

BUILDING ON A LEGACY



Indian Hotels Company Limited

Corporate Sustainability Report
2010-2011

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BUILDING ON A LEGACY

Established brands can too easily fall prey to the status quo. However, dynamic brands rail against it. At the Taj, we cherish and respect our legendary glory and yet continue to renew and reinvent our brands and experiences – aware of tomorrow and the part we must play in the future.

We endeavour to meet not only the expectations of our stakeholders today, but also of tomorrow. We continue to foresee the trends and aspirations to come. We are relentlessly looking for ways to enhance and contribute to society and the environment of which we are a part.

Even as we use our legacy as a foothold, we strive to propel ourselves ahead.



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TAJ
LANDSCAPE



Building on a legacy is IHCL's seventh sustainability report that covers Luxury – India, Luxury – International, Premium, Gateway, Ginger, Taj SATS, Jiva Spa, and Khazana businesses. Our last report "A Legacy of Trust" was published in 2008-09. We have used the GRI G3 Guidelines for sustainability reporting for developing this report and also aligned the report contents with the United Nations Global Compact Principles. In this report, we have fully reported on 60 G3 indicators and partially reported on 0 G3 indicators.

1 of 25

organisations in the world to win the **Gallup Great Workplace Award 2010**

65

Hotels have achieved **EARTHCHECK™** certification

1,12,565

Community volunteering hours contributed by IHCL associates

₹68.39

million saved on account of the **'War-on-Waste' initiatives**

23%

women associates employed at **managerial** positions

₹75.50

million invested towards **environmental initiatives**

9.47%

of total energy consumption is derived from **renewable sources**

31%

of total **water** consumed is either **recycled or reused**

291

differently-abled persons were trained

LAURELS
WE DON'T
REST UPON

A few key achievements and highlights that serve as a bar we must keep raising for ourselves.

OUR MD LOOKS AHEAD

I take this opportunity to present the seventh annual Corporate Sustainability Report of the Indian Hotels Company Limited, which outlines our commitment and programmes tailored to provide better experiences and a higher quality of life for our various stakeholders. We present to you our approach towards sustainability and an update on our sustainability performance for the year ending 31st March 2010, based on GRI G3 guidelines and adhering to UNGC principles. Through purposive stakeholder engagement and discussions with the Management Committee, we have carefully selected six sustainability focus areas: enhancing health and safety; finding more ways to delight; doing more to be an employer of choice; optimising revenues further; refocusing on the planet's future and building more livelihoods. Continuing from what we have inherited, a steady focus on these areas is the need of the hour for building on our legacy.

This year started with a flavour of uncertainty, given the backdrop of apprehensions regarding the continuing downward trend in global business. Despite the challenging economic conditions we concentrated on completing the project commitments on hand and propelling growth through management contracts in the Domestic and International markets, without losing focus on sustainability. We also made significant headway in acquiring properties and land at strategic locations.

At the outset of 2009, we had unveiled our Sustainability Strategy intended to serve our guests better, have more satisfied and committed associates, empower our communities to sustain livelihoods and become the custodians of nature, besides ensuring business growth. We have taken a further leap in terms of redefining our brand portfolio with differential pricing points - simultaneously addressing the requirements of various socio-economic layers in our market space. Our redefined portfolio includes the launch of new brands like Vivanta and Gateway, the renovation of existing brands, our focus on long-term sustainability of operations through process changes to conserve energy and water, reduce emissions and wastage and create sustainable livelihoods. This strategic framework consists of a five-year rolling plan that details "how to grow" and "how to run" the business in a sustainable manner in order to create maximum impact.

We continue to deliver – and further develop – the “Taj Experience”. Under the “Surprises by Taj” campaign, offers were communicated in an elegant tone, laced with a sense of mystery and humour, while keeping the brand image intact. The surprises were in the form of rewards – Stay a Bit Longer, Early Bird Offer, Business Edge and Suites and Club Promotion.

This year we achieved another critical milestone in our sustainability journey by constituting a Corporate Safety, Health and Environment (SHE) Council at the Apex level, led by the Executive Director Hotel Operations, to review the SHE processes and initiatives. At the hotel level, we have created a SHE committee headed by the General Manager and comprising key Heads of Department for reviewing the SHE and security issues. Further, we have moved on to the ISO 22000 Food Safety

standard to ensure the highest levels of food safety.

We have renewed our focus on environmental initiatives across our existing hotels and upcoming projects via Environmental Awareness and Renewal at Taj Hotels (EARTH) – a unique initiative towards welcoming environmentally conscious guests. We have also undertaken the EarthCheck™ certification to benchmark our sustainability performance with the global best in our domain. Various initiatives such as water harvesting, energy efficiency, waste reduction and disposal and use of renewable energy sources are being undertaken as a part of our EARTH vision.

A key competitive success factor for us, over the years, has been our associates – our brand ambassadors at various touch points. We empower them to take day-to-day decisions and provide them with an environment that fosters innovation and warmth in service. One such initiative is the “Year of the Associate”, aimed at creating an engaging and vibrant workplace. This year, we won the Gallup Global Great Workplace Award for creating an invigorating workplace and healthy work culture. We are amongst 25 distinguished organisations from across the world, and one of only two in India that were selected for this award.

We continue to play our role as a responsible corporate citizen, adding value to the society and the environment in which we operate. We continue to enhance our efforts towards building sustainable livelihoods for the less privileged sections of society. We constantly assess and update our approach and initiatives in this realm. We reach out to youth and women from less-privileged socioeconomic backgrounds by extending our business competencies. Our hotels have programmes and initiatives addressing areas like nutrition and hygiene; skill development for educational drop-outs, differently-abled candidates, marginalised women; development of small scale vendors and women self-help groups, indigenous artisans and craftsmen and other local need-based community development projects. We partner with various governments, voluntary organisations and cause-based networks in line with our theme to ensure sustainability of our socio-economic interventions.

Amidst the recent wave of energy efficient living and environmental consciousness, I am sure that the hotel industry in the coming years will offer many innovative service offerings. As a responsible corporate citizen we embrace this challenge and are taking proactive measures towards meeting the evolving preferences of sophisticated, environmentally conscious and value-seeking travellers.

As a proactive organisation, we recognize that we cannot improve our performance unless our stakeholders point out the lacunae in our business processes. I urge you to provide unbiased feedback and assure you that the same will be used to deliver a better Taj experience.

Raymond N Bickson
Managing Director and CEO



A SOLID
FOUNDATION FOR
OUR FUTURE



The principles that have stood us in great stead in the past, and continue to guide our future.



VISION

Embrace talent and harness expertise to leverage the standards of excellence in the art of hospitality to grow our international presence, increase domestic dominance, and create value for all stakeholders.



VALUES

Values	Commitment to values
People diversity, integrity and respect	<ul style="list-style-type: none"> • Structure to ensure deployment of the Tata code of conduct; • Tata positive assurance model audits that are reviewed by the board; • Two way communication through town halls, walk through, customer, partner, investor and supplier meets; • Creation of the Tata leadership system and identifying leadership behaviour
Passion for excellence	<ul style="list-style-type: none"> • Driving business excellence throughout operations; • Benchmarking performance; • Process orientation through enterprise process model; • Creation of critical systems leaders; • Creation of process enhancement teams; • Introduction of Taj awards for business excellence
Exceed expectations	<ul style="list-style-type: none"> • Recognizing participation in cross functional teams; • Process improvement teams; • Special thanks and recognition system; • Taj Awards for business excellence; • Guest watch; • Performance management systems
Innovation	<ul style="list-style-type: none"> • Participation in product / service design and development – Vivanta by Taj, Gateway hotels
Sense of urgency and accountability	<ul style="list-style-type: none"> • Delegation of authority as per roles; • Implementation of performance management systems; • Participating in reviews; • Leading crisis management task forces
Social responsibility	<ul style="list-style-type: none"> • Driving the EARTH – Environment Awareness and Renewal at Taj Hotels – programme; • Driving the social responsibility initiatives; • Partnering with the government to address industry concerns
Joy at work	<ul style="list-style-type: none"> • Introduction of the “Year of the Associate”, participation in ESS action plans



THE NEW
TAJ
EXPERIENCE



When the Taj came into existence over a century ago, it was already looking ahead. The legacy of restlessness began even back then, with a commitment to be a hospitality brand unlike any India had seen.

We were – and continue to be – rather privileged, that so many kinds of travellers from all across the globe found in us a place to call home while they were away.

Today, we continue to build on this storied past with ever-evolving brands that must meet the challenge of being both – a window to a century-old legacy and a door to decades ahead. Together, our various brands offer differentiated experiences and play host to today's modern traveller. We wait to welcome those who will walk through our doors tomorrow as well.

Taj Hotels Resorts and Palaces – comprising the Indian Hotels Company Limited (IHCL) and its subsidiaries – is recognised as one of world’s finest hospitality companies. We are the largest hotel chain in South Asia, with a portfolio of 103 hotels and 12,243 rooms across 12 countries. It spans the length and breadth of the country, gracing Important cities, industrial towns and cities, beaches, hill stations, historical and pilgrim centres and wildlife destinations. Each hotel offers luxurious standards of service, the apogee of Indian hospitality, vintage locations, and every modern amenity and business facility.

The “TAJ” brand has been consciously built over the years, and has the highest brand recall in the hospitality industry. Top quality infrastructure that establishes the high brand standards, combined with best-in-class services for our guests – this is what we call the ‘Taj Experience’. It is an epitome of hospitality globally, with a formidable lineage and a distinctive reputation. Each brand is built on a base of Taj constants of customer-centricity, integrity, and hygiene. Based on diverse strategic offerings, our hotel portfolio has been segmented into the following brands: Luxury, Premium, Gateway and Ginger. In addition to these, Taj SATS, Jiva Spa and Khazana are also a part of our company.



10 countries



103 properties



12,243 rooms



25,86,574 room nights



22,417 associates



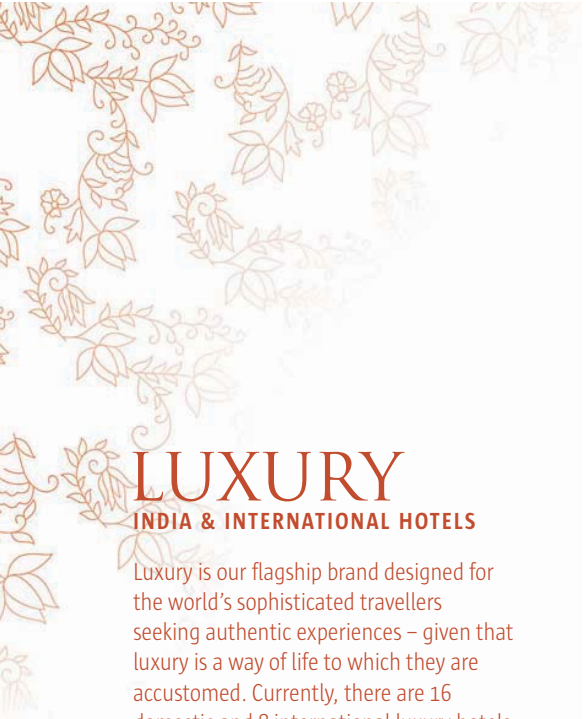
22,35,081 GJ



2,33,574.91 tons CO₂ eq



6.17 million cubic metres



LUXURY

INDIA & INTERNATIONAL HOTELS

Luxury is our flagship brand designed for the world's sophisticated travellers seeking authentic experiences – given that luxury is a way of life to which they are accustomed. Currently, there are 16 domestic and 8 international luxury hotels spanning world-renowned landmarks, modern business hotels, idyllic beach resorts, authentic palaces and rustic safari lodges. Each hotel reinterprets the tradition of hospitality in a refreshingly modern way to create unique experiences and lifelong memories.

Luxury hotels encompass a unique set of iconic properties rooted in tradition and that deliver truly unforgettable experiences. These hotels are clearly differentiated by their product philosophy, service design and the privacy and intimacy they provide. They are centred around high-end accommodation, environments that allow guests unrivalled comfort, varied and eclectic culinary experiences, impeccable service and authentic Indian Spa sanctuaries. Taj Safaris also form an extension of the high-end luxury concept and experience.

With a commitment to replicate our domestic success on international shores, we continue to build an international network of luxury hotels, which will provide an exemplary product-service combination to create a global brand. The current international portfolio includes luxury resorts in the Indian Ocean, Middle East and South Africa; serviced apartments in the UK; and top-end luxury hotels in the USA.



6 countries



23 properties



4,261 rooms



9,03,772 room nights



8,292 associates



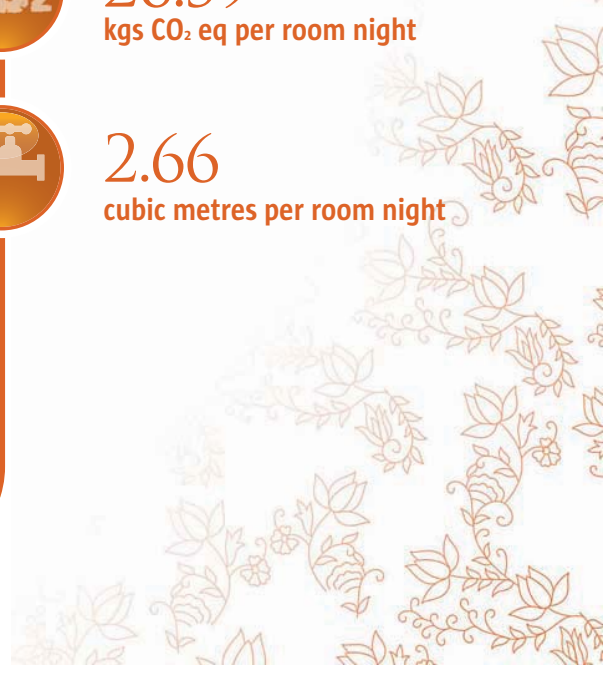
1.10 GJ per room night



26.59 kgs CO₂ eq per room night



2.66 cubic metres per room night



PREMIUM HOTELS

Premium hotels, including the Vivanta brand, offer a vibrant premium experience for the trendy and sophisticated new generation of global travellers. 'Vive' in French, 'Viva' in Italian, Portuguese and Spanish, and 'Vivat' in Latin and Romanian literally mean 'live'. The name thus conveys life, energy, style and spirit. Contemporary, agile, creative and radiant are the beliefs that characterise Vivanta.

Vivanta comforts, nurtures, pleasures and indulges the evolving needs of the new age global traveller. It is a whole new hospitality experience touching all the senses through experiences that are efficient yet imaginative, luxurious yet informal, relaxing yet energising. Whether it is the innovative food at the restaurants, the energetic vibe at the hip bars, the contemporary styling of the interiors, the smart use of technology or the charming Indian hospitality of the staff, we strive to surprise and delight guests in pleasantly unexpected and meaningful ways.

The rooms and suites at Vivanta are named to describe the stay experience. Thus Vivanta has Charm, Delight and Indulgence rooms and Allure, Temptation and Nirvana suites. And the resident lounge is Rhythm. Natural mood lighting, different layouts and intelligent use of space all make for a habitat that is both involving as well as comforting.



