

ENTERPRISE OF TOMORROW

SUSTAINABILITY REPORT 2018
ITC LIMITED

**“ENTERPRISES OF TOMORROW
CAN BRING IN TRANSFORMATIONAL CHANGE
BY MAKING SOCIETAL VALUE CREATION
A CONSCIOUS STRATEGIC DECISION.”**

**ENTERPRISE
TOMORROW**





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It is a matter of great satisfaction that ITC is presenting the 15th edition of its Sustainability Report this year. The journey to create a global exemplar in Sustainability has been immensely enriching and rewarding. A spark ignited by a Vision to serve a larger societal purpose has now become the very soul of the enterprise, driving every thought and action as well as the strategy and purpose of the organisation.

For one and a half decade, this Report has traced the contours of ITC's performance across all the dimensions of the Triple Bottom Line. Though a voluntary disclosure, every Sustainability Report has been subjected to the highest levels of scrutiny with third-party assurance. It is indeed reassuring that this Report has been prepared meeting the criteria of "In Accordance – Comprehensive" level of the Global Reporting Initiative (GRI) Standards.

The Report's theme of creating "Enterprises of Tomorrow" reflects the aspiration of the Company and its commitment to chart a path that will continue to create enduring value for its stakeholders. Indeed, an enterprise of tomorrow is one that goes beyond the commitment to the market to create larger value for society. It is one that pursues competitive growth even as it enriches the environment and creates opportunities for sustainable livelihoods. It is an

organisation that invests not only in meeting the needs of the present but also in securing a better, safer and more inclusive future for the generations to come. At ITC, this commitment to create an enterprise of tomorrow resides in its chosen strategy to pursue 'Responsible Competitiveness' – a socio-economic construct that underpins the Company's objective to be future ready whilst ensuring that growth is sustainable and inclusive.

Recognising that global concerns on sustainability require concerted local action, ITC's initiatives in environmental preservation and replenishment address several of the objectives set out in India's Nationally Determined Contribution (NDC) commitments to the United Nations Framework Convention on Climate Change. The Company's Sustainability Initiatives also contribute meaningfully to the UN Sustainable Development Goals.

**AT ITC, THE COMMITMENT TO CREATE
AN ENTERPRISE OF TOMORROW RESIDES IN ITS CHOSEN STRATEGY TO PURSUE
'RESPONSIBLE COMPETITIVENESS'
A SOCIO-ECONOMIC CONSTRUCT THAT UNDERPINS THE COMPANY'S OBJECTIVE TO BE
FUTURE READY WHILST ENSURING THAT GROWTH IS SUSTAINABLE AND INCLUSIVE.**

REKINDLING HOPE FOR A SUSTAINABLE WORLD

The World Economic Forum at Davos this year deliberated on the theme of “creating a shared future in a fractured world”. It remains to be seen whether this poignant moment in economic history will drive collective action in finding comprehensive and pragmatic solutions to address issues of global distress.

However, it certainly brings into focus what is arguably the most critical challenge facing the world today. For long, the alarm bells have rung loud and clear to alert the global community that the planet is in peril, that future generations are threatened by climate change and that rising income inequities are fuelling social unrest. Yet the challenges far outpaced solutions. Across the globe, extreme weather events are increasingly destroying lives and property, conflict and wars continue to leave people homeless and children orphaned, people in poverty still constitute a sizeable proportion of developing countries and job seekers far outnumber the opportunities created by a tiring world economy. Despite advancements in science, technology

and human ingenuity, global warming according to a recent UN Report is on course to exceed 1.5 degree centigrade, the stringent goal set in the Paris agreement. Estimates also point to the fact that 3.5 billion people, who account for 70% of the world's working age population, own just 2.7% of global wealth.

That the global growth model pursued so far has gone amiss is an understatement. It is clear that urgent and collective action is called for to re-engineer a growth paradigm where prosperity is widespread not poverty; environmental preservation is the norm and not destruction; jobs are created and not destroyed. If the threat of global warming is to be contained, if sustainable livelihoods are to be created on an unprecedented scale, the world must come together like never before – policy makers, business and other organs of civil society - to implement a cohesive strategy that will perpetuate inclusiveness and sustainability as an integral part of growth and not as an afterthought. And therein lies the challenge. Bolting

on sustainability imperatives to the current economic model, be it by mandate, encouragement, coercion or regulation, can fuel a few steps forward but not the giant strides required.

It is only when sustainability and inclusive growth are an integral outcome of an economic or business strategy, can they grow to a scale necessary to address the daunting challenges.

This requires innovation that simultaneously delivers competitive growth, environmental replenishment and livelihood creation. It requires government policies that encourage and support measurable sustainable business practices. It calls upon consumers to exercise an enlightened choice for enterprises that demonstrate a strong commitment to such societal goals. Unless all these efforts happen in unison and synergy, the results will be sub-optimal. The hope for a secure world lies in such a synergy of efforts.

India is today the fastest growing major economy in the world. Global tailwinds from a recovering world economy together with the prospect of a rising Private Final Consumption Expenditure and a pick-up in rural demand are expected to keep the economy buoyant in the years to come. Yet challenges abound. India will surpass China in population in less than a decade. Providing food security to the estimated 1.5 billion population will be a daunting task even as severe water stress continues to impact an estimated 600 million people. India's agri and rural sector, which is the most vulnerable to climate change, provides sustenance to half the workforce in the country. Ensuring livelihood security through the creation of millions of jobs is an even larger challenge.

It is heartening that Governments, Multilateral Institutions, Business and Civil Society Organisations across the world are redoubling their efforts to find solutions to create a more sustainable world. When the diverse strengths of different organs of society are aligned together in a spirit of true partnership, meaningful and scalable action will emerge. In that lies hope for the future and the generations to come.

ROLE OF BUSINESS: ITC'S VISION AND STRATEGY

I am deeply convinced that businesses can bring about transformational change in society. More than financial resources alone, the strength of their multi-talented managerial resources, creative capacity and innovative capability as well as their presence across numerous touch points in society enable them to contribute very effectively in creating social capital.

When businesses make societal value creation a core purpose of business strategy, it unleashes innovation and strong drivers that leverage the transformative power of corporates to make a lasting and sustainable contribution to society.

By serving society well, corporates create larger value to make growth more enduring, thereby rewarding shareholders with sustained wealth creation over a longer term.

The inspiration to serve a larger national purpose is at the core of ITC's vision to put Country before Corporation and the Institution before the Individual. Making societal value creation the bedrock of its corporate strategy, ITC has pursued innovation in business models that synergise the building of economic, ecological and social capital as a unified strategy. This multipronged strategy is manifest in several ways. In line with its aspiration to be an engine of growth for the Indian economy, a portfolio of businesses was carefully chosen that would best match its internal competencies and enterprise strengths with the opportunities of an emerging economy.

Keeping the triple bottom line objectives in mind, innovative strategies were crafted to build the competitiveness of the entire value chain of which the businesses were a part, benefitting farmers and rural communities. An outstanding example is the wood and pulp fibre value chain supported by ITC's Paperboards Business. Clonal saplings were developed through extensive R&D to enable poor tribals convert their wastelands into plantations. They were empowered by

TODAY, ITC IS THE ONLY COMPANY IN THE WORLD TO BE CARBON, WATER & SOLID WASTE RECYCLING POSITIVE.

IN ADDITION, ITS BUSINESSES HAVE SUPPORTED THE CREATION OF OVER 6 MILLION LIVELIHOODS.



building grass-root user groups, provided know-how and technical support to grow and manage their plantations. However, they were not bound by contract to sell to ITC and could even sell to competitors, though the Company stood by as a willing buyer. Over the years, ITC's Social and Farm Forestry initiative has greened over 680,000 acres supporting 124 million person days of employment. The sequestration enabled by these plantations has contributed to making ITC carbon positive for over 13 years now, besides securing the source of fibre over a longer term building competitiveness of its business. This demonstration of superior triple bottom line performance is testimony to ITC's sustainability strategy and the innovative models that enable inclusive growth.

At the same time, relentless efforts were made by the Company to create world-class Indian brands that help in capturing and retaining more value for the Indian economy. These brands also serve as market anchors to enhance the competitiveness of the entire value chain. To ensure a positive environmental footprint, ITC adopted a low-carbon growth strategy focussing on enhanced use of renewable energy, establishment of green buildings as well as reduction in specific energy and water consumption.

It is deeply satisfying today to witness the achievements of this chosen strategy to deliver superior triple bottom line performance. Over the last two decades, total shareholder returns have grown at a CAGR of over 22%, reflecting benchmark efficiency in servicing financial capital. During this period, the

Company also emerged as a global exemplar in sustainability. Today, ITC is the only company in the world to be carbon, water and solid waste recycling positive. In addition, its businesses have supported the creation of over 6 million livelihoods.

The Company's commitment to pursue a low carbon path has led to renewable energy constituting 43% of its energy consumption, despite a large manufacturing base. It has also led the green building movement in India, with 23 buildings LEED® certified at the highest Platinum level. The Company has implemented a large scale solid waste management programme with focussed initiatives to minimise waste generation, maximise reuse & recycling and use external post-consumer waste as raw material in its units. These measures have over the years contributed to maximising and optimising resource efficiency. It is a matter of immense satisfaction that ITC's Well Being Out of Waste Programme today extends to over 77 lakh citizens in the country.

On the occasion of the World Environment day this year, ITC has taken a pledge that over the next decade, going beyond its Extended Producer Responsibility, it will deploy superior solutions so that 100% of its product packaging will be reusable, recyclable or compostable.

The Company's extensive Social Investments programme focusses on creating and supporting sustainable livelihoods through grassroots capacity building and asset creation. These programmes have

**TOGETHER WITH FARMERS AND LOCAL COMMUNITIES,
ITC HAS IMPLEMENTED LARGESCALE INTERVENTIONS IN**

**CLIMATE-SMART & SUSTAINABLE
AGRICULTURE THAT MAKE A MEANINGFUL CONTRIBUTION
TO THE HON'BLE PRIME MINISTER'S VISION
OF DOUBLING FARMER INCOMES.**

enriched rural communities in the Company's areas of operation making them more secure, climate-resilient and economically stable.

The mosaic of solutions which have had a transformational impact on the ground include the globally acknowledged ITC e-Choupal initiative which has benefitted over 4 million farmers, the Social and Farm Forestry Initiative which has greened over 680,000 acres and created 124 million person days of employment, Integrated Watershed Development that brings soil and moisture conservation to nearly 875,000 acres, the Animal Husbandry programme that has covered nearly 1.7 million milch animals, Women Empowerment programmes that have provided livelihood opportunities to over 60,000 rural women, vocational training programmes covering over 55,000 youth, supplementary education for nearly 560,000 children.

The Company has also built over 30,000 low cost sanitary units as part of its health and sanitation programme which focusses on driving behavioural change in rural areas to enable larger usage of the toilets that are built. ITC is also working towards meeting the water security needs of all stakeholders at the local watershed level.

The footprint of ITC's social development projects is spread over 25 States/Union Territories covering 188 districts.

Together with farmers and local communities, ITC has implemented largescale interventions in climate-smart and sustainable agriculture that make a meaningful

contribution to the Hon'ble Prime Minister's vision of doubling farmer incomes. The Company's rural development programme has enabled farmers to adopt agri best practices, scientific knowledge and technology, to combat the risks of climate change. I am indeed delighted that ITC is collaborating with NITI Aayog to boost agricultural and allied activities in 25 districts under the Aspirational Districts programme launched to further the Honourable Prime Minister's vision to transform such areas. ITC has also spearheaded an integrated pilot programme in some states like Uttar Pradesh and Bihar towards doubling farmer income.

Such interventions that are aimed at enhancing productivity, crop quality and price realisation will go a long way in raising farmer incomes and contributing to growth with social equity.

To bring sustainability issues centre-stage and rally industry to embrace a large cause of societal value creation, the CII-ITC Centre of Excellence for Sustainable Development was established in 2005. It is satisfying to see today that the Centre has traversed a very fulfilling journey to realise its aspiration to be a fountainhead of sustainability thought leadership and action in India.

TOWARDS A SUSTAINABLE FUTURE

It is indeed heartening that conscientious corporates across the world are increasingly embedding sustainability in their corporate strategy. Encouraging this movement will no doubt contribute to scaling up action for a sustainable future.

However, the emphasis today seems to be more on providing multiple disclosures to multiple organisations, purportedly to enable responsible investment decisions. While transparency in reporting is very welcome, and must be supported, markets as they stand today do not necessarily extend additional support to sustainable organisations.

To my mind, a paradigm shift will only take place when consumers, in addition to investors, make an enlightened preference for products and services of sustainable corporations. It is then that market forces will be unleashed to reward these corporate champions.

In addition, if differentiated and preferential fiscal or financial incentives are provided to companies with sustainable business practices, a company's commitment to societal value creation would also be rewarded with a financial dimension. This in turn will spur larger corporate innovation to make sustainability a competitive value proposition thereby scaling up corporate efforts to usher in a sustainable future.

Advancements in green technology, innovative ideas from the world's millennials, ease of communication and connectivity will no doubt contribute to new thinking and to finding better solutions to ensure a secure and safer world in times to come. I remain optimistic that businesses will make an increasing contribution in the future, not only in enlightened self-interest, but because the new normal will be about doing well by doing good.

CREATING THE ENTERPRISE OF TOMORROW

The ability of a corporate to create larger societal value is inexplicably linked to the robust growth of its businesses. To create a winning enterprise which is future ready, ITC has invested significantly in building assets for tomorrow - be it in terms of state of the art integrated manufacturing and logistics facilities to produce and service ITC's world-class brands, be it in

the form of iconic hospitality properties to add to the nation's tourism landscape or in creating intellectual capital for the country through game changing R&D.

The ITC Life Sciences and Technology Centre in Bengaluru, with more than 350 internationally experienced scientists has already filed over 700 patent applications in a short span of time.

Such growth drivers together with an increasing competency matrix, a talented and dedicated pool of human resources and above all a deep commitment to create value for the country is enlarging ITC's capacity to make a growing contribution to national priorities.

ITC's expanding presence across agriculture, manufacturing and services will support the creation of 10 million sustainable livelihoods by 2030. It is with this commitment to shape a secure and sustainable future for all its stakeholders that the Company continues to innovate and create new horizons of shared progress and prosperity.

ITC's sustainability journey will hopefully light a beacon and inspire many to traverse a still uncharted path to build larger societal value as an integral part of corporate strategy. This is not only imperative but we owe it to our children and theirs to bequeath a better, safer, and a more secure and inclusive world than what we inherited.



