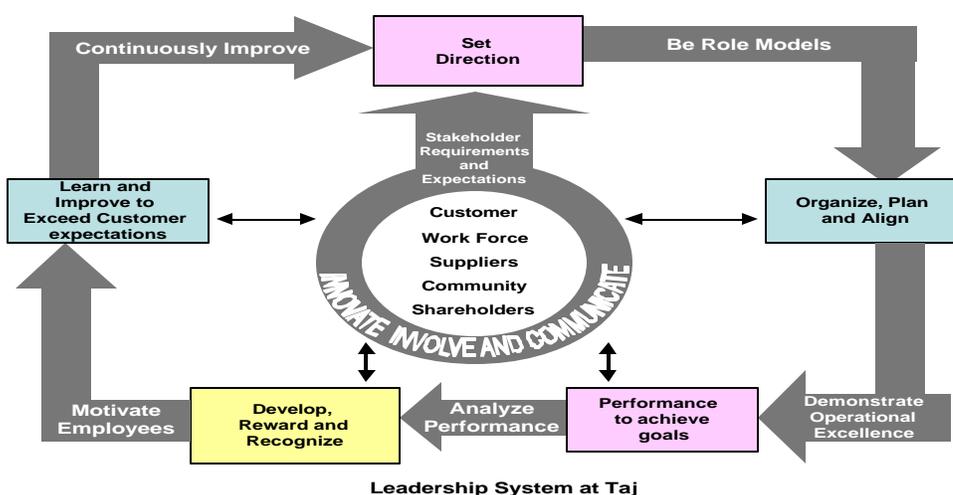
Taj recognizes the great importance of sustainable growth: the creation of financial, social and environmental value. By striking an equitable balance between these three pillars, Taj wishes to realize its business objectives while respecting the opportunities for future generations to meet their own needs, in particular the need for mobility, income, good working conditions, self development and a high quality of life. The Indian Hotels Co. Ltd. (IHCL) (referred to as Taj) is a part of the Tata Group whose group purpose is to improve the quality of life of the communities we serve. This is to be achieved through leadership in sectors of economic significance and by evoking trust amongst the stakeholders by returning to them and the society what we earn.

Sustainability is addressed through a three-tiered approach. First, senior leaders focus the organization on a strong Vision and direction to provide all employees with a basis for decisions. Policies on

environment and governance practices is laid down by the leadership team and is kept relevant by updating it with business requirement. Second, a strong process orientation is emphasized by the organization to reinforce standardized approaches and consistent results. Third, a sense of accountability for performance is built in to the organization through the measurement system and review structure. This reinforces the environment of performance improvement. Innovative approaches to improving the organization is encouraged at all levels. Innovations is one of Taj' core values.

EXPECTATIONS AND PRIORITIES OF KEY STAKEHOLDERS AND TAJ'S APPROACH

Taj deploys its Vision and game plan through parameterization into Corporate, SBU and unit level performance measures which are reviewed through the monthly MIS. Also the comparative



performance assessment of various departments with reference to the laid goals and targets is done through the Daily Business Reports (DBR) and Financial Controller's review and the BSC review.

The leadership system of the Taj is depicted in Fig above. It is focussed towards balancing stakeholder value which is at the heart of the system. The expectations of each of these stakeholders are presented in the organizational profile section of this application.

PROCESS FOR ORGANISATIONAL LEARNING

IHCL continues to take significant steps to enhance guest experience by improving the product and service levels to be in line with the best-in-class hotels. The SBUs redefined the Brand Standards, infusing international trends to ensure that the international hotels are abreast of global hotels, while domestic Luxury hotels lead the luxury category. Globally acclaimed trainers were retained to train for competencies in personalized services such as personal butler services, concierge, sommeliers and bartenders. Further, cultural sensitivity training programs were conducted for employees.

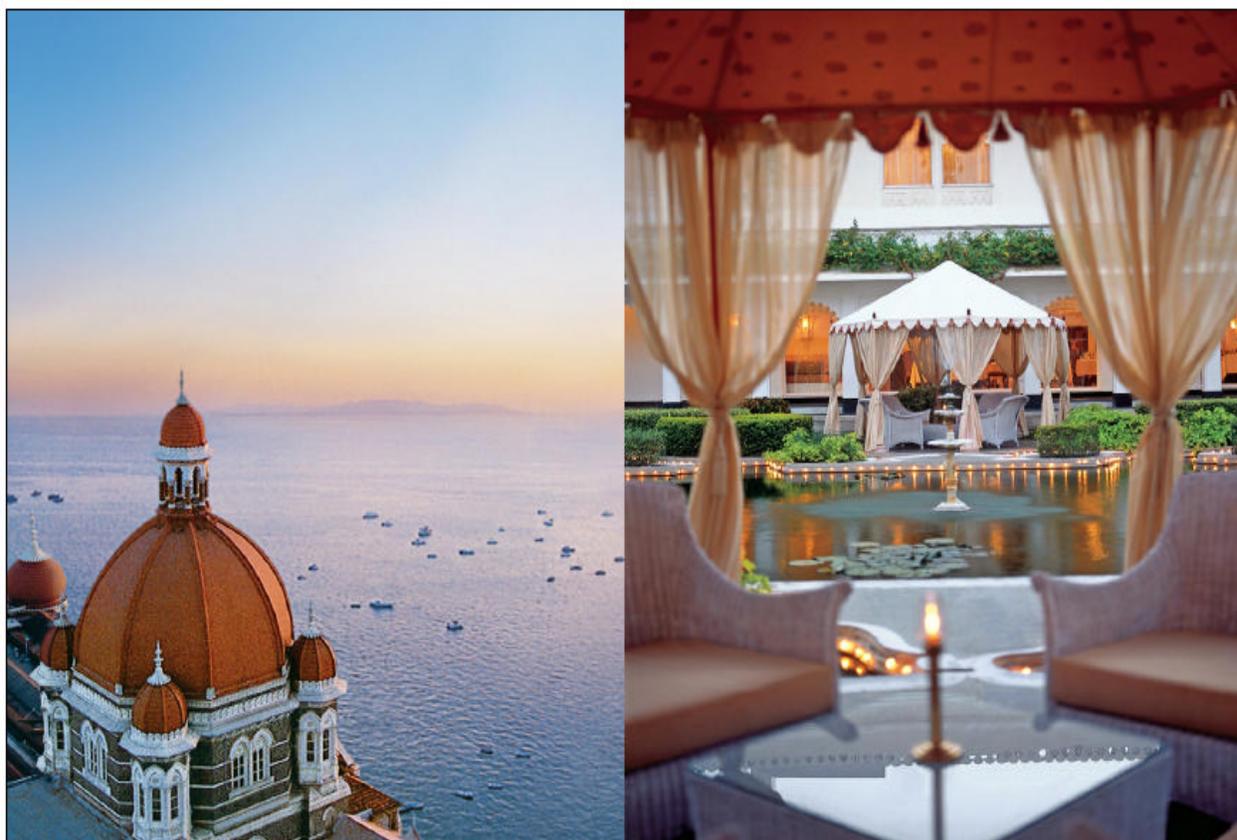
An online Customer Feedback System (CFS) and Guest Satisfaction Tracking System has been successfully implemented in all hotels in the Taj Group. These online systems allow guest to record their feedback on the entire gamut of products and services being offered by the Taj hotels, at their convenience. A newly launched CFS data-warehouse ensures that the customer data reaches the user departments and learning from customer feedback is incorporated into practice and processes streamlined where necessary.

A robust process of Mystery Shopper Audits ensures audits the consistent delivery of brand standards and services.

IHCL uses Tata Business Excellence Model (TBEM) as a framework to assess and diagnose the learning opportunities in all enterprise processes and the operational processes. The TBEM assessment report forms the basis for making annual improvement action plans. IHCL scored more than 500 points after its first assessment and is the recipient of the TBEM Award for Active Promotion.

IHCL also underwent the Corporate Governance assessment as part of the TBEM process.

Corporate Sustainability Report 2006 – 07 Taj Hotels Resorts and Palaces



Profile of the Reporting Organization

PROFILE OF REPORTING ORGANISATION

Reporting Organization, primary brands, products & services

The Indian Hotels Company Limited is the largest hotel, leisure and hospitality company in South Asia. The company's hotel business emphasizes the global operation of hotels & resorts primarily in the luxury, premium, full service and value segments. The Indian Hotels Company and its subsidiaries are collectively known as Taj Hotels Resorts and Palaces. The company's brand names include Taj Hotels Resorts & Palaces (Taj) & Ginger. The Taj is organized around four SBUs: Luxury (International & Domestic), Leisure, Business and allied services. The SBUs hold common key core values but stand for different experiences appealing to different consumer segments and have portfolios that include owned, leased and managed



hotels totaling 78 hotels in 15 countries on 5 continents with around 9500 rooms.

Incorporated by the founder of the Tata Group, Jamsetji N Tata, the company opened its first property, The Taj Mahal Palace Hotel, Bombay, in 1903. The Taj, a symbol of Indian hospitality, completed its centenary year in 2003

Products & Services

Rooms : The rooms form the major part of Taj’s product. These are designed to create the best stay experiences for the guests. Facilities such as health club & Spa, Butler service, concierge, business centre, laundry service, restaurant & travel services further enhances the guest experience. Taj’s luxury serviced apartments, the first such product in south Mumbai, and the wild life lodges in Bandhavgarh & pench represents the pioneering spirit of Taj.

Restaurants : Taj has been a trendsetter in introducing new and innovative culinary concepts, taking the dining experience to a new level. The Gourmet restaurant and elegant bars are designed to create a unique ambience for our guests. Several of our restaurants have won awards over the years. Dedicated to highest standards of hospitality, service and continuous innovation for over hundred years, The Taj Group of Hotels (Taj) was the first to introduce Japanese, Sichuan, Thai, Italian, Mexican, and Californian cuisine in India. In 1972, it was the first to open a 24-hour coffee shop in India at the Taj Mahal Palace & Tower, Mumbai. Today, each restaurant is reflective of that tradition, setting benchmarks for an outstanding culinary experience





Banqueting & Conferences: Most Taj properties have extensive and well appointed indoor and outdoor banquet/conference facilities. These are suited to a variety of functions such as seminars, conferences, workshops, special venues for launches of products, social & cultural events. Each of these products & services are aligned to the brand standards of respective strategic business unit.

Main divisions of Taj.

Taj Luxury Hotels (Domestic & International)

Taj Luxury Hotels capture the essence of the Taj experience and are synonymous with lavish accommodations and unrivalled service. With vantage locations in every city, each hotel offers luxuriously appointed suites and rooms, gourmet specialty restaurants and bars, state-of-the-art business facilities, modern fitness centres, rejuvenating spas, and well equipped banquet and meeting facilities.

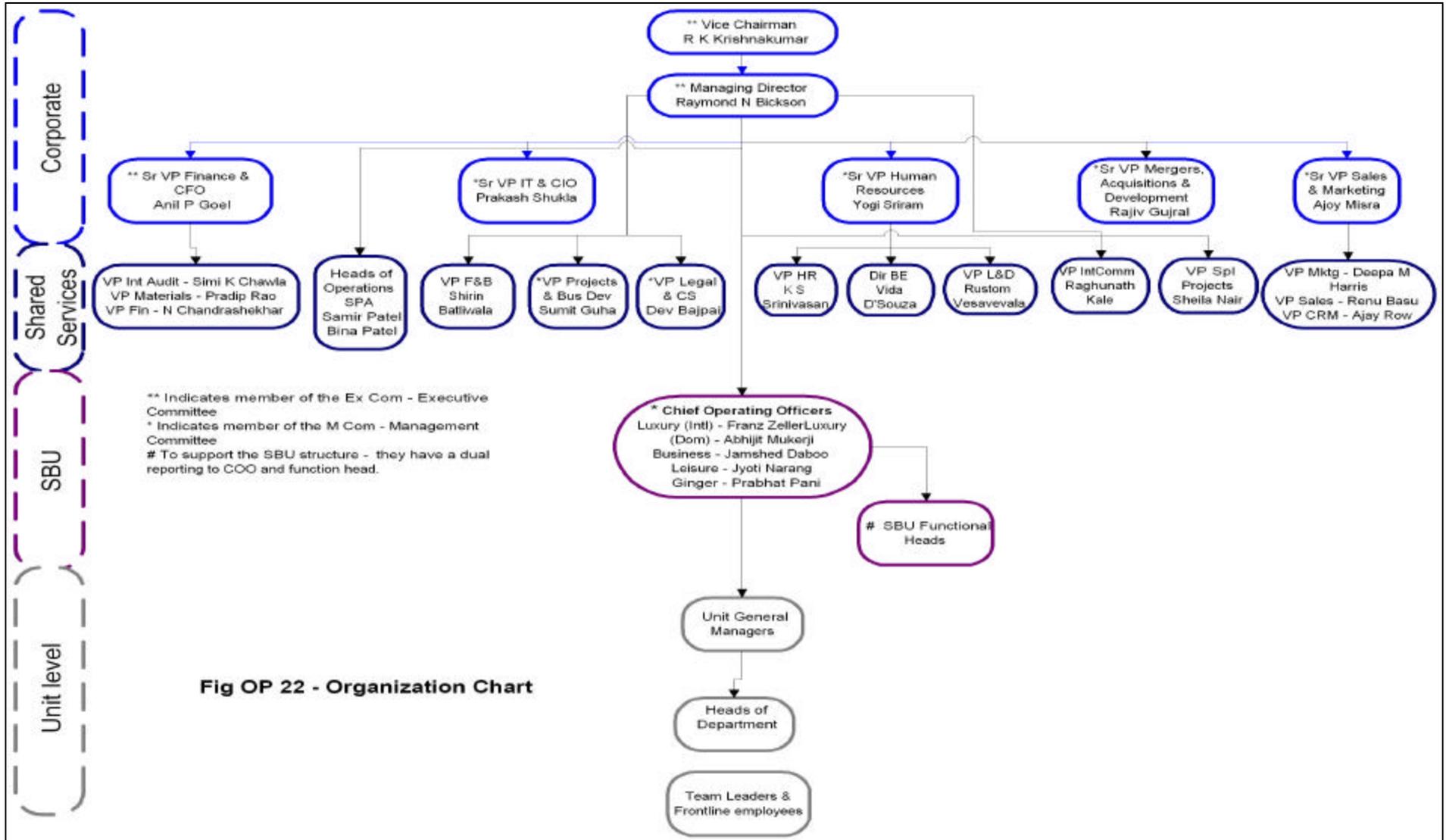
Taj Leisure Hotels

Taj Leisure Hotels include idyllic beach resorts, genuine palaces, turn-of-the-century garden retreats, and historic and pilgrim centres. Showcasing the best of every destination, Taj Leisure Hotels are replete with adventure, romance, comfort, and style.

Taj Business hotels

Located in the heart of India's key commercial cities and towns, Taj Business Hotels provide modern conveniences and spacious comfort for both leisure and business travellers alike. Vibrant and progressive, they retain the warmth and spirit of India while offering multi-cuisine restaurants and contemporary business facilities.

2.3 Operational Structure of the Organization



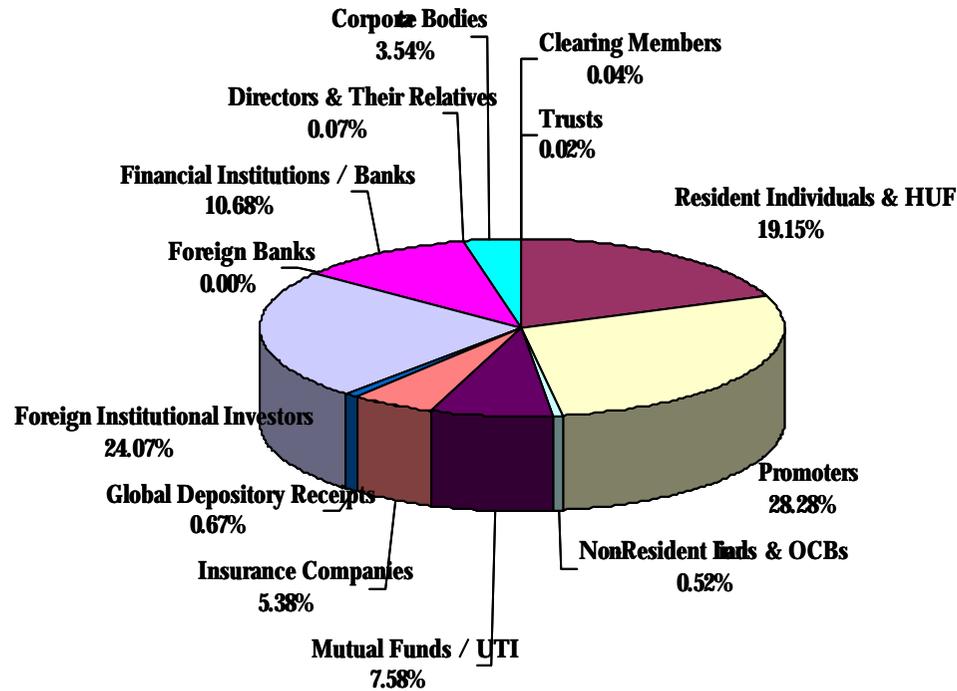
Mandlik Road
Mumbai
India – 400001

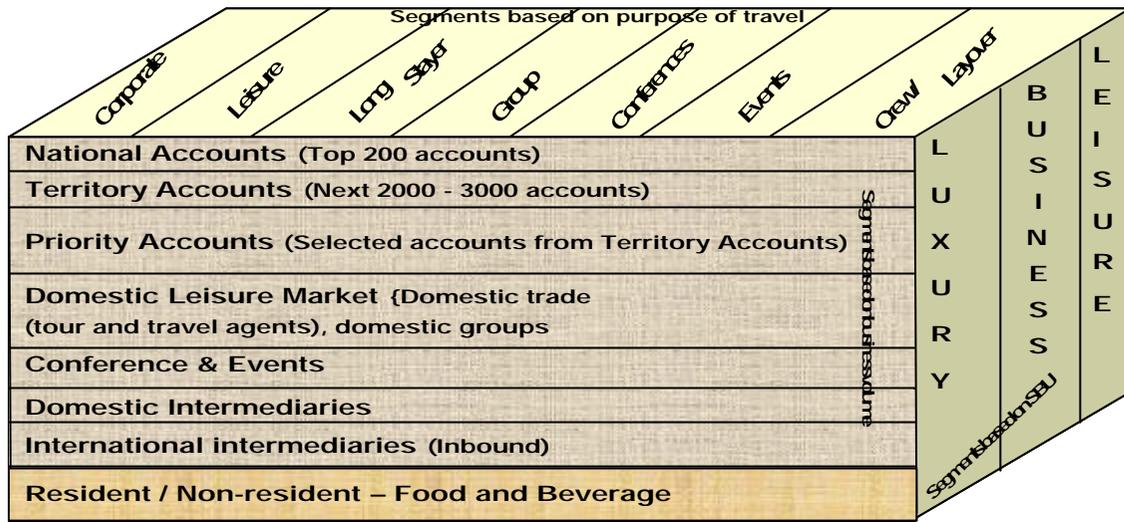
2.5 Countries in which the organizations operations are located

The Taj Group has hotels in India, Sri Lanka, Maldives, Dubai, Yemen, Mauritius, Malaysia, Zambia, UK, US and Australia.

2.6 Nature of Ownership : Distribution of Shareholding as on March 31, 2007

Shareholding Pattern as on 31st March, 2007.





Customer Segments for Taj

Taj has established its sales and PR network in the key national & international locations relevant for Taj shown below.

International Sales and PR Network...



Strong National Network



Employee detail.....

Employee Category	Employee Strength	Education levels	Job diversity
Executive			
- Sr Mgmt	220	Hotel Mgmt Graduates, Graduates, Post-graduates, MBAs, CAs, Engineering Graduates, IT diploma holders	Corporate functions, Unit GMs, Chefs, F&B Mgrs, Security Managers, Accommodations heads & others
- Middle Mgmt	1322		
- Jr Mgmt	1606		
Staff			
- Permanent	7245	Matriculation, 12 th standard pass, Vocational training in hotel mgmt & engineering	Operational (Housekeeping, Front Office, Engg, Laundry, Kitchen, F&B e tc) Support (IT, HR, Fin etc)
- Fixed Term Contracts	3653		
- Trainees & probationers	707		
Outsourced	4351	Up to High school level, specialized technical training	Engineering, Kitchen Stewarding, Security, Public Area,
Apprentices	1634	High school level	F&B, HK, Kitchen, Engg
Total	22066		

Employee Profile & Education levels

The following fig presents the balance sheet review for Indian Hotels Co. Ltd. & the total assets & the debt equity ratios along with other key ratios.