6 countries



34 properties



4,169 rooms



9,04,910 room nights



7,856 associates



0.9049 GJ per room night



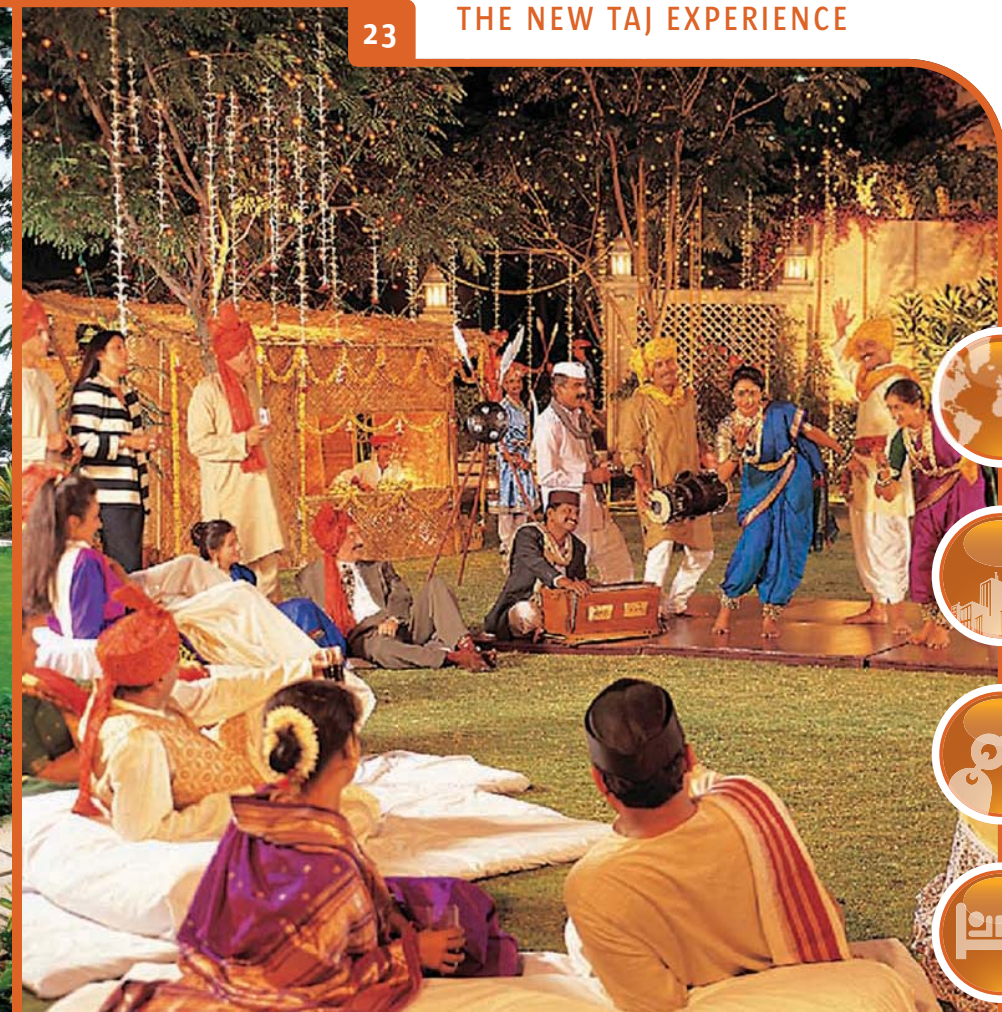
25.91 kgs CO₂ eq per room night



2.55 cubic metres per room night

GATEWAY HOTELS

Gateway hotels have been designed for the modern nomad. Spread across 20 cities in India, currently there are 25 operating Gateway hotels with plans to open many more. The Gateway hotels believe in keeping things simple. This is why these hotels are divided into 7 simple zones – Stay, Hangout, Meet, Work, Workout, Unwind and Explore. They are designed keeping in mind the busy schedule of guests and the fact that every day has just 24 hours. Be it round-the-clock services or menus that help guests take advantage of what each day has to offer, the focus is always on creating sanctuaries that refresh, refuel and renew the modern day traveller. Offering the highest consistency in quality, service and style these hotels set new standards and take the unwanted surprises out of travelling, welcoming guests to a refreshingly enjoyable and hassle-free experience, anytime, everywhere. The motive is to make guests feel at home and empower them to get more done with greater effectiveness and control.



1
country



25
properties



1,776
rooms



3,59,789
room nights



2,710
associates



0.5904
GJ per room night



16.99
kgs CO₂ eq per room night



2.35
cubic metres per room night

GINGER HOTELS

Ginger is IHCL's revolutionary concept in hospitality for the value segment. Intelligently designed facilities, consistency and affordability are hallmarks of this brand, targeted at travellers who value simplicity and self-service. Roots Corporation Limited (RCL), a wholly-owned subsidiary of The Indian Hotels Company Limited (IHCL), operates these first-of-its-kind Smart Basics™ hotels across India. Currently there are 21 Ginger hotels in operation across the country. These hotels have created a new category in the domestic hospitality landscape, while giving a major fillip to Indian tourism and other ancillary industries. These hotels constantly work towards building a better and more sustainable way of living by providing facilities to customers without compromising the environment. The steps taken by these hotels will help create a safer environment for the future.



1
country



21
properties



2,037
rooms



4,18,103
room nights



260
associates



0.1150
GJ per room night



4.25
kgs CO₂ eq per room night



0.4533
cubic metres per room night

TAJSATS

TajSATS Air Catering Ltd. is a joint venture of the Indian Hotels Company and Singapore Airport Terminal Services (SATS). TajSATS is one of the prime airline catering companies across the globe and provides in-flight catering, manages airport lounges, undertakes airline services such as aircraft cleaning, laundry, airline bonds, catering ramp handling, institutional catering, outdoor catering and corporate gifting. TajSATS has 7 operational units at Amritsar, Bangalore, Chennai, Delhi, Goa, Kolkata, and Mumbai. In addition, the unit at Chennai manages a restaurant through a joint venture with Malaysian Airlines, along with an airport lounge. TajSATS also manages the Lufthansa lounge (Star Alliance) and Emirates lounge at Mumbai International Airport.

All units of TajSATS are equipped with state-of-the-art facilities, refrigerated hi-loaders and in-house microbiological laboratories for efficient and hygienic food production and handling. These units strictly adhere to HACCP and ISO 22000 standards for ensuring food safety from the time food is received, prepared and produced, until the time it is loaded onto the aircraft. Regular audits of all our facilities and suppliers' facilities are undertaken by an internal team as well as external agencies to ensure that products and services add significant value to customer needs.



1
country



8
locations



40
flight companies served



1,80,25,890
meals served



3,321
associates



8.97
MJ per meal



0.4212
kgs CO₂ eq per meal



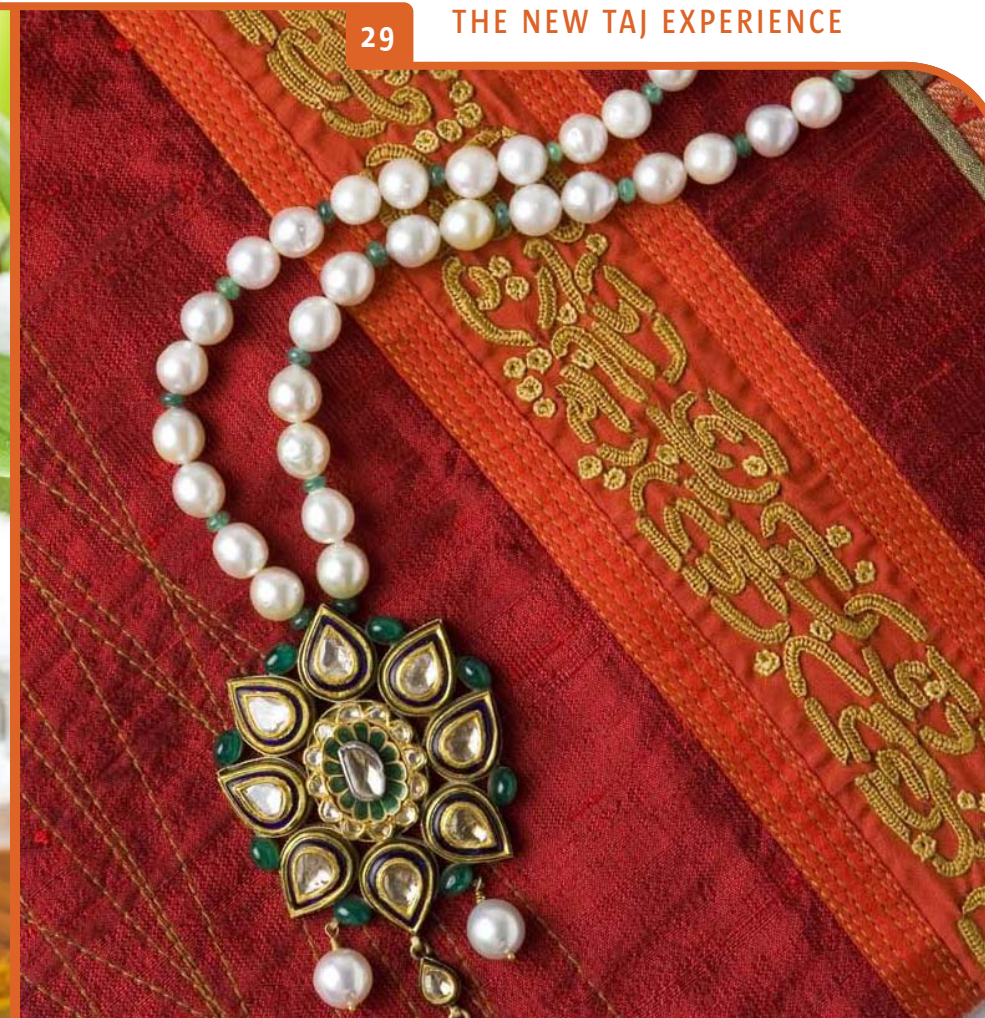
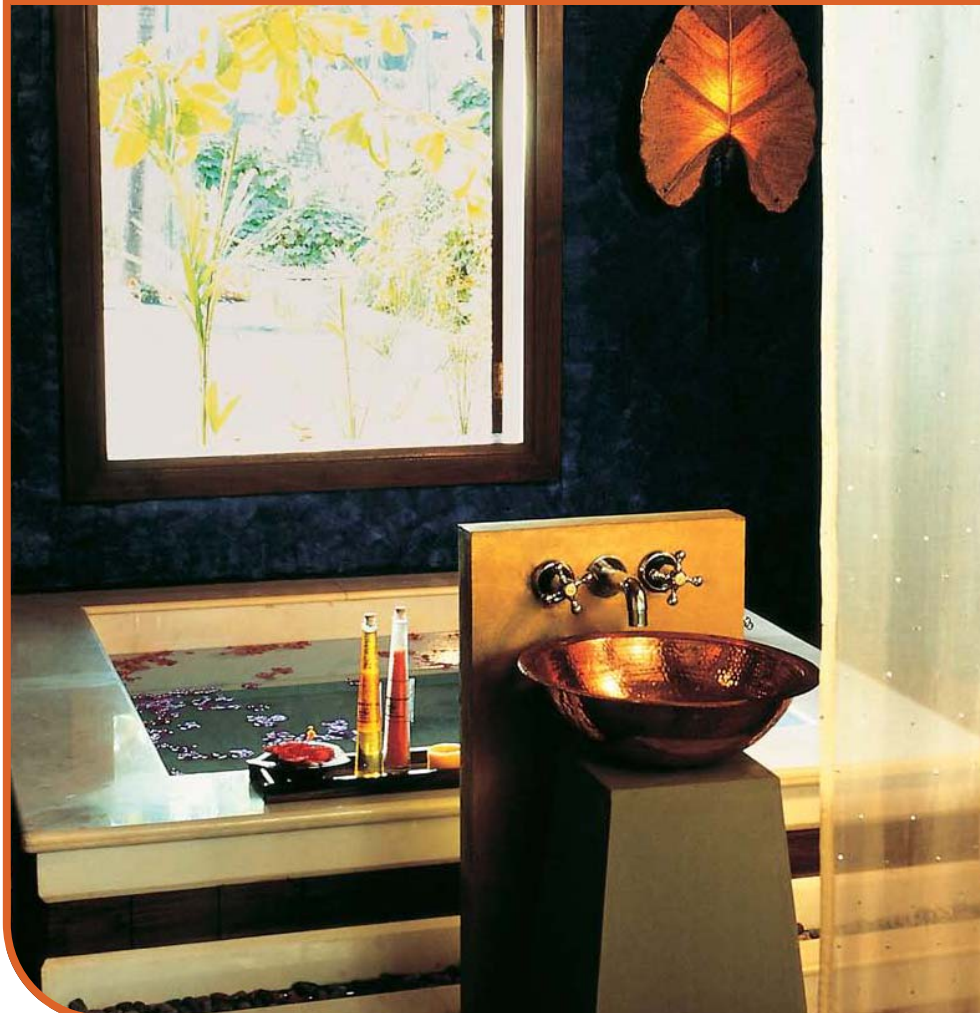
0.0234
cubic metres per meal

JIVA SPA

Jiva Spa is a unique concept, which draws from the wisdom and heritage of Asian and Indian philosophies of healing, wellness and beauty to “reawaken your life force”. It promises a whole new spa experience, taking inspiration from age-old holistic living concepts. This year, 21 spas were operational in Taj Hotels Resorts and Palaces in India and international locations.

There is a rich basket of fresh and unique experiences under the Jiva Spa umbrella of offerings – Yoga and Meditation, mastered and disseminated by accomplished practitioners, authentic Ayurveda therapies, and unique Taj signature treatments. Recreated royal traditions of wellness, holistic therapies, enlivening and meaningful rituals and ceremonies and unique natural products blended by hand come together to offer a truly calming experience.

Jiva Spa is an eco-sensitive brand that deploys natural spa products containing Indian herbs, pure essential oils, lipids, clays, mud, salts and flower waters. In addition to these, Jiva Spas also use organic linen and eco-friendly toxin-free pottery.



KHAZANA

For over 25 years, Taj Khazana has served as an exclusive boutique shop service for our guests. Taj Khazana is now a chain of six exclusive boutiques present in select hotels of The Taj Group in Delhi, Chennai, Kolkata and Goa.

This boutique chain is a notch above the quintessential handicrafts and souvenir stores and offers treasure ranging from Indian handicrafts, classic merchandise, and contemporary designer ware to hand-woven and hand-embroidered fabrics, sarees, silks and stoles from various Indian states, exquisite jewellery set in precious metals and stones and various other accessories.

A veritable showcase of Indian art and culture and an ovation to the boundless creative talent of Indian artisans ranging from renowned artists to local craftsmen, the boutique, positioned as 'Heritage Chic', has created a unique niche in fashion and lifestyle.

Khazana works with some of the artisans directly or through organisations such as Paramparik Karigar (that promotes the traditional arts and crafts of India) with an initiative to give these artisans, not only a platform to showcase their skills but also the means to market their products. Besides fancy home collectibles, Khazana also features a range of hard and soft furnishings—from exquisite hand-carved silver furniture to the very best of hand-knotted carpets from Kashmir.

EXPANDING
HORIZONS



Corporate governance at IHCL is from the top, down; from the inside, out. We are, and have always been, led by restless leaders forever looking beyond the financial to find ways to govern for sustainability. It is something that is deeply rooted in our past, and something that will always be a part of our future.