YC Deveshwar
Chairman, ITC Limited

June 2018

CREATING ENDURING VALUE

ITC is inspired by an abiding vision to make a larger and meaningful contribution to national priorities, going beyond generating shareholder value to creating larger societal value. The need to sustain global competitiveness in economic value creation, whilst simultaneously creating larger societal value, has led to innovation in business models that seek to synergise the creation of long-term shareholder value with the continuous enhancement of societal and environmental capital.

CREATING MULTIPLE DRIVERS OF GROWTH



ITC: THE ONLY COMPANY IN THE WORLD TO BE

**CARBON, WATER &
SOLID WASTE**



RECYCLING POSITIVE

ITC's aspiration to create enduring value for the Nation and its stakeholders is manifest in its robust and diversified portfolio of traditional and greenfield businesses.

The competitiveness of ITC's diverse businesses rests on the strong foundations of institutional strengths derived from:

- **Deep consumer insights**
- **Differentiated product development capacity**
- **Extensive rural linkages and agri-sourcing**
- **Globally benchmarked manufacturing infrastructure**
- **Cutting-edge Research and Development**
- **Brand-building capability**
- **Efficient trade marketing and distribution network**
- **Dedicated human resources**

ITC's ability to leverage internal synergies residing across its diverse businesses lends a unique source of competitive advantage to its products and services.

This portfolio of rapidly growing businesses considerably enhances ITC's capacity to generate growing value for the country. Given the strong linkages of ITC's Businesses to agriculture, the development of competitive agri value chains has significantly contributed to rural empowerment and inclusive growth. The forward linkages to domestic agri value chains provided through ITC's Branded Packaged Foods Businesses were strengthened with the recent foray into branded packaged potatoes and apples for the retail segment under the 'Farmland brand', and 'Super Safe' spices, frozen prawns and dehydrated onions under the 'ITC Master Chef brand'.

The recent foray into fruits, vegetables and perishables also aims to address rural India's chronic problem of agri wastage as well as contribute to higher levels of food processing in the country.

Today, ITC is the country's leading FMCG marketer, a pre-eminent hotel chain and a globally acclaimed icon in green hoteliering, the clear market leader in the Indian paperboard and packaging industry, a pioneering trailblazer in farmer and rural empowerment through its Agri Business, and a global exemplar in sustainable business practices. ITC Infotech, a wholly-owned subsidiary, is a digitally specialised full service global provider with nine development centres, led by Business and Technology Consulting.



CREATING WORLD-CLASS BRANDS THAT CREATE, CAPTURE AND RETAIN VALUE IN INDIA

ITC believes that it is of paramount importance to build and nurture world-class Indian brands, which help create, capture and retain larger value for the Indian economy, in addition to generating sustainable livelihoods. A successful brand is a badge of honour for the country it belongs to, and a sustained source of wealth creation. Leveraging the Company's core competencies, institutional strengths and internal synergies, the new FMCG Businesses comprising Branded Packaged Foods, Personal Care Products, Lifestyle Retailing, Education and Stationery Products, and Matches and Agarbattis, have gained significant market standing over the years.

Within a relatively short span of time, ITC has established 25 mother brands, many of which are today market leaders in their segments, or have garnered a significant share of consumer franchise. Some of ITC's popular brands include 'Aashirvaad', 'Sunfeast', 'YiPpee!', 'Bingo!', 'B Natural', 'ITC Master Chef', 'Candyman', 'mint-o', 'Classmate', 'Vivel', 'Engage', 'Fiama', 'Savlon', 'Wills Lifestyle', 'John Players', 'Mangaldeep' and 'Aim'. ITC has also forayed into the luxury segment with Fabelle chocolates and Sunbean premium gourmet coffee, available in ITC's luxury hotels.

AASHIRVAAD IS NO. 1 IN BRANDED ATTA

BINGO! IS NO. 2 IN THE SNACKS SEGMENT

SUNFEAST IS NO. 1 IN THE PREMIUM CREAM BISCUITS SEGMENT

CLASSMATE IS NO. 1 IN NOTEBOOKS

YIPPEE! IS NO. 2 IN NOODLES

ENGAGE IS NO. 2 IN DEODORANTS (NO. 1 IN WOMEN'S SEGMENT)

MANGALDEEP IS NO. 2 IN AGARBATTIS (NO. 1 IN DHOOP SEGMENT)

BUILDING NATURAL AND SOCIAL CAPITAL

ITC's vision of sustainable and inclusive growth has led to the adoption of a triple bottom line approach that simultaneously builds economic, social and environmental capital.

Implemented in over 25 states/union territories covering 188 districts, ITC's Social Investment Programmes, including Sustainable Agriculture and the globally acclaimed e-Choupal initiative, Social and Farm Forestry, Soil and Moisture Conservation, Biodiversity, Livestock Development, Women's Economic Empowerment, Primary Education, Skilling and Vocational Training, and Health and Sanitation, have had a transformational impact on rural India.



These initiatives strive to empower stakeholder communities to conserve, manage and augment their natural resources, create sustainable on and off farm livelihood sources and improve social infrastructure in rural areas.

Through its Businesses and associated value chains, ITC **has supported the generation of around six billion livelihoods**, touching the lives of many living at the margins in rural India. In line with its commitment to environmental goals, ITC has constantly strived to reduce the impact of its Businesses, processes, products and services, and create a positive footprint.

ITC has adopted a low carbon growth strategy through reduction in specific energy consumption and increased usage of renewable energy sources. At the same time, it seeks to enlarge its positive footprint through increased carbon sequestration by expanding forestry projects on wastelands. **Over 43% of the total energy requirement of the Company is today met from renewable sources**, a testimony to its commitment to a low carbon growth path. This is indeed a remarkable performance, given the large manufacturing base of the Company. ITC also endeavours to reduce specific water consumption and augment rainwater harvesting activities both on-site and off-site at watershed catchment areas, as well as minimise waste generation, maximise reuse and recycling, and use external post-consumer waste as raw material in its units.

SELECT AWARDS

ITC has received national and global recognition for its multi-faceted achievements.

ITC has been conferred the **Porter Prize 2017 for 'Excellence in Corporate Governance and Integration'** and for its exemplary contribution in 'Creating Shared Value'.

The Company has been ranked as '**India's Most Admired Company**' in a survey conducted by Fortune India magazine and Hay Group.

ITC has also been rated as the **world's 8th largest 'sustainable value creator'** among consumer goods companies globally, according to a report by the Boston Consulting Group (BCG).

As a testimony to its exemplary triple bottom line performance, ITC has also been presented the **World Business and Development Award** at the historic Rio+20 UN Summit for its Social and Farm Forestry initiative.

ITC Chairman Mr. Y. C. Deveshwar has been ranked the **7th Best Performing CEO in the world** by the Harvard Business Review in its January-February edition of 2013.

Mr. Deveshwar has also been conferred the Padma Bhushan, one of the country's highest civilian honours and the **Lifetime Achievement Award** by four eminent media houses - Economic Times, Business Standard, Business Today and CNBC.

Chairman Mr Y C Deveshwar was also honoured with the **CII President's Award for Lifetime Achievement**.

ITC'S BUSINESSES

FAST MOVING CONSUMER GOODS

ITC straddles a range of Businesses within the FMCG segment, including Branded Packaged Foods, Personal Care Products, Cigarettes, Lifestyle Retailing, Education and Stationery Products, and Safety Matches and Incense Sticks (Agarbattis). Keeping pace with the rapid growth of the FMCG industry in India, ITC has significantly scaled up its presence in this segment.

■ BRANDED PACKAGED FOODS

ITC Foods has sustained its position as one of the fastest growing branded packaged food businesses in the country leveraging a robust portfolio of brands, a range of distinctive products customised to address regional tastes and preferences along with an efficient supply chain and distribution network that ensures benchmark levels of visibility, availability and freshness of products in the market.

The Business, which is the 3rd largest food business in India, is today represented in multiple categories in the market - Staples, Spices, Ready-to-Eat, Snack Foods, Bakery and Confectionery, Chocolates, Coffee, Juices and Beverages. Its bouquet of popular food brands include 'Aashirvaad', 'Sunfeast', 'Bingo!', 'YiPpee!', 'ITC Master Chef', 'B Natural', 'Kitchens of India', 'mint-o', 'Candyman' and 'GumOn'.

The Company's vibrant and successful food brands such as 'Aashirvaad', 'Sunfeast', 'Bingo!', 'YiPpee' and 'B Natural' amongst others, enable strong forward linkages for domestic agri-value chains, thereby enhancing their competitiveness and making a meaningful contribution to boost farmer earnings.



In the Staples category, Aashirvaad atta posted healthy growth and fortified its leadership position. The value-added product portfolio, comprising Multi-grains, Select and Sugar Release Control Atta, continued to record robust growth. In line with its commitment to deliver products with the highest quality and safety standards to Indian consumers, the Business continued to reinforce the value proposition of the **recently launched** ITC Master Chef Super Safe Spices, which are tested for over 470 pesticide residues in accordance with European standards as compared to only nine required under Indian regulations.

The Business achieved market leadership on an all-India basis in the Bridges segment driven by a robust portfolio of products under the Tedhe Medhe, Mad Angles and Tangles sub-brands. The potato chips portfolio recorded impressive market share gains and emerged as the leader in the South markets.

During the year, the Business forayed into the extruded snacks segment with the launch of 'No Rulz' - a first-of-its-kind offer comprising four different shapes of the product in a single pack.

The Bingo! range was augmented during the year with the launch of several variants customised for regional taste palates, viz., Mad Angles Kolkata Kasundi, Tedhe Medhe Lime Chatpata, Tomato Masti and Pudina Twist. The year also saw the launch of YiPPee! 'Mood Masala' - an innovative variant comprising two masala mix sachets in a pack providing the consumer the option to add masala to 'match his mood'. The entire range of B Natural juices migrated to the 'not from concentrate' platform which was anchored on the twin resolve to provide consumers a more nutritive and natural tasting experience and promote the use of fruit pulp procured from Indian farmers, thereby supporting the Indian farm and food processing sector. The Business also introduced 'Bael and Phalsa' variants during the year catering to regional tastes and preferences.

During the year, the Business also forayed into the Pouch Milk segment with the launch of 'Aashirvaad Svasti' milk in select markets in Bihar in the vicinity of the Company's Munger dairy plant. In the Chocolates category, the 'Fabelle' range of luxury chocolates was augmented with the launch of two delectable variants of centre-filled chocolate bars - 'Hazelnut Mousse' and 'Dark Choco Mousse' which have received excellent response from discerning consumers.



ITC'S BUSINESSES

PERSONAL CARE PRODUCTS

The robust growth of ITC's Personal Care Products Business is driven largely by sustained focus on innovation, product mix enrichment, expansion of distribution reach, proactive cost management and enhancing supply chain responsiveness.

The Company's key brands, namely Vivel, Engage and Savlon continue to gain salience with target consumers and win industry recognition. The Business continued to leverage innovative brand campaigns and social media platforms towards deepening consumer engagement.

The recent interventions of restaging key brands anchored on Women Empowerment in the case of Vivel and Healthier Kids, Stronger India in the case of Savlon have received positive response from consumers resulting in a pick-up in sales momentum. Savlon won seven Cannes Lions Awards at the coveted Cannes Lions 2017.

Considered to be the highest global accolade that recognises creative excellence in advertising and communications, Savlon won the prestigious awards for its unique and innovative 'Healthy Hands Chalk Sticks' initiative.

The 'Healthy Hands' initiative also received the Global PR SABRE as one of the Top 10 Best PR campaigns in the world. Vivel's proposition of empowerment of women through its 'Ab Samjhauta Nahin' message won certificates of excellence at the South Asia PR SABRE awards for its integrated campaign thought and initiatives.

'Engage' recorded impressive gains in the Fragrance category, consolidating its leadership position in the women's segment and No. 2 position overall. The roll out of innovative pocket perfumes, Sport range of deodorants and the Eau de Parfums range have helped the brand grow its consumer equity significantly among both men and women besides premiumising the portfolio. 'Savlon' handwash recorded significant gains during the year across brand health metrics and emerged as the fastest growing brand in the market. In the body wash segment, the Fiama range of shower gels continued to garner increasing consumer franchise and is the fastest growing and the second largest brand nationally. The Business also launched moisturising skin creams under the recently acquired 'Charmis' brand and plans are afoot to strengthen the Company's skincare portfolio in the near to medium term.

During the year, the Company's manufacturing facility in the Northeast, which was commissioned in March last year, achieved 90% capacity utilisation within a short period of time. This has led to strengthening the supply chain and has enabled efficient servicing of proximal markets in the Northeast.



■ CIGARETTES

ITC maintained its leadership position in the cigarette industry by leveraging its comprehensive product portfolio and world-class execution capabilities.

■ LIFESTYLE RETAILING

The Business continued to execute the structural interventions initiated in the previous year across channels and processes including restructuring the retail footprint, rationalisation of stores, modifying the design language of its offerings, restructuring of terms of trade with business partners and sharpening working capital management. The 'Wills Lifestyle' range was augmented during the year with the launch of pure superfine linens and flat knits. The brand is available in 350 outlets across multiple channels including national

and regional large format stores, exclusive and multi-brand outlets including six exclusive boutique stores across ITC Hotels.

The John Players brand is available at around 750 points-of-sale across leading national and regional department stores, exclusive stores and multi-brand outlets. During the year, the range was made more vibrant and distinct with the launch of outdoor smart casual products made of innovative fabrics. The John Players Jeans range was strengthened by using unique knitted structure fabrics in denims with differentiated washes, laser printing, travel jeans with mobile charger pockets, trendy joggers in camouflage prints, Indigo shirts in checks, prints and dobbies, and youthful trendy polo range in indigo, engineered designs and stretch fabrics.



ITC'S BUSINESSES

■ EDUCATION AND STATIONERY PRODUCTS

ITC's Education and Stationery Products Business offers consumers, a wide range of differentiated products under the brands 'Classmate', 'Classmate Pulse', 'Paperkraft' and 'Saathi'. A clear market leader in the student notebooks segment, Classmate's portfolio also includes writing instruments (pens and pencils) and scholastic products (mathematical drawing instruments, scales, erasers and sharpeners).

During the year, the product portfolio was augmented with the launch of several new products including a spiral range of notebooks under Classmate, Classmate All Purpose Paper, 'Archimedes' premium geometry boxes with 'spur gear' divider and compass for higher precision and several offerings in the pens, mechanical pencils and scholastic categories. The Business also scaled up presence in the value segment of the notebook industry through its brand 'Saathi' with a view to consolidating its leadership position.

During the year, the Business launched 'Classmateshop.com' - a first-to-market initiative that offers consumers the option to personalise the images to be printed on notebook covers.