Balance Sheet Review - 2006/07



Rs. Crores	As on March 31, 2007	As on March 31, 2006
Sources of Funds		
Share Capital	60.29	58.41
Reserves & Surplus	1738.39	1657.83
Loan Funds	943.94	544.34
Trade Deposits	15.28	36.38
Deferred Tax Liability	135.40	80.05
Total	2893.30	2374.38
Application of Funds		
Fixed Assets	1471.57	891.97
Investments	962.81	656.57
Long Term Deposits	403.90	385.69
Net Current Assets	53.64	440.15
Miscellaneous Exp	1.38	2.63
Total	2893.30	2374.38

Particulars	As on March 31, 2007	As on March 31, 2006
Debt Equity Ratio	0 : 52	0 : 32
Return on Capital Employed	13.7%	8.7%
EBITDA Margin	39.1%	29.6%
Net Profit Margin	19.9%	15.9%
Return on Net Worth	17.9%	10.7%

In
with

- 23 properties added by Taj Group in last 5 years

line
the

2002 & 2003	2004	2005	2006		2007
Taj Lands End 368 Rooms	Taj Exotica, Mauritius 65 Rooms	The Pierre, New York 201 Rooms	Blue, Sydney 100 Rooms	Ginger, Pune 101 Rooms	Taj Boston, Boston 273 Rooms
Usha Kiran, Gwalior 38 Rooms	Wellington Mews 80 Rooms	Umaid Bhavan 26 Rooms	Taj Langkawi 104 Rooms	Ginger, Mysore 100 Rooms	Baghvan, Pench 12 lodges
Taj Residency, Vadodara 84 Rooms	Rawalkot, Jaisalmer 31 Rooms	Taj Chandigarh 152 Rooms	Ginger, Haridwar 101 Rooms	Ginger, T'wandrum 101 Rooms	Campton Place, San Francisco 110 Rooms
	Ginger, Bangalore 101 Rooms	Green Cove, Kovalam 57 Rooms	Gateway, Surat 132 Rooms	MahuaKothi, Bandhawgarh 12 lodges	
			Ginger, Bhubaneshwar 101 Rooms		

positioning strategy of “Taj” Brand in international markets, exited from the following

Management Contracts :

- Dennis Island, Seychelles
- Sohar Beach, Oman
- Taj Sheeba, Saa’na

2.10 Awards received in the reporting period.

Though there were many awards that Taj Received during the period. Some of them have been presented below.

Taj Hotels Resorts and Palaces

- Taj is the winner of the Reader's Digest Trusted Brands Platinum Award for the Hotel Category in India in 2007.
- The Senses Visions Award 2007 – Taj Spa, Taj Hotels Resorts and Palaces of India.
- Frost & Sullivan Award: 2006 Indian CEO Choice for The Most Preferred Group of Hotels. Frost & Sullivan presents its CEO Choice Awards to companies that are rated highest in various product and service categories by members of Frost & Sullivan’s Enterprise Leadership Forum. The members of this forum are Chief Executive Officers and Presidents of leading businesses in India. We survey these decision makers regularly to benchmark their

- At the recent Worldwide Sales and Marketing Conference of The Leading Hotels of the World Ltd. (LHW) held in Athens, the Taj Hotels Resorts and Palaces' Grand Palaces campaign was presented with the Chairman's Award 2006 for the 'Best Advertising Campaign'.
- Group Awards - The Taj is India's Most Trusted Hotel Brand - Readers Digest Trusted Brands Awards 2006
- The Economic Times - Brand Equity's Most Trusted Brands Survey - Taj Hotels is First in the Hotels & Food Services Rankings
- LHW Chairman's Award 07 for the Best Advertising Campaign for the Mauritius and Maldives Campaign.



Taj has been reporting on sustainability for its Luxury business division since four years, but the combined reporting for Luxury, Leisure & Business division, taken together is being done for the first time. The data and performance indicators in this Report cover the period April 1, 2006 to March 31, 2007, except for certain sections on Highlights, Awards and Certifications which include more recent updates. The Company publishes the Sustainability Report annually and the immediately preceding Sustainability Report was published in 2006 covering the period April 1, 2005 to March 31, 2006.

The reporting principles and methodology of this Report are in accordance with GRI guidelines' 3rd revision - G3. The relevant technical protocols have been followed for reporting the core indicators as well as the additional indicators.

Taj is headquartered at: Mandlik House, Mandlik Road, Mumbai 400001. For additional copies of this Report or any clarifications, please write to Rajiv Kumar, 15/17 N F Road, Oxford House, Appolo Bunder, Colaba, Mumbai 400001 . E mail – rajiv.kumar@tajhotels.com or foram.nagori@tajhotels.com

PROCESS FOR DEFINING REPORT CONTENT & BOUNDARY (Club)

The Report covers performance of all the businesses and units under . Luxury(Domestic), Leisure and Business division(referred to as SBUs) of Taj Group of Hotels. The corporate team is common for all three SBUs. The Company's corporate leaders and the SBU (strategic business units) assess their set of stakeholders, who either have a major interest in or are substantially affected by the performance of any of these businesses or units. Senior leaders from corporate and units regularly engage with various stakeholders and a summary of this engagement is provided in strategy reporting part of the Report.

Sustainability and sustainable development are integral parts of Tata Group ethos and Taj Vision & values, which is nurtured through various policies and initiatives launched in the three SBUs to enhance the Triple Bottom Line of economic, social and environmental accomplishments. This 'Triple Bottom Line' performance is reported 'in accordance' with GRI - G3 guidelines. No stakeholder engagement is undertaken specifically for the purpose of Sustainability Reporting.

Performance of International Luxury Division, subsidiary companies and outsourced services is not included in the scope of this Sustainability Report. The performance of the International units of Business & Leisure division is not included in the Social & Environmental performances. The performances of the

The Report on economic performance is drawn from the Company's Annual Report 2007 & the analysis done by corporate finance for investors presentation. The Annual Report 2007 was prepared in accordance with the Companies Act, 1956 and has been audited by independent External Auditors – M/S S B Billimoria & Company & M/S N M Raiji & Company. The environment and safety data is compiled from actual operating data maintained by the various units(Hotels) of the Company. The social responsibility data has been collected from the operating data maintained by Corporate HR and the units.

This year the report includes Leisure & Business SBU along with the Domestic Luxury SBU. So the total number of units under the scope of reporting would change. The other changes in reporting have occurred due to the adoption of the G3 version of the GRI guidelines and relevant technical protocols in place of GRI 2002.

PricewaterhouseCoopers have been engaged to provide independent assurance for the data, processes, report contents and the applications as per GRI guidelines - version G3. The self-declaration on application level (A) and the assurance statement by PwC are available in the 'Annexure' section of this Report

GOVERNANCE COMMITMENTS AND ENGAGEMENTS : The overall tone direction and tone for corporate governance commitments & engagements is demonstrated by the thoughts of our visionary leaders & Tata Group Purpose as mentioned below.



"In a free enterprise, the community is not just another stakeholder in business but is in fact the very purpose of its existence"

J.N. Tata
Founder



half a century of industrial pioneering formed but a minute fraction of the amount by which they enriched the nation. The whole of that wealth is held in trust for the people and used exclusively for their benefit. The cycle is thus complete, what came from the people has gone back to the people many times over"

JRD Tata

TATA GROUP PURPOSE

Our purpose in Tata is to improve quality of life of the communities we serve. We do this through Leadership in sectors of national economic significance to which the Group brings a unique set of capabilities. This requires us to grow aggressively in focused areas of business.

Our heritage of returning to society what we earn evokes Trust among consumers, employees, shareholders and the community. This heritage will be

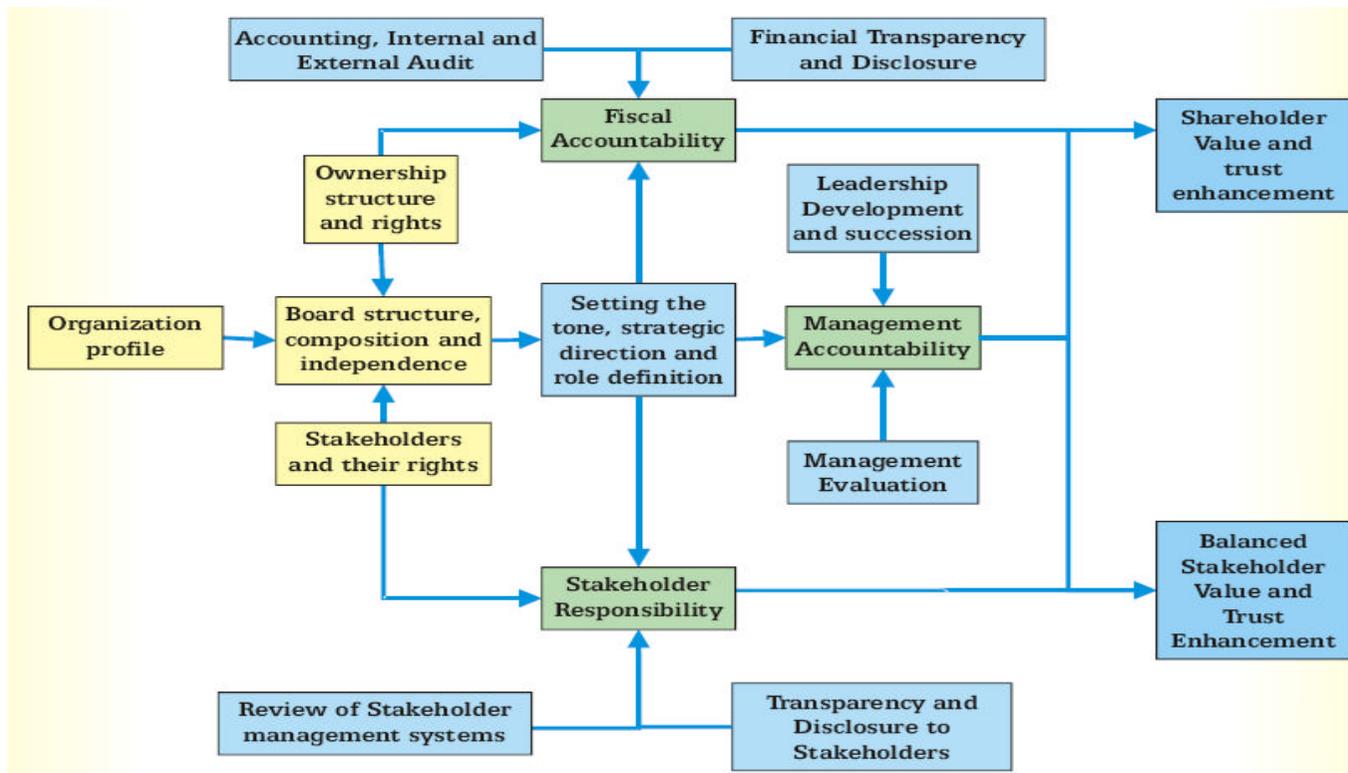
The Tata name is a unique asset representing Leadership with Trust. Leveraging this asset to enhance Group synergy and become globally competitive is the route to sustained growth and long term success.

Taj Philosophy on Corporate Governance is aligned to the Tata Group Purpose and thrives under a constantly changing environment. Corporate Governance encompasses good corporate practices, laws, procedures, standards and implicit rules that determine a Management's ability to take sound decisions with respect to its various stakeholders viz. its shareholders, creditors, partners, associates, employees and the Government. The objective of Corporate Governance is to maximize long-term shareholder value

through an open and transparent disclosure regime, enabling every stakeholder to have access to fullest information about the Company and its functioning. Taj is firmly of the view that Corporate Governance is not an end in itself but a facilitator in maximizing the objective of shareholder value. Taj embodies principles of Corporate Governance like openness, transparency, ownership fairness in its functioning to maximize shareholder value and also its own corporate values.

economic value for the shareholders, whilst concurrently respecting the interests of the other stakeholders.

The Company has complied with the provisions of Clause 49 of the Listing Agreement of the Stock Exchange, which deals with the compliance of Corporate Governance requirements. The generic approach to corporate governance at Taj is represented below.



The Board of Directors:

The Company's Board of Directors consists of a judicious mix of Executive, Non-Executive as well as Independent Directors. In keeping with SEBI's guidelines for listed companies, Non-Executive Directors comprise more than fifty percent of the Board of Directors, with the Chairman being a Non-Executive Director. The Directors possess experience in diverse fields ranging from hoteliering, architecture and the liberal arts, to banking, administration and finance. The experience and wisdom of the Directors who are stalwarts in their respective fields, have proved to be invaluable to the Company. The details of Directors and the committees are available in the annual report at our website www.tajhotels.com

						attended	on 04.08.2006
		Indian	Foreign	as Mem ber	as Chair man		
Mr. R. N. Tata (Chairman)	Promoter Non- Executive	13	10	-	-	7	Yes
Mr. R.K. Krishna Kumar (Vice Chairman)	Promoter Non- Executive	12	8	1	2	7	Yes
#Dr. J. J. Bhabha	Promoter Non- Executive	2	-	-	-	7	Yes
Mr. N. A. Soonawala	Promoter Non- Executive	5	-	-	2	7	Yes
Mr. S.K. Kandhari	Non- Executive Independent	-	1	-	-	7	Yes
Mr. K. B. Dadiseth	Non- Executive Independent	6	1	2	-	5	Yes
Mr. Deepak Parekh	Non- Executive Independent	11	-	2	5	3	No
Mr. Jagdish Capoor	Non- Executive Independent	4	-	2	2	7	Yes
Mr. Shapoor Mistry	Non- Executive Independent	11	-	4	-	6	Yes
@Mr. Tejendra Khanna	Non- Executive Independent	3	-	1	3	5	No
*Mr. Valli Moosa	Non- Executive Independent	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Raymond N. Bickson	Executive	9	7	3	3	6	Yes

*Resigned effective December 4, 2005

@ Resigned effective April 2, 2007

THE VARIOUS HOTELS / UNITS OF THE TAJ GROUP ARE TABLED AS UNDER :		
TAJ LUXURY HOTELS (DOMESTIC&INTERNATIONAL)	TAJ BUSINESS HOTELS	TAJ LEISURE HOTELS
THE TAJ MAHAL PALACE & TOWER HOTEL, MUMBAI TAJ LANDS END, MUMBAI	TAJ PRESIDENT, MUMBAI TAJ CONNEMARA, CHENNAI	TAJ EXOTICA, GOA FORT AGUADA BEACH RESORT, GOA
TAJ WELLINGTON MEWS LUXURY APARTMENTS, MUMBAI	TAJ RESIDENCY, BANGALORE	TAJ HOLIDAY VILLAGE, GOA
THE TAJ MAHAL HOTEL, NEW DELHI	TAJ DECCAN, HYDERABAD	FISHERMAN'S COVE, CHENNAI
TAJ PALACE HOTEL, NEW DELHI TAJ BENGAL, KOLKATA	TAJ BANJARA, HYDERABAD TAJ RESIDENCY, VISAKHAPATNAM	TAJ GREEN COVE, KOVALAM TAJ RESIDENCY, ERNAKULAM TAJ-VIEW HOTEL, AGRA
TAJ COROMANDEL, CHENNAI THE TAJ WEST END, BANGALORE	TAJ RESIDENCY, UMMED, AHMEDABAD TAJ RESIDENCY, CALICUT	TAJ GANGES, VARANASI
TAJ KRISHNA, HYDERABAD	TAJ RESIDENCY, LUCKNOW	HOTEL CHANDELA, KHAJURAO TAJ HARI MAHAL, JODHPUR
TAJ LAKE PALACE, UDAIPUR	TAJ RESIDENCY, AURANGABAD	TAJ MALABAR, COCHIN
RAMBAGH PALACE, JAIPUR	TAJ RESIDENCY, NASIK	JAI MAHAL PALACE, JAIPUR
UMMAID BHAVAN PALACE, JODHPUR THE PIERRE, NEW YORK	TAJ BLUE DIAMOND, PUNE	SAVOY HOTEL, OOTY
TAJ BOSTON, BOSTON	TAJ RESIDENCY, VADODRA	SAWAI MADHOPUR LODGE, SAWAI MADHOPUR
THE CAMPTON PLACE, SAN FRANCISCO TAJ EXOTICA RESORT & SPA, MALDIVES	TAJ RESIDENCY, CHANDIGARH	RAMGARH LODGE, JAIPUR
TAJ EXOTICA RESORT & SPA, MAURITIUS	CITY INN, BARAMATI THE AMBASSADOR HOTEL, NEW DELHI	THE GIR LODGE, SASANGIR
CROWNE PLAZA - ST. JAMES COURT, LONDON	GATEWAY, BANGALORE	USHA KIRAN PALACE, GWALIOR
51 BUCKINGHAMGATE LUXURY SUITES & APARTMENTS, LONDON	GATEWAY, SURAT	RAWAL KOT HOTEL, JAISALMER
TAJ PALACE HOTEL, DUBAI	MANJARUN HOTEL, MANGALORE	TAJ GARDEN RETREAT, MADURAI
	TAJ SAMUDRA, COLOMBO	TAJ GARDEN RETREAT, CONOOR
	AIRPORT GARDEN HOTEL, COLOMBO	TAJ GARDEN RETREAT, CHIKMAGLUR
	THE PAMODZI HOTEL, LUSAKA	TAJ GARDEN RETREAT, VARKALA
	BLUE, SYDNEY	TAJ GARDEN RETREAT, THEKKADY
		TAJ GARDEN RETREAT, KUMARAKOM
		KUTTEERAM, BANGALORE
		MAHUA KOTHI, BANDHAVGARH
		BAGHVAN, PENCH
		TAJ EXOTICA, BENTOTA
		TAJ CORAL REEF RESORT, MALDIVES
		REBAK MARINA RESORT, MALAYSIA

Expectations and priorities of key stakeholders and Taj’s approach in addressing them

Given the and the high contact service industry in which IHCL is operating, it wishes to have an equitable balance between its various stakeholders. The stakeholders identified by the group are Customer, Workforce, Suppliers, Community, Partners and Shareholders. IHCL has built in a number of processes to get the feedback from each of these stakeholders and address issues related to each of the stakeholder. The stakeholders have been identified based on impact of our operations.

Through the engagement process regular feedback is obtained from all the

Stakeholders	Area of impact	Key responses by Taj
Shareholders	<ul style="list-style-type: none"> Compliance with corporate governance best practices. Sustainable growth Market dominance Transparency of financial data. 	<ul style="list-style-type: none"> Ensure compliance to Tata Group Corporate Governance norms, and Upholding the spirit of Tatas & listing agreements Growth and expansion to ensure domestic dominance and international presence Superior financial performance in all segments Reinforcing and leveraging brand strength Corporate Restructuring (Merger of 5 Taj group companies into IHCL underway)
Customers	<ul style="list-style-type: none"> Guest satisfaction towards unique Taj experience Brand image and loyalty Guest safety and security Ethical standards in business 	<ul style="list-style-type: none"> Brand extension to create a wide range of products and services. Brand Restructuring plan Entering new destinations and source markets. Robust internal audit process (TPAM)
Employees	<ul style="list-style-type: none"> Attracting and retaining talent Employee satisfaction, recognition & commitment Diversity in employee profiles and career paths and ensure equal opportunity. Employee development. Career progression. Employee health and safety. 	<ul style="list-style-type: none"> Annual ESS and Biannual ESTS processes for tracking and enhancing employee satisfaction levels. Taj Performance Management System Recruitment (staff) from local group and communities EL Taj initiative for identifying and grooming potential leaders. HACCP, OSHAS initiatives, safety audits, drills and training at regular intervals. Employee engagement in environmental and social projects through ISO systems and volunteering in social initiatives.

stakeholders on issues pertaining to corporate sustainability. The key issues, the strategic objectives to address the issues and the stakeholders impacted are given below.

In keeping with the stakeholder engagement the SBU level BSC derived from the Taj strategic plan have measures balancing the needs of key stakeholders. The organization balances between the long and short term opportunities available to it based on 3 factors (a) strategic importance (e.g., selecting location of new hotel); (b) The long term returns are given preference over shorter term gains (e.g., choosing renovation over current revenue generation) and (c) asset light growth.