At IHCL, corporate governance goes beyond the mere control of financial measurement of performance, to take into consideration a basket of parameters that include employee satisfaction, shareholder satisfaction, commitment to quality, accountability, business ethics and more. Our corporate governance is rooted in our legacy of maintaining a top-quality guest-oriented management system that fulfils our responsibilities and creates relationships of trust with our stakeholders. These are built upon strong foundations of transparency, disclosure, fairness, monitoring and review, with a focus on dialogue between management and employees, and the society at large.

We comply with all regulatory and legal requirements and have achieved our goal of zero violations – serious, substantial or general. This year no penalty or fine was imposed

on us for breach of any regulatory norm. We abide by the provisions of Clause 49 of the Listing Agreement of the Stock Exchange, which deals with the compliance of Corporate Governance requirements. Independent Directors who do not have any material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries (except for their remuneration) comprise over 50 percent of the Board. The following table gives the details of our executive, non executive and independent board of directors:

Mr. R. N. Tata (Chairman)
Promoter; Non-Executive

Mr. R. K. Krishna Kumar
(Vice Chairman)
Promoter; Non-Executive

Mr. N. A. Soonawala
Promoter; Non-Executive

Mr. S. K. Kandhari
Independent; Non-Executive

Mr. K. B. Dadiseth
Independent; Non-Executive

Mr. Deepak Parekh
Independent; Non-Executive

Mr. Jagdish Kapoor
Independent; Non-Executive

Mr. Shapoor Mistry
Independent; Non-Executive

Mr. Nadir Godrej**
Independent; Non-Executive

Ms. Anu Aga**
Independent; Non-Executive

Mr. Raymond N. Bickson
Executive

Mr. Anil P. Goel
Executive

Mr. Abhijit Mukerji
Executive

We have deployed processes to promote an environment of legal and ethical behaviour at IHCL. These

processes are established at three levels: • Organisational – to establish and drive beliefs • Leadership – to create belief role models • Individual – to act on beliefs. The senior leadership team uses these processes to create a culture where people understand the beliefs and values, buy into them, and act as role models by incorporating the beliefs and values in their behaviour.

Every associate at IHCL is required to sign the Tata Code of Conduct agreement, imbibe the code and behave accordingly. To promote greater understanding and to create an atmosphere of seriousness, we have a mandatory training session and an on-line e-learning module on the Tata Code of Conduct, Tata Values and the Taj Values for all employees, and on Taj Leadership Behaviours for the leaders at IHCL. In addition, we have an ongoing training programme on the code of conduct. We have established a process of reporting ethical violations through a designated Chief Ethics Officer in each hotel and through the Chief Ethics Counsellor at a corporate level, to ensure that cases are brought to appropriate levels for action. To ensure strict compliance with ethical behaviour, we have created policies such as the Whistle Blower Policy, Prevention of Fraud and Misappropriation of Funds Policy, Sexual Harassment Redressal Policy, Communicable Diseases Policy, Corporate Gift Policy, and other rules and regulations that provide ethical and expected behaviour guidelines and norms for associates. Reinforcement of ethics includes counselling, warnings, and / or termination of employment. At the same time we recognise and reward associates for demonstrating ethical behaviour. We also participate in the management for business excellence survey and conduct employee satisfaction surveys to measure

awareness on the Tata Code of Conduct and effectiveness of the ethical processes. Results of these surveys are analysed and discussed by the management committee for inclusion in action plans. Even when finalising new partnerships or seeking additional investment, the senior leadership team discusses IHCL's commitment to ethical behaviour and ensures compliance with the code. This year more than 16,200 hours were spent on TCOC training across our operations. Apart from all the employees, 1,977 suppliers and 3,081 security personnel were trained on TCOC

At IHCL, we also have a stringent requirement of suppliers' and vendors' compliance with the code, in addition to compliance with required regulatory and statutory norms. To promote the Tata Code of Conduct amongst suppliers and vendors, special awareness sessions are conducted during supplier meets. Wherever suppliers or vendors raise concerns, the same are investigated in a strict manner and reinforcement actions are taken without delay. The management for business excellence survey and the vendor satisfaction surveys help to measure the effectiveness of these processes.

At IHCL, we ensure that guest interactions are governed by the Tata Code of Conduct as well, by implementing guidelines for associate behaviour through standard operating procedures and hotel associate rules and regulations. Even guests are required to sign the acceptance of the house rules which are guidelines for guests and include adherence to statutory and regulatory norms.

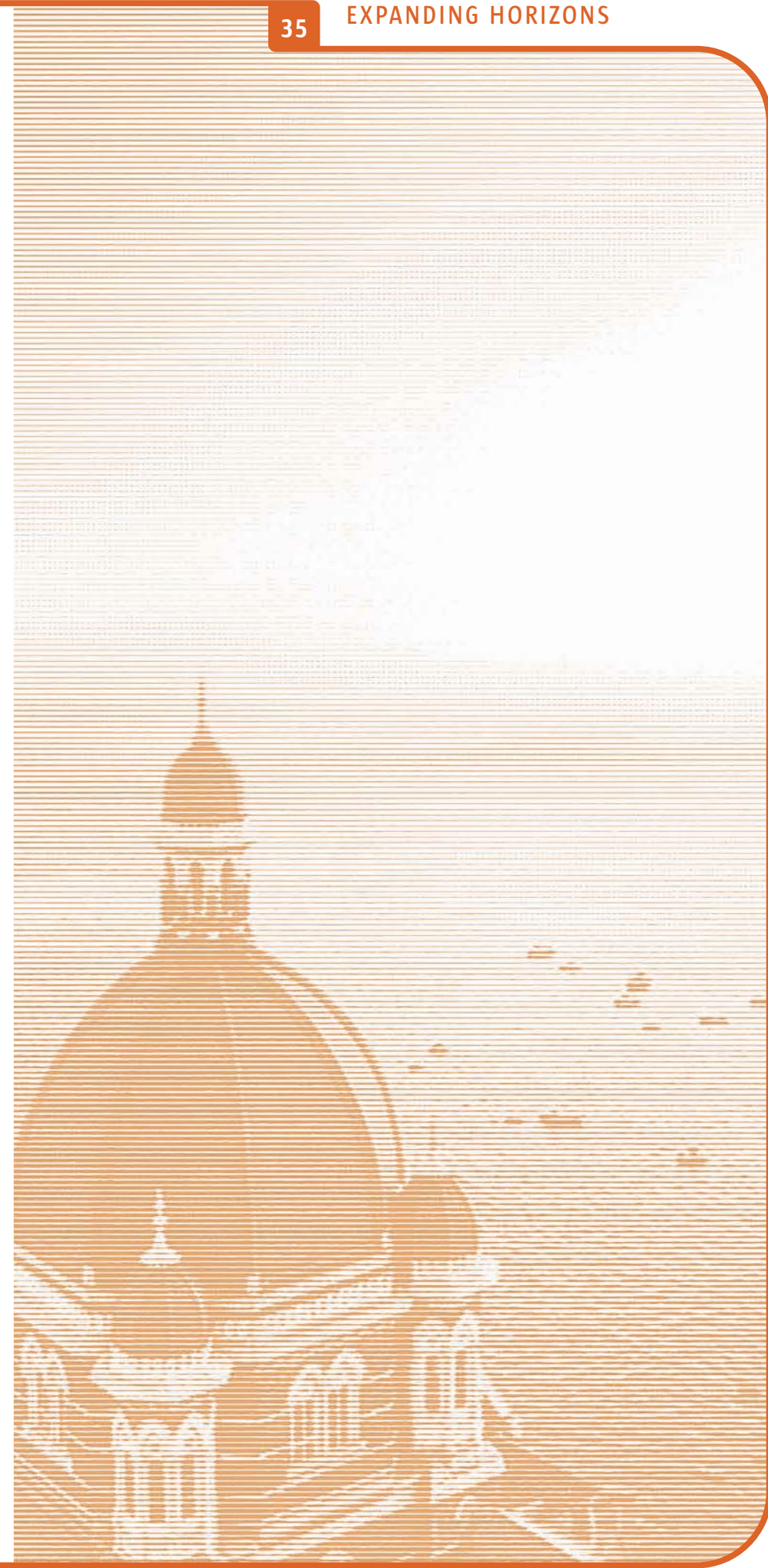
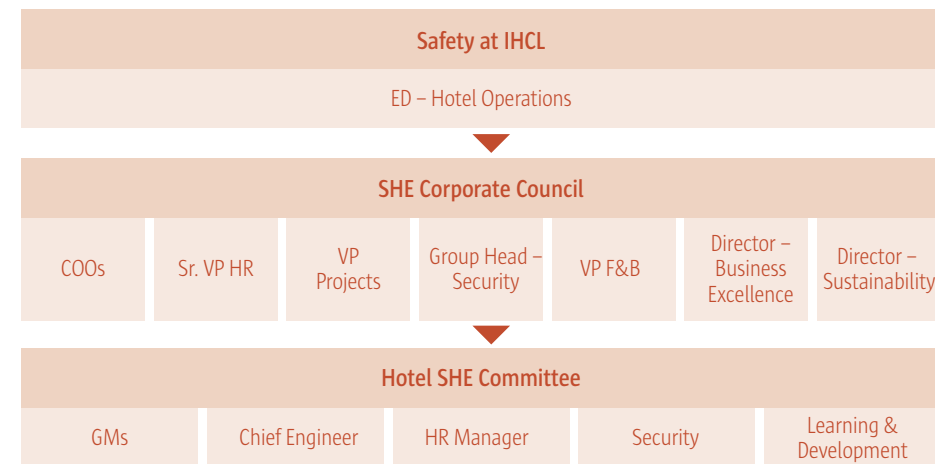
The following table details the processes followed at IHCL to reinforce ethical behaviour at every level:

THE FOLLOWING TABLE DETAILS THE PROCESSES FOLLOWED AT IHCL TO REINFORCE ETHICAL BEHAVIOUR AT EVERY LEVEL:

Proactive Approaches	Organisation (Establish and drive beliefs)	Leadership (Role model beliefs)	Individual (Act on beliefs)
Key measures	Business excellence model; Tata Code of Conduct; Vision and Values; Partner reviews; Vendor Satisfaction Survey; Taj Leadership System	Taj Leadership System; Employee satisfaction survey; Management of business ethics	Key result areas; Coaching / Mentoring; Learning and development; Individual development plans
Reinforcement approaches	Reviews; Ethics officers; Employee Satisfaction Survey; Management of business ethics survey; Internal audit; Various policies adopted		
Reinforcement measures	Management of business ethics survey results; TCoC cases raised and closed percentage; percentage of ethics officers in IHCL		

THE TAJ SHE COMMITTEE

This year we created an apex level SHE committee, chaired by the Executive Director – Hotel Operations, for implementation of consistent safety, health and environment standards across all our hotels. The committee consists of the SHE corporate council at the corporate level and the Hotel SHE committee at the hotel level. At the hotel level, the General Manager is the process owner, while the Learning & Development Manager is responsible for reporting on performance.



GOING
BEYOND

TAJ PUBLIC SERVICE WELFARE TRUST

The attacks two years ago on our beloved city of Mumbai planted within us the seeds of greater determination. A determination to do more – not only for those affected that fateful day, but also for all those who may need help recovering from what the world subjects them to in the future.

As a company, we have always gone beyond pure business, and chosen to be a responsible corporate citizen playing our part in the community. The Taj Public Service Welfare Trust is another manifestation of this credo. It has been set up to reach out and help those affected by natural disasters, acts of terror and other calamities that damage lives and property.



On December 12, 2008 the Indian Hotels Company Limited established the Taj Public Service Welfare Trust (TPSWT). This was in response to the terror attack on the city of Mumbai between November 26 and 29, 2008 and the Taj Mahal Palace & Hotel in particular. TPSWT is our response to the outpour of emotions from all well wishers across the globe who were keen to contribute for the welfare of the families, affected by the aftermath of the 26/11 terror attack and also for those who demonstrated exemplary bravery and commitment against all odds to protect the lives and property during the attacks.

The Trust has been registered as a Public Charitable Trust under the Bombay Public Trust Act, 1950 with its Registered Office at Mandlik House, Mumbai. The Board of Trustees at TPSWT includes Mr. Ratan N. Tata, Mr. R. K. Krishnakumar, Mr. Raymond N. Bickson, Mr. Anil Goel, Mr. N.A. Soonawala and Mr. Abhijit Mukerji.

In October 2009, the Trust was granted permission by the Government of India to accept foreign contributions (FCRA), in foreign currencies. TPSWT can now accept donations in all foreign currencies either by cash /cheque /demand draft.

Objective and Purpose of the Trust

The Trust's focus is to reach out to victims of sudden acts of violence,

natural disasters and other tragic events that inflict damage to life and property.

Updates from the Trust

The immediate aim was to provide prompt assistance to victims and their kin affected by the 26/11 terror attack in Mumbai and thereafter work towards facilitating sustainable livelihoods for them. As on date, the Taj Public Service Welfare Trust has accumulated donations to the tune of ₹ 112.6 millions. ₹ 22.7 million has already been spent to directly reach out basic subsistence aid to 230 economically less-privileged families affected in the unfortunate terror attack on Mumbai city. Not only has the trust succeeded in meeting its objectives, but has also succeeded in extending an incremental impact in the lives of those affected. As per the practices followed by Tata Trusts, some amount of funds has been reserved as corpus to ensure the sustainability of the Trust.

The Human Touch

The 26 / 11 terror attack left a lot of families dealing with long-term injuries and/or loss of earning family members. To ensure that these families are able to get back to their feet at the earliest TPSWT has been pursuing a mix of charity and livelihoods building approach. TPSWT approached Tata Institute of Social Science (TISS) to help map and streamline the response, based on

the needs of target groups. The beneficiaries, belonging to the lower strata of society were referred to us by the Collector of Mumbai. The support options range from monthly family sustenance allowance, medical / hospitalisation support, educational support for school-going children, skill-building, alternative skill development where required and other allied support for establishment of long-term livelihoods for affected families.

As a part of our endeavour to develop market relevant skill-sets, we have engaged in a Private-Public Partnership model, for imparting vocational skills in the various hospitality trades, working closely with ITI Lonavala (a Government skill-training centre) with support from the Directorate of Vocational Training. At ITI Lonavla we have co-developed a hospitality course with practical training opportunities, to impart training in housekeeping, restaurant service, food production, hygiene, personality development, grooming etc. To enable beneficiaries from various regions to stay there throughout the training duration, we are setting up a hostel facility for them. By undergoing this training they are made employable and can get employed at the Taj or any other hospitality-linked enterprise in the geographical area of their preference.

We have also been undertaking skill training programmes at Taj Land's End, as a part of the above-mentioned endeavour. A group of 34 beneficiaries have undergone skill training in the area of housekeeping, food production and F & B service. More than 80% of this batch has been placed with various Taj Hotels and the rest of them are pursuing self-employment and other work opportunities, post this training. One more group of 17 candidates, from affected families, are keen to undergo such skill-trainings, post the success of the first batch.