The 'Be Better Than Yourself' campaign launched during the year seeks to drive tangible changes in society by encouraging children to realise their full potential by pursuing their personal goals and ambitions rather than comparing them with peers in terms of their marks and other achievements.

The campaign has helped generate conversations amongst parents on this critical topic and garnered over seven million views across social media platforms.

Classmate and Paperkraft notebooks leverage ITC's world-class fibre line at Bhadrachalam - India's first ozone treated elemental chlorine free facility - and embody the environmental capital built by the Company in its paper business.



SAFETY MATCHES AND INCENSE STICKS (AGARBATTIS)

ITC's brand Mangaldeep sustained its position as the leader in the Dhoop segment and the second largest brand in the Agarbatti segment. During the year, the Business augmented its product portfolio with the launch of new variants and enhanced its distribution reach. Product mix enrichment and cost optimisation initiatives continued to be the other key focus areas for the Business. During the year, the Business upgraded its unique and highly innovative Mangaldeep App in partnership with several subject matter experts with the introduction of new features which were carefully curated to cater to regional nuances. Currently available in nine languages on both the Android and iOS platforms, the app's content caters to the everyday devotional needs of consumers.

The app has received excellent response with over 300,000 downloads



While demand conditions remained sluggish during the year in the Safety Matches category, the Business sustained its leadership position by leveraging a robust portfolio of offerings across market segments. The Business focused on enriching its product mix by enhancing the share of value-added products in the portfolio. 'AIM' continues to be the largest selling brand in the industry.



ITC'S BUSINESSES

HOTELS

ITC's Hotels Business remains amongst the fastest growing hospitality chains in the country with over 104 properties under four distinct brands - 'ITC Hotel' in the luxury segment, 'WelcomHotel' in the upper-upscale segment, 'Fortune' in the mid-market to upscale segment and 'WelcomHeritage' in the leisure and heritage segment. The Business continues to focus on strengthening the equity and differentiation of the ITC Hotels brand anchored on unique and path-breaking 'Responsible Luxury' initiatives, culinary excellence and personalisation of guest services through hotels that are the truest representation of the region's culture and ethos.

The Business continued to receive several international and domestic accolades.

ITC Hotels featured as the Sectoral Leader for the fourth time in the Business World's 'Most Respected Companies' listing

The Travel + Leisure magazine acknowledged the chain as the Best Luxury Hotel Chain at the 'India's Best Awards'

The U.S. Green Building Council presented ITC Hotels with a 'Leadership Award' for its commitment to green building design

ITC Grand Bharat was ranked amongst the Top 10 resorts in Asia by Conde Nast Traveler USA and the Best Luxury Hotel by Travel + Leisure India and South Asia

ITC Maurya was adjudged the Most Eco Friendly Hotel by the Ministry of Tourism at the National Tourism Awards



In view of the long-term potential of the Indian hospitality sector, ITC remains committed to enhancing the scale of the business by adopting an 'asset-right' strategy that envisages building world-class tourism assets for the nation and growing the footprint of managed properties by leveraging its hotel management expertise. The Business made steady progress during the year in the construction of luxury hotels at Hyderabad, Kolkata and Ahmedabad. Construction of ITC Kohenur in Hyderabad has been completed. During the year, the Business commissioned the 103-room WelcomHotel Coimbatore and expanded presence by adding managed properties in Chennai, Bengaluru, Pahalgam and Mussoorie under the WelcomHotel brand. There are new hotels under construction at Amritsar, Guntur and Bhubaneswar.

PAPERBOARDS, PAPER & PACKAGING

■ PAPERBOARDS AND SPECIALTY PAPERS BUSINESS

ITC's Paperboards and Specialty Papers Business is the leader in volume, product range, market reach and environmental performance, and is the clear market leader in the value-added paperboards segment. Providing internationally competitive quality and cost, the Business caters to a wide spectrum of packaging, graphic, communication, writing, printing and specialty paper requirements.

The Business established the country's first Elemental Chlorine Free fibre line with ozone bleaching technology and is fully compliant with world-class environmental standards. It is also the first paper business in the country to be invited to be a member of the Global Forest & Trade Network (GFTN) of the World Wide Fund for Nature (WWF). Committed to developing a sustainable raw material base, ITC's pulpwood is being progressively sourced from renewable plantations under its Social and Farm Forestry programmes, which provide sustainable livelihood opportunities to tribals and marginal farmers.

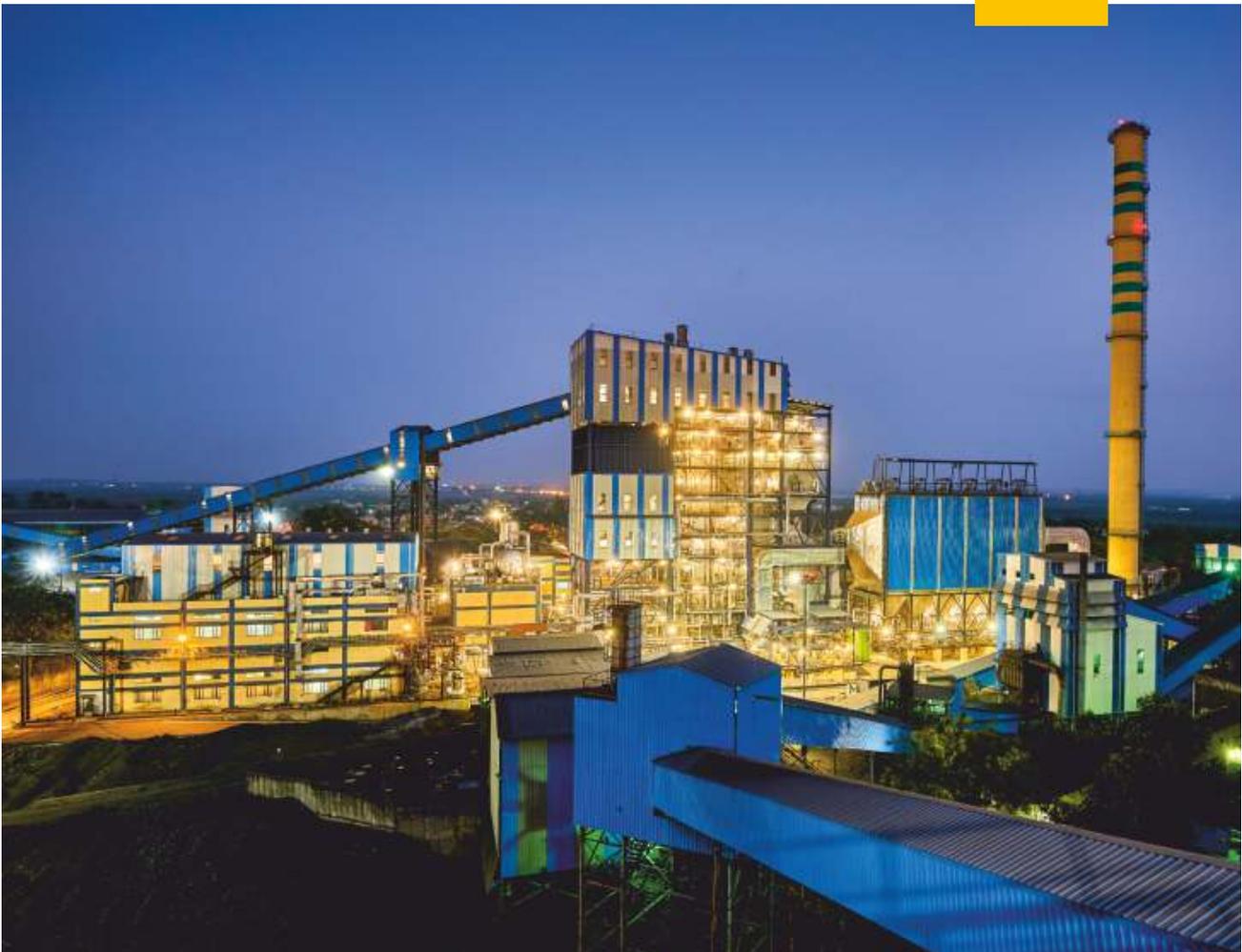


ITC'S BUSINESSES

The Company's expansion project in the VAP segment at Bhadrachalam unit is nearing completion. The Specialty Papers portfolio was also expanded with the launch of new grades to service the needs of customers. The Business sustained its leadership position in the sale of eco-labelled products, volumes. The Company has been recognised for its environmental transparency and improvement across parameters such as responsible fibre sourcing, clean manufacturing, etc. in the WWF Environmental Paper Company Index 2017, which is considered to be the benchmark in the area of responsible pulp and paper manufacturing.

The Business continues to be a leading quality player in the Writing and Printing paper segment, leveraging strong forward linkages with ITC's Education and

Stationery Products Business. In the Specialty Papers segment, the Company sustained its leadership position in the pharma leaflets and thin printing segments. In order to meet the growing demand of quality decor papers, the decor machine at the Tribeni unit has been completely refurbished incorporating latest technology features including superior profile control and smoothness for high print resolution along with capacity expansion. The Business has recently launched an exciting range of decor papers, becoming a one-stop solution for all decor paper needs. Operations of the Bleached Chemical Thermo Mechanical Pulp mill (BCTMP) at the Bhadrachalam unit stabilised during the year with progressive improvement in capacity utilisation leading to reduced dependence on imported pulp and cost savings.



■ PACKAGING AND PRINTING BUSINESS

The Company's Packaging and Printing Business is a leading provider of superior value-added packaging for the consumer packaged goods industry.

The Business also provides strategic support to the Company's FMCG Businesses by facilitating faster turnaround for new launches, design changes, ensuring security of supplies and delivering benchmarked international quality at competitive cost.

The Business caters to the packaging requirements of leading players across several industry segments, viz., Food & Beverage, Personal Care, Home Care, Footwear, Consumer Electronics, Pharma, Liquor and Tobacco. With its comprehensive capability set across multiple platforms, coupled with in-house cylinder making and blown film manufacturing lines, the Business continues to provide innovative solutions to several key customers in India and overseas. With recent investments in rigid boxes and flexo corrugated packaging, the Business has consolidated its position as a one-stop shop for packaging solutions.



ITC'S BUSINESSES

AGRI BUSINESS

ITC is one of India's largest integrated agri business enterprises with significant presence across every node of the agri value chain - Crop Development, Procurement, Supply chain, Processing and Marketing.

The leadership position of ITC's Agri Business is anchored in its strong and enduring partnership with farmers across the country, which has revolutionised the agricultural sector in rural India.

ITC Agri Business is one of the leading domestic players and exporters of numerous agricultural commodities. Its portfolio covers land-based, plantation-based and water-based commodities spread across more than 20 states - including Wheat and Wheat based products (Maida), Rice, Soya, Coffee, Shrimps, Processed Fruits, Potato, Spices, Pulses, Barley and Maize. Backed by decades of crop development expertise, the Business deploys customised infrastructure and technology to supply a range of differentiated and superior products to discerning customers in India and abroad.

ITC Agri Business' unique strength is the extensive backward linkages it has established with the farmers. The pioneering ITC e-Choupal initiative is a powerful example of a development model that delivers large-scale societal value by co-creating rural markets with local communities. A unique click-and-mortar channel, it facilitates the two-way flow of goods and services in and out of villages, transforming them into vibrant economic institutions.

The initiative serves more than 4 million farmers in over 35,000 villages through a network of 6,100 internet kiosks spread across 10 states, making ITC e-Choupal the largest rural digital infrastructure in the world.

Innovating further to promote sustainable agriculture, ITC e-Choupal offers agri extension services to improve farm competencies. Demonstration farms called Choupal Pradarshan Khets have been set up to propagate best practices, while field schools enable transfer and adoption of knowledge.

ITC has also set up rural integrated hubs called Choupal Saagars that serve as procurement centres, warehouses and retail outlets. Engagement with the rural consumers are facilitated at marketing platforms,



called Choupal Haats that ITC has built along the lines of village fairs. The endeavour also includes the Swasthya Choupal initiative that focuses on enhancing awareness on maternal health and child care through a network of Village Health Champions.

The Company's deep rural linkages and expertise in agri-commodity sourcing, coupled with differentiation through value-added services of identity preservation, traceability and certification, is a critical source of competitive advantage for the branded packaged food businesses. The Company's Spices Business continued to expand in Food Safe Markets, viz., US, EU and Japan, leveraging its strong backward integration and customer focused strategies. During the year, the Business scaled up its Integrated Crop Management (ICM) programme for chilli and cumin, thereby enhancing its ability to produce food safe spices in a sustainable manner.

During the year, the Business launched the 'ITC Master Chef' range of 'Super Safe' frozen prawns which adhere to stringent international standards prevalent in USA,



Europe and Japan. **These products go through rigorous testing (240+ tests) and are 'individually quick frozen' to ensure freshness.** Launched in six cities, leveraging ITC's experience of catering to customers in international markets, the range has been well appreciated for its taste and quality.

The year also marked the Company's foray into branded packaged potatoes and apples under the 'Farmland' brand in select cities for the retail segment. The product portfolio comprises a range of differentiated offerings such as low sugar, antioxidant, french fries and baby potatoes, and apples sourced from Jammu & Kashmir and Himachal Pradesh. The Business also launched 'ITC Master Chef - Smart Onions', a dehydrated onion product, in select markets for the domestic food service segment. The product is anchored on delivering the benefits of convenient and faster cooking with less oil and adheres to global standards in safety.



INFORMATION TECHNOLOGY

ITC Infotech is a specialised global full service technology solutions provider, led by Business and Technology Consulting. ITC Infotech's Digitaligence@work infuses technology with domain, data, design, and different delivery models, to significantly enhance experience and efficiency, enabling clients to differentiate and disrupt their business. ITC Infotech's comprehensive solutions are being adopted by clients to address critical business challenges. The Company has expanded its solutions portfolio, with home-grown tools and platforms for Big Data Management, Cloud Migration and Devops Management; and has crafted comprehensive solutions around Integrated Loyalty Management, Trade Promotions Management, Shopper Insights, Airline Solutions, Healthcare Analytics, Capital Markets Solutions, API Management, Next-gen Retail PLM, and Connected Services.

SUSTAINABLE SUPPLY CHAIN

MANAGEMENT APPROACH

ITC's vision to serve larger national purposes is intended to be realised by embedding sustainability in its core business models. Aligned to this vision, innovative strategies have been designed and implemented in order to create sustainable value chains linked to ITC's Businesses.

Given the dependence on agricultural resources, these value chains invariably encompass small and marginal farmers, who constitute some of the most vulnerable sections of Indian society. ITC recognises that with a diverse and an expanding portfolio of Businesses, the realisation of its vision of sustainable development has to necessarily take into account the environmental and social impacts within the supply chain.