Suppliers	<ul style="list-style-type: none"> • Transparency in agreements and contracts • Cost, Quality and Delivery • Sharing industry Best Practices 	<ul style="list-style-type: none"> • Well defined contracts and agreements • Vendors satisfaction surveys w.r.t. CQD and ethical compliances • Close working relationship with key suppliers and vendors with regular sharing of best practices. <p style="text-align: right;">Profile</p>
Community and Environment	<ul style="list-style-type: none"> • Local resources like water, land, and transportation infrastructure • Quality of relationship with local community • Avenues for development of local community (economy and culture) • Environment 	<ul style="list-style-type: none"> ▪ Uphold the spirit and values of Tatas ▪ Improve quality of life of the community by engaging with local organizations ▪ Safety & environmental sustainability of the community through Environment Management Systems. ▪ Sustainable growth

Corporate Sustainability Report 2006 – 07

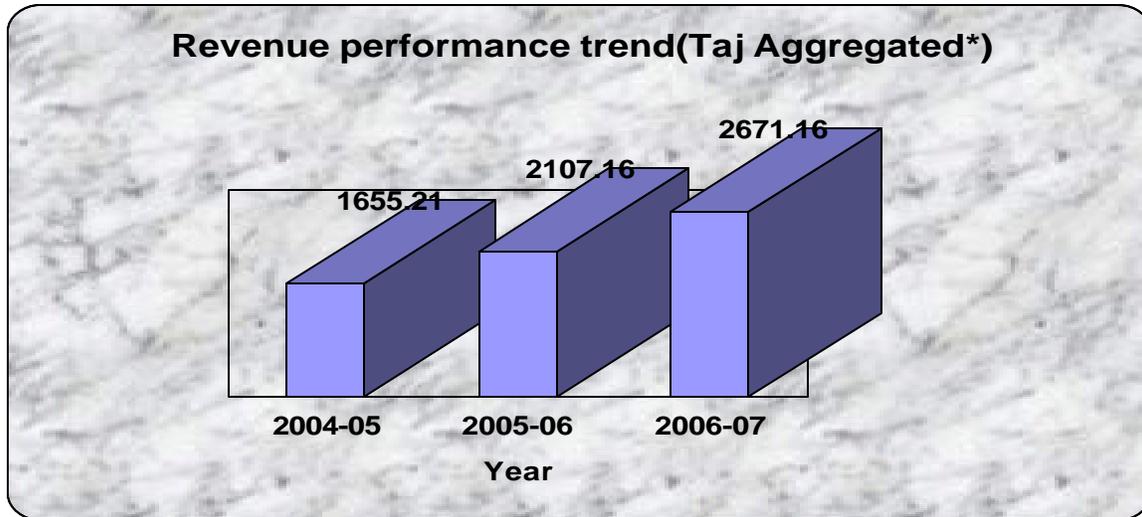
Economic Performance



Economic Performance

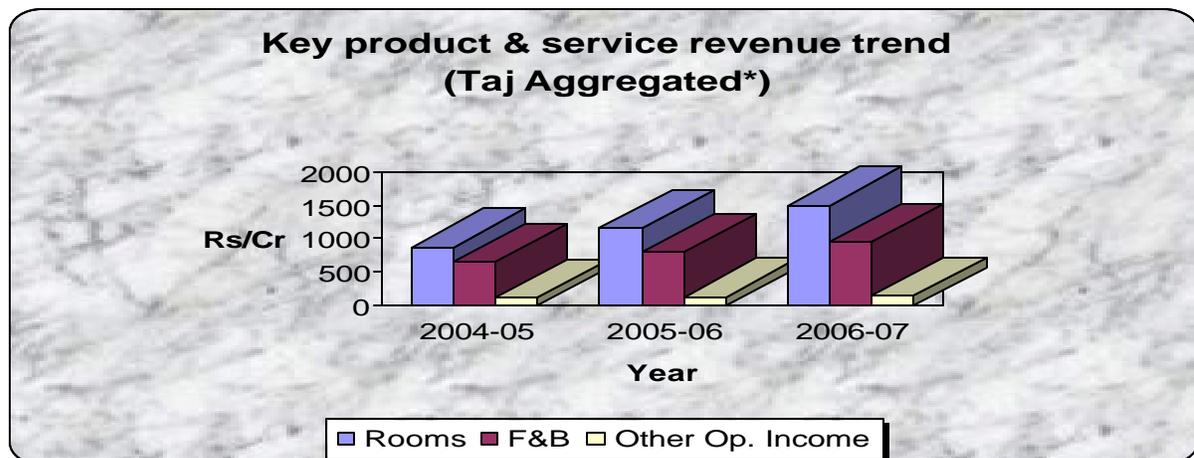
DIRECT ECONOMIC VALUE...

The trend of economic indicators for Taj is presented below. For certain indicators it is not possible to give aggregated results for entire Taj Group (owned, subsidiaries, joint ventures & associates). Therefore in some cases the results have been presented for IHCL (owned) properties.



Revenue (Rs. Crores)

Note* Taj Group aggregated revenue includes Lux domestic + Business + Leisure + Corporate (excluding management fee and reimbursables)



Note* Taj aggregated revenue includes Lux domestic + Business + Leisure + Corporate (excluding management fee and reimbursables)

Economic Performance

Cost



The total operating cost includes.

- Raw material cost
- Payroll cost
- Stores & supplies
- Power & fuel
- Repairs & Maintenance
- Rents, Rates, Taxes & Insurance
- License fee
- Other hotel operating expenses



Total employee benefits

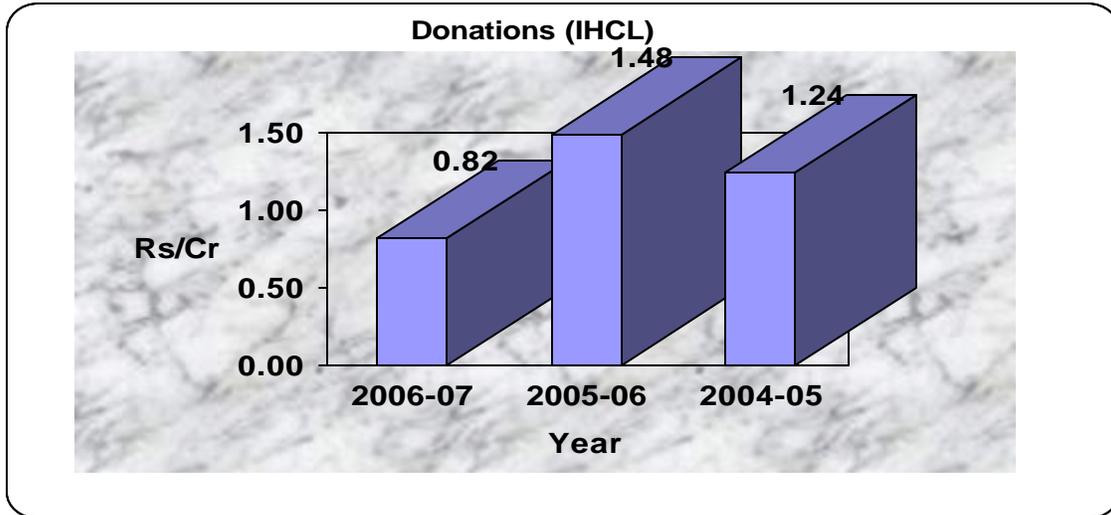
Total employee benefit would include

- Salaries, Wages & Bonus
- Company's Contribution to Provident & other Funds
- Retiring Gratuity
- Reimbursement of expenses on deputed personnel
- Workmen & Staff Welfare Expenses
- Payment to Contractors

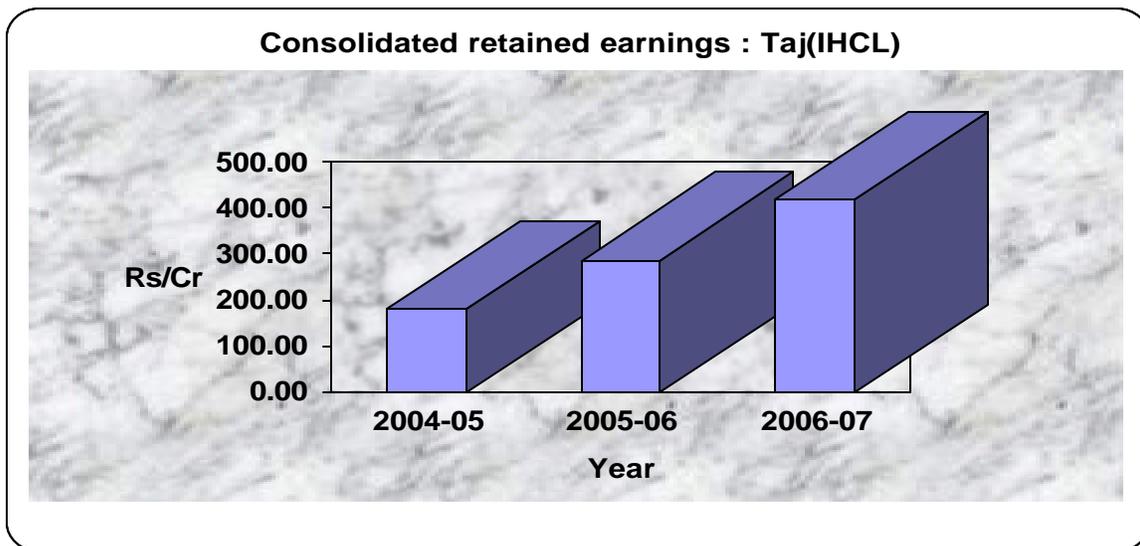
The non-monitory benefits are presented in the social section.

Economic Performance

Donations



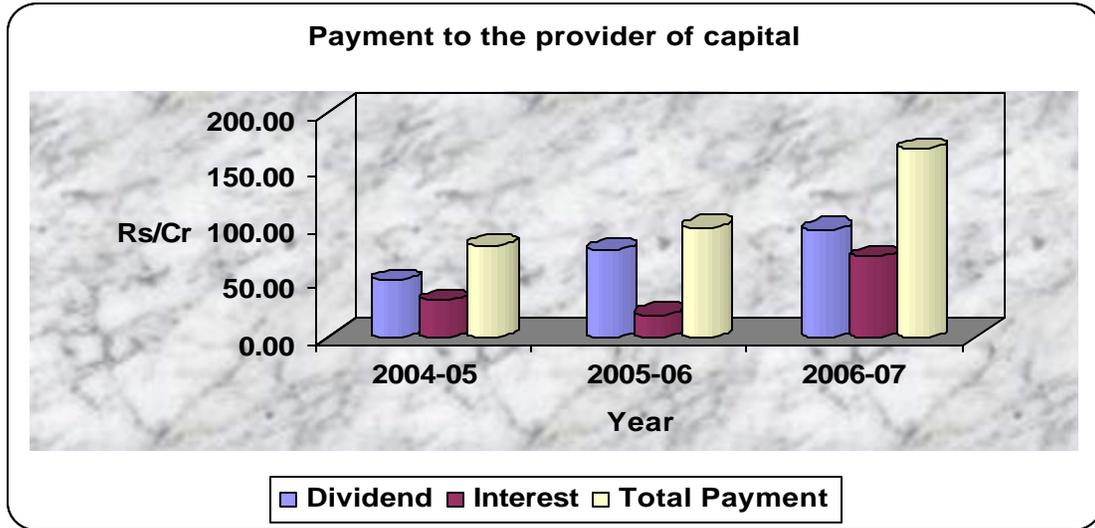
Earnings



Economic Performance

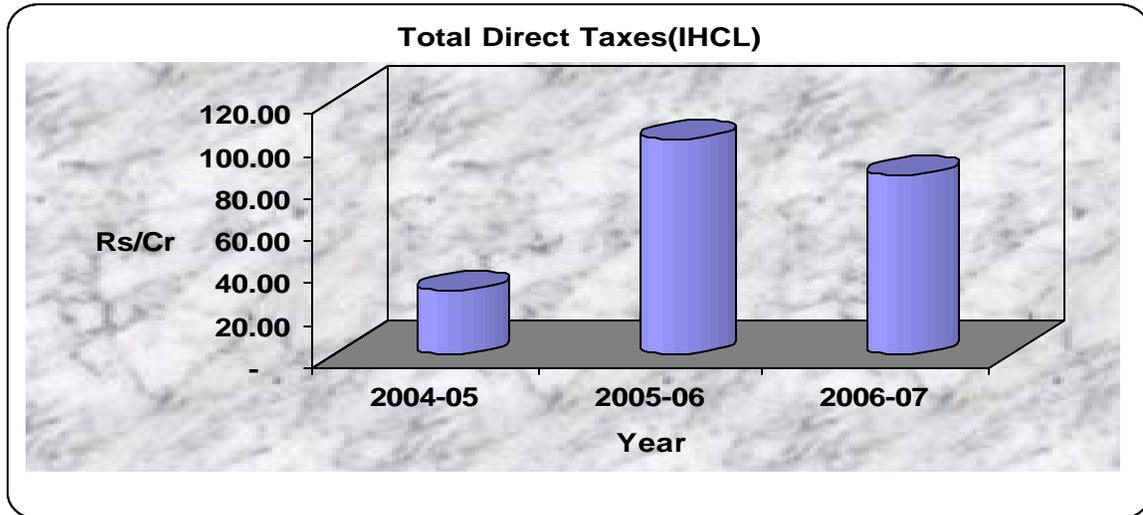
PAYMENT TO CAPITAL PROVIDERS:

The providers of capital are broadly classified based on the nature of involvement/exposure, level of involvement/exposure and their attributes into



Promoters, Institutional Shareholders, Retail shareholders, Institutional Lenders and Retail Lenders.

Total direct taxes includes...



- Direct Taxes (Current Income Tax & Wealth Tax)
- Fringe Benefit Tax
- Tax on Dividend

Economic Performance

FINANCIAL IMPLICATIONS & OTHER RISKS & OPPORTUNITIES DUE TO CLIMATE CHANGE

The Hotel Industry is directly impacted by changes in the socio-political environment both internationally, as also within the country. In the past, events such as the conflict in Iraq, SARS, etc. have affected the travel and business activity, threat on account of political instability, terrorist activity, as also natural calamities. The Tsunami which had occurred in the later part of 2004 is a case in point.

Taj has activated a special task-force for re-creating its environmental vision. This is to address the future concerns & challenges that may arise out of global environmental changes. The resource requirement for this initiative shall be identified through a systematic assessment of existing capabilities & the defined strategic goals. Deployment shall be routed through EARTH - Environment Alignment and Renewal at Taj Hotels – a new initiative at Taj.

SIGNIFICANT FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT.

No significant financial assistance have been received by Indian Hotels Company Limited in the reporting period.

RANGE OF RATIOS OF STANDARD ENTRY LEVEL WAGE COMPARED TO LOCAL MINIMUM WAGE AT SIGNIFICANT LOCATIONS OF OPERATION.

Taj benchmarks its financial packages given to the entry-level staff with the best in the Indian industry.

POLICY, PRACTICES & PROPORTION OF SPENDING ON LOCALLY-BASED SUPPLIERS AT SIGNIFICANT LOCATIONS OF OPERATION

Taj has a defined purchasing policy aligned to Tata Code of Conduct & industry standards.

For sourcing decisions, we follow the CQD objective as defined below:

- C: Cost (lowest total cost of using the product
- not just price but total life cycle cost of using the product)
- Q: Quality (appropriate quality for our usage)
- D: Delivery (Timely delivery ensuring minimum inventory)

Sourcing is done at 3 levels:

- i) A list of vendors has been defined for purchasing through central materials group from corporate office

- ii) Another list of vendors has been defined for purchasing through regional purchasing groups
- iii) The balance purchasing is done through locally based suppliers

On an average, 14% of the total purchase value is done through locally based suppliers.

PROCEDURES FOR LOCAL HIRING & PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY AT LOCATIONS OF SIGNIFICANT OPERATIONS

The company has a structured, merit based recruitment & hiring policy. The hiring is done from all across the nation, including those places where Taj operates hotels. The selections process is un-biased towards caste, creed, gender, region, & nationality.

UNDERSTANDING & DESCRIBING SIGNIFICANT INDIRECT ECONOMIC IMPACTS, INCLUDING THE EXTENT OF IMPACTS

Taj has grown from a single hotel operator to be the largest chain of hotels in south Asia. This has been accomplished by proactively discovering new destinations in India & developing them as hot tourist destinations, taking together governments & local stakeholders

Tourism promotion of this kind leads to a very positive ripple effect. It generates avenues for direct or indirect employment due to the increased levels of economic activity in & around the destination. Besides, it leads to enhanced quality of life & growth & development opportunities for neighboring communities.

Corporate Sustainability Report 2006 – 07

Environmental Performance



ENVIRONMENTAL POLICY

We at Taj are committed to protect our environment by:

Reducing their impact as a commitment to continual improvement

Minimize wastage in our operations and services by incorporating the principle of Reduce, Reuse, Recycle and Rethink

Comply with all applicable environmental laws, statutes and regulations

Create environmental awareness among all the employees, customer, suppliers and community at large

Also partner with other environmental organizations to help sponsor and promote environmental initiatives

MANAGEMENT APPROACH

The hotel industry is not among the industries causing pollution at the end of the pipe like other manufacturing industries (cement, paper, pesticides, distillery etc.), therefore it may not be perceived as a polluting industry. However, hospitality establishments, which are a part of habitat industry, particularly up-market hotels have high resource intensity per customer serviced. As a result, environmental concerns in the hotel industry are related to the whole operation of the hotel.

The Taj Group of Hotels has adopted voluntary approach to sustainable development through its environmental initiative 'Eco Taj'. An elaborate guidance manual covers all topics that hotels' management needs to know and suggests appropriate actions to be taken to improve environmental performance of the hotels of the Taj Group.

Hotels operate in different environment from metro cities, beach resorts, jungle lodges, heritage sites, religious sites and palaces. While operating in such a variety of environments, various environmental resources are consumed.

Taj has been continuously improving its environment practices from past many years.

Taj has taken various initiatives for energy saving. All the hotels in Taj are going through energy audits and implementing recommendations with and without capital investments. Non conventional energy source like solar heating panels, wind mill etc has been introduced in Taj hotels. Taj has progressively switching over to cleaner fuel like PNG from furnace oil.

Taj is continuously putting efforts to save energy through heat recovery system. Taj is gradually phasing out R-12, R-22 refrigerant which contribute to ozone depletion. Taj has been continuously monitoring the raw material consumption and individual units are implementing its control measure through various internal process. Responsibility towards environment is core value for Taj.

THIS YEAR APART FROM LUXURY HOTELS WE ARE REPORTING FOR 8 REPRESENTATIVE HOTELS OF BUSINESS DIVISION AND 8 HOTELS OF LEISURE DIVISION

MATERIALS USED BY WEIGHT OR VOLUME (Luxury – domestic SBU):

MATERIALS CONSUMED	2006-07	2005-06	2004-05
A. <u>Food Provision (ton):</u>			
I. Grocery	4615.15	4591	2076
II. Oils/Ghee	321.4	560	384
III. Meat/Fish/Poultry(Ton)	2122	1280	975
IV. Egg (lacs)	54.22	63.65	47.74
V. Vegetables & Fruits	4275	6750	5146
B. <u>Other Materials:</u>			
Paper (reams)	18965	22490	19000
Linen (ton)	490.07	116.422	100
Chemicals (ton) (Liquid + powder)	239.08	289.712	103
C. <u>Milk & Milk Products (ton)(Ltrs)(KL)</u>	2981.6 -	3022.76	2188
D. <u>Alcohol & Beverages ((KL/Year))</u>			
i) Soft Drinks/Beverages (KL)	3892	4200	2781
ii) Alcohol (KL)	462	458	326
E. <u>Room Amenities Total Nos</u>			
Room Amenities contain:- Soaps, shampoo bottles, bath gel, slippers, combs, razor, etc.	57,56279	56,49,262	55,77,578

MATERIALS USED BY WEIGHT OR VOLUME (Leisure & Business SBU):

MATERIALS CONSUMED (2006-07)	LEISURE	BUSINESS
A. <u>Food Provision (ton):</u>		
VI. Grocery	795.31	2341
VII. Oils/Ghee	388.017	183.2
VIII. Meat/Fish/Poultry(Ton)	512.459	458
IX. Egg (lacs)	11.53	16.80
X. Vegetables & Fruits	1426.87	2720
B. <u>Other Materials:</u>		
Paper (reams)	6051	22902
Linen (ton)	135.87	147.74
Chemicals (ton) (Liquid + powder)	232.13	270
C. <u>Milk & Milk Products (ton)(Ltrs)(KL)</u>	1280.21	1345
D. <u>Alcohol & Beverages ((KL/Year)</u>		
(i) Soft Drinks/Beverages (KL)	1420.11	2575.2
(ii) Alcohol (KL)	191.223	290.53
E. <u>Room Amenities Total No</u>		
Room Amenities contain:- Soaps, shampoo bottles, bath gel, slippers, combs, razor, etc.	1020693	1162044

Luxury (Domestic)

MATERIALS CONSUMED	2006-07	2005-06	2004-05
F) Consumables:			
• Wood (cu.ft)	56636	11762	2915
• Plywood (sq.ft)	23893	50087	24000
• Glass &L Mirror (Sq.ft)	28793	46433	12500
• Tiles & Marbles l(Sq.ft)	19216	56000	60000
• Cement (Kgs)	67782	47350	30000
• Cables (assorted) (mt)	157218	157924	20000
• Electrical fittings – assorted(Nos)	11293	10179	3000
• Pipes (meters)	9886	24088.5	11800
• Plumbing & Sanitary fittings (Nos)	9059	26159	22000
• Furniture -	5012	3057	2000

MATERIALS CONSUMED (2006-07)	LEISURE	BUSINESS
F) Consumables:		
• Wood (cu.ft)	30956.27	46320
• Plywood (sq.ft)	55608	39593
• Glass &L Mirror (Sq.ft)	16930.5	7619
• Tiles & Marbles l(Sq.ft)	22321	16919
• Cement (K gs)	90538	76825
• Cables (assorted) (mt)	222447	105662
• Electrical fittings – assorted(Nos)	16450	19328
• Pipes (meters)	1708	4550
• Plumbing & Sanitary fittings (Nos)	3218	4651
• Furniture -	0	4461
	3654	

DIRECT & INDIRECT ENERGY USED:

Generally main source of energy in a hotel is from city supply, however, for comfort of guest and to render uninterrupted service, in case of power failure, hotels have provided own captive generators, for supply of energy. Electrical consumption of Luxury /Business / Leisure division ‘indirect’ energy sources i.e. city supply is main source of energy.