Response to Bihar Floods

3 villages in Bihar recently saw 1100 homes being demolished in fire & cyclonic wind disaster. More than 300 most-deserving families, consisting of economically deprived Muslims and Dalits were supported through various Trust initiatives, deploying the philosophy of Building Sustainable Livelihoods, as that is the only way the trust would be able to make these families stand on their own feet in the shortest possible time. The Trust implemented a holistic solution whereby health and education too were taken care of. Special emphasis was given to women and children. Agricultural tools, ploughs, bicycles, fishing equipment, sewing machines, micro-enterprise support, country boats and schooling aids were provided to these affected families to help rebuild their lives

Going Forward

The Trust is gearing up its efforts to be able to proactively respond to disaster situations and meet the objectives it has set for itself. Towards that direction the Trust is working closely with various stakeholders like government bodies, NGOs, other disaster management units and other allied bodies to strengthen its efforts for a speedy and well-gear response to call for help in case of any major disaster situation. Going forward, the vision of the trustees TPSWT should increase the facilities and programmes at ITI Lonavala, such that it can be used as a hub to support livelihoods regeneration, trainings and other welfare initiatives at short notice.



TOWARDS A
BALANCED
TOMORROW



We continue to challenge ourselves to come up with new ways in which to keep both, our promise of sustainability and credo of guest delight, intact, without compromising one for the other.

Guests play a pivotal role in the success of our business and often determine the way the business functions. Naturally our strategic, tactical and operational processes are designed to be flexible to incorporate their needs. Our aim is to develop sustainable business practices without compromising on guest delight.

We have developed our sustainability strategy by assessing the impacts of our operations and subsequently deliberating on solutions to reduce the same. Last year, we established a baseline of existing practices and performance against which all further

developments were to be mapped. This year we focused on prioritising opportunities to reduce the hotel's environmental footprint in the smartest way possible. To begin, the hotel's management team chose criteria most important to them, which was then subjected to a detailed ranking procedure to assess possible opportunities. Further, we intend to create action items for each prioritised opportunity. These actions will be then incorporated into a larger business plan with associated timelines, responsibilities, budgets, milestones, and metrics to evaluate progress both quantitative and qualitative.

Our strategic framework consists of a five-year rolling plan that details "how to grow" and "how to run" the business in a sustainable manner by focusing on six pillars, in order to create maximum impact. The strategy focuses on operational and tactical processes that create value for all our stakeholders, thereby ensuring business growth, environmental stewardship and contribution towards societal upliftment. At its core, the sustainability strategy provides a framework to systematically plan for and evaluate sustainability initiatives within IHCL, focusing on initiatives with the greatest cost-saving and revenue-generating potential.

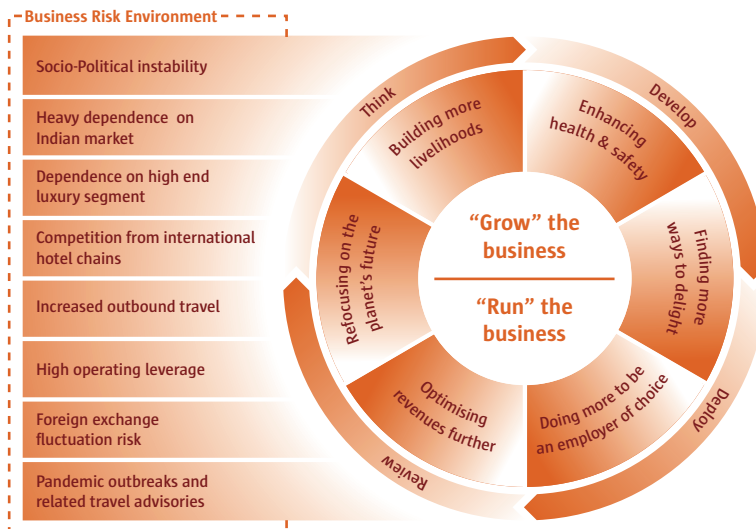
water, reduce emissions and wastage and create sustainable livelihoods.



Enhancing health & safety

We constantly upgrade our systems to ensure a safe environment for our guests, associates and properties – it is an extremely important priority for us. At the corporate level, we have a Corporate Safety Steering Committee chaired by the Executive Director – Hotel Operations. Across each hotel, a safety management system has been deployed. A Safety Committee chaired by the General Manager meets on a quarterly basis to review and create action plans. Safety management processes are documented and action plans taken up to mitigate safety risks, and they are regularly monitored. Over the last 3 years, we have taken the lead in the implementation of surprise hygiene audits across hotels, based on internationally accepted norms. To create awareness and enthusiasm for the cause of safety and communicate the importance of guest and employee safety, a safety week was held at all hotels, during which associates were involved in several safety-related programmes. The 26/11 incident at Taj Mahal Palace & Tower, Mumbai compelled us to further strengthen our security and safety systems through deployment of state-of-the-art measures.

Our employees and guests are increasingly becoming aware and are concerned about the environment and want to be part of solutions. We have therefore designed the framework to incorporate their feedback. The Think, Develop, Deploy and Review cycles of the framework help to categorise areas into those deserving immediate attention, those to consider later, and those that need further investigation or should be dismissed altogether given current progress on goals, marketplace conditions, and business risks. Innovation forms the backbone of the strategy and we have integrated it at three different levels – business model innovation, new product / service innovation, and process innovation. This innovation-based approach gave us a clear strategic advantage over others through a re-branding of the group. This has created a portfolio of brands at differential pricing points to simultaneously address the requirements of various segments. The construction of this portfolio includes the launch of new brands like Vivanta and Gateway, the renovation of existing brands, the addressing of long-term sustainability of operations through process changes to conserve energy and



Our strategic advantages

- The legacy of our founder Jamsetji N Tata's "Guest First" culture and the backing of Tata Sons continues to strengthen our equity, enabling us with a natural ability to raise financial resources as a preferred partner
- This reputation and credibility can be counted upon to attract investor confidence, enter into long-term management contracts and build partner relationships
- An in-house project management team that oversees the development of new builds, product upgrades and renovations in existing properties through end-to-end project management.
- Trendsetting cuisines served in over 280 restaurants across our hotels
- A large number of hotels across geographies and an extensive product mix comprising city hotels, hill and beach resorts, palaces, wildlife lodges, luxury residences and affordable accommodations.



Finding more ways to delight

We endeavour to constantly meet the ever-changing guest needs and enhance the guest experience through improved service levels and product upgrades. The focus on improving and delivering consistent high-quality service across hotels is an ongoing process. To sustain market leadership, comprehensive studies and initiatives are undertaken, to ensure memorable guest experiences. Such studies are referred to as 'Brand Experience Standards' for our various brands and provide extensive training to our associates on these benchmark standards. This year we constituted a Best-In-Taj Council to identify best practices in the hospitality industry and adopt the same across our hotels to improve on guest satisfaction and hotel performance. Over the years, "mystery audits" have enabled us to measure ourselves in line with world benchmarks. We have also instituted a system to interact with our guests, incorporate the brand values at various points in their interaction with the hotel, and understand and respond to their needs on a real time basis.

Refocusing on the planet's future

Environmental management is one of our key strategic objectives that enables us to differentiate ourselves from our peers. This is driven by the senior leadership team through an

environmental excellence strategy and plan. An outcome of this process is our 'EARTH' initiative that outlines three focus areas - energy efficiency, water management and waste management. We continue to participate in the Carbon Disclosure Project (CDP) to demonstrate our commitment and strategy towards climate change mitigation. The EarthCheck™ certification now stands at 65 hotels – out of which 11 hotels have achieved Silver certification in their



first attempt. Till date not a single hotel has failed this certification amply demonstrating our hotels' commitment to the environment. We intend to get EarthCheck™ certification for all hotels by the end of 2010-11.

Doing more to be an employer of choice

A well trained, motivated and empowered frontline workforce, ably supported by heart-of-the-house associates is our competitive advantage. Associate engagement, development and empowerment are prerequisites of our business success. Human resource strategies built around attracting, retaining and developing talent have been embedded in our business plans. In keeping with the established traditions, we have been continuously enhancing our people



practices to create a high performance work culture across operations. The Year of the Associate initiative continues to build a vibrant and highly engaged work force. This initiative was adjudged one of the top three Human Resource initiatives amongst hospitality organisations globally in the Worldwide Hospitality Awards. Also, this year for the second year running, we achieved the Gold Standard on the 'Overall Satisfaction of Employee' survey.



Optimising revenues further

The global downturn, combined with committed large capital expenditure budgeted for renovation and new builds increased our operating costs and impacted our bottom-line. With the commissioning of new and renovated hotels, we expect our earnings to receive a large boost. We

will simultaneously focus on expansion through management contracts and rely on the strengths of our associates and subsidiary companies. To contain operating costs, we have initiated a "War on Waste" drive and strategic redeployment of existing manpower laterally as well as for new builds. As a commitment to the organisation and to meet the financial challenges brought on by the slowdown in business, the senior management took a voluntary decision of freezing their salary increase and reducing the performance bonus. However, associates at junior management level were paid incentives at the normal rate.



Building more livelihoods

We believe building sustainable livelihoods is as central to our growth as making profits. We work symbiotically with the community at large, and our goal is to empower our target groups to be independent earning members of society. We partner with state systems and civil society organisations towards evolving realistic and sustainable solutions for national challenges like unemployment, gaps in vocational training, and malnutrition. Our association with the rich heritage of India enables us to provide a platform to showcase indigenous art and

culture to the world. With the Government of India granting permission to the Taj Public Service Welfare Trust to accept foreign contributions, its mandate was extended to cover relief to victims of sudden acts of violence, natural disasters and other tragic events that inflict damage to life and property.



Our strategy of growth based on sustainable development led to a short-term and a long-term sustainability plan last year. This year we continue working on the same roadmap with an intention of achieving business excellence through embedding sustainability into mainstream business processes.

Short-term plan

- Drive the sustainability agenda through an apex committee created at the board level :-
Created an apex SHE council led by the Executive Director – Hotel Operations
- Identify and develop specific, measurable, achievable, realistic and time bound goals and performance targets for sustainability performance indicators :-
In the process of establishing 2012 goals for energy consumption, water consumption, and waste generation
- Modify the existing management information systems to include data capture of sustainability performance indicators :-
Linked safety performance indicators in to the HR management system for online recoding and monitoring of data
- Improve the visibility and understanding of our social initiatives across IHCL / other TATA companies :-
Created an internal communications portal for increasing awareness on social responsibility initiatives
- Ensure coverage of all hotels under the EARTH CHECK certification by 2010-11:-
65 hotels out of 103 hotels received EarthCheck certification by end of 2009-2010

Long-term Plan

- Grow our international presence and become a significant global brand through cost management, catering to increasingly sophisticated customers, creating differentiated brands, surpassing global hospitality benchmarks, thereby improving our sustainability footprint.
- Create value for all stakeholders by deploying a life cycle approach in all business processes.
- Reduce IHCL's environmental footprint by thorough operational and process excellence.
- Continue to create sustainable livelihoods and address the needs of the base of the pyramid.
- Develop and retain a competent high performance workforce that will propagate the Taj culture and improvise on creating a unique Taj experience.



EVOLVING
RELATIONSHIPS

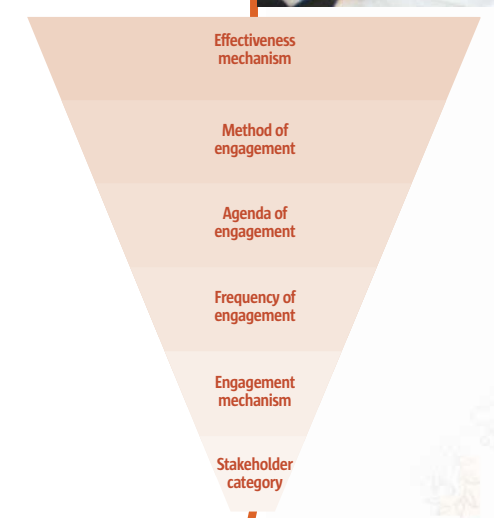
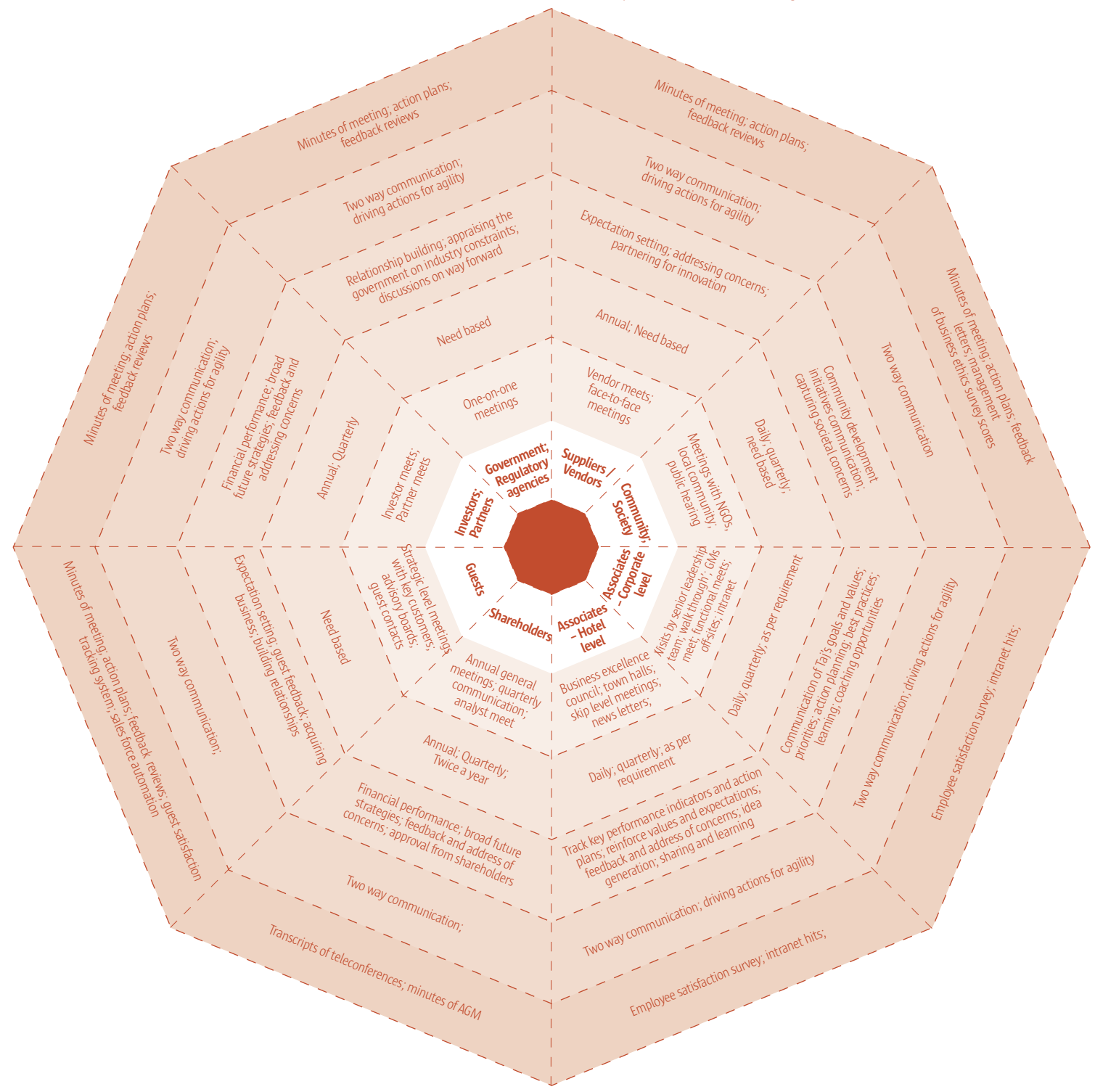
We are, well and truly, a people business, and like any relationship, we nurture our relationships with our various stakeholders so they may evolve.