ITC has Board approved Sustainability Policies that address key supply chain sustainability issues like:

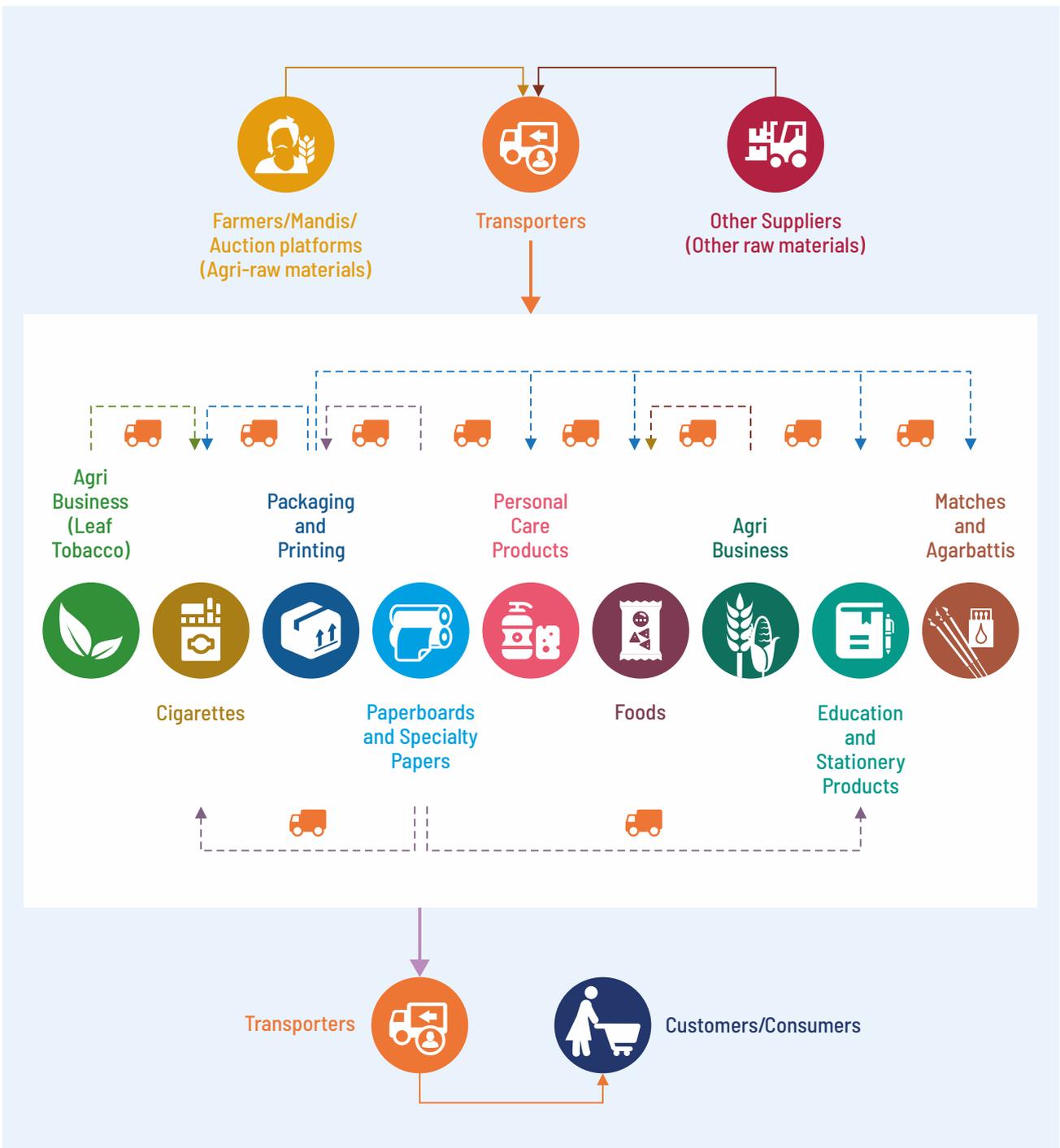


These Policies are applicable to all supply chain partners including third party manufacturers (TPM), service providers, transporters, suppliers of agri/non-agri materials and capital goods, franchisees, dealers and distributors. These Policies define the structure around which efforts are made to continually improve sustainability performance along the supply chain.

ITC also has a 'Code of Conduct for Vendors and Service Providers' that details out requirements related to various aspects addressed in the Policies. Through acceptance of this Code by supply chain partners, ITC seeks their commitment to comply with applicable laws, respect human rights and contribute to environmental conservation. ITC also supports its suppliers through training sessions/workshops for building their capacity on issues like human rights and decent labour practices.

From the depiction of material flow below, it is evident that the supply chains of most ITC Businesses are vertically integrated. Farmers are a key supplier and, therefore, constitute a vital part of ITC's supply chain. Accordingly, the Company focusses on enhancing the sustainability of its agri-based supply chain.

A simplified representation of the flow of materials across ITC's Businesses is given below:



*The above diagram does not include Lifestyle Retailing, Hotels and ITC Infotech Businesses

---> Indicates material flow within ITC

SUSTAINABLE SUPPLY CHAIN

SUSTAINABILITY IN THE AGRI SUPPLY CHAIN

The close linkages between ITC's Businesses and agriculture provide a unique opportunity to engage with farmers across the country and help address some of the core challenges confronting them. ITC works on promoting sustainable agriculture practices that help farmers boost agricultural productivity and enhance farm incomes through multiple interventions like:

Crop development for ensuring higher productivity, product quality and integrity



Disseminating good agricultural practices through programmes like Choupal Pradarshan Khets (CPK), Farmer Field Schools, Agri Business Centres, etc.

Replenishing natural resources that are crucial for agriculture - water, soil and biodiversity

Undertaking community development activities for building rural infrastructure

ITC's Paperboard and Specialty Papers Division (PSPD) and Agri Business Division (ABD) source their raw materials primarily from farmers. Details of their activities are provided below.

PAPERBOARD AND SPECIALTY PAPERS DIVISION

Wood is a major source of fibre for PSPD and more than half of its total fibre requirement is met from pulp manufactured at Bhadrachalam, where majority of the pulp is produced from wood sourced from ITC's Social and Farm Forestry initiatives. **In the current year, over 115 million high-yielding, site-specific, and disease-resistant eucalyptus and subabul saplings were distributed amongst farmers.**

For further details about PSPD's sourcing of fibre and ITC's Social and Farm Forestry initiatives, please refer to 'Raw Material' and 'ITC Mission Sunehra Kal for Sustainable and Inclusive Growth' sections of this Report respectively.



AGRI BUSINESS DIVISION

ABD primarily sources agri-commodities like Leaf Tobacco, Wheat and Wheat Products, Soya, Rice, Coffee, Fruits, Maize, and Shrimps from over 20 states across the country for customers in both domestic and international markets, including leading brand owners and bulk processors.

ABD's operations cover the entire spectrum of activities starting from crop development to sourcing and processing, and providing multi-modal logistics and stock management services. This allows ITC to offer a range of solutions that **benefit the customers through enhanced cost competitiveness, maintenance of high-quality standards and product integrity, on-time fulfilment, and at the same time create enduring value for the farmers.**

The Business has been continuously investing in strengthening capability through multiple sourcing models, customised and identity preserved supply chain infrastructure and network, processing and warehousing tie-ups, technology enabled systems and processes, and people capabilities. A hub and spoke model has been built along with the necessary physical infrastructure that has enabled multi-level aggregation and dis-intermediation where necessary. These investments coupled with deep understanding of agriculture, the reach of the e-Choupal network, and the ecosystem of partners provide the opportunity to offer a wide range of reliable and consistent solutions that are efficient and effective along the entire supply chain.



SUSTAINABLE SUPPLY CHAIN

For Leaf Tobacco, ITC constantly transfers technology for appropriate crop solutions, apart from pioneering the introduction of hybrids and high yielding varieties in the country. Enabled by a team of agronomists, agriculture experts, engineers and development managers, the sustainability initiatives have helped in improving the quality of Indian tobacco substantially. Below is a glimpse of such initiatives:

Propagation of soil conservation measures like use of organic amendments, soil fertility management techniques for reducing chemical fertiliser use, and adoption of drip irrigation technique for improving farm yields.

Implementation of a three-pronged approach to energy conservation and sustainable fuel management. This entails introduction of fuel-efficient technologies, promotion of self-sustenance through energy plantations and use of alternative fuels.

Energy conservation measures such as barn roof insulation and turbo ventilators that result in about 30% reduction of energy requirement during curing, being deployed on a large scale in the states of Andhra Pradesh and Karnataka covering over 23,385 barns.

In order to move towards a self-sustaining model for sourcing fuel wood, ITC has enabled plantation of trees on over 98,200 acres of land till date.

Encouraging farmers to use alternate fuels like coffee husk and biomass briquettes for curing.

THE BUSINESS SECURED THE STATUS OF 'CARBON POSITIVE' IN THE TOBACCO FARM VALUE CHAIN, AS INDEPENDENTLY ASSURED BY DNV GL BUSINESS ASSURANCE INDIA PRIVATE LIMITED AS PER ISO 14064-1.



ITC's sustainability interventions in the tobacco value chain have also undergone a comprehensive review as part of the Sustainable Tobacco Programme (STP). The STP review evaluates the sustainability performance of Leaf Tobacco suppliers' operations on following areas among others:

Sustainable farming techniques	Use of agrochemicals	Soil and water management	Prevention of child labour	Forced labour	Safe working environment
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The evaluation process involves an annual self-assessment followed by an independent on-site review every three years. The scores achieved by ITC in the 2017 STP review were the best amongst Indian suppliers and were also benchmarked globally. The STP scores are a reflection of the self-sustaining ecosystem that ITC has created with farmers over the years.

For further details regarding ITC's work with farmers, please refer to 'ITC Mission Sunehra Kal for Sustainable and Inclusive Growth' section of this Report.

SUSTAINABILITY IN THE VALUE CHAIN

In line with the overall strategy to embed principles of sustainability into the various stages of product or service life cycle, ITC initiated life cycle assessments (LCA) of its products and services in 2010 with an objective to evaluate the impacts and identify areas for improvement in the value chain. So far, LCAs have been carried out for select product categories from Paperboards and Specialty Papers, Packaging and Printing, Lifestyle Retailing, Personal Care Products and Foods Businesses. These assessments have been followed up with detailed studies, which in turn have provided concrete solutions towards more efficient packaging designs, loading efficiencies and consequent reduction in transportation costs/GHG emissions/energy use. ITC will continue to work in this direction, in line with its Policy on Life-cycle

Sustainability, to identify the opportunities for improvement in the value chain and take appropriate measures for optimisation.

In 2015-16, ITC developed a guideline covering safety aspects for Third Party Manufacturers (TPM) of Matches and Agarbatti business. In 2016-17, the Business further established Safe Work Procedures (SWPs), strengthened operational and maintenance checks for fire prone activities and reinforced all of the above through workforce training across TPMs.

Going forward, ITC will continue to provide knowledge support in specific areas like energy, water and waste management for TPMs of the Cigarette Business to drive performance improvement across the value chain.

THE ROAD AHEAD

In line with Board approved Policies on 'Responsible Sourcing', 'Human Rights Consideration of Stakeholders beyond the Workplace' and 'Life-cycle Sustainability', supported with 'Code of Conduct for Vendors and Service Providers', ITC will continue to work in collaboration with its supply chain partners for building their capacity, improving sustainability performance and progressively include them in the reporting boundary. ITC is also in the process of developing business-wide supply chain sustainability guidelines to further deepen its sustainability engagement with supply chain partners.

HONOURS, AWARDS & CERTIFICATIONS



Chairman Mr Y C Deveshwar was conferred the Padma Bhushan by the Government of India (2011)

MAJOR AWARDS 2017-18

- Chairman Mr Y C Deveshwar was honoured with the **CII President's Award** for Lifetime Achievement.
- Chairman Mr Y C Deveshwar was conferred the **Lifetime Achievement Award** by The Economic Times as well as Business Today. Together with the Lifetime Achievement Awards from Business Standard & CNBC, he is the only industry leader to be recognised by all major media institutions.
- ITC won the **'Best Practices Award'** from United Nations Global Compact Network India for two major game-changing initiatives of the Company - Integrated Watershed Development and Social & Farm Forestry.
- ITC's leading hygiene brand **Savlon bagged 7 awards** at the coveted Cannes Lions 2017.
- ITC won the **ASSOCHAM Award** for Exemplary Contribution to Society & Environment in Water.
- ITC's Agri Business Division received the **'Krishi Pragati Award 2017'** of the National Commodities and Derivatives Exchange Limited (NCDEX).
- ITC Hotels Division was conferred the **'2017 Greenbuild Leadership Award'** by the U.S. Green Building Council (USGBC).
- ITC was conferred the coveted **National Award** for Excellence in Employee Relations 2017 by the Employers' Federation of India (EFI).
- **Best In-house Legal Team of the Year Award** by Legal Era Magazine at the Indian Legal Awards 2017-18.
- First prize in 7 categories at the **Public Relation Society of India (PRSI) National Awards 2017**.
- ITC Hotels was awarded the **Best Luxury Hotel Chain** and ITC Grand Bharat, the Best Luxury Hotel by Travel + Leisure India & South Asia at the 'India's Best Awards'.
- ITC Bhadrachalam Unit - **"Best Performer in Pulp & Paper Sector"** from Bureau of Energy Efficiency under the Perform Achieve and Trade Scheme.



Managing Director Mr Sanjiv Puri receives the Porter Prize from Prof. Michael E. Porter (2017)

- ITC Factory, Bengaluru - **'Sustainable Factory of the Year Award 2017'** from Frost & Sullivan and The Energy and Resources Institute (TERI) at the Sustainability 4.0 Awards.
- ITC Bhadrachalam Unit won -
 - **'Excellent Energy Efficient Unit Award'** under 'General Category'
 - **'Best Innovative Project Award'** under the Pulp and Paper sector
 From CII at the 18th National Award for Excellence in Energy Management 2017.
- ITC Factory, Saharanpur - **'Energy Efficient Unit Award'** under 'General Category' from CII at the 18th National Award for Excellence in Energy Management 2017.
- ITC Factory, Kidderpore - **'Energy Efficient Unit Award'** under 'General Category' from CII at the 18th National Award for Excellence in Energy Management 2017.
- ITC Factory, Mysuru - **'Excellent Energy Efficient Unit Award'** under 'General Category' from CII at the 18th National Award for Excellence in Energy Management 2017.
- Central Projects Organisations (CPO), ITC Green Centre, Bengaluru - **'Façade Project of the Year - developer' Award** in the commercial category at the Zak Awards 2017 for Excellence in Façade & Fenestration.
- ITC Maurya - **Smartest 5-star Hotel Building in India** at the Smart Building Awards 2017 presented by Network 18 and Honeywell.
- ITC Foods Factory, Haridwar - **9 INDIASTAR Awards** for Excellence in Packaging, conferred by the Indian Institute of Packaging for Fabelle Rigid Box range, Fabelle Cake Box, Fabelle Fondue Golden Paper Bag, Yum fills carton, Delishus Expression Papper Bag, Dark Fantasy Choco fills 200g (gift carton), Sunbean Gourmet Coffee modern trade telescopic paper board carton and Sunbean Gourmet Coffee tin tie quad-seal pack.