Luxury (Domestic)

	2006-07		2005-06		2004-05	
	Consumption	Gigajoule	Consumption	Gigajoule	Consumption	Gigajoule
I.Direct Energy Used						
a) Diesel Generator	1.89 (kwh in Million)	6813.9	1.576 Kwh (in million)	5673.6	1.412 Kwh (in million)	5083.2
b) Fuel for boilers (HSD/LDO /FO)	2566.8 KL	76695	3075.73 KL	91903.81	3159 KL	94392
c) LPG	472653 KG	54927	451,825 Kgs	22608.31 4	416,132 Kgs	20822.4
d) N.G.	2.92scm in millions	78155.95	2.840 scm in millions	76014.7	3.0 scm in millions	80280
II.Indirect Energy used (City supply)	139.7 kwh in millions	502920	1021.962 Kwh (in million)	367902.2 5	90.55 Kwh (in million)	325976.4
Total Energy:		759511.9		564101.7		526554

Environmental performance

2006-07	BUSINESS		LEISURE	
	Consumption	Gigajoule	Consumption	Gigajoule
I. Direct Energy Used				
d) Diesel Generator	0.89(kwh in Million)	3236 GJ	0.748 (kwh in Million)	2693.5
e) Fuel for boilers (HSD/LDO/FO/)	474.4 KL	14172.5	436.49 KL	13037.9
f) LPG	439285 KG	51079.6	65915.36 KG	7664.57
d) N.G.	0.43	11722.0163	-	
II. Indirect Energy used (City supply)	-	48469.5 GJ	3466614	19021.5 GJ
Total Energy:		135343 GJ		29931.97 GJ

ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS. INITIATIVES....

A number of initiatives have been taken to minimise the energy cost and to increase the energy efficiency. The contributing factors for the reduction in specific energy consumption in Luxury/Business/Leisure division are as following:

- i) Energy generation by wind mill for Taj Coromandel in the years 2003-04, 2004-2005 and 2005-06, are 22.4 TJ, 57.6 TJ and 57.7 TJ 2006-07 57.6 TJ respectively.
- ii) Fuel savings due to solar water heating system is used as additional measure at Taj West End Hotel, Bangalore. It was 22 KL in the year 2003-04, 16 KL in the year 2004-05 and 13.87 KL in the year 2005-06 for preheating the hot water. Fuel saving due to solar water heating system in Taj Ganges Varanasi is 11KL per year.
- iii) Biogas plant at Rambagh Palace, Jaipur, is used to illuminate surrounding areas during night, it saves approx. 612 GJ energy annually from city supply.
- iv) Various energy efficient products are introduced in various hotels such as CFL, T-5, Tubes, etc. Savings achieved due to these measures are 1.9 TJ, 1.7 TJ, 49.5 TJ and 47.5TJ in years 2003-04, 2004-05 2005-06 and 2006-07respectively.

Environmental performance

- v) BMS has been implemented in various hotels causing reduction in energy consumption substantially. Savings achieved in years 2003 2004, 2005, 2006 are 1.9 TJ, 2.2 TJ, 3.3 TJ, 3.6TJ respectively.
- vi) Introduction of desuperheater, primary/secondary circuit in the chilled water system, VFD, etc has reduced the consumption substantially. Savings achieved in the years 2003-04, 2004-05 and 2005-06 are 7.4 TJ, 2.8 TJ 7.59 TJ, 7.2TJ respectively.
- vii) Introduction of energy saving gadgets has also reduced the consumption by 7TJ.
- viii) Introduction of modern equipments and heat recovery system has reduced the consumption of fuel by 300 KL in the yr. 2006-07 w.r.t. the previous year.
- ix) Replacement of old motors with energy efficient motor gave the saving of 2TJ

TOTAL WATER USE

Hotels provide only treated water for guest use; hence all the hotels are equipped with efficient treatment plants. For garden/fire service, raw water is used. Taj luxury/business/leisure hotels have taken various initiatives to optimize the use of water. Close monitoring of water losses, recycling of waste water, rain water harvesting, use of the water saving latest gadgets, etc; initiatives have resulted in such reduction. The total consumption of water in the years 2004, 2005 and 2006 is given below.

LUXURY (Domestic)

	2006-07	2005-06	2004-05	2003-04	2002-03
A) Water Consumption (m ³ in million)	1.61	1.612	1.61	1.6	1.6

	2006-07	BUSINESS	LEISURE
A) Water Consumption (m ³ in million)		0.7	0.6

Average water consumption of 1.8 m³ per room/day is same as of last year.

Water consumption has marginally increased, due to rise in occupancy and banquet business. This is only for 12 luxury hotels.

Average water consumption for business & leisure hotels is 1.8 m³ per room/day.

WATER SOURCES AND RELATED ECOSYSTEMS/HABITATS SIGNIFICANTLY AFFECTED BY USE OF WATER:

Main Sources of water in our hotels are (a) City supply (b) Tanker water (c) Borewells. As we do not draw water from rivers or lakes, directly or indirectly therefore there is no impact on ecosystems/habitats of the surrounding areas of the particular unit.

LUXURY (Domestic)

	2006-07	2005-06	2004-05
Total consumption (City supply and borewell + tankers) (m ³ in millions)	1.78	1.74	1.61
Actual quantities of (borewell + tanks) (m ³ in millions)	0.79	0.83	0.74
Percentage of borewell + tanker to entire consumption	44%	47%	46%

2006-07	BUSINESS	LEISURE
Total consumption (City supply and borewell + tankers) (m ³ in millions)	0.9	0.7
Actual quantities of (borewell + tanks) (m ³ in millions)	0.4	0.34
Percentage of borewell + tanker to entire consumption	44.4%	48.5%

TOTAL RECYCLING AND REUSE OF WATER

Total quantity of treated water generated in TLH is approx 0.768 million m³ in 2005-06, 0.64 million m³ in 2004-05, and 0.6 million m³ in the year 2003-04. Part of this treated water is used for cooling tower make up, flush in staff areas and irrigation purpose, balance is let into the sewer. As a policy new A/C chillers will be with condensor fitted with cupronickel tubes, to take care of treated waste water, and hence this quantity has improved.

Total quantity of treated water generated in Taj Business hotel is approx 0.21 million m³.

Total quantity of treated water generated in Taj Leisure hotel is approx 0.19 million m³

BIO-DIVERSITY

LOCATION AND SIZE OF LAND OWNED, LEASED, OR MANAGED IN BIODIVERSITY-RICH HABITATS:

Taj has defined biodiversity rich habitats as those where the plant is located in an environmentally notified site like in coastal areas or where it is within 10 Km of notified protected areas

LUXURY (Domestic)

Sr.No	Name of the Hotel	City	Acres
1	Taj Mahal (Leased)- CRZ	Mumbai	2.83
2	Lake Palace (Leased)	Udaipur	2.16
3	Taj Lands End (Own)- CRZ	Mumbai	9.24
4	Taj Bengal	Kolkata	3.97
5	Rambagh Palace	Jaipur	74
6	Taj West End	Bangalore	18.0
7	Taj Wellington Mews	Mumbai	2.6
8	Umaid Bhavan Palace	Jodhpur	23.00

These hotels are in Coastal Regulated Zonal (CRZ) areas, heritage sites, botanical gardens and surroundings. The remaining city hotels do not fall under this category.

	Acres
a) Owned Land	45.7
a) Leased Land	89.3
Total:	135.0
Total Impermeable Surface (This is 32.8% of total land in TLH)	44.3 acres

BUSINESS SBU

Sr.No	Name of the Hotel	City	Acres
1	The Ambassador Hotel	New Delhi	2.7
2	Taj Residency	Lucknow	8.6
3	Taj Connemara	Chennai	2.8
4	Taj residency	Banglore	4.1
5	Taj Samudra	Colombo	11
6	Taj Blue Diomand	Pune	2.47
7	Gate way Hotel	Surat	4.69
8	Gate way Hotel	Banglore	1.3

LEISURE

Sr.No	Name of the Hotel	City	Acres
1	Taj Exotica	Goa	56
2	Taj Hari Mahal	Jnodhpur	6
3	Taj Holiday Village	Goa	3.05
4	Taj Residency	Ernakulam	2.14
5	Taj View Hotel	Agra	4.87
6	Taj Malabar	Cochin	3
7	Fort Aguada Beach Resort	Goa	3.45
8	Taj ganges	Varanasi	40

IMPACTS OF ACTIVITIES AND OPERATIONS ON PROTECTED AND SENSITIVE AREAS

Areas of operation of the company do not have any protected or sensitive areas. However, one of the Hotel Lake Palace Udaipur is seventeen century heritage property situated in the famous Pichola Lake. We have been taking utmost care not to have any adverse effect on environment, Lake Water or underwater living species. Taj has implemented environmental management systems, health & safety management systems to proactively minimize any negative impact of hotel operation activities on its surroundings

We have not undertaken any study which will indicate impact on building and surrounding Lake etc. Another property at Jaipur, Rambagh Palace, Jaipur is a 18th Century building though not World Heritage, all due consideration as above to protect against any adverse impact.

HABITATS PROTECTED OR RESTORED

Though we have not made any scientific study on this, it is highly unlikely that any changes to natural habitats have occurred from the company’s products, services and activities. As far as possible, hotels are constructed after environmental impact assessment study and without causing any damage to natural habitats on the contrary, environmental friendly surroundings are restored. We do not have any IUCN red list species or National Conservation species impacted through our operations.

TOTAL DIRECT AND INDIRECT GREEN HOUSE GAS EMISSIONS BY WEIGHT

LUXURY

	2006-07		2004-05		2003-04	
	Consumption	CO ² (Tons)	Consumption	CO ² (Tons)	Consumption	CO ² (Tons)
a) FO/HSD NG / LPG	3246	8179	3159 KL	7960	3574 (KL/Year)	9006
b) Electricity -City Supply	95.24 Kwh in millions	84764.2	91.961 Kwh in millions	81845	89.933 Kwh in millions	80040

	BUSINESS		LEISURE	
	Consumption	CO ₂ (tons)	Consumption	CO ₂ (tons)
b) FO/HSD NG / LPG	757.027	1907.49	552.4 KL	1391.8
b) Electricity -City Supply	87.2 KWH (Million)	77608.54	85.6 KWH (Millions)	76184.5

OTHER RELEVANT INDIRECT GREEN HOUSE GAS EMISSIONS

GHG emission on account of purchase of refrigerant for air-conditioner being used by the employees.

8500 kg to 10000 kg of organic waste is generated in TLH on daily basis. Out of this 1000 kg/day to 1500 kg/day, kitchen waste is used for biogas plant. Other waste is compacted and sent to municipal disposal yards.

4000kg to 6000kg of organic waste is generated in Taj Business hotel on daily basis.

4000Kg to 6000Kg of organic waste is generated in Taj Leisure hotel on daily basis.

IMITATIVE TO REDUCE GREEN HOUSE GAS EMISSIONS AND REDUCTIONS ACHIEVED

By deploying various energy efficient gadgets such as desuperheater energy efficient lights, subsequent load on Boiler and DG sets has reduced which has resulted in reduction in fuel consumption and hence less emission.

Also proper upkeep of Boiler/DG set combustion system has also helped to minimize unburnt carbon percentage in emission.

Introduction solar heating panel for hot water system has reduced fuel consumption
Close monitoring of steam trap operation in laundry has considerably reduce fuel consumption.

Considerable reduction in effective CO² emission rate is evident as there is a reduction of (a) Fuel consumption and (b) Electricity and steam consumption.

NO, SO AND OTHER SIGNIFICANT AIR EMISSION BY TYPE AND WEIGHT

Most of the units discharges its flue gas from Boiler, DG & kitchen through the scrubber which has resulted in considerable reduction in stack emission

LUXURY (Domestic)

Emission	2006-07 (Figures in tons)	2005-06 (Figures in tons)	2004-05 (Figures in tons)
<u>NOX:</u>	0.2	0.3	0.20
<u>SOX:</u>	1.6	1.8	1.4
Particulate matter (SPM):	5.9	6.8	5.0

Emission (2006-07)	BUSINESS (Figures in tons)	LEISURE (Figures in tons)
<u>NOX:</u>	0.3	0.24
<u>SOX:</u>	2.0	1.8
Particulate matter (SPM):	6.2	7.0

TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION

Total waste water from the hotels is treated through ETP and the outlet water is being used for irrigation and cooling tower. The level of total pollutant discharge in the waste water has reduced considerably as no untreated water is being discharged.

LUXURY (Domestic)

	2006-07	2005-06	2004-05
a) Consumption of treated water (m ³ in million)/year	0.81	0.84	0.64
b) COD Tons/yr	39	43	38
c) BOD ton/year	20	21.5	19
d) TSS tons/year	54	58	52
e) Oil & Grease tons/yr	5.4	5	5.2

BUSINESS

	BUSINESS	LEISURE
a) Consumption of treated water (m ³ in million)/year	0.3	0.43
f) COD Tons/yr	40	39
g) BOD ton/year	20	18
h) TSS tons/year	56	56
i) Oil & Grease tons/yr	5.2	5.8

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD

LUXURY (Domestic)

	2006-07	2005-06	2004-05
		Quantity	Quantity
a) Kitchen waste is given for Municipal disposal (Tons/day)	10	6.95	5
b) Kitchen waste along with other waste is used for composting in hotels where land is available (Rambagh Palace, Taj West End, etc) (Kgs per day)	500	600	500

Environmental performance

c) Dry leaves are decomposed in the earth pits used as compost. (Tons/day)	1.3	1.5	2.5
d) Waste paper from computers and others is re-used as writing pads (Reams/Year)	2500	3250	2500

2006-07	BUSINESS	LEISURE
e) Kitchen waste is given for Municipal disposal (Tons/day)	2.03	3.2
f) Dry leaves are decomposed in the earth pits used as compost. (Tons/day)	0	0.14
g) Waste paper from computers and others is re-used as writing pads (Reams/Year)	1072	1556.9

Other solid non-degradable waste is sold as scrap to regular dealers. Hazardous and non-hazardous metal, bottle, plastic waste, generated and disposed off during the year 2005-06

Pipe Steel waste is used as safety railings/barricades in gardens and road sides

Good quality old bed sheets material is used to make linen bags, cotton napkins, etc.

The quantity of waste generated (untreated) is given below:

LUXURY					
S.NO.	ITEM – (NAMES)	UNIT	2006-07	2005-06	2004-05
				QTY.	QTY.
1	Beer Bottle 650 ml	Nos in million	0.25	0.468	0.15
2	Whiskey	Nos in million	0.2	0.193	0.03
3	Small Bottle	Nos in million	0.18	0.21	0.04

Environmental performance

4	Sauce Bottle (Big)	Nos in million	0.1	0.095	0.01
5	Damaged Tins	Nos in million	0.023	0.09	0.008
6	Juice Can (Small)	Nos in million	0.056	0.085	0.05
7	4 Kg Tin	Nos in million	0.0021	0.0025	0.001
8	Fused Bulbs / Tubes	Nos in million	0.082	0.0812	0.068
9	Plastic Bottles	Nos in million	0.5	0.451	0.3
10	Juice Can Big	Nos in million	0.021	0.05	0.02
12	Drum (20 lts)	Nos	212	800	420
13	Drum (200Ltrs)	Nos	114	218	50
14	Jerry Can (20 ltrs (White))	Nos	1600	2600	1500
15	Jerry can (50 lts – Black)	Nos	1800	1800	1500
16	Oil Drum (200Ltrs) Damaged	Nos	410	316	200
17	Plastic Drum (35 Ltrs)	Nos	775	1600	1200
18	Plastic Can (5 – 15 Ltrs))	Nos	326	1815	1500
19	Other Tins	Nos	5426	2800	1000
21	Iron Scrap	(Tons)	56	260	20
22	Wooden Waste	(Tons)	35	40	10
23	Newspaper	(Tons)	65	328	50
24	Magazine/Books	(Tons)	38	46	2
25	Cardboard	(Tons)	124	160	30
26	Oil Burnt	KL	6	12	10
27	Plastics	(Tons)	7	10	8.0
28	Broken glass	(Tons)	3.9	35	5.0
30	Aluminum	(Tons)	1.0	12	2
31	Stainless steel scrap	(Tons)	9.4	1.6	0.7

LUXURY (Domestic)

Environmental performance

Waste	2006-07	2005-06	2004-05
Non-Hazardous			
Food wastages and trash generated (tons/yr)	812.5	3150	3000
Hazardous			
Lube oil waste (KL/Yr)	6.8	8.76	8
Batteries (Nos)	900	710	430
d) Small battery cells for TV remote and others	7500	6500	

S.NO.	REPORTING YEAR : 2006-07		BUSINESS	LEISURE
	ITEM – (NAMES)	UNIT		
1	Beer Bottle 650 ml	Nos in million	0.2	0.18
2	Whiskey	Nos in million	0.03	0.05
3	Small Bottle	Nos in million	0.09	0.06
4	Sauce Bottle (Big)	Nos in million	0.02387	0.03
5	Damaged Tins	Nos in million	0.0211	0.004
6	Juice Can (Small)	Nos in million	0.0165	0.05
7	4 Kg Tin	Nos in million	0.001	0.008
8	Fused Bulbs / Tubes	Nos in million	0.0398	0.02
9	Plastic Bottles	Nos in million	0.5758	0.12
10	Juice Can Big	Nos in million	0.0248	0.02
12	Drum (20 lts)	Nos	433	85
13	Drum (200Ltrs)	Nos	60	40
14	Jerry Can (20 ltrs (White))	Nos	800	1200
15	Jerry can (50 lts –Black)	Nos	500	900
16	Oil Drum (200Ltrs) Damaged	Nos	40	12
17	Plastic Drum (35 Ltrs)	Nos	202	15
18	Plastic Can (5 – 15 Ltrs))	Nos	1800	562
19	Other Tins	Nos	5300	388
21	Iron Scrap	(Tons)	19	23.448
22	Wooden Waste	(Tons)	69	8.8
23	Newspaper	(Tons)	38	83.3
24	Magazine/Books	(Tons)	44	7.239
25	Cardboard	(Tons)	236	13.4
26	Oil Burnt	KL	12	4.39
27	Plastics	(Tons)	2.4	2.5
28	Broken glass	(Tons)	2.3	9.7
30	Aluminium	(Tons)	5.73	10
31	Stainless steel scrap	(Tons)	0.30	0.25

Waste, (2006-07)	BUSINESS	LEISURE
Non-Hazardous		
a) Food wastages and trash generated (tons/yr)	1012.22	4032
Hazardous		
b) Lube oil waste (KL/Yr)	2.49	3.34
c) Batteries (Nos)	400	550-
d) Small battery cells for TV remote and others	8000	9000

TOTAL NUMBER AND VOLUME OF SIGNIFICANT SPILLS

As ours is a hotel industry, there are least chances of chemical/oil/fuel spills. However, there was '0' reportable case in this respect.

Currently Taj has not studied this aspect. We will be doing in subsequent years

INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES, AND EXTEND OF IMPACT MITIGATION

Our nature of operations does not bring about impact on bio-diversity associated with organizations activities and/or products and services.

PERCENTAGE OF PRODUCT SOLD AND THERE PACKING MATERIALS THAT ARE RECLAIMED BY CATEGORY

While Taj has not estimated the total quantity of reclaimable products, it shall undertake identifying such items in subsequent years.

MONETARY VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON MONETARY SANCTIONS FOR NON COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

None of Tajluxury/business/leisure properties have been fined.

SIGNIFICANT ENVIRONMENTAL IMPACTS OF TRANSPORTING PRODUCTS AND OTHER GOODS AND MATERIALS USED FOR ORGANIZATIONS OPERATIONS AND TRANSPORTING MEMBERS OF THE WORKFORCE

Diesel and Petrol consumed for the following mode of transportation direct by hotel or indirect, is accounted for in the calculation of CO₂ emission as per GHG protocol. All the cars belonging to the unit have a PUC Certificate.

TOTAL ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENT BY TYPE

Several steps were taken for pollution control and water and energy conservation. The expenditure is given below:-

LUXURY (Domestic)

	2006-07	2005-06	2004-05
<u>Capital Expenses on Environment</u>	Rs in million	Rs in million	Rs in million
- Installation of effluent treatment plant (new properties covered)	0	4.85	0.05
- Expenditure incurred on water conservation.	1.21	0.87	1.4

2006-07	BUSINESS	LEISURE
<u>Capital Expenses on Environment</u>	Rs in million	Rs in million
- Expenditure incurred on water conservation.	0.6	1.71

LUXURY (Domestic)

	2006-07	2005-06	2004-05
Revenue Expenses on Environment:		Rs in million	Rs in million
- Fees paid to pollution control board	2.03	1.06	0.6
- Operational cost	5.67	3.79	4.0

	BUSINESS	LEISURE
Revenue Expenses on Environment:		
- Fees paid to pollution control board	0.39	0.69
- Operational cost	1.25	2.49

Corporate Sustainability Report 2006 – 07

Labour Practices and Decent Work Environment

TAJ PEOPLE PHILOSOPHY

You are an important member of the Taj family. We endeavor to select, retain and compensate the best talent in the industry. We reward and recognize quality customer care based upon individual and team performance. We commit to providing you with opportunities for continuous learning and development.