Stakeholder engagement is the fulcrum around which our business turns. A two way interaction with our guests is the only possible means of bettering the Taj Experience and rising up to ever-increasing guest demands. Over the years, we have mastered the art of proactively engaging with our guests to understand and anticipate their requirements. We have extended the

same skills to engage with other stakeholders to better understand their expectations, too. We want to create strong and lasting symbiotic relationships that create mutual advantage for our stakeholders as well as for us. The knowledge that we gain through such engagement is then communicated back to relevant members of management and used to improve our business operations.

We regularly interact with our stakeholders through one-to-one meetings, group interactions, workshops, conferences, public hearing, walkthroughs, off-sites, town halls, skip-level meetings, and printed / audio / video communication. Wherever we have differing opinions and views about present and future actions, we see it important to maintain dialogue and

understand each other's position, for arriving at amicable solutions. It is only through such discussions that our actions can be kept honest and can reflect the needs of all those involved. The following graph describes our stakeholder engagement approach and its subsequent outcomes:



Our stakeholder engagement mechanism is based on a continual improvement model. We have moved from an information-based model to an interactive model based on learning and sharing. As a result of this we have launched several initiatives for our associates and have shaped our social initiatives based on stakeholder needs. The "Year of Associate" programme and PACE –

the new performance appraisal system – are both a result of interactive stakeholder engagement. We believe in social responsibility and follow the approach of identifying and engaging with communities as per their needs our theme. To ensure a better response to the unique needs of the communities in which we operate, we empower and entrust individual hotels with the

responsibility of identifying projects and supporting appropriate target groups. As a result of this, 'building sustainable livelihoods' is now the underlying principle of our social initiatives, a natural outcome of stakeholder engagement. Today, we have specific programmes that are targeted towards building underprivileged women's skills to

empower them with livelihood tools, addressing children's malnourishment, developing sustainable skills in untrained labour, protecting and creating opportunities for India's artisans and craftsmen, and involving our associates and their families in contributing towards community welfare.



OUR
BUILDING
BLOCKS



In anticipation of the needs of tomorrow's guests, tomorrow's planet and tomorrow's competition, we have already begun strengthening the old, putting in place the new and redefining the basics to ensure that we are future-ready.



BUSINESS EXCELLENCE

Our core competency is in 'Building Relationships'. We have taken significant steps to enhance guest experience by improving our product and service levels to be in line with the best-in-class hotels, in each of the segments in which we operate. This year we redefined our Brand Experience standards, infusing global trends and guest preferences.

The business excellence team along with hotel operations teams -

- ensure consistent brand standards
- monitor and measure customer satisfaction
- explore the latest trends hospitality for absorption / implementation into the group.
- set standards and audit products created by new projects or renovation
- update operating manuals for all brands, products and services.

We have undertaken a benchmarking exercise to establish a unique identity in our endeavour to clearly differentiate the Taj brand. We religiously follow the Tata Business Excellence Model and participate in the annual assessment. The feedback from past assessments has gone a long way in helping us improve our processes to deliver a robust business performance, building a high sense of associate commitment in a high performance work culture.

We foster and encourage associate engagement in improving processes and procedures to ensure guest delight. Our associates meet, analyse and implement improvements in operational processes to positively impact guest satisfaction. We continue to conduct mystery shopper audits to improve associate guest service awareness. These audits provide an unbiased opinion on how are we perceived by our guests.

Our guest satisfaction tracking system survey allows resident and non-resident guests to record, at their convenience, their feedback on our entire gamut of products and services. The evaluation parameters for the survey have been designed to translate guest expectations into tangible, measurable information which can be used for decision making. The survey forms are based on guest feedback to capture guests' views across all touch points during their stay.

MANAGEMENT SYSTEMS

We have implemented several management systems that help us to continually improve our performance. Going beyond compliance, we have taken the lead in the implementation of the ISO 22000 Food Safety Management system, an upgrade over the earlier Hazard Analysis and Critical Control Point (HACCP) certification. In all, 21 hotels have been certified for ISO 22000. We have also commenced the process of adoption and certification of our hotels under the ISO 14001 Environmental Management System and OHSAS 18001. In all, 21 hotels have been certified under ISO 14001 and 16 have been certified under OHSAS 18001.

In 2008, we had adopted the enterprise process model framework for all work processes to bring about alignment in the approach towards process design, deployment and improvement wherein the customers of each process are identified and their requirements are captured to design the process. This model defines process improvement methodologies through ideation, corrective and preventive approach. In addition, we use quality control tools to measure manpower efficiencies and costs associated with internal / external failures, appraisal and prevention.

Towards knowledge management,

we have deployed processes to collect and share knowledge systematically throughout the organisation to all brands, hotels, associates and stakeholders, as appropriate. Knowledge assets created are explicit – facts and information gained through reviews/meets or the creation of documents – and tacit – expertise and skills, awareness or proficiency gained through experience of fact or situation.

To safeguard customer data we have created an information security policy that documents the systems' intentions and associate responsibilities regarding information, privacy and security. The systems implemented provide configurable security / access rights and are accessible through the WAN in a secure network environment. Software configuration ensures that data elements are structured, minimise human errors and assist validations on data entry. Reliability is ensured through a daily backup taken for all critical systems.

Regular internal audits are undertaken with a focus on

- compliance with defined policies and processes
- identification of weaknesses and areas of improvement
- safeguarding tangible and intangible assets
- managing business and operational risks
- complying with applicable statutes
- complying with the Tata Code of Conduct

We have created and institutionalised the 'Taj Positive Assurance Model', to establish a link between the process framework, the risk and control matrix and the scoring matrix. The Audit committee of the Board oversees the adequacy of the internal control environment through regular reviews of the audit findings and monitors implementations of internal audit recommendations through the compliance reports submitted to them.

List of Important Associations / Memberships

- | | |
|---------------------------------------|--|
| 1 Indian merchants chamber | 9 PATA |
| 2 Indo-Japanese association | 10 World tourism organisation |
| 3 Indo-American chamber of commerce | 11 Indo-American chambers of commerce |
| 4 Indo-German chamber of commerce | 12 FHRAI |
| 5 BBG British business group | 13 Indo-Australian chamber of commerce |
| 6 The Indian society of advertisers | 14 All India management association |
| 7 All India association of industries | 15 Indo-French chambers of commerce |
| 8 Experience india society | |

PILLARS OF
THE FUTURE



Some things of course must never change. We continue to concentrate and build on our key pillars. We grow, learn and synthesise our insights into our work culture to add to our core strengths. Being always alive and always vibrant is, after all, the driving force behind an ever evolving organisation.

ENSURING YOUR SAFETY



As always, the security and wellbeing of our associates is one of our primary focus areas. Using the basic safety laws of the countries in which we operate, we go above and beyond to tailor and standardise our safety and hygiene procedures across the board.

Our associates are our most important asset and we make sure to prevent risks in the workplace and enhance their health and safety. As a company with operations in more than 12 countries, employee safety and health policies differ according to the laws and customs of each of them. However, to ensure uniformity of systems across hotels, we have issued a common safety and health policy that encompasses all applicable legislation in every country and is designed to prevent the specific risks detected in each area. The objective is to become a point of reference in each of the countries we operate, and to be a model of responsibility and sustainability in relation with and care for employees, something to which we dedicate a great deal of effort.

We understand that every area has its own inherent risk and ensure workplace health, safety and security at Enterprise and Hotel level based on the specific requirement of the work areas – offices, front-of-house and back-of-house. Standard safety specifications have been identified and are incorporated in to the design of offices, hotels, products and services. These are subject to evaluation on a regular basis to incorporate changes in the regulatory requirements, industry trends, external conditions, availability of newer and secure technology, capability needs of our associates and guest requirements.

At the Enterprise level, we have constituted a Corporate Safety, Health and Environment Council that meets' on a quarterly basis to review SHE processes and implementation of SHE management systems. At the Hotel level we have created a SHE committee headed by the General Manager and comprising of key Heads' of Department for reviewing SHE and security issues.

At the Organisation level, we have created a Security Council that reviews security procedures and preparedness of hotels for security

risks. Each hotel has been assessed by an external agency for security risks and subsequent mitigation plans are being implemented. Training for security preparedness is a key imperative and a core team of security managers has been trained to mitigate security risks.

Emergency preparedness / crisis management plans are deployed by crisis management teams at the Enterprise level and Hotel level. These plans are periodically tested and updated based on national and international security alerts. The crisis management manuals describe processes to address emergency, natural disasters, health risks and other threats to business continuity including data security and backup, guest and associate safety and safeguarding of property and assets. Our security managers are regularly trained by Internationally reputed agencies in security systems and handling of emergencies.

This year the injury rate across hotels for major injuries was 1.38 per 100 associates per year, while the lost-day rate was 14.28 per 100 associates per year. We regret 2 fatalities this year on account of unsafe acts. Our ultimate aim is zero fatalities and accidents and are working hard towards achieving that goal. Across hotels, 131 fire incidents were reported and resolved. We have stringent processes in place to conduct a root cause analysis of such incidents and learn from them. Periodic safety audits by internal and external agencies are organised to ensure compliance with safety norms and identify improvement areas. At every hotel, we ensure regular training of associates in first aid, fire fighting and disaster management. This year we conducted 348 evacuation drills across hotels; covered 17,317 employees under fire safety sessions, 7,389 employees under first aid sessions, 8,993 employees under food safety and hygiene trainings and 8,496 under emergency preparedness training sessions. Special safety measures have

also been adopted for lady associates with vehicle pick-up and drop facilities for those working late shifts.

Being critically sensitive to hygiene levels required in our operations, in our hotel kitchens and catering units, we have moved away from the earlier HACCP to a more stringent ISO 22000 (food safety management systems) to ensure the highest levels of food safety. Keeping in mind the airline requirements at TajSATS,

stringent monitoring mechanisms ensure the quality of food from the time it is received, prepared and produced up until the time it is loaded onto the aircrafts. Regular audits of all our facilities and suppliers' facilities are conducted to ensure the safety and hygiene of our products and services. In-house microbiological laboratories constantly monitor food production processes and hygienic conditions of all equipment.

	Health	Safety	Security
Processes	<ul style="list-style-type: none"> Pre-joining medical examination Hazard Analysis and Critical Control Points / ISO 22000 certification Health and hygiene training through the Taj acculturation process for managing excellence Emergency preparedness includes arrangements with local hospitals / medical care facilities and doctor-on-call Nutritious and tasty meals 	<ul style="list-style-type: none"> Design specification adherence to safety norms and standards; Due diligence including safety and security assessment 	<ul style="list-style-type: none"> Security manual developed and deployed; Emergency crisis management team created at hotels First aid and fire safety training through the Taj acculturation process for managing excellence
Performance measures	<ul style="list-style-type: none"> 100 percent pre-joining medical examination 100 percent for food handlers with all test results within acceptable limits 100 percent coverage on grooming standards 100% adherence to set guidelines Employee satisfaction survey score 	<ul style="list-style-type: none"> 100 percent adherence to statutory requirements; Accident rate; 	<ul style="list-style-type: none"> 100 percent deployment; Adherence to crisis management manual 100 percent coverage resulting in reducing accident rate
Improvement approaches	<ul style="list-style-type: none"> Annual medical exam for food handlers Hazard analysis and critical control points; internal hygiene audits; ISO 22000; Hygiene audits Microbiological tests Health and hygiene training Awareness sessions on potential disease threats like bird flu, SARS, and others Cafeteria action plan 	<ul style="list-style-type: none"> Fire safety audits at hotels by internal and external experts; OHSAS 18001 certification at all hotels; 'Safekey' hygiene audits; Safety assessment of new and under construction builds Safety week at hotels 	<ul style="list-style-type: none"> Usage of technology and innovation in hotels and offices in safety and security devices and systems Refresher training courses on first aid and fire safety



FINDING
MORE WAYS
TO DELIGHT



In an age where consumers are well-informed and have a broad range of choices, we continue to stay constantly on our toes to devise ways in which we can immediately garner and respond to our guests' needs and desires.

Building long term relationships with our guests and ensuring highest levels of satisfaction is the corner stone of our business. We have a focused approach for guest engagement and feedback capture that helps us to fine-tune operational processes and brand standards in line with guest expectations. This also enables us to continually introduce the right mix of products and services in order to create customer delight. Enhancement of guest experience by improving product and service levels at par with the best-in-class hotels across each brand is an ongoing process at the Taj. Our business excellence team constantly engages with hotel operations teams to:

- Ensure consistent brand standards based on international benchmarking
- Monitor and measure customer satisfaction to bring about sharper customer focus and implement service improvements.
- Explore the latest trends in the hospitality industry for implementation across hotels
- Set standards and audit products created by new projects or renovation
- Update operating manuals for all brands, products and services.

In an increasingly competitive market, where consumers are spoilt for choice, in order to succeed, we understand that our brands need be differentiated, adaptable and built around the lives of ever-evolving markets and consumer lifestyles. We choose not to present ourselves in a single, unswerving way. The need is to focus on individual targets whose aspirations drive the promises, the attributes and even the visual language of the brand. Realizing this imperative, across brands, we have planned and commissioned several new hotels and product upgrades. Some of landmark builds / upgrades are as follows:

The Pierre, New York: We re-opened our iconic U.S. flagship in New York's Fifth Avenue, following a meticulous

\$100 million renovation. The Pierre features the newest and most inviting 189 guestrooms in the city. The staff outnumbers' guests by a ratio of three to one, allowing us to focus on anticipating a guest's every need. London's classic, Le Caprice, captivates New Yorkers at The Pierre with its signature European dishes created for the American palette.

Taj Cape Town: The Taj Cape Town is a combination of rich history and elegant contemporary architecture. This historic structure is home 177 exquisite rooms that offer guests old-world quality complemented by modern features and luxury amenities. The hotel presents an eclectic variety of cuisine and culinary experiences including an Indian specialty restaurant, a relaxed all-day dining restaurant and a champagne and oyster bar.

Vivanta by Taj, Panaji, Goa: Vivanta, Panaji is designed to deliver vibrant experiences. The combination of 199 rooms and suites demonstrate the charming hospitality of the Taj with style and refinement to provide a contemporary experience for the sophisticated and cosmopolitan customer. Even to the most discerning guest, it is the perfect blend of uncompromising hospitality and extensive amenities. This is designed to offer our guests a truly memorable experience every single time.

Vivanta by Taj, Coral Reef, Maldives: The erstwhile Taj Coral Reef, after a stylish and comprehensive makeover was christened Vivanta by Taj - Coral Reef, Maldives and is our first resort hotel under this exciting new brand. This is a hip, luxurious yet affordable solution to guests holidaying in the Maldives offering a choice of 62 villas. Chic and comfortable accommodation coupled with an innovative food and beverage experience and levels of service synonymous with the Taj Group, at nature's very own Coral Reef lagoon ensures a holiday of a lifetime in the truest sense.