HONOURS, AWARDS & CERTIFICATIONS

MAJOR AWARDS OVER THE YEARS

- ITC won the prestigious **Porter Prize 2017** for 'Excellence in Corporate Governance and Integration' and for its exemplary contribution in 'Creating Shared Value'.
- Chairman Mr Y C Deveshwar was conferred **Lifetime Achievement Awards 2016** by leading media organisations, CNBC TV18 and Business Standard.
- Chairman Mr Y C Deveshwar was conferred the prestigious **Banga Bibhushan award**, the highest civilian honour instituted by the Government of West Bengal.
- ITC was conferred the prestigious '**Best Practices Award**' for Sustainable Development Goals (SDGs) by the United Nations Global Compact Network India (UN-GCNI). ITC received the Award for its Integrated Natural Resource Management - Watershed Development and Afforestation initiatives.
- The ITC Green Centre in Manesar has once again been awarded **Platinum Rating under Leadership** in Energy and Environmental Design (LEED) for 'Existing Building Operation and Maintenance' by 'US Green Building Council (USGBC)'.
- ITC Limited won the **Intel AIM Corporate Responsibility Award, 2016**, accorded by the Asian Institute of Management-RVR CSR Center and the Asia Inc Forum.
- ITC was adjudged the '**Best in Supply Chain Sustainability**' at the Asian Corporate Sustainability Summit 2016.
- ITC won the **FICCI Water Awards 2016** in the Community Initiatives by Industry category. Also won **FICCI CSR Award 2016** for Environment Sustainability and Health, Water & Sanitation programmes.
- ITC was ranked as '**India's Most Admired Company**' in a survey conducted by Fortune India magazine and Hay Group (2014).
- Chairman Mr Y C Deveshwar was conferred the **Padma Bhushan** by the Government of India (2011).
- Harvard Business Review ranked ITC Chairman Mr Y C Deveshwar as the **7th Best Performing CEO in the World** in its January-February 2013 edition.
- Chairman Mr Y C Deveshwar was conferred the **Global Leadership Award** by the US India Business Council of the US Chamber of Commerce (2010).
- Chairman Mr Y C Deveshwar was ranked among the **Most Valuable CEOs of India** by Businessworld.
- Chairman Mr Y C Deveshwar was conferred the **Business Leader of the Year Award** by the All India Management Association (AIMA).
- ITC's Chief Financial Officer, Mr Rajiv Tandon, was ranked the '**Best Overall CFO**' at the 'Business Today - Yes Bank Best CFO Awards 2013'. He was also declared the winner in the category of 'Sustained Wealth Creation (large companies)'.
- ITC was presented the **World Business and Development Award** at the historic Rio+20 UN Summit for its Social and Farm Forestry initiative.
- ITC's Sankhya Data Centre, Bengaluru, became the first data centre in the world to get **LEED® Platinum Certification** from the US Green Building Council (2016).
- ITC was presented the **AIM Asian CSR Award** by the Asian Forum on Corporate Social Responsibility (AFCSR), in recognition of its contribution to the creation of sustainable livelihoods and fostering economic growth in rural communities in India.

- ITC won the prestigious **12th Businessworld FICCI CSR Award** in the Large Enterprise category. The award recognises the most socially responsible Indian corporates in CSR.
- ITC won the **FICCI Outstanding Vision Corporate Triple Impact Award**, presented by the then Prime Minister, Dr Manmohan Singh (2008).
- ITC won the **FICCI Award for Outstanding Achievement** in Rural and Community Development, presented by the then Finance Minister, Shri Pranab Mukherjee (2010).
- Chairman Mr Y C Deveshwar received the **Business Person of the Year Award** from UK Trade & Investment (2006).
- Chairman Mr Y C Deveshwar was awarded the **SAM/SPG Sustainability Leadership Award** in Zurich (2007).
- ITC won the **National Award for Excellence** in Corporate Governance from the Institute of Company Secretaries of India (2007).
- ITC was **ranked 2nd among top Indian companies** in the first-of-its-kind Standard & Poor Environmental, Social and Corporate Governance ratings (2008).
- ITC ranked **2nd among top companies in India and 7th in Asia** in the first-of-its-kind Asian Sustainability Rating released by CSR Asia (2010).
- ITC became the first Indian Company to gain **Membership with WWFGFTN** for Responsible Forestry (2010).
- ITC was ranked the **world's 6th largest sustainable value creator** among consumer goods companies, according to a Report by Boston Consulting Group (2010).



- ITC won the **top UNIDO Award** at the International Conference on Sharing Innovative Agri Business Solutions at Cairo (2008).
- ITC was conferred the **Corporate Social Responsibility Crown Award** for Water Practices from UNESCO and Water Digest (2008).
- ITC won the **Asian CSR Award** for Environmental Excellence, given by the Asian Institute of Management (2007).
- ITC was the **1st Indian Company and 2nd in the world to win the Development Gateway Award** for its trail-blazing e-Choupal initiative (2005).
- ITC won the **inaugural World Business Award** by UNDP for its e-Choupal initiative (2004).
- ITC e-Choupal won the **Stockholm Challenge Award** (2006).
- ITC was rated amongst Asia-Pacific's **50 biggest listed companies** in 'Asia Fab 50' by Forbes (2010).
- All of ITC's super premium luxury hotels are accorded **LEED® Platinum certification**, making ITC Hotels the 'Greenest Luxury Hotel Chain in the World' (2011).
- ITC's Paperboards and Specialty Papers Units at Bhadrachalam, Bollaram, Kovai and Tribeni became **FSC Chain of Custody certified** (2011).
- ITC's Unit in Bhadrachalam was awarded the **Forest Stewardship Council Forest Management (FSC-FM) certification** by the SmartWood Programme of the Rainforest Alliance (2011).

CERTIFICATIONS

(ENVIRONMENT, SOCIAL, OCCUPATIONAL HEALTH & SAFETY, FOOD SAFETY)

ISO 14001: ENVIRONMENT MANAGEMENT SYSTEM

All manufacturing Units (except Units of Food Business in Munger, Dhulagarh, Uluberia, Guwahati, Kapurthala, Panchla, Mysuru and NENPL Unit in Mangaldai), **ITC Life Sciences & Technology Centre** at Bengaluru

Hotels: ITC Gardenia, ITC Grand Central, ITC Grand Chola, ITC Kakatiya, ITC Maurya, ITC Mughal, ITC Maratha, ITC Rajputana, ITC Sonar, ITC Windsor, WelcomHotel Bengaluru, WelcomHotel Sheraton New Delhi, ITC Green Centre Gurugram, WelcomHotel Chennai, Fortune Resort Bay Island at Port Blair

OHSAS 18001: OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEMS

All manufacturing Units of ITC (except Units of Food Business in Munger, Dhulagarh, Uluberia, Guwahati, Kapurthala, Panchla, Mysuru and NENPL Unit in Mangaldai) and **Hotel** ITC Gardenia

SA 8000: SOCIAL ACCOUNTABILITY

Agri Business Units at Chirala and Anaparti, **Cigarette factories** at Kolkata and Munger, **Packaging and Printing Units** at Munger, Tiruvottiyur and Haridwar

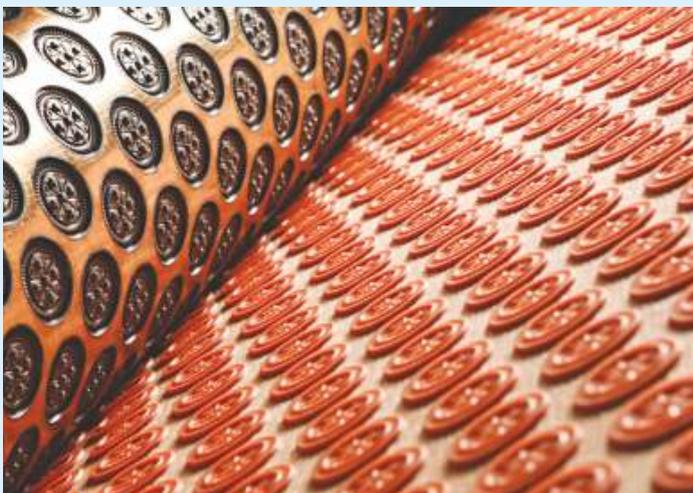
FSSC 22000/ISO 22000/HACCP: FOOD SAFETY MANAGEMENT SYSTEM

Food Business Units in Haridwar, Pune, Malur, Munger, Mysuru, Dhulagarh and **NENPL unit** in Mangaldai

Hotels: ITC Gardenia, ITC Grand Central, ITC Grand Chola, ITC Kakatiya, ITC Maurya, ITC Mughal, ITC Maratha, ITC Rajputana, ITC Sonar, ITC Windsor, WelcomHotel Chennai, Sheraton New Delhi

LEED® PLATINUM RATING BY US GREEN BUILDING COUNCIL (EXISTING BUILDING CATEGORY)/ INDIAN GREEN BUILDING COUNCIL (NEW CONSTRUCTION CATEGORY)

Hotels: ITC Maurya, ITC Windsor, ITC Maratha, ITC Grand Central, ITC Mughal, ITC Sonar, ITC Kakatiya, ITC Rajputana, ITC Gardenia, ITC Grand Chola, WelcomHotel Bengaluru, ITC Grand Bharat, WelcomHotel Coimbatore and ITC Green Centre Gurugram



**GREEN FACTORY BUILDING
PLATINUM RATING BY INDIAN
GREEN BUILDING COUNCIL (IGBC)**

ITC Units at Saharanpur, Bengaluru, Munger, Pune, Kidderpore and **ATC Limited**

**LEED® PLATINUM RATING BY
US GREEN BUILDING COUNCIL
(EXISTING BUILDING CATEGORY)**

ITC Green Centre at Manesar

**5 STAR RATING BY GREEN RATING
FOR INTEGRATED HABITAT
ASSESSMENT (GRIHA)**

ITC Grand Chola

**GREEN FACTORY BUILDING
GOLD RATING BY INDIAN GREEN
BUILDING COUNCIL (IGBC)**

Agri Business Units at Mysuru and **Personal Care Products Units** at Manpura

**BEE 5 STAR RATING BY THE
BUREAU OF ENERGY EFFICIENCY,
GOVERNMENT OF INDIA**

ITC Green Centre at Manesar

**FOREST STEWARDSHIP COUNCIL -
CHAIN OF CUSTODY AND
CONTROLLED WOOD BY
RAINFOREST ALLIANCE**

Paperboards and Specialty Paper Units at Bhadrachalam, Tribeni, Kovai and Bollaram; **Packaging and Printing Unit** at Tiruvottiyur

**BRC/IOP CERTIFICATION AS PER BRC
GLOBAL STANDARD FOR PACKAGING
AND PACKAGING MATERIALS**

Grade "AA" for **Paperboards and Specialty Papers Unit** at Bollaram and Grade "A" for **Packaging and Printing Units** at Tiruvottiyur and Haridwar, and **Paperboards and Specialty Papers Unit** at Bhadrachalam



OVERVIEW

As an Enterprise of Tomorrow, ITC acknowledges its role in meeting stakeholder expectations. In today's ever changing consumer, political and business landscape, it is all the more important to have continuous and two-way engagement with stakeholder groups.



**EFFECTIVE STAKEHOLDER ENGAGEMENT STRATEGY
NECESSARY FOR ACHIEVING
ITS SUSTAINABILITY GOALS.**

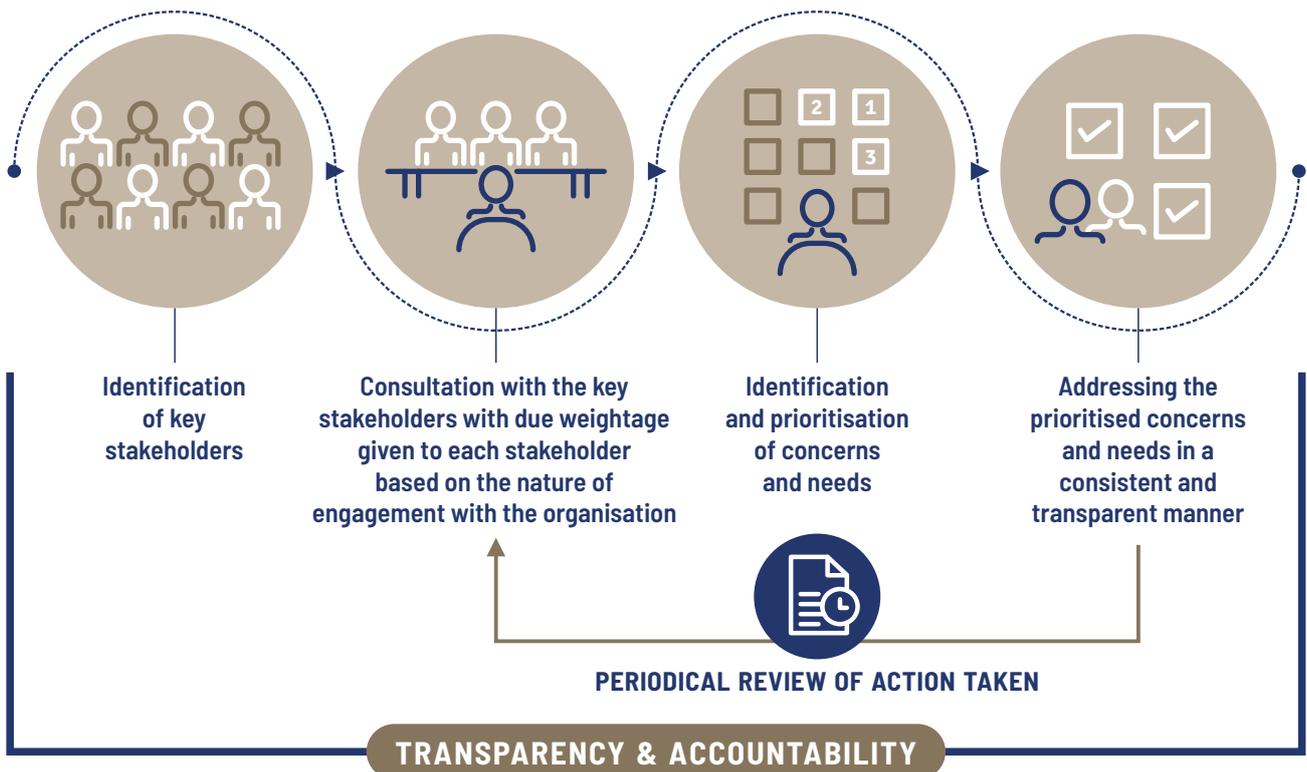
In line with the Board approved policy on stakeholder engagement, ITC has a structured framework for engaging with its stakeholders and fostering enduring relationships with each one of them. Its engagement approach is anchored on the principles of materiality, completeness and responsiveness.