We abide by fair and just policies that ensure your well-being and that of your family, the community and the environment. We commit to regular and formal channels of communication, which nurture openness and transparency.

We strongly believe that you are the Taj

MANAGEMENT APPROACH

The Taj, being a Tata group company, its relationship with its employees emanates from the core TATA values. Taj Group is evolving to re-align & consolidate its people policies & practices to new-age employee aspirations & expectations. The transition from then to now has not eroded what remains a central theme with the group: providing its employees more than mere jobs.

The Tata Group is continuing to build on its strengths in core sectors such as steel, automobiles and chemicals, while also expanding in service industries such as IT, communications, financial services and hospitality.

It offers its employees critical and challenging roles in a wide range of industry segments. Its talent management goals are geared to developing a pipeline of talent with opportunities across various industry sectors, allowing for continuous growth opportunities, job enrichment, diversification & challenging roles. A performance culture that's calibrated through rigorous processes, and reward mechanisms, is thus established.

Taj has structures, systems and a workplace culture that provides challenging jobs, rewards performance and delivers opportunities continuously. Taj, being a hospitality leader, is people driven & strives to get the best out of its most valuable asset — its people. This is accomplished through an entire range of human resource initiatives aimed at realizing the potential of all levels of employees. With attractive compensation packages, positive and productive work environments and challenging assignments across the world, Taj is committed to being the employer of choice wherever it operates, attracting and retaining the very best of professionals.

The Taj workforce is organized into corporate functions (3%) and Unit Operations (97%) wherein the corporate functions support all four SBU's and encompasses functions such as Human Resources, Sales & Marketing, Business Development, IT, etc. The Taj has a total strength of 22066 employees who come from all ages across various regions of the country and educational qualifications. Taj has a mix of permanent and contractual employees to operate both core and non-core areas. Taj maintains a fair and proactive IR policy, guided by its people philosophy and values. Today we are not just competing in terms of market share or customers; we are competing head-to-head for talented manpower.

Taj has succeeded in retaining core strength of talent and has retained more than 47% of employees for over ten years, another 18% retained for over five years and 24% have stayed between two and five years. In keeping with its diversity goals Taj emphasises a strong focus on attracting and retaining women at all levels.

The overall context for labour practices & employee relations is set through Taj People Philosophy presented below:

Values – People Diversity, Integrity & Respect



*People are our greatest asset
and the key to our success.*

*We respect diversity of
people, ideas, cultures and
honor the value of
individuals in a team.*

WORKFORCE BY EMPLOYMENT TYPE AND CONTRACT:

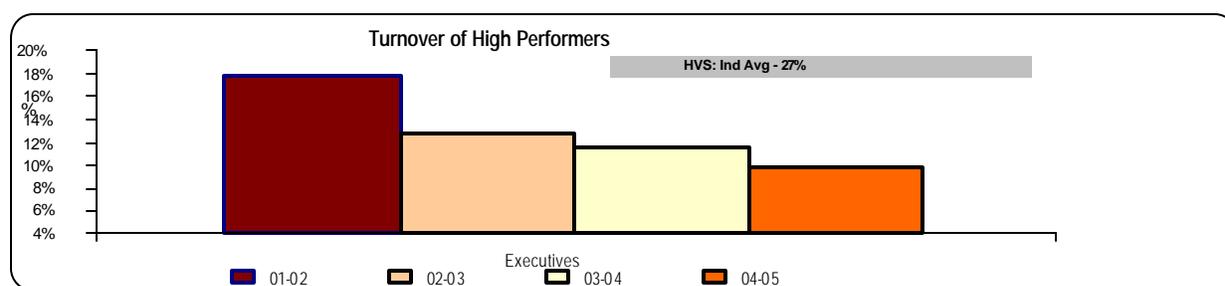
The category-wise breakup with educational levels & job diversity for Taj employees is presented below:

Taj is present in 15 countries and on 6 continents. The workforce is spread over all these locations and their strength varies depending on the size of the property. Our human capital is **grouped based on the Strategic Business Units (SBUs) under which they are employed**. The table below gives the SBU wise details. The list of hotels under different SBUs and the city, in which they operate, is presented in the organization profile section.

Employee Category	Employee Strength	Education levels	Job diversity
Executive		Hotel Mgmt Graduates, Graduates, Post-graduates, MBAs, CAs, Engineering Graduates, IT diploma holders	Corporate functions, Unit GMs, Chefs, F&B Mgrs, Security Managers, Accommodations heads & others
- Sr Mgmt	220		
- Middle Mgmt	1322		
- Jr Mgmt	1606		
Staff		Matriculation, 12 th standard pass, Vocational training in hotel mgmt & engineering	Operational (Housekeeping, Front Office, Engg, Laundry, Kitchen, F&B etc) Support (IT, HR, Fin etc)
- Permanent	7245		
- Fixed Term Contracts	3653		
- Trainees & probationers	707		
Outsourced	4351	Up to High school level, specialized technical training	Engineering, Kitchen Stewarding, Security, Public Area,
Apprentices	1634	High school level	F&B, HK, Kitchen, Engg
Total	22066		

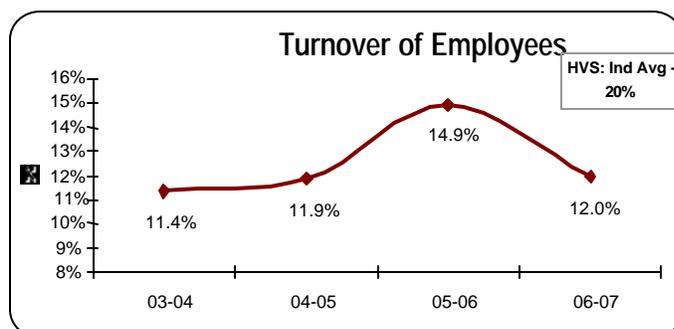
Employment Category by Type & Contract

TURNOVER OF EMPLOYEES AND HIGH PERFORMERS:



Increasingly complex economy is demanding more & more sophisticated talent, with global acumen, multi-cultural fluency, technological literacy and entrepreneurial skills. With a vast opportunity now available in the market, the Taj is faced with a serious challenge of attracting and retaining quality talent.

Finding, hiring and retaining quality staff poses a challenge for all organizations and hence the importance of a well-devised recruitment strategy. We have attempted to outline the various steps that comprise the Standard Recruitment Process at Taj Hotels Resorts and Palaces



The above 2 graphs demonstrates the positive trend of high performers & total employees for Taj, which is the outcome of some of the employee development & retention initiatives launched in last 2 years.

EMPLOYEE BENEFITS FOR FULL TIME EMPLOYEES (PERMANENT)

E.g. contributions to health care, disability, maternity, education, and retirement

There are a number of non-statutory benefits extended to employees. These are major in areas of health care, education of children, meals on duty and housing among others. The various types of non-statutory benefits and the total spent on them are provided below.

Activity	Expense (in INR Million)
Medical Reimbursement	377.01
Leave Travel Allowance	719.26
Educational Allowance	552.64
Total	1648.91

PERCENTAGE OF EMPLOYEES REPRESENTED BY COLLECTIVE BARGAINING AGREEMENTS:

In the year 2006-2007, over 90% of the total bargainable workforce are members of trade unions or independent worker committees. More than 95% of our hotels have either an external or internal trade union.

The largest union, **Indian Hotel Company Employees' Union**, has been in existence since the last 26 years.

MINIMUM NOTICE PERIOD REGARDING OPERATIONAL CHANGES, INCLUDING WHETHER IT IS SPECIFIED IN COLLECTIVE AGREEMENTS:

The minimum notice period regarding any policy change is 21 days. There is a strong mechanism of employee involvement and opinion solicitation in operational changes. The organization has a separate Internal Communication Department which works exclusively to create a two-way information channel between employees and senior management.

All major organizational changes are reported through emails and newsletters centrally from the Corporate Offices. At each hotel, there is a Member Network Communicator responsible for strengthening internal communication flows. Besides this, changes in operations are shared through various communication forums at each unit which include Town Hall meetings (once in every two months), departmental meetings (once a month) and daily briefings as well as through notice boards and intranet.

WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT-WORKER HEALTH & SAFETY COMMITTEES:

Taj being a hospitality set-up, health & hygiene standards & processes are in-built into our standard operating practices & is reinforced through regular audits & checks. The units have health & safety committees, headed by H. R., which monitors & suggests improvement areas for safety & health.

The representative bodies of workers and the management conduct bipartite negotiations on a periodic basis. The areas covered in this range from wages to working conditions, health & safety and productivity standards.

Additionally, following processes exist to implement health & safety measures at various units:

Health

- Pre-employment , annual and bi-annual medical examinations.
- During induction, employees undergo health & hygiene training.
- All Taj hotels have tied up with well-known hospitals/nursing homes where doctors on-call treat employee health problems and medical emergencies.
- All food handlers undergo biennial medical check-up.
- Programs on AIDS awareness, ill effects of smoking and other health related programs are also conducted. (There is an articulated organization policy on AIDS and other communicable diseases.)

Safety and Comfort

- A safety manual has been developed and deployed.
- Services of a consultant hired to conduct safety audit in Taj, steps as recommended are implemented including earth leak circuit breakers on all kitchen equipment, engineering and kitchen safety requirements etc. All units conduct safety audits and improvements are deployed.
- All employees are trained in First Aid and Fire safety. The Security department regularly conducts refresher courses.
- An emergency fire safety team of employees at the units to handle any fire hazard incident. Is available in all shifts.

Issues specific to the operational are discussed in the different chapters of the safety manual. For each of the operational areas (infrastructural facilities) or type of equipment, the following are provided:

1. Hazard - Risk Identification
2. Desirable safety features
3. Standard Operating Practices (SOPs)

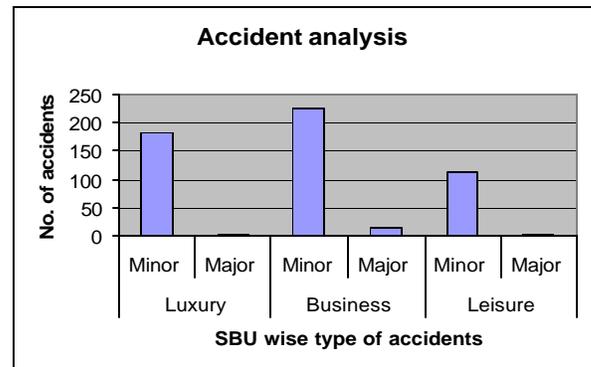
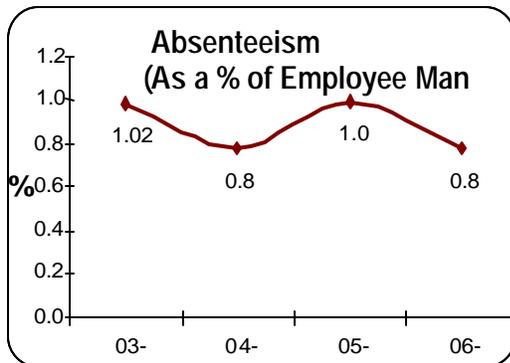
Ergonomics

Taj appoints industrial engineers and environment coordinators for advice on continuous improvement in work areas and design based on which some workstations were redesigned and functional areas made more convenient for operational staff. E.g. housekeeping & luggage trolleys were redesigned for the convenience of employees. Innovative ideas and suggestions for improving work layout are continuously encouraged and implemented through SITs, CFTs etc.

1. The audit results on Fire safety, Hygiene and cleanliness, obtained from audits at regular intervals, is used as a performance measure or target for each of these key workplace factors.
2. Standards for various practices and processes based on HACCP guidelines have been implemented
3. An ergonomics manual has been developed, which the units use to make improvements in the work area and design.

RATE OF INJURY, ABSENTEEISM, AND PRACTICES ON RECORDING AND NOTIFICATION OF OCCUPATIONAL ACCIDENTS AND DISEASES:

There is a formal system in place where every accident at workplace is reported immediately or at the most within one working day to the Human Resource Manager and General Manager.



In most hotels, there is a formal Safety Committee which analyses and addresses accidents at work. All hotels have in-house medical facilities and while larger hotels have in house doctors and a fully equipped medical assistance room, smaller hotels have doctors on call. All food handling employees mandatorily go through an annual medical check. In addition there is a core group of employees trained in administering First Aid in each hotel. Accident analysis for the year 2006-07 is presented below:

EDUCATION, TRAINING, COUNSELING, PREVENTION AND RISK CONTROL PROGRAMMES TO ASSIST WORKFORCE, FAMILIES OR COMMUNITIES REGARDING SERIOUS DISEASES

There is a specific guideline for employees regarding HIV/AIDS & Leprosy, which facilitates information, awareness & decision-making.

HIV/AIDs Policy

HIV/AIDS Policy:

Guidelines are framed for Employees Suffering from Communicable and Non-Communicable Diseases

These guidelines are formulated for settlement of cases pertaining to employees who suffer from serious diseases. Given the nature of hotel industry, and the need for staff working in the hotel to interact constantly with important guests, it is very essential that employees suffering from a serious illness, such as HIV +ve, AIDS, or Leprosy, are separated from the employment immediately on detection of such disease. The peculiar nature of our industry where frontline employees constantly interact with the guests would not allow any employee suffering from a serious disease like AIDS to serve the customer. Unlike a manufacturing industry where an employee is not in physical touch with a customer, the hotel industry needs to take a serious view of an employee suffering from communicable diseases like AIDS, HIV +ve and Leprosy.

Since it is a social issue, which has no strong legal backing at the moment in terms of termination as per the law, it is essential to evolve a policy to deal with such cases. It is also essential to uphold the honor and dignity of an employee, while separating him from the services of the company.

Therefore the basic underlying idea in formulating these guidelines is to ensure that staff who are detected with a serious ailment like AIDS, HIV +ve, Leprosy and who cannot continue to work in the organisation by the nature of our industry, are given a severance package and rehabilitated.

All staff categories are covered under this policy.

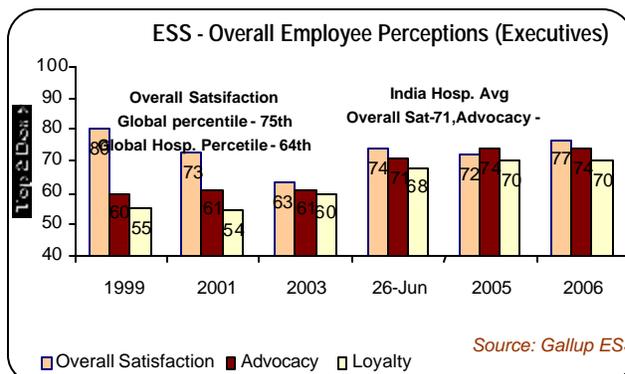
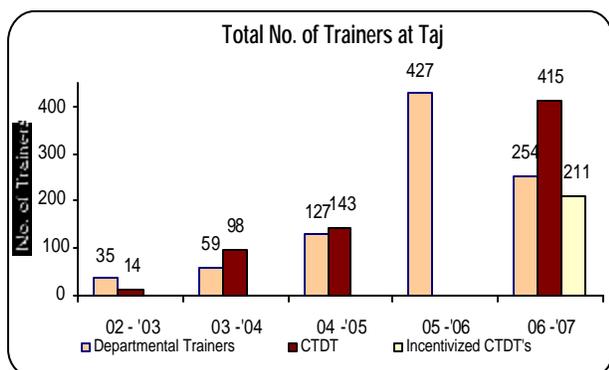
DESCRIPTION OF HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENT WITH TRADE UNIONS

Fire Fighting teams are composed of personnel from the Security department and the Maintenance Department who are mainly responsible for firefighting activities in the unit. Besides the above mentioned departments all the other employees are also given fire fighting training and they actively participate in the fire fighting activities. The employees (Permanent and Temporary) are imparted training on Fire Fighting by the Security Department. Refresher courses on Fire Fighting are also organized at regular intervals. As a part of induction, all employees go through a complete module of safety training that includes various safety related issues.

AVERAGE HOURS OF TRAINING PER YEAR

Training is a key capability building process for Taj. The training process at Taj has evolved over a period of time to make it more effective. The focus of training has shifted from quantitative to qualitative and hence the practice of counting average hrs of training has been replaced by other

indicators like no. of departmental trainers and employee satisfaction with respect to training. The trend for these has been presented below:



SUPPORT FOR CONTINUED EMPLOYABILITY OF EMPLOYEES AND MANAGE CAREER ENDINGS THROUGH SPECIFIC POLICIES AND PROGRAMMES FOR SKILLS MANAGEMENT OR FOR LIFELONG LEARNING

Taj uses inputs from several sources such as – Internal performance management systems, EL Taj, functional meets, customer feedbacks – which feeds into the Corporate Training Calendar. For Leadership levels, the training needs are identified and analysed at Corporate Levels. For other levels of employees, the training needs are identified at unit level.

Some of the programmes undertaken under Taj training include:

SAMPLE OF PROGRAMME FROM TAJ TRAINING CALENDAR	
<ul style="list-style-type: none"> •Marketing Management- Cornell University •Strategic Hospitality Management- Cornell University •Food Service Facilities Development and Design- Cornell University •Business Acumen- HOTS Hospitality Simulations •Advanced Diploma in Human Resource Practice •Business Excellence Leaders Program (BELP) •Advanced Business Excellence Leaders Program (BELP PLUS) •Roadmapping the Value Chain- TATA Management Training Centre •The Art of Hospitality •Certified Taj departmental trainers (Train the Trainer Workshops) •Strategic Finance Workshops •Use of Quality tools 	<ul style="list-style-type: none"> •Process Mapping Workshops •Apprentice training program •Fun learning through Quiz and other competitions •Certification Modules •Certification Vocational Modules in Front Office, F & B Service, Kitchen Foundation Module •Management development programs •Heart of Hospitality programmes

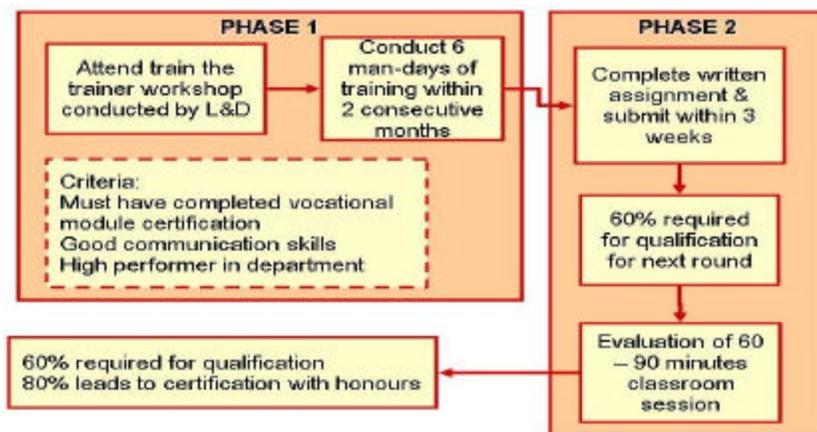


Fig 5.2-3 Certified Taj Departmental Trainer Process

Certified Departmental Trainers (CTDT) are employees with ‘expert’ knowledge who are trained to train others and play a vital role in imparting knowledge and skills to less proficient employees, providing the inputs to customize training programs and delivering the same. An informal method of sharing learning is by pairing a new employee with a more experienced one who serves as

a coach, thus ensuring transfer of tacit knowledge assets.

Learning and Knowledge assets created by employees who attend training programs are shared through presentations with peers. For example, the TMTP trainees formally presented their projects to peers and Sr. Leaders. Verbal and written program feedback is analyzed for improving the current programs.

KM@tajhotels.com is another channel for incorporating informal learning into Taj’s knowledge assets. At times, learning methods such as working on ‘live’ projects create knowledge assets that have become part of Taj’s business processes.

PERCENTAGES OF EMPLOYEES RECEIVING REGULAR PERFORMANCE & CAREER DEVELOPMENT REVIEWS

The Performance Management System covers all executives. Based on feedback received from employees on the effectiveness of the system, and in response to changing customer and business needs, the PMS has undergone 3 cycles of improvement to deliver value to all stakeholders. Taj has linked it to Key Result Areas – which has sub-parts of the four aspects of Balanced Score Card. For executives, MS ratings are used to decide on the variable pay through performance bonus and increments payable. The variable pay plan for executives strongly links the overall remuneration with the organizational performance. An appraisal system for staff was introduced in the SBU in 2003, encouraging employees down the line to stay focused on customer & business requirements. The PMS has been extended to staff levels on a team-based system.