The Gateway Hotel, Jodhpur: The Gateway Hotel Jodhpur is a tribute to

the architectural heritage of Jodhpur. The hotel combines traditional influences with modern conveniences to make a perfect holiday. With over 88 aesthetically designed rooms, a palace styled courtyard, beautiful landscaped gardens, boardroom and conference room facilities, and lawns at the poolside, the hotel has all requirements to meet guest expectations. Frontier, the alfresco restaurant, serves North-West Frontier cuisine, the Dune Bar serves a vast selection of wine and, the restaurant cum café, Sir Pratap offers Indian and Continental delicacies.

New Taj Club Rooms, Taj Lands End, Mumbai: Taj Lands End launched 125 new club rooms and suites. These rooms reinforce Taj Lands End as the preferred destination for the discerning high-end corporate traveller looking to mix business with pleasure. The rooms and suites are positioned as a premium and distinct luxury experience for the contemporary business traveller.

"Surprises by Taj": To provide a unique experience to our guests and also as recognition of their everlasting support, we organized a host of initiatives under an umbrella campaign – "Surprises By Taj". The surprises were in the form of the various offers or rewards like Stay a Bit Longer; Early Bird Offer; Business Edge; and Suites and Club Promotion. The intention was to allow for flexibility in communicating the offers in an elegant tone with a sense of mystery and humour without diluting the image of the brand or commoditising the same.

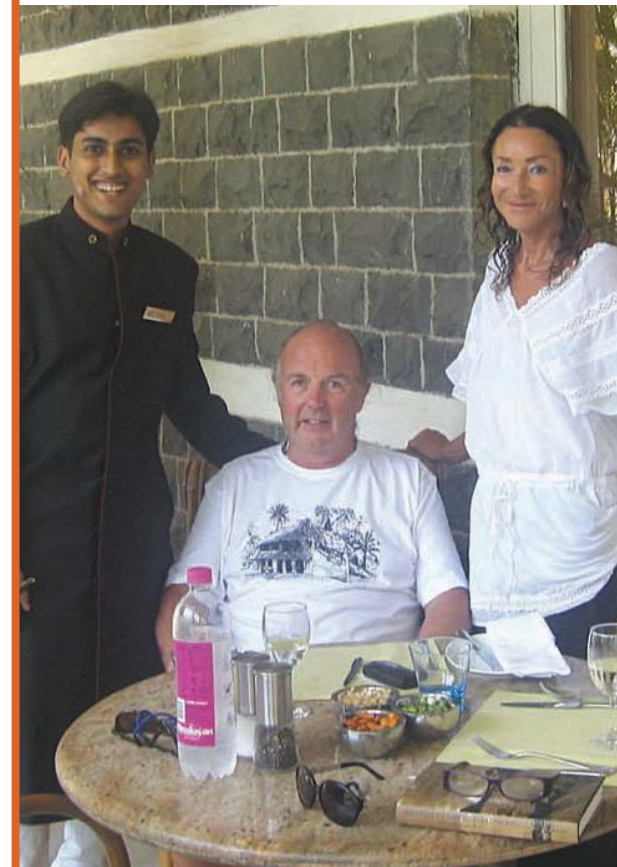
Victoria-Jungfrau Collection, Switzerland: We entered in to a partnership with Victoria Jungfrau Collection, a small and select group of luxury hotels in Switzerland comprising four hotels, all at prime locations, with a tradition of over one hundred years. With an outstanding reputation, they offer a wealth of timeless tradition, a rich heritage of hospitality and commitment to top quality service. We are developing cross-promotional opportunities in

order to harness each other's strengths in their respective markets of dominance.

We continue to partner with internationally acknowledged experts to conduct Mystery Shopper Audits with a focus to build a strong corporate culture of delivering superb service with long-term, deep value propositions with guests, through personal, emotional connections with each guest. These experts work with world's top hotels in order to benchmark the guest experience and provide an unbiased opinion of how we are perceived by our guests. The learning from these audits helps us to further refine the brand standards and introduce new initiatives like:

- Augmentation of skills inventory of Concierges (currently 28 members of the prestigious Clefs d'Or association), Sommeliers, Bartenders and Butlers.
- Creation of a separate programme with sharper focus on Grand Palaces to establish a team of Palace Services professionals.
- Introduction of Food and Beverage options such as al fresco dining, coffee express, juice and herb based welcome drinks, healthy options in the mini-bar, to-go options, etc.
- Introducing "Chef's hat @ Gateway" – co-creating with the customer at dynamic price point and with right size portioning.

We measure guest perception of the Brands through inclusion of Brand specific parameters. The customer feedback system includes extensive evaluation parameters pertaining to all aspects of a resident guest's experience at the hotel. Guest feedback of restaurants (residents and non-residents) and of Conferences and Events is also captured and used for driving improvements across hotels. We have also partnered with an internationally acknowledged expert to analyse guest feedback, to identify areas for improvement and to benchmark our performance against leading international hotels.





REFOCUSING
ON THE
PLANET'S
FUTURE

The need for corporations and citizens of the world to commit to protecting and renewing the environment is greater than ever. Our current environment focus is firmly on the needs of the hour – energy conservation and renewal, and waste reduction and management.



Conserving Natural Resources: Across the Taj Hotels, we've undertaken a number of initiatives to reduce our energy and water footprint. Some examples follow.

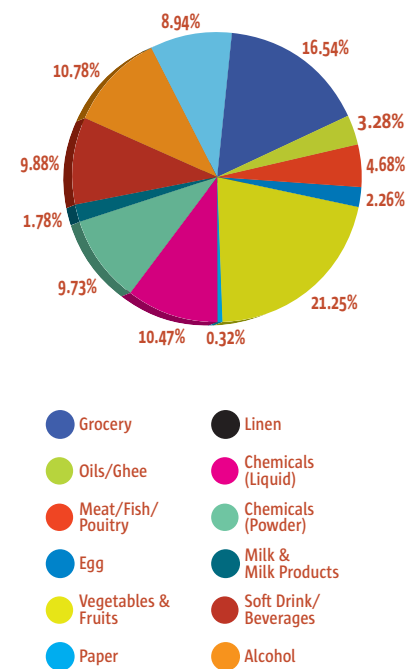
At The Taj Residency Hotel, Bangalore, the air-conditioning system was modified to increase its efficiency by installing high efficiency pumps and heat exchangers. This led to an energy savings of around 2.22 MJ per hour or 52 L of fuel. The hotel also refurbished the boiler system to reduce energy consumption, which included the ingenious recovery of steam condensate from the steam boiler for recycling it into the feed water. This system not only saves energy but also reduces water and chemicals consumption. The hotel uses bacteria to treat its effluent and pool backwash water, recycling the treated water into the cooling tower and reusing part of it for horticulture, resulting in savings of around 15-20 kilolitres of water per day.

The hotel has also initiated the conversion of food waste into biogas and plans to extend this to more properties over the next few years. The Gateway Hotel Calicut and Taj Green Cove, Kovalam have installed biogas plants, utilising kitchen waste, effluents and organic waste. This gas is used in hotel kitchens, reducing the consumption of conventional fuel.

Several water and waste management programmes have been implemented at our Taj Safari Lodges'. In Pashan Garh waste grey water is reused in the vegetable garden, at Banjaar Tola dugwells are used to store rain and waste water, which is then used for gardening and landscaping purposes. Pashan Garh, Banjaar Tola, and Baghvan segregate waste at source before incinerating it. The ash thus collected is used as fertiliser in the kitchen gardens. Wet kitchen garbage is collected and composted into manure at many of our garden/resort properties.

Materials management

Our nature of business has various requirement of materials of which food and beverages constitute a major portion. Our focus remains to reduce the consumption without compromising on the Taj experience. We classify food products into meat/fish/poultry, grocery, vegetables and fruits, milk and milk products. The total consumption amounted to 0.1196 million tons and the consumption pattern was as given below.



Housekeeping activities require use of chemicals both liquid and solid. We realize the potential environmental impacts of the use of such materials and exercise caution towards use of eco-friendly chemicals and engage in responsible consumption. We always look out for avenues to reduce our materials footprint. Our internal Kaizen initiatives have yielded a reduction of provisions, butchery items, stationery, liquor, guest room supplies, linen discarded, water, non moving capital goods and engineering items realizing an economic savings of ₹ 68.39 million. We also engage with our suppliers to reduce the packaging materials for products supplied to us.

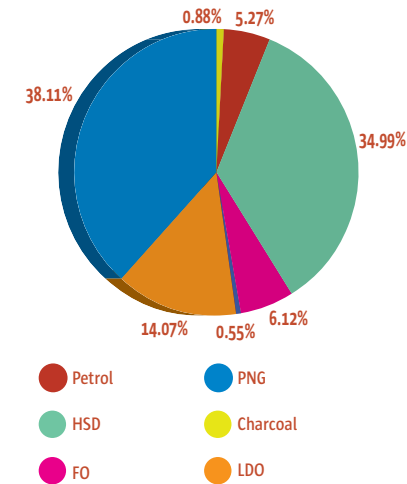
Majority of the waste generated by our operations and services is bio-degradable waste in terms of kitchen and food waste. Solid waste management is a key parameter of our operational excellence. Across our operations importance has been placed to reduce the generation of waste to the extent possible. We manage our waste generated by enhancing the recyclability and reusability of the wastes. This year we generated 19,272.93 tons of waste oil, while composted about 9.44% of total kitchen and food waste generated, to reuse as manure. Similarly 39.70% of horticulture waste generated was also converted to manure. We are further building our capacities across all our properties for optimum utilisation of wastes generated. We are exploring new opportunities in waste management which include conversion of bio-degradable wastes to bio-fuels thereby reducing our conventional fuel consumption.

The metal scrap generated through used tins, bottles, glass, hardware amenities, engineering metal and cable waste is reused within the premises or sold to approved vendors who recycle the waste down the value chain. Nearly 10.69% of metal scrap is either recycled or reused within the hotels.

E-waste generated is disposed in an environmentally sound manner to an authorised vendor for further recycling. All the printer and toner cartridges are recycled through HP's Planet Partners reward scheme. One-side printed paper waste is collected through Green Bins placed in all the departments and are reused on the other side.

Energy management

Energy management over the past few years has received renewed focus at IHCL. We are working towards lower energy consumption and higher efficiency which will not only benefit us through economic savings but also places less load on the planet. Our direct energy footprint was equal to 9,55,891.58 GJ, the break-up of the same is given as follows:



We have adopted various efficiency optimisation measures across our properties to reduce the consumption of fuels. Owing to these initiatives we were able to achieve a reduction of energy consumption amounting to 35,560.89 GJ. We source indirect energy through electricity from a grid. 47.86% of our total energy requirement is satisfied through power from the grid amounting to 12,79,189.80 GJ.

We are increasingly focusing on tapping potential of the renewable energy sources. We continue to source wind energy through the grid which constitutes 16.37% of purchased electricity. We are progressively pursuing the utilisation of solar energy across our operations to reduce the load on non-renewable energy sources purchased. This year we were able to utilise 2,212.13 GJ of solar energy. Initiatives are taken across all our properties to further maximise solar power utilisation. We are also exploring the opportunity of generating bio-mass based energy through organic waste generated.

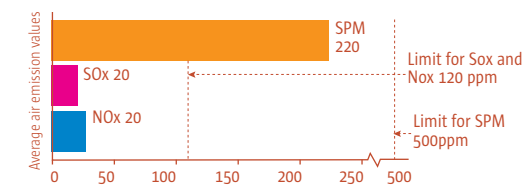
Our energy use, both direct and indirect, results in emission of Green House Gases (GHG). Total direct GHG emissions due to direct energy consumption are estimated to be 62,929.95 tons CO₂e. Indirect energy consumption contributes 1,70,644.96 tons CO₂e. Our efficiency improvement measures, energy saving initiatives and renewable energy procurement helped

in achieving a reduction of 4,919.26 tons CO₂e and 1,054.03 tons CO₂e of direct and indirect GHG emissions respectively.

Use of non-renewable energy sources also result in other air emissions like Suspended Particulate Matter (SPM), sulphur oxides (SOx) and nitrogen oxides (NOx). We have systems in place to monitor the air emissions through regular testing done by external experts. We maintain all our operational parameters including air emissions well within the prescribed levels by pollution control boards. We strive to reduce air emissions by using cleaner fuels where feasible.

We are doing all we can to reduce our use of Ozone Depleting Substances (ODS) and other significant air emissions. ODS are primarily used in our hotels for air conditioning and refrigeration. This year we consumed 1.93 tons CFC-11 equivalent of ODS in our operations. We are in the process of gradually phasing out ozone depleting substances used in our facilities.

Air Emission



Climate Change Adaptation and Mitigation

The Tata Group is one of the pioneers in India to acknowledge implications of climate change on business and society. To mitigate risks and seize opportunities, in 2008 Tata Group constituted a Steering Committee on Climate Change under the Tata Quality Management Systems. The committee provides overall direction and oversees the performance of all Tata Group companies with respect to climate change. The committee also has the responsibility of developing internal capabilities akin to TBEM across all group companies. Four senior management members from IHCL were

Experience the Magic of Nature: Idyllic luxury and ecological responsibility blend harmoniously at the Taj Exotica Resort & Spa, Maldives. The resort incorporates environment-friendly practices into its operations with an aim to protect the natural tropical flora and fauna and the surrounding blue waters of the island.

Taj Exotica has robust systems to ensure energy efficiency, water management, clean air quality and effective handling of noxious substances. The property is one of very few in the Maldives to have installed a unique hot water system, that utilises waste heat from diesel generator sets, resulting in an annual savings of 1,09,500 litres of diesel.

The property has a rainwater harvesting system in place, which collects 8,96,000 liters yearly. Taj Exotica boasts a bottling plant on site, which produces both sparkling and still water and reuses glass bottles, thus avoiding the use of plastic bottles. Taj Exotica has taken care to cultivate endemic species like the Jade Tree, Sea Hibiscus and Malikuruva Rose that do not require any additional watering, thus saving 10,000 litres of water per day.

Overall, the energy efficiency initiatives deployed have resulted in a daily saving of 3765.55 GJ of energy and a 22% reduction in daily carbon dioxide emission.

Tourism in the Maldives is dependent on its rich coral reefs, which are endangered on account of anthropogenic activities. With a view to restore this important marine habitat, our hotels in Maldives have taken an active part in the Coral Propagation initiative since 2004.

trained as part of this initiative to identify and manage climate change risks and opportunities for IHCL. We intend to closely work with champions from all group companies towards monitoring and developing climate change adaptation and mitigation strategy for the group. We measure our carbon footprint and participate in voluntary disclosure through the Carbon Disclosure Project (CDP).

Water management

We manage our water requirement responsibly. Our endeavour is to decrease the fresh water intake by recycling and reusing effluents while enhancing availability of water through rainwater harvesting initiatives. We consumed 61,69,205.12 cubic metres of fresh water of which 81,666.00 cubic metres was harvested rain water. While water recycling and reuse is a common feature in our hotels, we are making sincere efforts to maximise the water harvesting at all our locations. We were able to recycle and reuse 31.00 % of water amounting to 19,12,481.90 cubic metres thus helping us to reduce fresh water intake.