Some of ITC's key stakeholder groups include shareholders, farmers, customers, suppliers, employees, local communities, regulatory bodies and the media.

The engagement approach also takes into account that each stakeholder group is unique and has a distinctive set of priorities.

Insights gathered from stakeholder engagements, help validate the Company's performance and shape new perspectives. Given the immense value these engagements provide, ITC has institutionalised these processes across the organisation.

STAKEHOLDER ENGAGEMENT PROCESS



KEY STAKEHOLDERS

IDENTIFICATION OF KEY STAKEHOLDERS

1 Identification and profiling of stakeholders who are directly/indirectly impacted by business activities as well as directly/indirectly influence business activities

2 Stakeholders' identification guided by attributes such as dependency, responsibility, immediacy and influence

3 Selection of stakeholder representatives ensuring that they represent the views of their constituents, and faithfully communicate the results of the engagements with ITC, back to their constituents

IDENTIFICATION OF KEY CONCERNS

Consultation Mechanism

Key Issues

PROVIDERS OF FINANCIAL CAPITAL



- Annual General Meeting
- Exclusive section in Corporate Website on 'Shareholder Value' which serves to inform and service shareholders
- Exclusive e-mail id: isc@itc.in for direct interaction with shareholders
- Regular interaction with institutional investors

- Improved profitability and growth of the organisation
- Transparent and effective communication
- Investor servicing
- Sound corporate governance mechanisms

GOVERNMENT AND REGULATORY AUTHORITIES

- Representation on policy issues through industry associations and other bodies
- Participation in policy advocacy discussions at various forums

- Regulatory compliance
- Sound corporate governance mechanisms
- Tax revenues
- Improvement in use of natural resources
- Transparency in disclosures
- Livelihood generation

Consultation Mechanism	Key Issues
CUSTOMERS	
<ul style="list-style-type: none"> • Market surveys • Direct connect/visits • Personalised lifestyle privilege programme • Customer satisfaction surveys • Key account management 	<ul style="list-style-type: none"> • Product/service quality and safety • Adequate information on products • Transparent communication • Product/service availability • Timely delivery of product/service • Maintenance of privacy/confidentiality • Fair and competitive pricing
EMPLOYEES	
<ul style="list-style-type: none"> • Induction programmes/trainings/workshops • Individual performance appraisal • Employee engagement survey • Grievance handling processes • Trade union meetings 	<ul style="list-style-type: none"> • Caring and empowering work environment • Personal development and growth • Health and safety • Grievance resolution • Competitive compensation
FARMERS	
	
<ul style="list-style-type: none"> • Regular formal/informal conversations • Farmer training programmes and workshops • Agreements for all procurement activities • e-Choupal and Choupal Pradarshan Khets (demonstration farms) • Participatory rural appraisals to identify needs and challenges 	<ul style="list-style-type: none"> • Sustainable and accelerated growth in livelihoods and farm incomes • Know-how on improvement of productivity and profitability • Capacity development for enabling further investment • Easy, affordable and reliable access to inputs such as quality seeds, fertilizers, pesticides, etc. • Regeneration and replenishment of common resources like water, village commons, biomass and biodiversity

KEY STAKEHOLDERS

Consultation Mechanism	Key Issues
SUPPLY CHAIN PARTNERS	
<ul style="list-style-type: none"> • Manufacturers' meets • Vendor meets • Pre-agreement negotiations • Procurement agreements 	<ul style="list-style-type: none"> • Knowledge and infrastructure support • Regular communication and updates on business plans • Inclusion of local medium and small scale enterprises in vendor base • Competency development of local vendors • Stability/tenure of relationship • Ordering and payment routines • Purchase prices
MEDIA	
<ul style="list-style-type: none"> • One-on-one media interaction • Press conferences/press releases • Advertisements/promotions • Interviews with senior management 	<ul style="list-style-type: none"> • Transparent and accurate disclosure to stakeholders • Responsible corporate citizenship • Corporate reputation
CIVIL SOCIETY	
<ul style="list-style-type: none"> • Partnerships for implementation of CSR programmes under 'Mission Sunehra Kal' • Discussions on community issues with civil society organisations 	<ul style="list-style-type: none"> • Financial support for community development programmes • Managerial support • Environmental impacts • Safe products and services • Responsible corporate citizenship
LOCAL COMMUNITIES	
<ul style="list-style-type: none"> • Community needs assessment activities undertaken in collaboration with independent parties/civil society organisations • Formation of village institutions and regular meetings thereon • Public hearings for greenfield/expansion projects • Assessment of direct and indirect impacts of ITC's social investments on communities 	<ul style="list-style-type: none"> • Community development programmes based on local communities' needs • Strengthening of livelihood opportunities • Improvement of social infrastructure for hygienic and healthy living environment • Dignity of life through economic and social empowerment

INSIGHTS INTO LOCAL COMMUNITY NEEDS

Since ITC's holistic development approach demands an intensive and deep level of engagement, it is necessary to identify and delineate the felt needs and aspirations of our stakeholder communities in new locations.

For on-going projects, such an exercise helps in gauging if the current set of interventions were valued by the communities and evaluating if any course correction is required. Comprehensive stakeholder engagements were undertaken in 2015-16 comprising 483 Participatory Rural Appraisals (PRA) covering more than half of the total core villages/habitations.

The major finding was that ITC's stakeholders are confronted with multiple, but inter-related issues at the core of which are the twin challenges of securing sustainable livelihoods today and tomorrow.

In 2017-18, stakeholder engagements were initiated in three Integrated Consumer Goods Manufacturing and Logistics Facilities (ICML) located in Kamrup (Assam), Medak (Telangana) and Pudukkottai (Tamil Nadu).

The process included secondary research, Focus Group Discussions (FGDs) with village communities and Participatory Rural Appraisals (PRAs) to understand the development challenges confronting them. The insights from the 2017-18 engagements were largely congruent with those of the last 2 years' assessment.

However, a few specific issues that surfaced, pertinent for the district under consideration, have been described on the next page.



KEY STAKEHOLDERS

Need Assessment Sites	Challenges Identified	Our Responses
Kamrup (Assam)	<ul style="list-style-type: none"> • The area is flood-prone causing water logging • 80% households are small and marginal farmers practicing rain-fed agriculture • Dominance of subsistence agriculture and poor productivity of land • Cattle productivity low, thus, weakening the income from off-farm livelihood source • 50% children are out of school • Widespread open defecation prevalent 	<p>Three interventions were rolled out in the current year:</p> <ul style="list-style-type: none"> • Diversification of livelihood portfolio through promotion of sustainable agricultural practices for small and marginal farmers • Economic empowerment of the ultra-poor women • Vocational training of youth on market relevant skills <p>Going forward, initiatives on education, aimed at improving learning levels of children and sanitation programme like School WASH will be introduced in the location.</p>
Medak (Telangana)	<ul style="list-style-type: none"> • The area is peri-urban and stands well in terms of various Human Development Indices (HDI) • The mandal has been declared Open Defecation Free (ODF) • Over 73% of the youth are either employed or studying • 50% of the children attend private schools • Dependence on agriculture is not crucial since most households seem to have sources of off-farm incomes 	<p>Given these findings, no major interventions are being proposed for Medak except perhaps, strengthening of Anganwadis in collaboration with ICDS (Integrated Child Development Services), since they were found to be weak.</p>
Pudukkottai (Tamil Nadu)	<ul style="list-style-type: none"> • The area is drought-prone • Open defecation is prevalent • Unavailability of piped drinking water • Lack of primary health facilities 	<p>Options are being examined to identify best possible interventions for the area.</p>

CONSULTATION FOR SUSTAINABLE SOLUTIONS

In addition to need assessment surveys conducted as part of stakeholder engagement, ITC also engages in regular and ongoing interaction with various stakeholders including Governments, development agencies, research organisations and communities.

Such multi-disciplinary engagement processes stimulate deeper and nuanced understanding of challenges and enable the emergence of customised solutions. Several such stakeholder consultations were held during the year, detailed below:



Major External Stakeholder Engagement Workshops organised during the year:

Workshop	Focus	Key Participants
Workshop on Opportunities and Challenges in Sustainable Agriculture, Guwahati, Assam, 27 February, 2018	State level workshop on sustainable intensification of agriculture and allied livelihood opportunities to improve family income of small and marginal farmers in Assam.	Economist & Executive Director – RGVN; Chief Scientist of RARS; Aid-Et-Action; DGM, NABARD; Deputy Director, NIRD (NRLM-RC); General Manager, IDBI; Associate Director, Extension Veterinary; MD, Symbiotic Foods; HRS, Kahikuchi; Sitajhokhola Dugdho Utpadok Cooperative Society; NIRD NRLM-RC; NEIST; and SDS.
Workshop on The Opportunities and Challenges of Small Holding Agriculture in Ganjam, Berhampur, Odisha, 27 March, 2018	To understand the current agriculture system, indigenous methods for cultivation and irrigation, causes of climate change and steps to mitigate those challenges.	Sr. Scientist Agronomy; Deputy Director Horticulture, Ganjam District; Sr. Scientist Home Science, Krishi Vigyan Kendra, Berhampur; ADH, Ganjam; AHO, Hinjilicut; Programme Coordinator, KVK; Incharge FFDC; President and Director, SVA.

KEY STAKEHOLDERS

Workshop	Focus	Key Participants
<p>Conclave on Sustainable Community in collaboration with Panchayat and Rural Development Department, Government of West Bengal in Tribeni, Hooghly, 24 February, 2018</p>	<p>An integrated initiative to build sustainable communities in Tribeni. Topics covered were health, sanitation, education, skill development and livelihoods.</p>	<p>Sabhadhipati, Hooghly Zilla Parishad; MLA Balagarh Constituency; Advisor to the Panchayats and Rural Development Department and Member Secretary, STARPARD, Government of West Bengal; District Panchayat and Rural Development officer; Hooghly Zilla Parishad; Sabhapati Chinsurah Mogra Block; ITC's Partner NGOs; and stakeholders from project locations.</p>
<p>Multi stakeholder workshop on School Water, Sanitation and Hygiene in Saharanpur, Uttar Pradesh, 22 February 2018</p>	<p>To discuss the need for good sanitation practices, operation and maintenance of WASH infrastructure, local contribution and the role of the school management committee in such initiatives.</p>	<p>District Magistrate, Saharanpur; Branch Manager, ITC Saharanpur; Chief Development Officer, Saharanpur; District Education Officer, Saharanpur; ITC MSK UP team; Partner NGOs; and participants from school (children, teachers and parents).</p>
<p>Farmer Water Mela in collaboration with Water Resource Department (WRD), Government of Tamil Nadu and Tamil Nadu Agriculture University (TNAU), Coimbatore, March 2018</p>	<p>To sensitise farmers for adoption of water saving practices in agriculture.</p>	<p>Superintendent of Engineer, Bhavani River Basin; Director, Tamil Nadu Agriculture University's Water Technology Centre; Senior Scientist, Avinashilingam Krishi Vignana Kendra; Professor, Soil and Water Conservation Engineering; Retd. Chief Engineer, PWD. Other participants include over 300 farmers from 21 village level water user groups.</p>
<p>Workshop on Climate Smart Village Concept and Way Forward with CGIAR Research Programme, Climate Change, Agriculture and Food Security (CCAFS), International Water Management Institute (IWMI), Maharashtra, 22-23 August 2017</p>	<p>To share knowledge about climate smart agriculture (CSA) practices, promote local level CSA implementation plans, data collection protocol, and the need to monitor and evaluate CSA interventions.</p>	<p>Chief General Manager, NABARD; Vice Chancellor of Mahatma Phule Krishi Vidyapeeth, Rahuri; Additional Principal Chief Conservator of Forest, Maharashtra Forest Department; CGIAR.</p>
<p>National Conference on Community Owned Decentralised Solid Waste Management at Chennai on 13 October, 2017</p>	<p>To understand the SWM (2016) rules, and discuss various successful and inspirational urban and rural SWM models.</p>	<p>Consultant SWM; Chief Justice, Lok Adalat, Chennai; Former Director, Municipal Corporation, Hyderabad; Executive Engineer, Greater Chennai Corporation; Associate Professor, National Institute of Rural Development, Hyderabad; Chairman, Centre of Excellence in Urban Solid Waste Management.</p>

Workshop	Focus	Key Participants
<p>Workshop with National Rural Livelihood Mission for economic upliftment of women in Haridwar, 28 August, 2017</p>	<p>Linking women members of SHGs with NRLM scheme for their economic upliftment and social inclusion.</p>	<p>Chief Development Officer, Haridwar; Project Director DRDA; State Resource Person DRDA; 130 women members from 18 SHGs in Uttarakhand; and BDO Bahadraba.</p>
<p>Workshop on Solid Waste Management – Promote Source Segregation in association with the municipal corporation of Saharanpur, 08 May, 2017 and on 17 August, 2017</p>	<p>To spread awareness on promotion of source segregation and reducing waste dumping on landfills. Focus on driving operational efficiency and financial stability of SWM.</p>	<p>Municipal Commissioner, Saharanpur Municipality; Additional Municipal Commissioner, Saharanpur Municipality; Consultant, Ministry of Urban Development; Retd. Prof; Ex-Corporator, Saharanpur Municipality, Chief Medical Officer, Saharanpur; IMA President. 50 Mohalla committee members, waste collectors, and rag pickers from different wards of Saharanpur.</p>
		
<p>Workshop on Zero Tillage Amplification, Bihar, 23 October, 2017 - 1 November, 2017</p>	<p>To discuss, ideate and train BRLPS team for scaling up the Zero Tillage (ZT) method of wheat cultivation.</p>	<p>54 participants from BRLPS; Scientists from CIMMYT and KVK, Bihar.</p>
<p>District level consultation on future agriscapes with IUCN, Bihar, 24 June, 2017</p>	<p>To plan for future agriscapes in Bihar and take essential inputs from all stakeholders.</p>	<p>Divisional Forest Officer, Munger; District Development Manager NABARD; Assistant Engineer from Irrigation Dept.; Scientists from KVK Munger; IUCN team; all partner NGOs from Bihar; and MSK Bihar team.</p>