Compensation is designed to be very competitive in the hotel industry and is supplemented by a variety of rewards and recognition events focused on performance in key areas of business success. Until 2006, Taj followed the industry norm as regards compensation. A first-of-its-kind innovation – compensation correction exercise based on performance and potential, was implemented in 2006, under the guidance of Mercer.

Additionally, all units have unique employee recognition activities – celebration of birthdays, industry recognition awards, Bravo Billboards, etc. In 2003, taking cognizance of the growing relationship between the Taj and service providers of the outsourced processes, and the acts of excellence rendered to our customers by the team members of these service providers, the Taj has further extended the STARS

(recognized, acknowledged as an International Best Practice) program to outsourced employees under STARS+. The implementation of STARS has contributed to building an organization wide culture of recognition and excellence

COMPOSITION OF SENIOR MANAGEMENT AND CORPORATE GOVERNANCE BODIES (INCLUDING THE BOARD OF DIRECTORS), INCLUDING FEMALE/MALE RATIO AND OTHER INDICATORS OF DIVERSITY AS CULTURALLY APPROPRIATE.

The female: male ratio of Apex Committee is 1:3. At other Senior & Middle management levels the distribution of female to male ratio is 1:5.

RATIO OF BASIC MEN-WOMEN SALARY

The Tata Code of Conduct on Equal Opportunity provides the Policy Framework to address the issues.

The Taj People Philosophy also echoes the sentiments of equally opportunity and fair play. There is no discrimination in remunerations based on gender, caste, creed, region, nationality. The compensation packages are decided based on the prevailing market trends & the performance demonstrated by the employee.

Corporate Sustainability Report 2006 – 07

Human Rights

The Tata Group companies have committed themselves to a set of five core values: integrity, understanding, excellence, unity and responsibility. These values, which have been part of the Group's beliefs and convictions from its earliest days, continue to guide and drive the business decisions of Tata companies. The Group and its enterprises have been steadfast and distinctive in their adherence to business ethics and their commitment to corporate social responsibility. This is a legacy that has earned the Group the trust of many millions of stakeholders in a measure few business houses anywhere in the world can match.



Taj subscribes to five core values – People diversity, integrity & respect; Passion for excellence, Exceed expectations; Innovation; Sense of urgency & accountability; Social responsibility; Joy at work.

Tata Code of Conduct commits to be an equal opportunity employer where discrimination of employees based on caste, religion, color etc. should not be done. This clause also emphasizes that the workplace should be free of sexual harassment.

To make the Code of Conduct effective, an Ethics Counselor has been appointed to listen to the grievances of the employees and any violation, if found, is dealt with through the established disciplinary procedure mapped below:



1. Principal Ethics Officer is responsible for:
 - ❑ Providing support to the process and ensure compliance
 - ❑ To keep Corporate Assurance Group informed of developments relating to Code of Conduct.

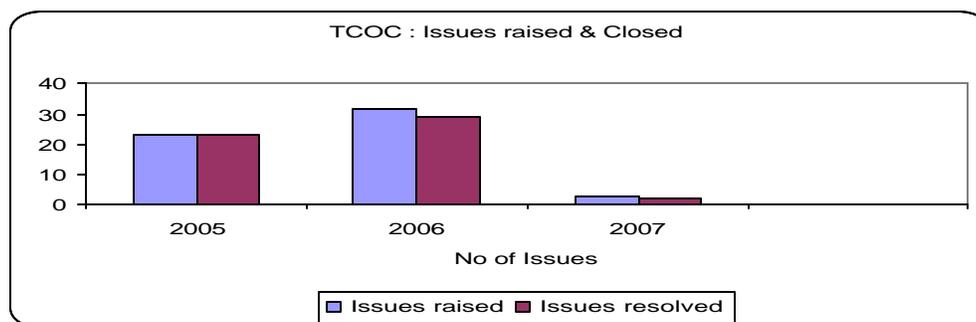
2. Chief Ethics Officer is responsible for:
 - ❑ Overall Compliance
 - ❑ Reporting to the Principal Ethics Officer

3. Unit Ethics Counselors at various units are responsible for:
 - ❑ Unit level Compliance
 - ❑ Managing Concerns raised
 - ❑ Reporting to the Chief Ethics Officer

Taj hotels ensure protection of Fundamental Rights enshrined in the Constitution of India. There is an Employee Grievance Redressal Cell in the Human Resource Management Department, which reviews and addresses grievances.

TCOC gives the broad guideline to identify cases of discrimination based on which employee concerns are addressed. Additionally, the prevention of sexual harassment policy, also addresses the incidence on discrimination based on gender. Taj has also defined a whistle blower policy which prevents discrimination, unfair treatment and suppression of rights, for the employee.

The following graph represents the trend of TCOC concerns over a period of last 3 years.



Disciplinary action is taken as per the Industrial Employment Act. An employee against whom an inquiry is to be held is given a charge-sheet stating the charge leveled and asking him to also be suspended during the enquiry.

PERCENTAGE OF BUSINESS UNITS ANALYSED FOR RISKS RELATED TO CORRUPTIONS

The TCOC in Clause 5, provides a clear articulation of Taj policy on corruption. Taj is also a signatory to UN Global Compact whose tenth principle addresses Bribery and Corruption.

The ‘Taj Positive Assurance Model’ (TPAM), which is an objective methodology of providing a positive assurance based on the audits of operating units, is institutionalized as a standard audit process in conjunction with empanelled internal audit firms.

Broadly, this model covers all business cycles both operational and financial under 7 functional areas (Revenue, Expenditure, Fixed Assets, Financial Management and Reporting, Human Resources, Guest Servicing and Statutory Compliances). There are 2,042 controls which the auditors need to examine and score objectively under these 7 cycles. The novelty of this model is that it is a convergence of process framework, risk and control matrix and a scoring matrix. Since this year 100% Taj Hotels have been covered under TPAM.

The whistle blower policy at Taj also encourages & assists people in reporting any issues related to bribery, corruption, etc.

PERCENTAGE OF EMPLOYEES TRAINED IN ORGANISATION’S ANTI CORRUPTION POLICIES & PROCEDURES

All executives are exposed to TCOC on their joining, as a part of induction program. Any updates or change in TCOC is communicated through company’s communication channels.

All the users of TPAM process are specifically trained on various components of the audit & controls incorporated in the process.

ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION

Actions for all reported cases of corruption are taken through a well defined process, involving the ethics mechanism outlined before & the head of the department for the concerned case. All financial irregularities & the actions in response to that are maintained by the internal audit process. Actions in response to other areas are maintained by human resource department.

TOTAL NUMBER OF LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI TRUST & MONOPOLY PRACTICES

The TCOC Clause 3 provides a clear articulation of Taj's policy on Competition

MANAGEMENT APPROACH:

Regarding Freedom of Association and Collective Bargaining, there are adequate protections through legislations like the Trade Union Act, Industrial Disputes Act etc

As per the provisions of the law applicable in India, recruitment of child labour is banned and the organization is liable for prosecution if any child labour is recruited

Similarly, there are adequate provisions within the law for prevention of forced and compulsory labour

The HR Policy and Processes guidelines clearly articulates a complaint and grievance redressal procedure in the organization

With regard to the security practices, there are adequate procedures and policies in place on disaster management and procedures to handle issues concerning guest safety and security in case of a bomb threat or any other eventuality

PERCENTAGE AND TOTAL NUMBER OF SIGNIFICANT INVESTMENT AGREEMENTS THAT INCLUDE HUMAN RIGHTS CLAUSES OR THAT HAVE UNDERGONE HUMAN RIGHTS SCREENING

As mentioned earlier, Taj is aligned to the labour policies of the country & the TCOC framework of Tata group. Human Rights is enshrined in the Constitution of India and enabled through the entire legal framework. India being a signatory to the ILO Convention, the legal framework is designed to address the issues under ILO Conventions. As a deployment of these clauses, all key contracts with suppliers & vendors include human rights clauses. The violation of these clauses can result in termination of the contract & legal action in case applicative.

A copy of a standard contract template is enclosed as annexure.

Crucial areas covered by all key contracts:

- Workmen compensation policy
- Registration with provident fund authorities, Employee State Insurance scheme
- Taj takes responsibility for CAR policy – Comprehensive All-Risk Policy, including the 3rd party
- On-site registers for wage regulation & overtime

PERCENTAGE OF SIGNIFICANT SUPPLIERS AND CONTRACTORS THAT HAVE UNDERGONE SCREENING ON HUMAN RIGHTS AND ACTIONS TAKEN

As mentioned in HR 1, all significant suppliers & contractors are signatory to the standard clauses on human rights prescribed by the Indian Labour Laws enshrined in the standard contract template used by Taj hotels

TOTAL HOURS OF EMPLOYEE TRAINING ON POLICIES AND PROCEDURES CONCERNING ASPECTS OF HUMAN RIGHTS THAT ARE RELEVANT TO OPERATIONS, INCLUDING THE PERCENTAGE OF EMPLOYEES TRAINED

The awareness on human rights is disseminated through TCOC & Tata core values presentation during induction phase, a formal training programme on human rights is being worked out.

Grievance handling processes are an important aspect of Human Rights protection & promotion in the work environment. The process for same in Taj is presented below:

- Employee having a grievance will report to the immediate Supervisor/ Manager with a copy to the Manager- HR and the GM- Corporate HR
- The immediate supervisor/manager should take action on the same within 24 hours of reporting of the grievance.
- If the grievance is not sorted out within 24 hours or it is beyond the authority of the supervisor to handle it, the same has to be taken up with the HOD
- The HOD has to take action on the grievance received and communicate the same to the concerned employee. If the HOD is unable to sort out the grievance within 24 hours, the same has to be brought to the notice of HR Manager.
- If required, the HOD can jointly with the HR Manager address the grievance
- The HR Manager on receipt of the grievance shall action the same and communicates the course of action to the concerned employee within 24 hours.
- In case the HOD and the HR Manager feel that the matter is of very serious nature, the same has to be taken up with the GM/Functional Head of the unit

- All grievances have to be recorded in the Grievance Redressal form. The form shall be made available in all the departments/outlets. The filled up forms should be sent to the HR Departments for records.
- A quarterly report on the grievances received and actioned in the units should be sent to GM - Corporate HR for information and records.
- If the nature of grievance needs the intervention of Corporate HR, it will be the responsibility of the Unit GM/ Functional Head to ensure that the grievance is brought to the notice of GM – Corporate HR for further action.

The whistle blower policy has been defined for Taj employees, which protects their right of confidentiality & non-retaliation in case of reporting of violations of human dignity & rights as an employee.

OPERATIONS IDENTIFIED IN WHICH THE RIGHT TO EXERCISE FREEDOM OF ASSOCIATION AND COLLECTIVES

Bargaining may be at significant risk, and actions taken to support these rights.

Freedom of Association is enshrined in the Constitution of India and enabled through several acts primary amongst which is the Trade Union Act. Additionally, India as a member of the United Nations is required to observe adherence to all ILO Conventions. The National Interest and Regulatory Compliance clauses of TCOC clearly require IHCL to comply with all applicable regulatory requirements. “There is though no articulation as yet of a policy by IHCL which is independent of Local Laws.”

Staff in Taj has full right to establish and join trade unions, without any fear or authorization. There is no discrimination against individuals for joining & establishing trade unions. Trade unions have freedom to draw their constitution & rules & to elect their representatives to organize their administration. The applicable local & national laws are followed in matters of collective bargaining. Taj is a signatory to the UN Global Compact, which stipulates upholding freedom of association & effective recognition of the right to collective bargaining.

OPERATIONS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF CHILD LABOR, AND MEASURES TAKEN TO CONTRIBUTE TO THE ELIMINATION OF CHILD LABOR

A Taj hotel does not employ any child labour in its operations.

Taj group engages no child labour. Taj complies with Prevention of Child Labour Act and hence the Code of Conduct also requires compliance with all regulatory requirements. The recruitment process requires furnishing of appropriate proof of age to ensure the age bar is followed.

The human resources policies & procedures explicitly states that no persons below the age of 18 may be engaged by contractors, suppliers or vendors at any point, within or outside the company premises, and in the event of discovery of such a case, Taj will take appropriate legal & ethical

action. Government of India rulings restricting the hours of work and kinds of jobs where child labor may be engaged is followed. With the strengthening of the Child Labor Abolition and Control Act of 1986, the penalties stipulated by state are to be upheld. To this effect, information is being disseminated to all our stakeholders.

The Regulatory Compliance Code of TCOC provides the policy framework and the process for ensuring compliance as also monitoring remains the same as described above. Moreover, a birth certificate is sought as proof of age at the time of employment and it is ensured that no person under the age of 18 years is employed.

OPERATIONS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF FORCED OR COMPULSORY LABOR, AND MEASURES TO CONTRIBUTE TO THE ELIMINATION OF FORCED OR COMPULSORY LABOR

All our operations adhere to National & state level laws related to Child Labour. The Regulatory Compliance Code of TCOC provides the policy framework and the process for ensuring compliance as also monitoring remains the same as mentioned above.

The contract with our vendors also contains a clause on non-usage of child labour.

PERCENTAGE OF SECURITY PERSONNEL TRAINED IN THE ORGANIZATION'S POLICIES OR PROCEDURES

The company's security personnel are trained as per brand standards in the standard operating procedures related to guest & employee handling and situations like fire, bomb threat, parking, and other emergencies.

The deployment of these standards is monitored on a regular basis. The focus is to make a safe and secure environment for the guest during their stay. The working of the entire security team is also aligned to the Tata Groups norms on Human Rights and TCOC guideline.

In case of an emergency or a disaster, as in the past, the Taj security teams have volunteered in the relief work, in collaboration with local and Tata Group agencies e.g. during earthquake at Latur, Gujarat, during Tsunami, etc..

Corporate Sustainability Report 2006 – 07

Social Performance



Corporate Sustainability Report 2006 – 07

Social Performance

Taj has an articulated Community Development Philosophy, which is followed by a 'Taj in the Community' process with dedicated human resource for the same, at the corporate level.

Taj Community Development Philosophy

The Taj Group of Hotels is deeply committed to serving the Community. We recognize that the community is not just another stakeholder in Our businesses, but serving the Community is central to the core Values we adhere to in the Taj Group.

We believe that being a good Corporate citizen significantly enriches our corporate purpose. The Taj Group expresses this commitment through programmes evolved out of our core competency in hospitality management.

We further believe that serving people in the form of corporate volunteering, not only revives the spirit of learning in the organization, but more significantly, offers its transformational benefits to the employee.

We therefore strive to constantly build our professional and Organizational capabilities to strengthen our outreach to the people, particularly the underprivileged.

MANAGEMENT APPROACH:

Corporate citizenship, as practiced by the Tata Group, translates into being fair and civic-minded, fulfilling our duties to the entire spectrum of stakeholders, and, most importantly, making social responsibility an integral part of business performance across all its operations.

The group's adherence to ethical business conduct is rooted in the vision of its founder, Jamsetji Tata, for whom the 'end' of entrepreneurial triumph was always secondary to the 'means' by which it was achieved. "We do not claim to be more unselfish, more generous or more philanthropic than other people," he wrote at the turn of the 20th century, "but we think we started on sound and straightforward business principles, considering the interests of the shareholders our own, and the health and welfare of the employees the sure foundation of our success."

Complementing the unwritten rules underpinning the Tata way of business is a growing catalogue of

Values – Social Responsibility



We commit to improve the quality of life of the communities we serve and our concern for the environment by returning to society what we earn.

explicit policies, most notable the 'Tata code of conduct' (in annexure), a comprehensive template of ethical behaviour that guides the actions and decisions of the group's employees. Tata's social commitment is based on values and beliefs over & above the structures

and systems for compliance.

As a signatory to the Global Compact, Taj is also working towards implementation of Tata human development Index, to measure & monitor the impact of our initiatives on quality of life of our target communities. Tata Human development Index is an important mechanism designed to calibrate the initiatives in the area of corporate sustainability. Taj's commitment on the same is captured in the words of our vice chairman portrayed below:

“From the days of the founder the Tata group has always placed the development of human capital on the forefront of all its endeavors. The Tata Index for Sustainable Human Development represents the enduring commitment of the Group to the cause”

Mr. R. K. Krishna Kumar
Vice Chairman
Indian Hotels Company Ltd.

Since inception, Taj has been committed to responsibility to society and the community in which it operates, in addition to the Tata values of honesty, accountability and compliance with regulatory requirements. This commitment had been reaffirmed decades ago, by way of inclusion of a Clause on Social Responsibility in the Company's Articles of Association.

Taj recognizes the importance of sustainable growth - the creation of financial, social and environmental value. By striking an equitable balance between these three pillars, the Company wishes to realize its business objectives, while respecting the opportunities for future generations to meet their own needs, in particular the need for mobility, income, good working conditions, self development and a high quality of life.

NATURE, SCOPE & EFFECTIVENESS OF PROGRAMMES & PRACTICES IN ASSESSING & MANAGING THE IMPACT OF OPERATIONS ON COMMUNITIES...

Being a Tata group company, all our operations use the National Interest clause of TCOC as a framework to manage the impact of operations on community at all stages.

National interest Clause:

A Tata company shall be committed in all its actions to benefit the economic development of the countries in which it operates. It shall not engage in any activity that adversely affects such an objective. It shall not undertake any project or activity to the detriment of the nation's interests, or those that will have any adverse impact on the social and cultural life patterns of its citizens. A Tata company shall conduct its business affairs in accordance with the economic, development and foreign policies, objectives and priorities of the nation's government, and shall strive to make a positive contribution to the achievement of such goals at the international, national and regional level, as appropriate.

***In a free enterprise, the community is not just another stakeholder in business but is in fact the very purpose of its existence."* - Jamsetji Tata, Founder, Tata Group**

A pioneer in several areas, the Tata group has consistently followed the path of innovation, growth and development. Tata is credited with pioneering India's steel industry, civil aviation and starting the country's first power plant. Tata was the market leader in several diverse fields - it had the world's largest integrated tea operation, was Asia's largest software exporter, and the world's sixth largest manufacturer of watches (Titan).

The **guiding mission of the Tata group** was stated by JRD Tata in the following words: "No success or achievement in material terms is worthwhile unless it serves the needs or interests of the country and its people."

The Tata group has always been recognized as a value-driven business house. The company's values have been imbibed & developed from the times of the founder of the group through the times of successors, who took on the leadership of various group companies, including Taj Hotels.

Taj recognizes the **importance of sustainable growth** - the creation of financial, social and environmental value. By striking an equitable balance between these three pillars, Taj aims to realize its business objectives, while respecting the opportunities for future generations to meet their own needs – in particular the need for mobility, income, good working conditions, self development and a high quality of life.

At the Taj there has been a deep commitment in serving the Community, which is not just another stakeholder, but one of the core values in the Taj Group. All employees believe in serving people in the form of **corporate volunteering**, which not only revives the spirit of learning in the organization, but more significantly, results in transformational benefits to them. The Company constantly strives to build professional and organizational capabilities to strengthen its reach to the people, particularly the underprivileged.

Taj group fulfills this commitment towards community development by **extending its core competencies** in food production, kitchen management, house keeping, event management, art & handicraft boutiques as well as grooming/well-being related services to target communities.

Taj has been **‘Building Livelihoods’**, which refers to creating economic independence and encouraging sustainable development in key communities.

Globally, Taj is synonymous to the culture and heritage of India and hence the ‘Building Livelihoods’ theme is also extended to the artisans and craftsmen of India. With this focus the Taj Group has joined hands with **‘Paramparik Karigar’** to jointly support struggling arts & crafts of India. (Paramparik Karigar is a group committed to the preservation of the unique arts & crafts in India)

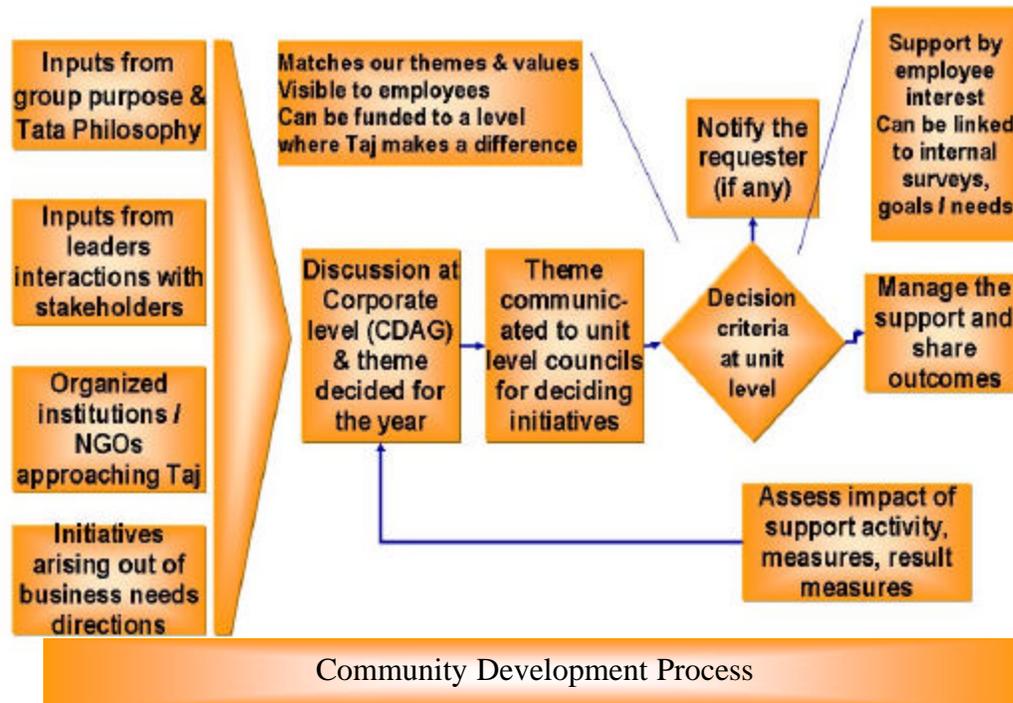
Annual Calendar has been formulated to assist the Units observe certain International and National Days – which are significant in the areas of social & environmental development, in partnership with local voluntary organizations & welfare homes.