Many of our hotels are zero discharge hotels utilising 100% of treated effluents for landscaping or operational purposes. We intend to make all our hotels zero discharge hotels. The

	Luxury Hotels	Premium Hotels	Gateway Hotels
EarthCheck – Silver	5	6	0
EarthCheck – Bronze	14	23	17
ISO 14001	3	10	7
OHSAS 18001	2	5	4
ISO 22000	12	12	9

We consider our responsibility towards environment as a key pillar towards business excellence. We have renewed our focus on environmental initiatives across our hotels and upcoming projects through a unique Environmental Awareness and Renewal at Taj Hotels (EARTH) initiative. This year we have made investments of around ₹ 75.50 million towards such initiatives and environmental operations and management. 52.16% of the expenditure was towards treatment, disposal and remediation of waste and effluents. Prevention and environmental management attracted 47.84% of the total expenditure.

earth

ENVIRONMENT AWARENESS & RENEWAL AT TAJ HOTELS

effluent generated is treated and mostly discharged through authorised municipal drains. This year the waste water discharged is estimated to be 27,46,212.43 cubic metres, 44.52% of the total water intake.

Environmental excellence

We strive to reduce our environmental impact across our operations while positively contributing to the environment where ever possible. Our hotels have gradually adopted environmental and safety management systems and some of them are certified for ISO 14001. By FY 2010-11 we plan to extend the certification to all our hotels. We have undertaken the EarthCheck certification to benchmark our sustainability performance with the global best. EarthCheck certification is an internationally recognized certification for environmental excellence in the hospitality and tourism industry. The certification is a result of extensive assessments and audits by EarthCheck. The key parameters for assessing the performance are energy, water and waste management and management of social and cultural issues. Current status of certification is as per the table given below. We are working towards certification of all our hotels and eventually for gold certification.

Environment friendly products at Jiva Spas: An eco-sensitive brand, our Jiva Spas concentrate on the use of natural spa products containing Indian herbs, pure essential oils, lipids, clays, mud, salts, flower waters, organic linen and eco-friendly toxin-free pottery.

Harnessing solar energy at Ginger hotels: A pioneering initiative of Ginger hotels, the installation of solar panels as water heating systems, reinforces the concept of convenient, cost-efficient and sustainable business. Since the 2008 initiation, over 90% of the existing Ginger hotels are equipped with solar heating panels. More than 50% of Ginger hotels' guests are corporate professionals with sensitivity towards sustainability practices and appreciate this initiative. The initial investment of putting this process into place is set off in less than three and a half years, due to the long term benefits of this technology. The specific value-add has been principally in developing a stronger brand that reinforces the identity of 'Smart Basics' and efficient service.

Energy efficiency initiatives at Taj Connemara, Fisherman's Cove and Taj Mount Road, Chennai: Following low cost and no cost energy efficiency initiatives were adopted at the hotels:

- Monitoring Sub Meters – All – sub-meters monitored through a central software system allowing for improved co-ordination
- Use of solar panels for heating water. The boilers are used only in the mornings along with heat generated from solar panels
- Use of heat recovery chillers – to generate heat required in the process to heat water
- Use of occupancy sensors – installed in guest toilets.
- Card system for guest rooms – to minimise guest wastage of electricity within rooms
- Use of variable frequency drives in pumps
- Aggressive coil maintenance – filters and AC coils cleaned monthly allowing for improved system performance
- Efficient lighting- CFLs and LED lighting installed in hotel rooms



Conservation and recreation at Taj Safaris: The Taj Safaris model has been designed with a distinct sustainability ethos at the core of its business model. Keeping in mind that in today's world being close to nature can be an exquisite and rare experience, we designed a sustainable Wild Life Safaris model in a joint venture with '&Beyond and Cigen' (previously known as CC Africa). This model promotes biodiversity planning and conservation, while contributing to the economic and social development of the areas in which the wilderness lodges are located. In keeping with social and conservation principles, business processes are designed in a way that engages local and neighbourhood communities in delivering this differentiated close-to-nature experience to our guests.

Guests visiting our lodges are encouraged to play a part in making a difference, no matter how small. The Baghvan Jungle Lodge team at Pench National Park has come up with creative ways for guests to participate in our social development initiatives; like encouraging them to make intellectual and financial contributions to local schools in the vicinity of the lodge that we support for educating less privileged children.

Another laudable initiative by Taj Safaris has been the promotion of sustainable methods of honey harvesting by the Banjara Tolah lodge at Kanha National Park. Our associate teams conduct a series of honey-harvesting training sessions for the neighbouring villages, to teach them scientific ways for gathering honey that would prove more productive for them, and less harmful for nature.

DOING MORE
TO BE AN
EMPLOYER OF
CHOICE



An organisation is only ever as successful as its employees want it to be. A key pillar of focus for us continues to be the creation of a work environment in which our associates feel challenged, appreciated and empowered.



At IHCL, associate engagement, development and empowerment is equally central to creating differentiating customer value and hence is a competitive success factor. The unique professional and personal touch brought in by each and every associate at IHCL is a decisive element in transmitting our passion for service at different points of contact. This has been our key success factor over the years. Our human resource strategies and objectives are built around attracting, retaining and developing talent. The objective is to maximise the services provided and to resolve requests as quickly and as efficiently as possible.

Our efforts in creating a world class HR management system have reaped benefits not only in terms of a reducing rate of attrition but also earned us substantial recognition. This year we won the Gallup Global Great Workplace Award that recognizes companies for their extraordinary ability to create an engaging workplace and healthy work-culture. We are amongst the 25 distinguished organisations from across the world and one of the only two organisations from India that were selected for this award. In addition to this, we bagged third position in the "Hewitt Best Employer of the Year Survey 2009" amongst 230 companies surveyed. This year for the second year running, we achieved the gold standard on the overall satisfaction of employee survey conducted for the year by the Gallup Organization.

We believe in being an equal-opportunity employer, and have a diverse workforce across age, gender, qualifications, skills and cultures. Our aim is to develop an associate-base that includes fresh recruits, while establishing a core group of experienced associates to provide stability and knowledge, irrespective of gender, caste, creed, and diversity. We also take into account the local ethos while hiring at hotels and support inclusive growth to provide opportunities for the differently-abled. As of this year, our employee strength across all IHCL companies was 22,750 of which 3,502 were executives, 6,904 were

supervisors or staff, 3,648 were FTCs, 4,026 were either apprentices or trainees, and 4,670 were contract. Of the total workforce, 13.39 percent were women and across all leadership positions 23 percent were handled by women. The overall attrition rate this year was 15 percent against the industry average of 26 percent. This year we also improved our workforce productivity standards, which is evident from the decrease in the associate-to-room ratio from 2.70:1 to 2.35:1.

Learning and development requirements are identified through multiple approaches. At the organisation level, we have a collaborative exercise to capture business-driven training needs. At the individual level, training needs are identified through a performance management system for executives and skill gap analysis and job chats for rest of the associates. Training is imparted through several modes like classroom sessions, one-on-one coaching, self learning modules, mentoring and shadowing of employees, ideation and brain storming sessions, forums, conventions, learning missions, exposure visits to benchmark organisations, on-the-job training and cross exposure trainings. Apart from professional requirements related trainings, associates are also trained in use of quality improvement tools, TBEM, creativity and innovation at work, working with teams, pioneering change and various other technical and administrative subjects. This year, the total training hours across operations were 26,98,796 with a 95.00 percent actualised training rate. The number of cross exposure training sessions to ensure learning and training across brands and locations was 249 with a 87.68 percent success rate. This year we also developed 472 certified Taj departmental trainers. This way for every 21 associates we have one skilled trainer. We almost achieved the skilled trainer to associate ratio of 1:20 set in the previous year.

This year, there was a sustained effort on building engagement within the

workforce coupled with initiatives to address workforce cost and productivity issues. Listed below are some of the key initiatives implemented during the year - focused on enhancing efficiency and optimising productivity of the workforce in line with the business and economic scenario.

Year of the Associate (YOA): The YOA was rolled out across the Company in 2008-09, aimed at creating a vibrant and highly engaged work force. Its success is manifested in the enhanced Employee Engagement Scores across the organisation. The initiative stabilised in 2009-10 and has been a key driver for maintaining and enhancing engagement levels in an environment of economic downturn. In the coming year, there are plans of implementing a fresh set of initiatives under the banner of YOA + to provide additional thrust to employee engagement. This initiative was adjudged as among the top three Human Resource initiatives among hospitality organisations globally in the Worldwide Hospitality Awards.

Online HR management: With an objective of improving process efficiencies, systematic and uniform deployment of organisation's strategic objectives across all hotels and reduction of turnaround time several HR functions were shifted to an online mode this year. An Oracle HRMS was rolled out across 20 hotels on a pilot basis, with a plan to cover the balance hotels in the coming year. Automation of Balanced Score Card and an online Learning Management System with more than 150 training modules for frontline staff are also some of this year's highlights

Career Architecture: A job architecture exercise was launched this year to scientifically classify jobs and define roles and responsibilities in align with IHCL's strategic goals. Each job was assessed to establish the relative internal value of the job within the organisation and provide a scientific basis for broad banding compensation, grading system, job transfers, career / succession planning and other related HR interventions.

SPEED + programme: With the success of the SPEED programme launched last year, an upgraded version of the same was deployed for the junior managers. Referred to as SPEED+, this programme is a part of our continuing endeavour to provide opportunities for talented associates working in supervisory or junior management positions to advance their careers to the next level at a quicker pace.

Leadership Development: We have implemented multi-tiered leadership development programmes in order to build leadership capability within all levels of the organisation. For junior management, the needs are addressed through the PACE (Performance Alignment and Competency Enhancement) Programme, while for the middle management the same are covered through the Emerging Leaders of Taj (EL Taj) program. For the senior and top management a customized Leadership Assessment program addresses the leadership capability. These programs support our objective of building a sustainable, high quality pool of leaders to support the strategic growth plans of IHCL.

Learning & Development: We have undertaken several initiatives to develop the competencies of our associates. They are provided with continuous training inputs through Learning and Development Managers. We also have a pool of specially trained 'Certified Taj Departmental Trainers'. To further strengthen the operational focus and develop attention to detail, the Learning and Development team has actively embarked upon various specifically tailored programmes for all levels of associates - The Spirit of the Taj, The Taj Luxury Experience Tests, certification of key skills in operational departments, etc. are some of the examples. Also with a focus on improving and delivering high quality service in a consistent manner across hotels we have created training programmes and initiatives that help to customise the individual guest experience. The learning experience is also enhanced using varied processes such as Cross Exposure Training, Systematic Induction Programme and Taj Luxury Experience Training.

Developing Spa Therapists: The spa industry has evolved in India over the past few years with industry sources predicting a requirement of three lakh therapists by 2012. Most of the youth interested in the field of spa therapy come from the communities in the North East – from Manipur, Mizoram, Assam, Nagaland, Tripura as well as refugees from Tibetan camps, where livelihood opportunities are few and income levels very low. All the formal spa training academies charge substantial fees for a body training course. Many a times deserving youth are not able to afford the fees for such training. This is where 'Jiva Spa' has taken a different approach. We train fresh candidates from marginalised societies, completely free of cost in a unique three-month training programme, with an opportunity of employment with the Taj. In addition to the physical, physiological and psychological aspects of holistic healing, they also learn anatomy, physiology, massage skills, health and hygiene, customer handling, English and yoga & meditation (for their own well being). Each participant undergoes extensive practice of treatments so that they are completely ready for the role of a therapist.

OPTIMISING REVENUES FURTHER



Global recession and inflation has led us on a journey to discover innovative ways of reducing operational costs, while remaining uncompromised on guest delight.



This year started on an anxious note, given the backdrop of apprehensions regarding continuation of downward trend in global business. The continued recession in the developed world, for the better part of the year resulted in a sluggish export recovery and a slowdown in financial flows into the economy. The turnaround came in the second quarter of the year when the economy grew by 7.9%.

This year once again saw the resurgence of the domestic traveller, marking a close similarity to the previous year. While rates dropped significantly in the year, the strong increase in domestic demand actually led to an 8.0% increase in nationwide occupancy. The domestic market continued to play a dominant role within the hospitality sector and helped to insulate the Indian economy from global economic fluctuations.

In light of global financial crisis and tight liquidity position, we concentrated on completing the project commitments on hand and propel growth through management contracts in the domestic and international markets. We also made significant headway in acquiring properties on lease from the government at strategic locations. Following is a brief snapshot of our

economic performance this year:

- Room sales declined mainly due to a decrease in Average Room Rate and to some extent lower occupancies along with the closure of the Heritage Wing rooms of the Taj Mahal Palace and Tower, Mumbai.
- Food & Beverages grew by 5% mainly aided by banquets revenue which increased by 13%.
- Other operating income mainly including income from management fees, laundry, spa and health club, telephone, business centre rents, etc. as well as accrual of business interruption insurance claim amounting to crores.
- Non-operating income was higher than the previous year due to sale of investments which was partially offset by lower dividend income during the year.

The operating expenses decreased by 4% this year compared to last year on account of various measures undertaken to restrict costs. Further, payroll costs were also controlled by minimising new hires, deferring salary increases and reducing senior management bonuses. During the year, we incurred significant costs on consulting, training, equipment and hiring personnel to strengthen the

safety and security of the hotels. In view of the challenging economic environment, expenditure on advertising and PR was curtailed.

The PBIT declined by 19% from 457.70 crores to 369.23 crores, this year. The PBIT margin dropped from 26.8% of sales from the previous year to 23.6% achieved in the current year mainly due to the industry phenomenon of higher fixed cost. Net interest cost was higher at 152.90 crores for the year as compared to 89.19 crores in the previous year mainly due to increased borrowings to fund the expansions as well lower interest income consequent to the complete utilization of surplus funds during the year. The profit before tax declined by 40% from 362.30 crores to 218.25 crores, while the profit after tax declined by 35% over the previous year from 234.03 crores to 153.10 crores.

Optimising revenues through innovative HR practices: Continuing from the previous year, we have put in dedicated efforts to minimise new hiring, which have resulted in controlling increase in overall workforce strength, even with new hotels opening up. All new hirings except those with niche skills were deferred and vacant positions that arose during the year were filled with internal redeployment wherever possible. This has also enhanced our operating efficiencies and resulted in enhancing overall productivity levels within IHCL. As an inspiring leadership move, our senior management opted to freeze their own salary increase during the times of challenging financial climate along with a cut in their performance bonus of up to 50%. However, the junior management associates were paid their due incentives at regular rates.



BUILDING
MORE
LIVELIHOODS



The Taj spirit of giving back to the community is a legacy that has been carried forward from the time of the company's founder Jamsetji Tata, who believed that communities will be truly empowered when companies work together with them to enhance their potential and self-reliance.



We, at Taj, believe that our organisation is in a unique position to train and groom raw potential manpower into a skilled workforce for hospitality industry. Leveraging this core business competency, we have engaged with the cause of 'Building Sustainable Livelihoods' through various Private-Public Partnerships for school dropout, rural and less-privileged youth.

We believe in extending core competencies to make a difference with respect to large socio-economic challenges like child malnutrition and hygiene issues. We engage with various stakeholders to facilitate innovation and training in this realm.