KEY STAKEHOLDERS

Workshop	Focus	Key Participants
Stakeholder consultation workshop in Bhopal with National Centre for Human Settlements and Environment (NCHSE), MP, 23 May 2017	To discuss, ideate and draw action plans for scaling up the Broad Bed and Furrow (BBF) technology in soybean.	Senior Scientist, IISR; Head of Krishi Vigyan Kendra, Bhopal; Senior Scientist, CIAE Bhopal; Principal Scientist, IISS Bhopal; Assistant Director of Agriculture, Bhopal; and CSR representatives.
Stakeholders' workshop on promotion of ODF in Munger Municipal Corporation, Bihar, 26 August, 2017	To prepare an action plan for Open Defecation Free (ODF) Munger Town through focus on construction of new sanitation infrastructure, monitoring to prevent open defecation, awareness programmes to promote behaviour change.	Mayor, Munger Nagar Nigam; Municipal Commissioner Munger Nagar Nigam; 26 Ward Commissioners; 21 tax collectors; 17 Women SHG members; Representatives from Munger Chamber of Commerce and Rotary Club.
District level stakeholders workshop on Child Friendly Schools, Water, Sanitation and Hygiene (WASH) in Schools, Bihar, 29 August 2017	To ensure children in government schools have access to child and gender friendly water and sanitation facilities within the school premises; to demonstrate replicable model of operation and maintenance system of WASH facilities.	District Education Officer of School Education Department, Govt. of Bihar; School Education Department, GoB (Munger, Mufsil Block); Block Education Officer, GoB (Munger, Nagar Block); Public Health Engineering Department, GoB; Principals of all government schools; Child cabinet members; Mid-day meal workers; School management committee members; and WASH Institute.
Workshop to observe World Soil Health Day, Madhya Pradesh, 05 December, 2017	To spread awareness on the importance of soil quality for food security, healthy ecosystems and human well-being.	Head Krishi Vigyan Kendra Ujjain; Sr. Scientist KVK; Head KVK Seveniya; Soil Scientist; IDYWC; over 400 farmers in 4 districts of Madhya Pradesh – Ujjain, Sehore, Vidisha and Chhindwara.
Workshop on Solid Waste Management for PRIs in Jadavpur University, Kolkata, West Bengal, 19 August, 2017	To develop a common understanding of models of sustainable solid waste management.	Department of Mechanical Engg., Jadavpur University; 60 participants from 5 GPs in Hooghly and Howrah including Pradhan, Up-Pradhan, Panchayat Secretary, SHG cluster members, ward committee members and ward residents.

PRIORITISATION AND ADDRESSAL OF KEY CONCERNS

RISKS AND OPPORTUNITIES

As a diversified enterprise, ITC continues to focus on a system-based approach to business risk management. The Corporate Risk Management Cell, through focused interactions with Businesses, facilitates the identification and prioritisation of strategic and operational risks, development of appropriate mitigation strategies and conducts periodic reviews of the progress on management of identified risks.

The annual planning exercise requires all Businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. The senior management of the Company also periodically reviews the risk management framework in order to ensure that it remains contemporary and relevant, and effectively addresses the emerging challenges in a dynamic business environment. Also, the risks identified across Businesses are aggregated at the organisation level.

In terms of sustainability risks and challenges, ITC has classified these into three buckets:

GLOBAL CONTEXT	INDIAN CONTEXT	ITC CONTEXT
		
<p>Challenges that are influenced by global events</p>	<p>Challenges that are specific to India</p>	<p>Challenges that impact ITC's operations and markets</p>



PRIORITISATION AND ADDRESSAL OF KEY CONCERNS

GLOBAL CONTEXT

According to the World Economic Forum (WEF) Report on Global Risks 2018, large-scale migration, extreme weather events, major natural disasters, water crisis, and failure of climate-change mitigation and adaptation are amongst the top risks that plague the world today.

SOCIO-ECONOMIC RISKS

Some of the key challenges that endanger the world today are a direct outcome of human action. The world today faces the growing concern of unemployment and rising socio-economic inequality.

The fact that the richest 1% have accumulated more wealth than the rest of the world put together¹ reflects this reality better than any other fact.

Food crisis is another challenge that threatens the world today. While the rising world population requires food production to be doubled by 2050 to meet the growing demand², every year land equal to the size of Iceland is adversely affected due to top soil erosion¹. Changing weather patterns and shortage of freshwater will further aggravate the food crisis.

ENVIRONMENTAL RISKS

Over the last few years, environmental risks have emerged as some of the top concerns in the World Economic Forum (WEF) Report on Global Risks.

These risks include extreme weather events, natural and man-made environmental disasters, failure of climate change mitigation and adaptation, biodiversity loss and ecosystem collapse, and water crisis.

Additionally, rapid urbanisation, coupled with poor planning and rising income levels, have placed unprecedented pressure on urban infrastructure.



These global risks transcend borders and will require all stakeholders to work together. However, the current and potential impact of above risks on developing countries is expected to be far graver, both in scope and scale. Countries like India, while being cognizant of the larger global challenges, will have to shape their own sustainability agenda with a focus on issues that have an immediate and direct impact on their society at large.

¹ Global Opportunities Network Report 2017 | ² Global Opportunities Network Report 2018

THE INDIAN CONTEXT

India is home to a large share of the world's poor. Its resources, relative to its population, are meagre. With 17% of the world's population, India has only 2.4% of land area, 4% of freshwater and 1% of forest resources. In less than a decade from now, India's population is slated to outstrip that of China, further stretching the ecological and economic resources needed for development. Providing food, water, energy, education, healthcare and above all, livelihood security to the estimated 1.5 billion people will undoubtedly be a daunting challenge.

NEXUS OF SOCIAL AND ENVIRONMENTAL ISSUES

■ WATER

NITI Aayog in its report titled 'Composite Water Management Index' warns that India is undergoing the worst water crisis in its history with more than 600 million people³ subjected to high and extreme water stress.

The report further estimates that 6% of GDP will be lost by 2050 due to water crisis under the business as usual (BAU) scenario.

The 2030 Water Resources Group Report⁴ also paints a similar picture. According to it, India would face a 50% aggregate gap between projected water demand and current water supply due to rapid growth in agricultural, municipal and domestic demand. At the same time, India's water supply and demand landscape remains mired with issues emanating from inefficient use of water, over exploitation of groundwater reserves without adequate recharge and variation in surface water availability.

Given that over half of the population depends on agriculture for livelihood generation and over half of the total sown area is rain fed, any significant disruption in rainfall pattern resulting from climate change will have an adverse impact on agricultural yields and consequently affect the livelihood of majority of farmers. This warrants a need to ensure sustainable access to water, knowledge and other necessary resources, while simultaneously improving agricultural productivity.

³ Maps Explain India's Growing Water Risks by Tien Shiao, Andrew Maddocks, Chris Carson and Emma Loizeaux - published on February 26, 2015 by World Resources Institute, viewed on 20th June, 2018, < <http://www.wri.org/blog/2015/02/3-maps-explainindia%E2%80%99s-growing-water-risks>

⁴ Charting our Water Future, Report by 2030 Water Resources Group, 2009, https://www.mckinsey.com/~media/mckinsey/dotcom/client_service/sustainability/pdfs/charting%20our%20water%20future/charting_our_water_future_full_report...ashx

■ CLIMATE CHANGE

The direct and cascading impacts of climate change are now well-documented and universally acknowledged, and are being felt across the globe including in India. As a signatory to the Paris climate treaty, India has committed to deliver on its nationally determined targets of reducing emission intensity by 33-35%, increasing the share of non-fossil fuel based electricity to 40%, and creating additional carbon sinks of 2.5-3 billion tonnes of CO₂ by 2030.

■ RAPID URBANISATION

As a growing economy, India is faced with rapid and unplanned urbanisation. Increasing population, higher consumption levels and inadequate infrastructure are putting a severe strain on the ecology.

A large amount of waste being generated today ends up in landfills, leading to serious concerns of public health as well as large scale environmental degradation.

Negative impacts of urbanisation are also manifested in the polluted state of almost all Indian rivers that have been absorbing domestic and industrial sewage, and agricultural wastes over the last few decades, endangering not only those who depend on it but also the local biodiversity. Resolving these issues will require massive investment in infrastructure. In the light of rapid urbanisation, road safety has also emerged to be a growing and alarming national concern, necessitating the need for improving emergency medical aid and road infrastructure, and also focusing on behavioural safety.

PRIORITISATION AND ADDRESSAL OF KEY CONCERNS

ITC CONTEXT

ITC's operations and markets are India centric and the Company's world-class Indian brands ensure that larger value is created, captured and retained in the country for national development and growth. In line with the risks and opportunities that may impact India's economic, social and environmental sustainability, ITC has mapped the key challenges, risks and opportunities likely to impact its long-term prospects and those of its stakeholders.



Area	Risk/Challenge	Response
Regulatory	<p>Punitive and discriminatory taxation and regulatory policies impacting the legal cigarette industry in India</p> <ul style="list-style-type: none"> • Sub-optimisation of revenue potential of the tobacco sector due to shift in consumption to lightly taxed / tax-evaded tobacco products. • Fillip to illegal cigarette trade in India due to attractive arbitrage opportunities; significant loss of revenue to the exchequer. • Subdued demand for Indian tobacco due to pressure on legal cigarette industry volumes; adverse impact on farmer earnings and livelihoods dependent on tobacco value chain. 	<ul style="list-style-type: none"> • Engagement with industry bodies to pursue policy for reasonable, pragmatic and evidence based regulation and taxation policies that balance the health, employment and economic imperatives of the country. Also highlighting the growing threat of illegal and smuggled cigarettes. • The Company has embarked upon a strategy that creates multiple drivers of growth by developing a portfolio of world-class businesses that best matches organisational capabilities with opportunities in the domestic and international markets.

Area	Risk/Challenge	Response
<p>Operational</p>	<p>Increasing complexity of operations in the context of a highly diversified business portfolio</p>   	<ul style="list-style-type: none"> • ITC's Strategy of Organisation and 3-tier governance structure ensure that: <ul style="list-style-type: none"> - Strategic supervision (on behalf of the shareholders), being free from involvement in the task of strategic management of the Company, can be conducted by the Board with objectivity, thereby sharpening accountability of management; - Strategic management of the Company, uncluttered by the day-to-day tasks of executive management, remains focused and energised; and - Executive management of the divisional business and shared services free from collective strategic responsibilities for ITC as a whole, gets focused on enhancing the quality, efficiency and effectiveness of its business/shared services to achieve best-in-class performance. • By segregating strategic supervision from strategic and executive management, the governance framework facilitates in striking the right balance between freedom of management and accountability to shareholders. • The governance structure also enables each business to focus on its operating segments while harnessing the diversity of Company's portfolio of businesses to create unique sources of competitive advantage. • Driving synergistic growth and enhancing the competitive power of the portfolio by blending the diverse skills and capabilities residing in various Businesses of the Company. • Focusing on efficient supply chain management and backward integration. • Fostering a culture of innovation and focusing on R&D, leveraging the capabilities of ITC Life Sciences and Technology Centre and best-in-class product development processes.

PRIORITISATION AND ADDRESSAL OF KEY CONCERNS

Area	Risk/Challenge	Response
Operational	<p>Attracting and retaining the best talent given the multitude of options available to skilled professionals</p>	<ul style="list-style-type: none"> Continuously strengthening and leveraging the Company's talent brand – 'Building Winning Businesses. Building Business Leaders. Creating Value for India.' Backed by strong corporate equity to attract and retain high quality talent. Creating a shared mindset across the organisation to ensure that employees are inspired, engaged and aligned to the Company's Mission, Vision, Values and Strategic Agenda.
Operational	<p>Harmonious employee relations to enable smooth functioning and productivity enhancement</p> 	<ul style="list-style-type: none"> Building a talent pipeline across levels through world-class training and development interventions. Nurturing specialism to meet the growing and diverse talent requirements. Benchmarking compensation package at each level to reference groups; aligning compensation structure with performance at the Company, business and individual levels including adequate weightage to variable pay component. Leveraging the 'Good Employee Relations' approach in ensuring responsive manufacturing, flexible work systems and, at the same time, maintaining a cost and environment conscious ecosystem in all Units.
Operational	<p>Water and energy scarcity can adversely affect production</p> <ul style="list-style-type: none"> Low productivity of rain-fed agriculture due to climate change induced rainfall disturbances can adversely affect the Agri-business. 	<ul style="list-style-type: none"> Ethos of making a contribution to the nation's environmental capital embedded in business strategy. The Company is a global exemplar in sustainable business practices and has been 'water positive' for 16 years, 'carbon positive' for 13 years, and 'solid waste recycling positive' for 11 years. Continuing to focus on energy conservation initiatives and enhancing the share of renewable energy in Company's total energy requirement. Comprehensive CSR programme focusing on social forestry, soil and moisture conservation, biodiversity conservation, sustainable agriculture, livestock development, women