Primary Impact Areas have been:

- Building Livelihoods through Skill Development
- Promoting Artisans & Craftsmen
- Supporting Voluntary Organizations & Welfare Homes
- Responding to emergencies, natural calamities, context-specific realities - by contributing to Tata Relief Committee, taking up special projects, etc

In view of India’s vast and diverse regions, cultures and states, each region differs in its identification of Key Communities. In order to tackle this, the Company adopts a **two-pronged approach**, where all the hotel units adopt not only the corporate theme, but are encouraged to take up a local theme, as identified in the region they are based in.

Taj has a well-defined process to identify & support relevant communities:



Just as an overview & feel of what Community development activities various hotels undertake, some examples are listed below:-

BUILDING LIVELIHOODS:

1. Technical Training on Bakery & Confectionary, F&B Service & Engineering department is being imparted for Youth under the Youth Development Program run by the community development action group in Jai Mahal Palace
2. Training in preparing jam & marmalade to under-privileged women & purchase of required quantities on a regular basis by Taj Exotica, Goa
3. Taj Garden Retreat, Kumarakom has hired local ladies as Tourist Guides to take the guests around the village and for boating around the lagoon.

SUPPORTING PARAMPARIK KARIGARS:

1. Cane Crafts' Group from local community shares their art 'live' with guest in Taj Exotica, Goa
2. Taj Krishna, Hyderabad promotes Kalamkari work, wood carving & making of wooden combs by training artisans in design development, awareness raising & showcasing the art
3. Taj Aurangabad provides venue & guidance to identified artisans for marketing & showcasing Bidriware
4. Taj Ganges, Varanasi supports less-advantaged silk weavers from Bajhardeha village by purchasing staff sarees from them. This unit has also provided a hand pump in the village & supports the education of children from two identified families

SPECIAL PROJECT:

Taj Fishcove, Chennai supports TATA-Loyola Development Support Programme initiated as Tsunami Relief Work by Tata Relief Committee

One of the major initiatives under this programme is the Community College operated in partnership with Tamilnadu Open University. Community College provides 6 months Catering course, A/c Mechanic and Desktop Publishing for less-advantaged youth from poor socio-economic backgrounds.

The trainees & fresh pass-outs are given industrial exposure & internship opportunities with different Taj Hotels in Chennai along with support for seeking job-placements, personality development & grooming & mentoring inputs from Taj Staff – with an objective of connecting them successfully with job markets.

Taj Fishcove also runs a tailoring class, supports women SHGs for income-generation, supports coaching classes for school students, conducts health & nutrition awareness & need-based health camps in partnership with local Community Based Organizations.

For 2007-08, Taj group is focusing on supporting the cause of removal of mal-nutrition in India (in line with the Millennium Development Goals) by conducting a pilot intervention for diversified nutritive-supplements & hygiene/sanitation trainings along with the Maharashtra State Nutrition Mission & Bhavishya Alliance (consisting of NGOs, Government's ICDS Department & other corporates like ICICI, HLL, HDFC, etc.)

Taj group is also looking at training & selective recruitment of persons with disabilities suited for hotel operations & related services, in association with voluntary organizations & disability networks.

Name of the Unit	Local Agency Partnered with
Taj View Hotel- Agra	Mother Theresa
	SOS Wildlife
Taj Residency – Calicut	St. Vincent Home
Taj Lake Palace – Udaipur	Anath Ashram
	Badri Vidyalaya
Taj Garden Retreat- Chikmangalur	Chikmagalur Rotary & Innerwheel Trust - Chikmagalur
	Jeevan Sandhya Old Age home
Taj West End	Samarthnam Trust for the Disabled
	Friend – in Need
	Mythri Sarva Seva Samsthe
	Govt School – Neelasandra

Taj Residency – Bangalore	Infant Jesus Home of Poor
	Friend in Need Society
Taj Krishna	M V Foundation.
	Make a Wish
	Sivananda Rehabilitation Home
	MITR Foundation
	M V Foundation
	Vanavasi Kalyana Parishad
	Little Sisters of the Poor
Taj Mahal - New Delhi	Katha Khazana
	Father Agnel Bhavan
	National Association for the Blind
	Sharan
	Pryas
Taj Garden Retreat – Kumarakom	Sree Narayana Charitable Trust
	Ayalkoottam
Taj Residency – Lucknow	Manisha Mandir
	Dayanand Bal Sadan
	Lilavati Bal Nirashrit Girha
	A G Church
	Srimad Dayananna BAL Sadan
	Mahamanna Bal Niketan
	Adarsh Kusht Ashram
	Mother Teresa’s Home
	Nari Niketan
	Leprosy Centre
	Karunalay Mother Teresa’s Home
Rambagh	Apna Ghar
	DISHA
	Bal Shishu Grah
Taj Lands End – Mumbai	Zakharia Ismail Galwani
	Home For Aged
	Bandra East Community Centre
	Shanti Avedhna Ashram

Taj Garden Retreat – Thekkady	Grace Orphanage
	Tebarance Orphanage
	Vattakandam
Taj Residency – Ummed	SEWA
Taj Garden Retreat – Varkala	Ashraya
	Divya Shanthi Ashramam
Taj Bengal	Sharda Seva
	Calcutta Marudhyan
	HOPE Foundation
	Dakshin Kalikata Sevasram
	Institute of Applied Humanities
Taj Residency – Hyderabad	Hyderabad Council of Human Welfare- AP
	Freedom Foundation
Taj Samudra	Sisters of Charity
	Colombo Friend-in-Need Society
	Lions Club
	Sri Lanka National Organization
	Sanhinda Children’s Home
	Suhada Children’s Home

PUBLIC POLICY POSITIONS AND PARTICIPATION IN PUBLIC POLICY DEVELOPMENT AND LOBBYING

Senior leaders from our management committees & from other influential positions are members of various policy-making bodies like tourism Councils, IH&RA, FHARI, etc. through which they participate in public policy development & influence the structure of policies related to hospitality & tourism sector.

The founders of the Tata Group bequeathed most of their personal wealth to the many trusts they created for the greater good of India and its people. Successful social initiatives are used as benchmarks & policy change indicators by various governments. Today the Tata Trusts control 65.8 per cent of the shares of Tata Sons, the holding company of the Group.

Taj group has been consistently contributing its share to Tata Trusts as well as Tata Relief committee (when set up for relief operations during major natural calamities)

Tata trusts like Sir Dorabji Tata Trust, Sir Ratan Tata Trust as well as Tata companies disburse funds as well as expertise in areas of management of natural resources; community forestry; health; social development initiatives; education; and livelihoods, rural livelihoods; arts and culture; and civil society and governance along with local community based organizations, NGOs & local authorities, thus influencing public policy debate & decisions in these areas.

TOTAL VALUE OF FINANCIAL & IN KIND CONTRIBUTION TO POLITICAL PARTIES, POLITICIANS & RELATED INSTITUTIONS

Clause 7 of TCOC clearly articulates a clear stance with respect to engaging with political parties. In compliance with this clause this year there has been no reported contribution.

However in case of natural calamities, national emergencies, other situational crisis; Tata companies deploy help by constituting Tata Relief Committee, through which Taj also contributes to Governments, state/district initiatives, partners with credible voluntary organizations, networks, etc.

MONETARY VALUE OF SIGNIFICANT FINES & TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH LAWS & REGULATIONS

The Company has developed a compliance reporting mechanism which is being extended to all the hotels. Such reporting happens once a quarter where instances of non compliances, if any, are taken up for remedial action. Further, every hotel also sends a report on the visit by a statutory authority to the hotel. This reporting is also used to monitor compliance.

During last year no significant fines for non-compliance have been registered

Corporate Sustainability Report 2006 – 07

Product Performance



LIFE CYCLE STAGES IN WHICH HEALTH & SAFETY IMPACTS OF PRODUCTS & SERVICES ARE ASSESSED FOR IMPROVEMENT, AND PERCENTAGE OF SIGNIFICANT PRODUCTS & SERVICES CATEGORIES SUBJECT TO SUCH PROCEDURES

The significant products & services at Taj consist of rooms, food & beverages & conference & banqueting. The services like butler services, in-room dining, laundry, etc. further enhances the customer stay experience. The first level of assessment of these products & services on the health & safety of guests & employees is done right at the designing stage for all new products. Designers & architects of international repute are engaged to bring their experience in proactively addressing international norms & guest expectations.

Most of the units in Taj are certified to the standards of ISO 14000, OSHAS 18000 & HACCP (international food safety norm). Regular audits on these standards are carried out to understand areas for improvement in various products & services' impacting health & safety. In addition to this, initiatives of Total Productive Maintenance (TPM), fire drills, safety audits, energy audits & close monitoring by functional heads are used to continuously regulate & improve health & safety norms in Taj.

Being in hospitality sector, which has high degree of customer contact, all significant products & service are monitored & evaluated for health & safety impacts on an ongoing basis. Our guest satisfaction tracking system captures customer satisfaction level with respect to safety & uses it in bringing improvement in systems & processes.

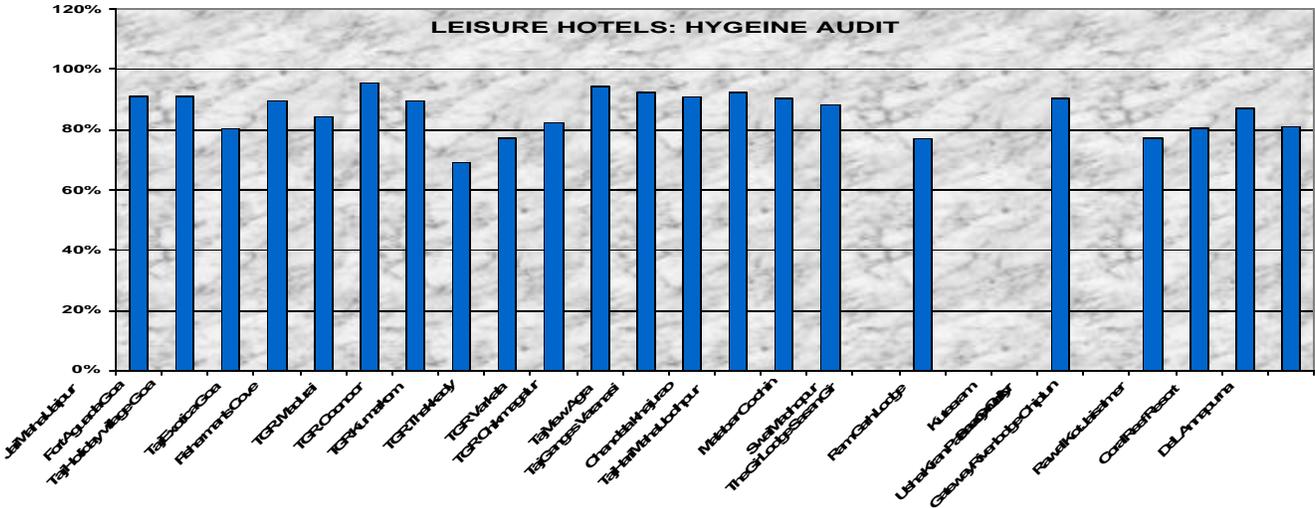
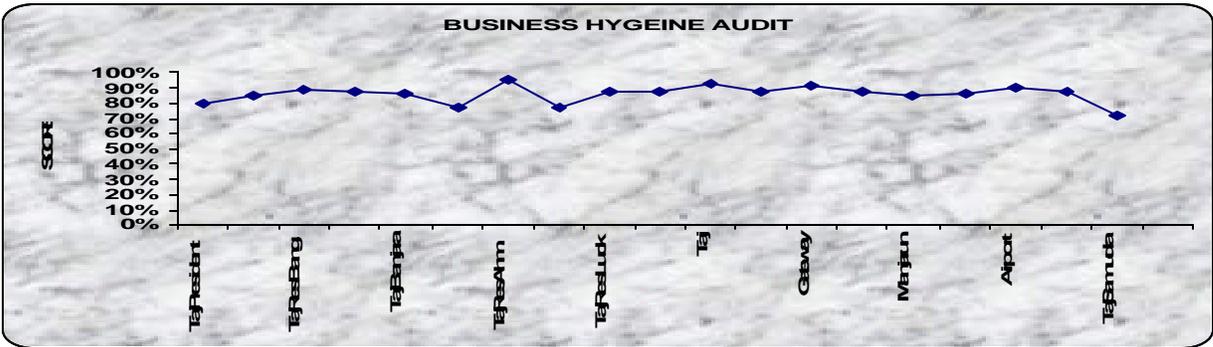
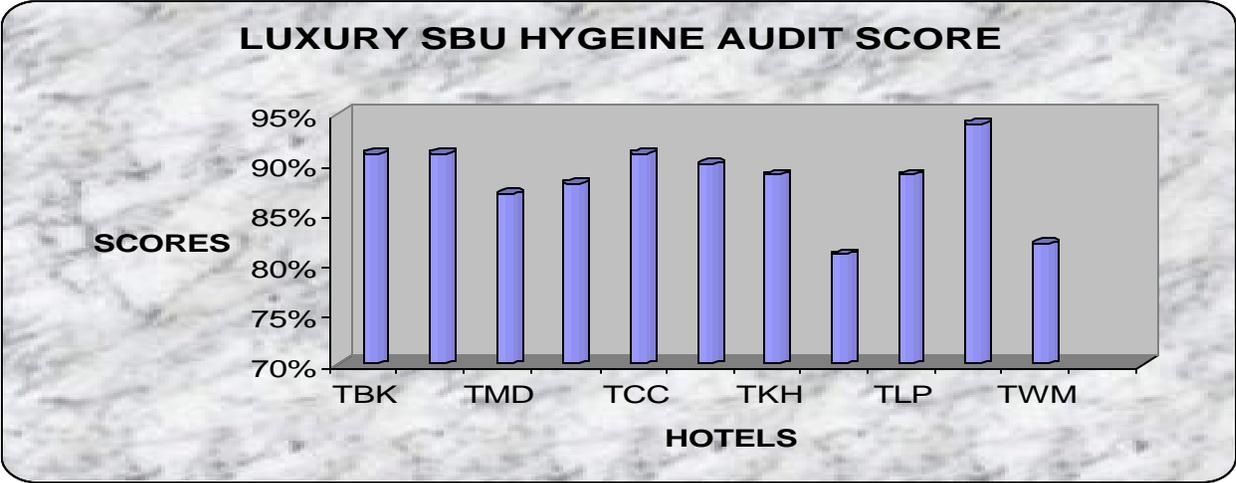
TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS & VOLUNTARY CODES CONCERNING HEALTH & SAFETY IMPACTS OF PRODUCTS & SERVICES DURING THEIR LIFE CYCLE, BY TYPE OF OUTCOMES

The Company has developed a compliance reporting mechanism which is being extended to all the hotels. Such reporting happens once a quarter where instances of non compliances, if any, are taken up for remedial action. Further, every hotel also sends a report on the visit by a statutory authority to the hotel. This reporting is also used to monitor compliance.

Compliance to the internally developed standards for HACCP, ISO 14000 & OSHAS 18000 is regularly audited. In all such audits following criteria is focused on:

- Overall understanding of Environment, Health & Safety (EHS) norms;
- Review of strengths and weaknesses;
- Technical and legislative requirements;
- Progress made on HACCP, OSHAS & EHS, objectives and targets;
- Awareness and training on these systems
- Corrective Action and Preventive Action for any non-conformances previously observed

The audit reports are reviewed at the unit levels & a record is maintained. Following 3 graphs presents the records of audits conducted on HACCP standard for luxury, leisure & business hotels:



PRODUCT & SERVICE INFORMATION REQUIRED BY PROCEDURES & PERCENTAGE OF PRODUCTS & SERVICES WHICH REQUIRE LISTING

There are no statutory definitions for product & service specification that we provide. At a broad level the rooms & allied services like banquets, swimming pools, etc. follow the norms set by the city development regulations, hotel classification guidelines & the brand standards developed by Taj. In addition to this inputs from customers is systematically included into product design & development process & a continuous feedback process is used to enhance the product & service quality & efficiency.

Food & Beverages outlets, constituting a major portion of hospitality products & services, Taj follows all statutes relevant to packaged branded Food products (including statutes on labeling and product information), which include:

- Prevention of Food Adulteration Act
- Standard of Weights & Measures Act
- Food Products Order
- Packaged Commodity Rules

TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS & VOLUNTARY CDES CONCERNING PRODUCT & SERVICE INFORMATION AND LABELING, BY TYPE OF OUTCOMES

No reported non-compliances under this area.

PRACTICES RELATED TO CUSTOMER SATISFACTION, INCLUDING RESULTS OF SURVEYS MEASURING CUSTOMER SATISFACTION

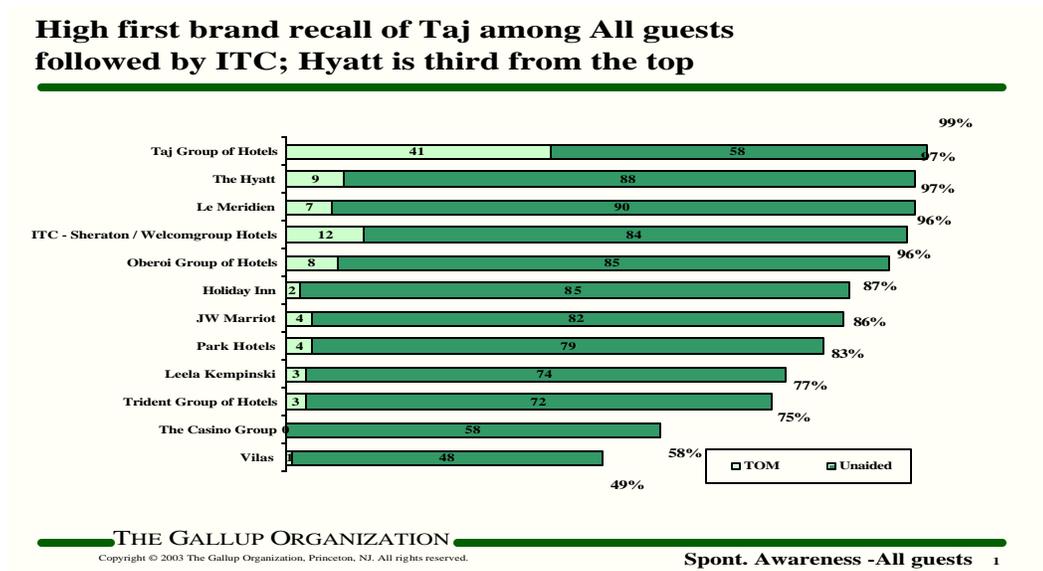
Taj, being a hospitality leader, has an in-built customer-centric approach to enable it to deliver high levels of customer service. Since the customer spends a large amount of time with us and also participates in the process of creating experiences, knowledge of customer requirements is the key to business success. Multiple methods are utilized to gain a better understanding of market & customers across segments & geographies. In special cases, consultants are commissioned to get deeper insights into emerging customer and market trends such as for Morimoto for Wasabi, Michel Nischan for Pure, Spa Consultants for Taj Spa, CC Africa for Wild life lodges, etc. Internally, the members of Field sales team (Accounts manager dedicated to a set of key clients), Unit sales team (dedicated to unit sales & marketing performance) & the unit operations team (unit GM & the Team) have an ongoing conversation with customers as a way to understand their needs & responses to product & service offerings. In a customer-centric hotel, this typically means that, every employee who interacts with the customer becomes a researcher, sales person and a problem solver in addition to execution of key process she / he is responsible for. This entire gamut of information is collated centrally to create useful market and customer information.