We also extend our brand support for promoting indigenous arts, crafts and culture through design support, alternative vendor development, and by providing regular showcasing venues and exhibition space.

The theme for community initiatives is Building Sustainable Livelihoods, especially for youth and women from less-privileged socio-economic backgrounds. This is primarily being done through custom-made vocational courses in hospitality. Therefore the focus is on curriculum development and support in training room setup for housekeeping, kitchen stewarding and food production and facilitating on-the-job training and exposure visits to Taj hotels nationwide.

We believe no company, by any means, is separate from the environment and communities that sustain it. We continuously review and update our approach and processes towards corporate responsibility and make a conscious endeavour to align and integrate our efforts to address contemporary societal needs and challenges. We continue to play our role as a responsible corporate citizen, adding value to the society and the environment in which we operate.

With the growing focus on building sustainable livelihoods, we constantly assess and update our approach and initiatives in this realm. Our approach derives from the Tata Corporate Sustainability Charter and the Taj's core business strengths:

Creation of sustainable livelihoods:

- Build bridges between the organised job market and rural / less-educated / less-exposed youth seeking long-term livelihood options.
- Enable marginalised sections like the differently-abled, scheduled castes and scheduled tribes gain access to training and employment in the hospitality industry

Preserve and revive indigenous arts, crafts and culture

- Actively promote indigenous product development and develop local vendors
- Facilitate venue and marketing support for local artisans and craftsmen
- Support income generation projects run by small scale entrepreneurs, Self Help Groups and NGOs

Share our business core competencies:

- Private-Public Partnerships to address entrenched social challenges like child malnutrition, human trafficking, etc.

At Taj, promoting the spirit of volunteerism is a major driving force in the company's sustainable development efforts. We believe that volunteering for a societal cause is an enriching experience and allows the human values and self worth of individuals and teams to flourish. Taj encourages the merging of the "business being" and the "human being" and facilitates spaces for a holistic being to flourish at the workplace.

TAJ GROUP IMPACT - BUILDING SUSTAINABLE LIVELIHOODS	2009-2010
No. of beneficiaries trained in hospitality skills and made employable	1451 Nos
No. of differently abled persons benefitted through skill trainings	291 Nos
Taj support given to arts / craft /local artisans/ karigars/ cultural groups	2374 Nos
Taj support given to social / environmental vendor tie-ups (supply chain initiative)	105 Nos
Nutritional support, trainings and awareness for marginalised groups (poor, SC/STs target groups)	12,000 Nos
Payments made to local vendor tie-ups supply chain initiatives (i.e. income generated by Taj support)	₹ 3,91,58,662/-
Expenditure incurred by the Group Hotels for CSR projects	₹ 1,28,91,989/-
Total no. of employee volunteers supporting theme-based initiatives	610 Nos
Total no. of volunteering hours supporting theme-based initiatives	92759 Hours
Total no. of employee volunteers supporting charity-based initiatives	9697 Nos
Total no. of volunteering hours supporting charity-based initiatives	19806 Hours



Reaching out Where it Matters the Most: Leveraging our core competence in food preparation, palatability & presentation, we have pledged our support to the cause of alleviating child malnutrition in India. We have been working with Integrated Child Development Services (ICDS), a grass root NGO called Sri Ahirrao Memorial Trust (SAMT) and Bhavishya Alliance to supplement the meals being offered by the government to children aged 0 – 6 years and less-privileged women. The aim is to improve quality, hygiene, palatability and diversity of supplementary nutrition provided at Government-run Anganwadi (village day-care centres) centres through a multi-sector partnership model.

The Taj team of speciality chefs and microbiologists co-developed more than 40 simple, nutritious and tasty recipes while training Government functionaries and women groups in hygienic cooking practices and personal hygiene. We took care to use local ingredients, ensure a minimum nutritional value of 300 calories and 8 grams of protein a day – most challenging of all – do all this in a way that women SHGs in villages could cook within the Government budget of ₹ 2 per day operational cost per child

Twenty of our Taj Management Graduates over a period of 10 days conducted hands-on workshops and practical demonstrations for Women Self Help Groups who are involved in cooking of supplementary nutrition meals. It offered our associates an opportunity to understand and appreciate the concerns of rural India.

This project has been successful in increasing the variety of food served from 2 dishes to 6 dishes per week as well as a 13% enhancement in the attendance of children in the Anganwadis, despite migratory population. This inspired a change in the Government policy to incorporate these recipes and training modules as a part of their regular system. As a result of this programme, the food leftovers reduced from 37% to almost nil. Over the past two years, close to 1.5 lakh children below the age of six from the Anganwadi centres and a significant number of women groups of Nandurbar district in Maharashtra have benefitted from this initiative

Catalysing a Win-Win Scenario: Indian metro cities have an intriguing scenario of shortage of trained household helpers on one end and shortage of work-opportunities for the less-privileged/migrant sections of society on the other. Keeping this context in mind, we joined forces with 'Family Service Centre', Zonta International and Soroptimist International – organisations who work to empower women, worldwide – in line with our CSR theme of improving the quality of life of



less-privileged women. We supported the partner NGOs to train underprivileged household helpers through a comprehensive Home Management training that would enhance the livelihoods of over 150 women through skill-intensive roles.

The Taj Mahal Palace and Tower, Mumbai along with the NGO partner trained these women in housekeeping, personal grooming, child and geriatric care and kitchen management. This training helped them start home-based Tiffin Services, work in the field of geriatric and child care, etc. Some of them were absorbed by the Taj as well

Embracing Indigenous Arts and Culture: India is home to a plethora of exquisite cultural arts – many of which are hidden away in tribal or rural pockets, and miss out on the exposure and appreciation they deserve. The preservation of the cultural heritage of communities and regions, to us, also counts as a vital sustainability focus area. We provide the local artisans with the means and knowhow to market their creations and create opportunities for themselves. We provide market exposure for their artefacts and wares – e.g we source our staff uniforms from community of Varanasi silk weavers. More than 40 weavers and their families are supported through this project.

Our hotels located near culturally rich and diverse places across India proactively engage with cultural troupes and local artisans to help them showcase their art, craft and

tradition. More than 20 of our hotels provide a venue and selling space, slots for cultural performances for indigenous artisans and craftsmen.

Improving Quality of Life: In order to enhance the quality of life of villagers around our hotels, some of our hotels provide solar lighting, health, hygiene and nutritional support for children and women, drinking water facilities and educational assistance. Our Safari lodges are actively involved in furthering the wellbeing of the wildlife habitats and forest communities who have graciously welcomed the Taj into these virgin areas. In Kanha and Bandhavgarh we support the Baiga community by sharing our brand platform for their dance and cultural shows. More than 2,374 artisans and karigars are being supported across the entire Taj Group.

Developing a Unique Vendor Network: We endeavour to build a responsible vendor network. Wherever possible, we work directly with primary vendors, eliminating middle-men, in order to ensure higher returns to small scale vendors.

We have engaged with Aura Herbal Wear, a major linen supplier for all our Jiva Spas, which supports several NGOs. Through Taj purchase orders, they are able to support less privileged women by involving them in garment designing and basic stitching; thereby making them self-reliant by enhancing their skills. Aura Herbal Wear supports and trains physically challenged girls; destitute women and women from minority communities.

Our hotels in Goa work with a special laundry service along with NGO Arz, working towards the economic rehabilitation of commercial sex workers. Our teams conduct training

sessions on instilling basic laundry skills and instilling business mindset. Today they offer high quality laundry services not only to us, but to a host of other clients as well.

Many of our hotels source material such as candles, dusters, staff snacks, stationery, consumable raw materials, etc. from local women self help groups and voluntary organisations. Over 100 such organisations benefitted with business worth ₹ 39 million through various location-based purchases and sourcing by Taj. Additionally, we source upholstery and laundry bags worth over ₹ 10 million annually from Cancer Patients Aid Association: an NGO that works for the benefit of family and friends of less-privileged cancer patients.

Evolving a Menu of Opportunities: Taj has established partnerships up with various Governmental and Non-Governmental organizations to reach out to less-privileged, rural and school drop-out candidates. We have more than 15 such partnerships across various target locations in India. We work with Government ITIs in remote areas like Oros, Sindhudurg district; Chenaraypatna, Karnataka; Sawai Madhopur, Rajasthan. We have also been working closely with NGOs like Pratham, Kherwadi Social Welfare Association, Don Bosco Youth projects, DEEDS catering college for candidates with hearing impairment, regional disability-friendly networks and other regional skill development organisations to further development and vocational training of marginalized youth. More than 700 candidates have been trained and certified in various hospitality-centric trades and made employable in general; of which more than 100 have been absorbed at various Taj Hotels in India.



Independent Assurance Report

KPMG India was engaged by Indian Hotels Company Limited ('IHCL', 'the Company') to provide assurance over selected aspects of IHCL's 2009-10 Corporate Sustainability Report ('the Report').

Assurance scope - Reporting and assurance criteria

What was included in the scope of our assurance engagement?

The assurance is provided for the data and information in line with agreed scope for the financial year 2009-10. We have covered economic (excluding financial), environment and social indicators and carried out site visits to hotels and resorts in Chennai (Taj Coromandel, Taj Mount Road, Taj Connemara, Fisherman's Cove), Delhi (Taj Palace Hotel, Taj Mahal Delhi, The Ambassador Hotel), Hyderabad (Taj Krishna, Taj Banjara, Taj Deccan), Kolkata (Taj Bengal), Mumbai (Taj Mahal Palace & Towers, Taj Lands End, Taj President, Taj Wellington Mews) and Nashik (Gateway Nashik, Ginger Nashik).

Which assurance standards did we use?

We conducted our work in accordance with ISAE 3000. We conducted our engagement in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants, which requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

Specific limitations to our work included the following:

For the locations that were not visited, we confirmed that the data supplied by IHCL were correctly reported and aggregated at corporate office, but we did not verify the underlying reliability of this data. We have not been engaged to determine which, if any, recommendations should be implemented; act on behalf of management in reporting to the Board of Directors, or Audit Committee; Develop/ prepare source documents on transactions; Verify financial performance indicators. We have also not been engaged to provide assurance over any prior year data or information presented in the Report.

What are our conclusions?

Based on our review, nothing has come to our attention to indicate that the information contained in the Report is inconsistent with the findings of our work as described below:

- There is a Board level ownership for issues and performance related to Safety, Health and Environment through the apex HSE committee.
- IHCL has processes in place to collect, collate and monitor sustainability performance data related to energy consumption; water consumption; community engagement; and consumption of materials including paper, cleaning products and pesticides.
- The Report highlights the progress on IHCL's short term sustainability plan.
- The Report complies with the GRI-G3 guidelines 'A+' application level criteria.

What did we do to reach our conclusions?

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary in relation to the above scope. Our work included the following procedures using a range of evidence-gathering activities which are further explained below:

- Observations of the Company's

stakeholder consultation processes and their methodology for determining the material issues;

- Interviews with senior management and relevant staff at group level and selected operating companies to understand implementation of sustainability initiatives across the business;
- Checking the Reports' content to ensure consistency with the GRI application level requirements of A+;
- An evaluation of the existence and operation of the systems and methods used to collect process and aggregate the selected performance data presented in the Report. We also tested the reliability of underlying data and information for the selected performance data within the scope of our assurance;
- Visits to select hotels;
- A review of the Report draft to ensure there are no disclosures that are misrepresented or inconsistent with our findings.

Key Observations

We have provided IHCL management with an internal report outlining our findings. Without prejudice to our conclusions presented above, we present some of the key observations below.

- The report describes IHCL's short and long term sustainability plans; however goals and targets specific to sustainability KPIs have not been presented.
- The report does not describe the linkage of IHCL's sustainability strategy with the business strategy.
- There were discrepancies in the data reported from hotels and the same were corrected during the course of verification audits.
- Reporting and management of sustainability performance indicators at the hotel level is fragmented and not integrated in to mainstream MIS.
- The process adopted for stakeholder engagement is not linked

systematically with the mainstream sustainability agenda.

- Safety performance data is captured as part of the online HR management systems. IHCL may consider deploying online database for capturing other sustainability performance indicators.

Responsibilities

The Management of IHCL is responsible for preparing the Report and the information and statements within it. The Board is responsible for identification of stakeholders and material issues, for defining commitments with respect to sustainability performance, and for establishing and maintaining appropriate performance management and internal control systems from which reported information is derived.

Our responsibility is to express our conclusions in relation to the above scope. We conducted our engagement with a multidisciplinary team including specialists in ISAE 3000, stakeholder engagement, auditing environmental, social and financial information and with experience in similar engagements in the hospitality sector.

This report is made solely to IHCL in accordance with the terms of our engagement. Our work has been undertaken so that we might state to IHCL those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than IHCL for our work, for this report, or for the conclusions we have reached.



Arvind Sharma
Director
KPMG, India
26 August 2010

INDEPENDENT ASSURANCE REPORT



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COMMUNICATING PROGRESS



GLOSSARY

AA	– Affirmative Action	KL	– Kilo Litres
AGM	– Annual General Meeting	LED	– Light Emitting Diode
ARR	– Average Room Rate	MJ	– Mega Joules
BAS	– Building Automation Systems	MW	– Mega Watt
CDP	– Carbon Disclosure Project	NGO	– Non Governmental Organisation
CFC-11	– Trichlorofluoromethane	NOx	– Oxides of Nitrogen
CFL	– Compact Fluorescent Lamp	ODS	– Ozone Depleting Substances
CFT	– Cross Functional Team	OHSAS	– Occupational Health and Safety Assessment Series
CO ₂ eq.	– Carbon Dioxide Equivalent	OHSAS 18001	– Occupational Health and Safety Management Systems
CSL	– Critical Systems Leaders	PACE	– Performance Alignment and Competency Enhancement
EARTH	– Environment Awareness and Renewal at Taj Hotels	PMS	– Performance Management System
EPM	– Enterprise Process Model	PPP	– Public Private Partnership
ESS	– Employee Satisfaction Survey	RCL	– Roots Corporation Limited
F&B	– Food and Beverage	SC	– Scheduled Caste
GHG	– Green House Gases	SHG	– Self Help Groups
GJ	– Giga Joules	SOx	– Oxides of Sulphur
GM	– General Manager	SPEED	– Special Program for Employee Education and Development
GRI	– Global Reporting Initiative	SPM	– Suspended Particulate Matter
GSTS	– Guest Satisfaction Tracking System	ST	– Scheduled Tribe
HACCP	– Hazard Analysis and Critical Control Points	STARS	– Special Thanks and Recognition System
HRMS	– Human Resource Management Index	TABE	– Tata Awards for Business Excellence
ICDS	– Integrated Child Development Scheme	Taj SATS	– Taj Singapore Airport Terminal Services Ltd.
IHCL	– The Indian Hotels Company Limited	TAP - ME	– Taj Acculturation Process for Managing Excellence
INR	– Indian National Rupee	TBEM	– Tata Business Excellence Model
ISO	– International Standards Organisation	TCoC	– Tata Code of Conduct
ISO 14001	– Environmental Management Systems	TPAM	– Tata Positive Assurance Model
ISO 22000	– Food Safety Management Systems	UNGC	– United Nations Global Compact
ITI	– Industrial Training Institutes	YOA	– Year of the Associate
Kg	– Kilo Grams		