The customer satisfaction information collected feeds into following processes:

- Product/Service Quality
- Service Recovery Process
- Tracking Improvement Trends
- Internal comparisons to drive pace of change
- Reported in the Balanced Scorecard
- Reported to the Board
- Comparison with Competition
- Organizational Learning
- In most employee performance evaluation processes

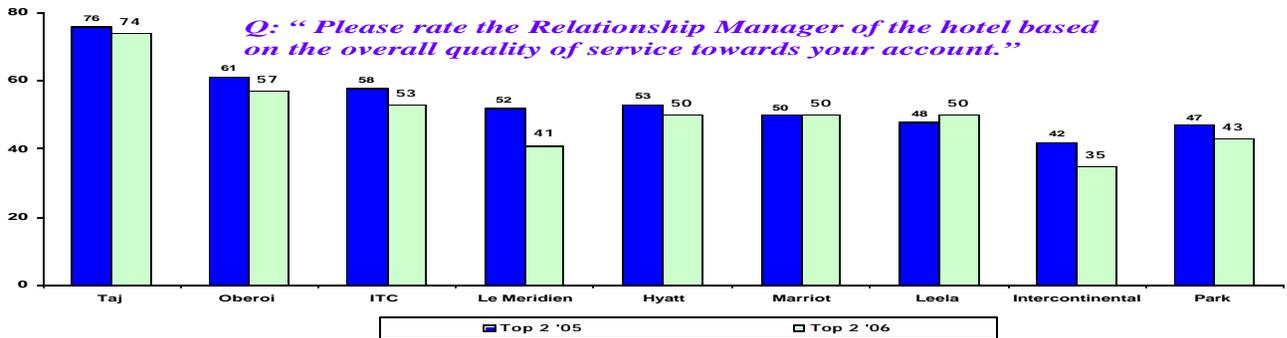
In addition to this, external surveys are conducted to understand the satisfaction levels of corporate, tour operators, potential customers & the brand perception in the market.

Presented below is a sample of customer satisfaction survey:

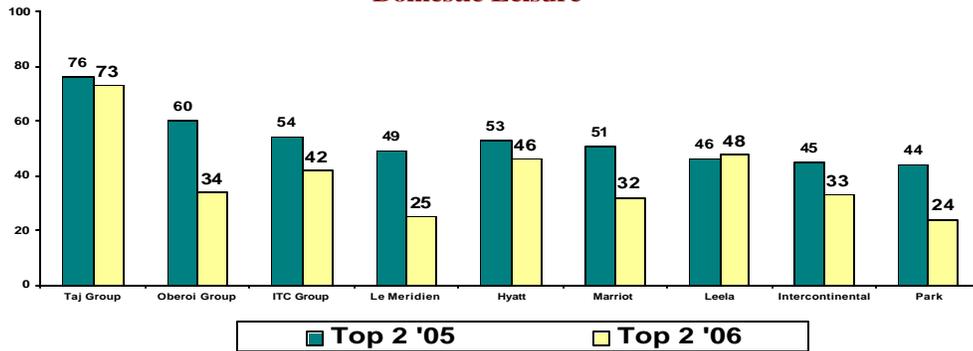


Corporate segment forms more than 55% of our total business volume. The channel partners (tour & travel operators) are an important link between Taj & the customer & are treated as an important indirect customer. The satisfaction results of this segment, as conducted by an external agency, are presented below:

Relationship Building with Corporate Customers -I Commercial Teams



Relationship Building with Channel Partners Domestic Leisure



PROGRAMMES FOR ADHERENCE TO LAWS, STANDARDS, VOLUNTARY CODES RELATING TO MARKETING COMMUNICATIONS...

Our marketing, advertising & promotions operate by the internally regulated, voluntary code of conduct. Agencies like Advertising & Standards Council of India, which is an autonomous agency keep a watch & give feedback to promote transparent & healthy practices in these areas.

A dedicated team of people, who are well versed in requirements & norms of marketing & advertising area, own the process of marketing-communications in Taj. The Hotels business does not sell any product banned in the market nor is the subject of stakeholder questions or public debate.

The internal Code on advertising & promotion ensures that the advertisements are not deliberately misleading in terms of claim and representation, and are not offensive to generally accepted standards of public decency (nothing vulgar, indecent or repulsive). Glorification of acts of sex and violence is avoided. References to religion in general and specific religions are also avoided. It is ensured that advertisements maintain fairness to competition and the contests and promotions are as per the laws of the land. The terms and conditions of promotions are vetted by the Legal Department. There is no deriding of race, caste and community in advertisements or promotion.

TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS & VOLUNTARY CODES CONCERNING MARKETING COMMUNICATIONS, INCLUDING ADVERTISING, PROMOTION & SPONSORSHIP

No case of non-compliance is registered under this area.

TOTAL NUMBER OF SUBSTANTIATED COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY & LOSSES OF CUSTOMER DATA

In accordance with the Taj brand standards, any guest complaint is sorted out immediately through a service recovery process. There is a robust customer complaint handling process institutionalized in Taj day-to-day operations.

Identity of the customer is never shared with any third party by rule. Even internally the customer data access is limited to authorized & designated executives, through pass word protected data bases.

List Of Abbreviations

Abbreviation	Full Form
A/c	Air- Conditioning
B.Sc	Bachelor of Science
BE-BP	Brand Equity and Business Promotion
BRC	Business review Committee
BSC	Balance scorecard
CBSTS	Conferences and Banquets Satisfaction Tracking System
CDC	Career Development Committee
CEO	Chief executive officer
CFL	Compact Fluorescent Light
CFO	Chief Financial Officer
CFTS	Cross Functional Teams
CIS	Customer Information System
COE	Center of Excellence
COO	Chief Operating officer
CQD	Cost, Quality and delivery
CRS	Central Reservation System
CRZ	Coastal Regulatory Zones
CS	Corporate Sustainability
CTD	Corporate Training and Development
DG	Diesel Generator
DW	Data Warehousing
E&I	Evaluation and Improvement
ED	Executive Director
EDIFAR	Electronic Data information
EIA	Environment Impact Assessment
ESTS	Employee Satisfaction Tracking System
ETP	Effluent treatment Plant
EVA	Economic Value Added
F&B	Food and Beverage
FEMA	Foreign Exchange Management Act
FFIT	Foreign Free Individual Traveler
FO	Furnace Oil
GDP	Gross Domestic Product
GDS	Global Distribution System
GHG	Green House Gas
GJ	Giga Joule
GM's	General Managers
GRI	Global Reporting Indicator
GSTS	Guest Satisfaction Tracking System
HOD	Head of Department

HSD	High Speed Diesel
IEPF	Investor Education and Protection Fund
IHCL	Indian Hotels Company Limited
INR	Indian Rupee
IT	Information Technology
JRD- QV	Jehangir Ratanji Dadabhoy Quality Value
KL	Kilo Litre
KM	Knowledge Management
KRA's	Key Result Areas
Kwh	Kilo watt Hour
LDO	Light Diesel oil
LIC	Life Insurance Of India
LPG	Liquified Petroleum Gas
LRQA	Lloyds Register Quality Assurance
MBA	Management in Business Administration
MD	Managing Director
MDG	Millennium Development Goals
MJ	Mega Joule
NCPA	National Center for Performing Art's
NG	Natural Gas
NGO	Non- Government Organization
NOX	Nitrogen Oxides
ODS	Ozone Depletion Substances
P2E	Pledge to Excel
PIT's	Process improvement Teams
PR	Personal Relations
PUC	Pollution Under control
RFI	Request for Information
SBU	Strategic Business Units
SCm	Standard Cubic Meter
SEBI	Securities and Exchange Board of India
SLA	Service Level Agreement
SOX	Sulphur Oxides
SPM	Suspended particulate Matter
STARS	Special Thanks and Recognition system
STP	Sewage Treatment Plant
TAS	Tata Administrative Services
TBEM	Tata Business Excellence Model
TCCI	Tata Council for community Initiatives
TCOC	Tata Code of Conduct
TLH	Taj Luxury hotels
TMP&T	Taj Mahal Palace and Towers
UTI	United Trust Of India
VP	Vice President
WAN	Wide Area network



TATA Code of Conduct

CORPORATE CONDUCT

1.National Interest

A TATA Company shall be committed in all its actions to benefit the economic development of the countries in which it operates and shall not engage in any activity that would adversely affect such objective. It shall not undertake any project or activity to the detriment of the Nation's interests or those that will have any adverse impact on the social and cultural life patterns of its citizens. A TATA Company shall conduct its business affairs in accordance with the economic, development and foreign policies, objectives and priorities of the Nation's government and shall strive to make a positive contribution to the achievement of such goals at the international, national and regional level as appropriate.

2.Financial Reporting and Records

A TATA Company shall prepare and maintain its accounts fairly and accurately 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 fairly and accurately reflect all of the Company's business transactions and disposition of assets. All required information shall be accessible to company auditors and other authorised parties and government agencies. There shall be no wilful omissions of any company transactions from the books and records, no advance income recognition and no hidden bank account and funds.

Any wilful 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.

3.Competition

A TATA Company shall fully strive for the establishment and support of a competitive open market economy in India and abroad and shall co-operate in the efforts to promote the progressive and judicious liberalisation of trade and investment by a country. Specifically, a TATA Company shall not engage in activities which generate or support the formation of monopolies, dominant market positions, cartels and similar unfair trade practices.

A TATA company shall market its products and services on its own merits and shall not make unfair and misleading statements about competitors' products and services. Any collection of competitive information shall be made only in the normal course of business and shall be obtained only through legally permitted sources and means.

4.Equal-Opportunities Employer

A TATA Company shall provide equal opportunities to all its employees and all qualified applicants for employment without regard to their race, caste, religion, colour, ancestry, marital status, sex, age, nationality, disability and veteran status. Employees of a TATA Company shall be treated with dignity and in accordance with the TATA policy to maintain a work environment free of sexual harassment, whether physical, verbal or psychological. Employee policies and practices shall be administered in a manner that would ensure that in all matters equal opportunity is provided to those eligible and the decisions are merit-based.

5.Gifts and Donations

A TATA Company and its employees shall neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits which are intended to or perceived to obtain business or un-competitive favours for the conduct of its business. However, a TATA Company and its employees may accept and offer nominal gifts which are customarily given and are of commemorative nature for special events.

6. Government Agencies

A TATA Company and its employees shall not offer or give any company funds or property as donation to any government agencies or their representatives, directly or through intermediaries, in order to obtain any favourable performance of official duties.

7. Political Non-Alignment

A TATA Company shall be committed to and support a functioning democratic constitution and system with a transparent and fair electoral system in India. A TATA company shall not support directly or indirectly any specific political party or candidate for political office. The Company shall not offer or give any company funds or property as donations, directly or indirectly, to any specific political party, candidate or campaign.

8. Health, Safety and Environment

A TATA Company shall strive to provide a safe and healthy working environment and comply, in the conduct of its business affairs, with all regulations regarding the preservation of the environment of the territory it operates in. A TATA Company shall be committed to prevent the wasteful use of natural resources and minimise any hazardous impact of the development, production, use and disposal of any of its products and services on the ecological environment.

9. Quality of Products and Services

A TATA Company shall be committed to supply goods and services of the highest quality standards backed by efficient after-sales service consistent with the requirements of the customers to ensure their total satisfaction. The quality standards of the Company's goods and services should at least meet the required national standards and the Company should endeavour to achieve international standards.

10. Corporate Citizenship

A TATA company shall be committed to be a good corporate citizen not only in compliance with all relevant laws and regulations but also by actively assisting in the improvement of the quality of life of the people in the communities in which it operates with the objective of making them self reliant. Such social responsibility would comprise, to initiate and support community initiatives in the field of community health and family welfare, water management, vocational training, education and literacy and encourage application of modern scientific and managerial techniques and expertise. This will be reviewed periodically in consonance with national and regional priorities. The company would also not treat these activities as optional ones but would strive to incorporate them as integral part of its business plan. The company would also encourage volunteering amongst its employees and help them to work in the communities. Tata companies are encouraged to develop social accounting systems and to carry out social audit of their operations.

11. Co-operation of TATA Companies

A TATA Company shall co-operate with other TATA Companies by sharing physical, human and management resources as long as this does not adversely affect its business interests and shareholder value.

In the procurement of products and services a TATA Company shall give preference to another TATA company as long as it can provide these on competitive terms relative to third parties.

12. Public Representation of the Company & the Group

The TATA Group honours the information requirements of the public and its stakeholders. In all its public appearance with respect to disclosing company and business information to public constituencies such as the media, the financial community, employees and shareholders, a TATA Company or the Tata Group shall be represented only by specifically authorised directors and employees. It will be the sole responsibility of these authorised representatives to disclose information on the Company.

13.Third Party Representation

Parties which have business dealings with the TATA Group but are not members of the Group such as consultants, agents, sales representatives, distributors, contractors, suppliers, etc. shall not be authorised to represent a TATA Company if their business conduct and ethics are known to be inconsistent with the Code.

14.Use of the TATA Brand

The use of the TATA name and trademark owned by Tata Sons shall be governed by manuals, codes and agreements to be issued by Tata Sons. The use of the TATA brand is defined in and regulated by the TATA Brand Equity & Business Promotion Agreement.

15.Group Policies

A TATA company shall recommend to its Board of Directors the adoption of policies and guidelines periodically formulated by Tata Sons.

16.Shareholders

A TATA Company shall be committed to enhance shareholder value and comply with all regulations and laws that govern shareholders' rights. The Board of Directors of a TATA Company shall duly and fairly inform its shareholders about all relevant aspects of the Company's business and disclose such information in accordance with the respective regulations and agreements.

EMPLOYEES' CONDUCT

1.Ethical Conduct

Every employee of a TATA Company, which shall include Whole-time Directors and the Managing Director, shall deal on behalf of the Company with professionalism, honesty, integrity as well as high moral and ethical standards. Such conduct shall be fair and transparent and be perceived to be as such by third parties.

Every employee shall be responsible for the implementation of and compliance with the Code in his professional environment. Failure to adhere to the Code could attract the most severe consequences including termination of employment.

2.Regulatory Compliance

Every employee of a TATA Company shall, in his business conduct, comply with all applicable laws and regulations, both in letter and in spirit, in all the territories in which he operates. If the ethical and professional standards set out in the applicable laws and regulations are below that of the Code then the standards of the Code shall prevail.

3.Concurrent Employment

An employee of a TATA Company shall not, without the prior approval of the Managing Director of the Company accept employment or a position of responsibility (such as a consultant or a director) with any other company, nor provide “free-lance” services to anyone. In the case of a Whole-time Director or the Managing Director such prior approval must be obtained from the Board of Director of the Company.

4.Conflict of Interest

An employee of a TATA Company shall not engage in any business, relationship or activity which might detrimentally conflict with the interest of his Company or the Group. A conflict of interest, actual or potential, may arise where, directly or indirectly,

(a) an employee of a TATA Company engages in a business, relationship or activity with anyone who is party to a transaction with his Company,

(b) an employee is in a position to derive a personal benefit or a benefit to any of his relatives by making or influencing decisions relating to any transaction, and

(c) an independent judgement of the Company's or Group's best interest cannot be exercised.

The main areas of such actual or potential conflicts of interest would include the following:

(i) Financial interest of an employee of a TATA Company or his relatives including the holding of an investment in the subscribed share capital of any company or a share in any firm which is an actual or potential competitor, supplier, customer, distributor, joint venture or other alliance partner of the TATA company. (The ownership of upto 1% of the subscribed share capital of a publicly held company shall not ordinarily constitute a financial interest for this purpose.)

(ii) An employee of a TATA company conducting business on behalf of his Company or being in a position to influence a decision with regard to his Company's business with a supplier or customer of which his relative is a principal officer or representative resulting in a benefit to him or his relative.

(iii) Award of benefits such as increase in salary or other remuneration, posting, promotion or recruitment of a relative of an employee of a TATA Company where such an individual is in a position to influence the decision with regard to such benefits.

(iv) Acceptance of gifts, donations, hospitality and/or entertainment beyond the customary level from existing or potential suppliers, customers or other third parties which have business dealings with the Company.

Notwithstanding that such or other instances of conflict of interest exist due to any historical reasons, adequate and full disclosure by the interested employees should be made to the company's management. It is also incumbent upon every employee to make a full disclosure of any interest which the employee or the employee's immediate family, which would include parents, spouse and children, may have in a company or firm which is a supplier, customer, distributor of or has other business dealings with his Company.

Every employee who is required to make a disclosure as mentioned above shall do so, in writing, to his immediate superior who shall forward the information along with his comments to the person designated for this purpose by the MD/CEO who in turn will place it before the MD/CEO and/or the Board of Directors/Executive Committee appointed by the Board and, upon a decision being taken in the matter, the employee concerned will be required to take necessary action as advised to resolve/avoid the conflict.

If an employee fails to make a disclosure as required therein and the management of its own accord becomes aware of an instance of conflict of interest that ought to have been disclosed by the employee, the management would take a serious view of the matter and consider suitable disciplinary action against the employee.

5. Securities Transactions and Confidential Information

An employee of a TATA Company and his immediate family shall not derive any benefit or assist others to derive any benefit from the access to and possession of information about the Company or the Group which is not in the public domain and thus constitutes insider information.

An employee of a TATA Company shall not use or proliferate information which is not available to the investing public and which therefore constitutes insider information for making or giving advice on investment decisions on the securities of the respective TATA Company on which such insider information has been obtained.

Such insider information might include the following:

- acquisition and divestiture of businesses or business units
- financial information such as profits, earnings and dividends
- announcement of new product introductions or developments
- asset revaluations
- investment decisions/plans
- restructuring plans
- major supply and delivery agreements
- raising finances

6. Protecting Company Assets

The assets of a TATA Company should not be misused but employed for the purpose of conducting the business for which they are duly authorised. These include tangible assets such as equipment and machinery, systems, facilities, materials, resources as well as intangible assets such as proprietary information, relationships with customers and suppliers, etc.

7. Citizenship

An employee of a TATA Company shall in his private life be free to pursue an active role in civic or political affairs as long as it does not adversely affect the business or interests of the Company or the Group.

8. Integrity of data furnished

Every employee of a TATA Company shall ensure at all times the integrity of data or information furnished by him to the Company.

9. Reporting concerns

Every employee of a TATA Company shall promptly report to the Management any actual or possible violation of the Code or an event he becomes aware of that could affect the business or reputation of his or any other TATA Company.

Ref: TGH/CMG/06-07/000

Date :

Supply of _____ of the Taj Group of Hotels.

Dear Sir,

This has reference to your quote dated --- and our discussions on the above subject. We are pleased to confirm that you have been selected as preferred vendor for supply of the aforementioned item to the Taj Group of Hotels under the following terms and conditions :

- Item/Rate** : Please refer to annexure A.
- Validity** : Validity of these terms and conditions between ____. and The Indian Hotels Company Limited and it's associates/subsidiary companies under the Taj Group will be from the date of this order up to ----- 2007.
- Ordering** : All the Unit Managers/Material Managers will place their orders directly with you/your distributors.
- Lot Size** : As per hotel/unit requirement.
- Delivery** : Goods will be dispatched within ---- working days from the date of receipt of order for each individual hotel units.

Quantities will be verified by the hotel units. In the event, the product(s) is/are not as per the final agreed specification(s), the hotel units will reject the same.

In the event, if, at any time your company is not in a position to supply the material in time, the hotels will buy the product from the open market and the rate difference thereof will be debited to your account.

The hotel will test the product for Quality standards as per specifications at regular intervals. In the event the product fails, the same will be rejected.

The risk & title of the products will be of your company till the inspection of products is completed at our hotel premises.

- Payment** : The payment will be made by cheque, directly by the concerned hotel unit within ---- days from the date of delivery for the ordered quantity placed by the unit.

Code of Conduct : Any offers, direct or indirect, any illegal payments, remuneration, gifts donations or comparable benefits to any Taj employee which are intended to or perceived to obtain business or uncompetitive favors for the conduct of business, excepting nominal gifts which are customarily given and are of commemorative nature for special events, are strictly prohibited .

The Supplier/Contractor represents that it does not employ any child labour in the manufacture or supply of goods & services under this contract. The Supplier/Contractor represents that it has complied with and shall comply with all rules and regulations of the Child Labour (Prohibition and Regulation) Act, 1986. IHCL shall have the right to terminate the Agreement forthwith in the event the Supplier/Contractor does any act or thing which shall contravene any provision of the Child Labour (Prohibition and Regulation) Act, 1986. The Supplier/Contractor shall be liable to IHCL for any loss and damage caused to IHCL due to failure on the part of the Supplier/Contractor due to this.

Termination : The Taj Group of Hotels (IHCL, it's subsidiaries and Associate companies) reserves the right to terminate this agreement with a notice period of 30 days in the event the product supplied does not meet with the standards and specifications mentioned in the order.

____. will cover and indemnify the Indian Hotels Co. Ltd., and its associates/subsidiary companies under the Taj Group umbrella for any damages or liabilities that may be raised by the guests/staff on use of products supplied _____. will guarantee that the product supplied are non-toxic and will not have any side effects and conform to the current FDA, PFA Standards and all other Food standard norms.

While The Indian Hotels Comp any Limited and it's associates/subsidiary companies under the Taj group has entered into an agreement with _____. it reserves the right to consider any new product of the same range for use at its hotel units, thereby reserving the right for not giving any exclusivity of the product supplied.

All the disputes arising on account of this agreement are subject to Mumbai jurisdiction.

Kindly sign and return a copy of this agreement as a token of your acceptance to the terms and conditions specified herein.

We look forward to a long and fruitful association with _____.

Thanking you,

Yours faithfully,