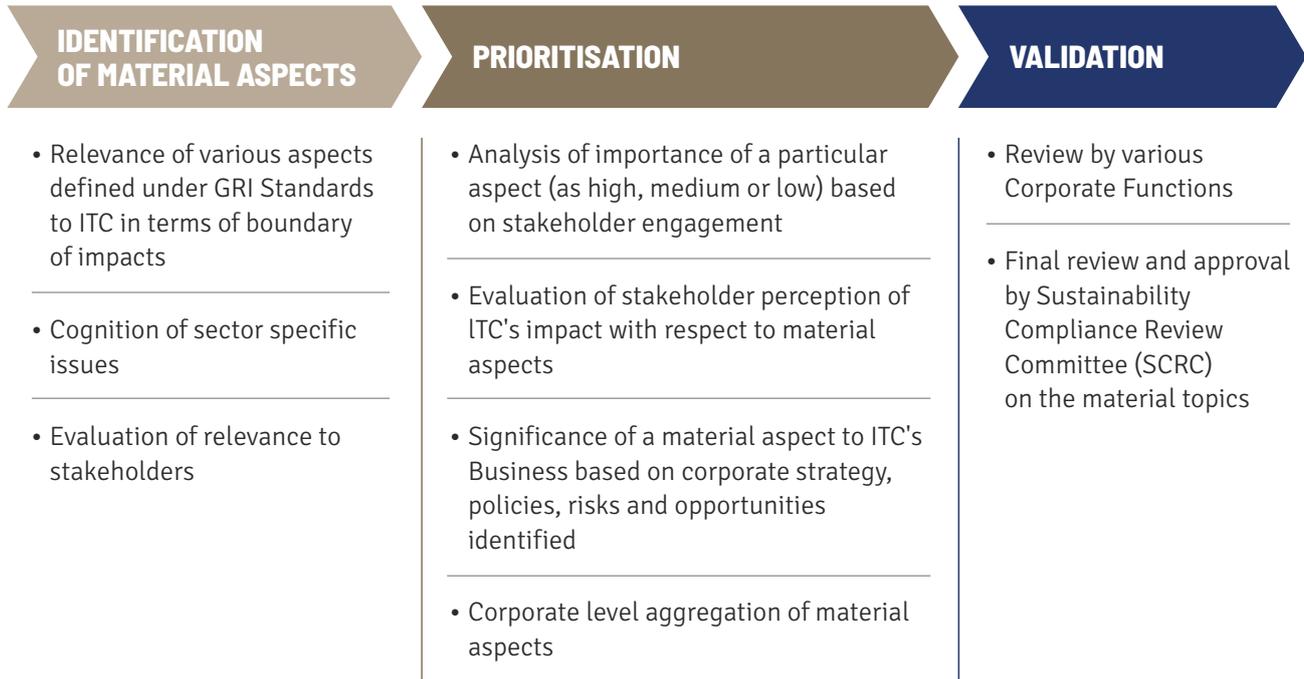
Area	Risk/Challenge	Response
		<p>empowerment, education, skilling & vocational training, health & sanitation and solid waste management.</p> <hr/> <ul style="list-style-type: none"> Operationalising Reduce-Reuse-Recycle model of waste management. <hr/> <ul style="list-style-type: none"> Contingency planning in supply chain.
Strategic	<p>Corporate Reputation</p> <ul style="list-style-type: none"> Risk arising due to inadequate protection against malicious attacks, misinformation or misrepresentation, including those on social media, can impact corporate reputation. <hr/> <ul style="list-style-type: none"> Adverse coverage or feedback on the Company's brands/businesses can impact customer loyalty/consumer franchise. 	<ul style="list-style-type: none"> Structured media engagement plan in place. <hr/> <ul style="list-style-type: none"> Effective engagement and responsible advocacy with stakeholders on issues relating to ITC's products, services, initiatives and business practices. <hr/> <ul style="list-style-type: none"> Leveraging publicly available web applications and dedicated brand advocacy platforms to disseminate information about the organisation and its brands in the digital space.
Financial	<p>Adverse impact on Company's operations and performance due to market risk, credit risk and liquidity risk</p> 	<ul style="list-style-type: none"> Robust risk management practices in place, governed by a combination of centrally issued policies and Divisional standard operating procedures. <hr/> <ul style="list-style-type: none"> Centralisation of Treasury operations to focus on deployment of surplus liquidity and management of forex exposures within a well-defined risk management framework. <hr/> <ul style="list-style-type: none"> Comprehensive framework in place to manage risks arising out of commodity sourcing and agri-commodity trading. This includes effective market monitoring systems, continuous tracking of net open positions and 'Value at Risk' against approved limits, use of futures contracts, backward integration and in-house manufacturing (e.g. pulp, print cylinders in packaging). <hr/> <ul style="list-style-type: none"> Independent and regular system-driven internal audits, supported by project and IT audits, and Risk Management Cell. <hr/> <ul style="list-style-type: none"> Large and diverse customer base ensures diversification of risk. <hr/> <ul style="list-style-type: none"> Strong cash flow generation from operations; Company is virtually debt-free.

PRIORITISATION AND ADDRESSAL OF KEY CONCERNS

MATERIALITY ANALYSIS

The sensitivity of an issue to stakeholders and to ITC, in terms of importance, forms the basis of the materiality analysis, which in turn guides the processes for identification of material aspects, definition of management approach and devising specific action plans for addressing these material aspects.

ITC's materiality analysis is based upon the following three-pronged approach.



ITC'S TRIPLE BOTTOM LINE APPROACH

ITC's MATERIALITY MATRIX

The outcome of the materiality analysis is presented below in the form of a matrix that depicts the material topics based on two dimensions - importance to stakeholders and significance to ITC's Business.

The topics have been categorised relative to each other and the placement of a topic under the 'low' importance category does not imply low importance in an absolute sense.



FINANCIAL PERFORMANCE ●	CLIMATE CHANGE ▲	SUSTAINABLE LIVELIHOODS ●	SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES ▲
<ul style="list-style-type: none"> Strengthening ITC's position as one of India's most valuable corporations Achieving leadership in each of the business segments within a reasonable time frame Achieving a Return on Capital Employed (ROCE) in excess of the Company's cost of capital, at all times <p><i>*Refer Economic Performance Section</i></p>	<ul style="list-style-type: none"> 50% of total energy sourced from renewable sources <p><i>*Refer Energy and Climate Change Section</i></p>	<ul style="list-style-type: none"> Creating sustainable livelihoods for 10 million people by 2030 <p><i>*Refer ITC Mission Sunehra Kal for Sustainable & Inclusive Growth Section</i></p>	<p>Even with rapid expansion of manufacturing base:</p> <ul style="list-style-type: none"> Achieve sequestration of over two times the CO₂ emission from our operations by 2030 Creation of rainwater harvesting potential equivalent to over three times the total water intake of our operations by 2030 ITC aims to go beyond Extended Producer Responsibility requirements and over the next decade, ensure that 100% of packaging is reusable, recyclable or compostable <p><i>*Refer Energy & Climate Change, Water Management and Waste Management Section</i></p>

PRIORITISATION AND ADDRESSAL OF KEY CONCERNS

ALIGNING WITH THE SDGs

ITC is in the process of identifying the SDGs that align best with its material topics. However, the following SDGs broadly resonate with ITC's triple bottom line performance.

<p>1 NO POVERTY</p>	<p>2 ZERO HUNGER</p>	
<p>4 QUALITY EDUCATION</p>	<p>5 GENDER EQUALITY</p>	
<p>▼ Reference Section ITC MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	

	<p>Reference Section ENVIRONMENT ITC MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH</p>
	<p>6 CLEAN WATER AND SANITATION</p> <p>13 CLIMATE ACTION</p> <p>15 LIFE ON LAND</p>

DISCLOSURE ON MATERIAL TOPICS

Material Topics	Details available in sections
Financial Performance	- Economic Performance
Sustainable Livelihoods	- Economic Performance - ITC Mission Sunehra Kal for Sustainable & Inclusive Growth
Climate Change	- Energy and Climate Change - Air Emissions
Sustainable Management of Natural Resources	- Energy and Climate Change - Water Management - Waste Management - Raw Materials
Product Packaging & Labelling	- Product Responsibility - Waste Management
Counterfeit Products	- Product Responsibility
Sustainable Supply Chain	- Supply Chain
Statutory Compliance	- Product Responsibility
Learning and Development	- Labour Practices & Decent Work and Human Rights
Employee Engagement	- Labour Practices & Decent Work and Human Rights
Human Rights	- Labour Practices & Decent Work and Human Rights
Local Community Development	- Economic Performance - ITC Mission Sunehra Kal for Sustainable & Inclusive Growth
Anti-corruption	- Governance Structure
Public Policy Advocacy	- Responsible Advocacy
Health and Safety	- Occupational Health and Safety - Product Responsibility
Marketing Communication	- Product Responsibility
Customer Privacy	- Product Responsibility

REPORT PROFILE, SCOPE AND BOUNDARY

The 15th Sustainability Report of the Company with its registered office at Virginia House, 37 J. L. Nehru Road, Kolkata - 700 071 (India), covers the sustainability performance for the period April 1, 2017 to March 31, 2018. ITC reports its performance on an annual basis and the last Sustainability Report was published in August 2017.

ITC's Sustainability Report 2018 has been prepared on the basis of the latest Global Reporting Initiative (GRI) Standards and meets the "In Accordance - Comprehensive" criteria. Reporting on sustainability topics continues to be on the basis of materiality. The Reporting Principles, Universal Standards and Topic Specific Standards detailed in the GRI Standards have been taken into account while preparing the Report. The Report also includes the relevant topics/indicators from GRI-G4 Food Sector supplement for the Foods Business.

In line with ITC's Policy on Responsible Sourcing, the Company continues its efforts to influence sustainability practices along the value chain. In the current year, ITC has incorporated the performance of 13 Third Party Manufacturers (TPMs) of the Notebooks segment of Education and Stationery Products Business (ESPB), 2 TPMs of Cigarettes Business, ATC Limited, an associate company of ITC, and seven subsidiary companies (including Surya Nepal Private Limited which has been added to the reporting boundary in 2017-18). In 2017-18, significant procurements were made from 13 TPMs catering to ESPB and all of these have been included in the reporting boundary.

The financial data included in the economic performance section of the report is excerpted from the Company's Report & Accounts 2018, audited by independent External Auditors - M/s Deloitte Haskins & Sells.

The data reported in the environment and social performance sections are based on the actual performance of various Businesses, Units, Hotels and Office complexes of the Company and TPMs/ subsidiaries included in the reporting boundary. ITC has deployed an Integrated Sustainability Data Management System to collect, collate and analyse environmental and social data. The system is equipped with strong internal controls to support the underlying integrity and credibility of disclosures made in the Report.

ITC has obtained an independent third party assurance for its Sustainability Reports since it started reporting in 2004. In the current year, authenticity of the data and systems disclosed in the Sustainability Report 2018 has been assured by M/s Ernst & Young (EY), an independent third party assurance provider. They have provided the assurance as per the International Standard for Assurance Engagements (ISAE) 3000 at a 'reasonable level'. The assurance statement of M/s EY is included in the report and covers the summary of the work performed, the manner in which the assurance engagement has been conducted, the extent to which ITC has applied GRI Standards and GRI G4 Food Sector supplement for the Foods Business, and their conclusions on the Report.



CONTACT POINT

For any clarifications or for requesting additional copies of this Report, contact the Corporate Communications Department at below mentioned address:

**Corporate Communications Department
ITC Limited**

37 J. L. Nehru Road, Kolkata - 700 071
e-mail: enduringvalue@itc.in

REPORTING BOUNDARY

ITC Registered Office: Kolkata (West Bengal)

ITC'S BUSINESSES

■ FMCG

CIGARETTES BUSINESS

Divisional Headquarters: Kolkata (West Bengal)

Units: Kolkata (West Bengal), Bengaluru (Karnataka), Munger (Bihar), Saharanpur (Uttar Pradesh) and Pune (Maharashtra)

Third party manufacturers: Two nos.

■ FMCG-OTHERS

FOODS BUSINESS

Divisional Headquarters: Bengaluru (Karnataka)

Units: Haridwar (Uttarakhand), Pune (Maharashtra), Munger (Bihar), Dhulagarh, Panchla & Uluberia (West Bengal), Guwahati (Assam), Kapurthala (Punjab), and Malur & Mysuru (Karnataka)

PERSONAL CARE PRODUCTS BUSINESS

Divisional Headquarters: Kolkata (West Bengal)

Units: Haridwar (Uttarakhand), Manpura (Himachal Pradesh) and Guwahati (Assam)

EDUCATION AND STATIONERY PRODUCTS BUSINESS

Divisional Headquarters: Chennai (Tamil Nadu)

Third Party Manufacturers (TPMs) of Notebooks: 13 nos.

LIFESTYLE RETAILING BUSINESS DIVISION

Divisional Headquarters: ITC Green Centre, Manesar (Haryana)

MATCHES AND AGARBATTI BUSINESS

Divisional Headquarters: Chennai (Tamil Nadu)



REPORT PROFILE, SCOPE AND BOUNDARY

TRADE MARKETING AND DISTRIBUTION (TM&D)

TM&D Headquarters: Kolkata (West Bengal)

District Offices: Kolkata (West Bengal) & Mumbai (Maharashtra)

Warehouses: Ambarnath (Maharashtra), Hyderabad (Telangana) and Malur (Karnataka)

HOTELS

Divisional Headquarters: ITC Green Centre, Gurugram (Haryana)

Hotels: ITC Maurya (New Delhi), ITC Maratha (Mumbai), ITC Grand Central (Mumbai), ITC Sonar (Kolkata), ITC Mughal (Agra), ITC Grand Bharat (Gurugram), ITC Windsor (Bengaluru), ITC Gardenia (Bengaluru), ITC Rajputana (Jaipur), ITC Grand Chola (Chennai), Sheraton (New Delhi), WelcomHotel (Bengaluru), WelcomHotel (Chennai), WelcomHotel (Coimbatore)

AGRI BUSINESS (LEAF TOBACCO)

Divisional Headquarters: Guntur (Andhra Pradesh)

Units: Anaparti (Andhra Pradesh), Chirala (Andhra Pradesh), Mysuru (Karnataka) and Research Centre, Rajahmundry (Andhra Pradesh)

PAPERBOARDS AND SPECIALTY PAPERS BUSINESS

Divisional Headquarters: Hyderabad (Telangana)

Units: Tribeni (West Bengal), Bhadrachalam (Telangana), Bollaram (Telangana) and Kovai (Tamil Nadu)

PACKAGING AND PRINTING BUSINESS

Divisional Headquarters: Chennai (Tamil Nadu)

Units: Haridwar (Uttarakhand), Munger (Bihar) and Tiruvottiyur (Tamil Nadu)

OTHERS

ITC Life Sciences & Technology Centre, Bengaluru (Karnataka)

Central Projects Organisation, Bengaluru (Karnataka)

SUBSIDIARIES

ITC INFOTECH INDIA LIMITED

Units: Bengaluru (Karnataka), Kolkata (West Bengal) and Pune (Maharashtra)

TECHNICO AGRI SCIENCES LIMITED

Units: Chandigarh and Manpura (Himachal Pradesh)

SRINIVASA RESORTS LIMITED

Hotel: ITC Kakatiya, Hyderabad (Telangana)

BAY ISLANDS HOTELS LIMITED

Hotel: Fortune Bay Islands Resort, Port Blair

LANDBASE INDIA LIMITED

Classic Golf & Country Club, Gurugram (Haryana)

NORTH EAST NUTRIENTS PRIVATE LIMITED

Unit: Mangaldai (Assam)

SURYA NEPAL PRIVATE LIMITED

Units: Simra and Seratar (Nepal)

ASSOCIATES

ATC LIMITED

Unit: Hosur (Tamil Nadu)

REPORTING SCOPE EXCLUSIONS

The following subsidiaries included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2018.

Names of Subsidiaries	Remarks
Fortune Park Hotels Limited	*
MRR Trading & Investment Company Limited (a 100% subsidiary of ITC Investments & Holdings Limited)	@
Russell Credit Limited	@
Greenacre Holdings Limited (a 100% subsidiary of Russell Credit Limited)	@
Wimco Limited	*
Prag Agro Farm Limited	*
Pavan Poplar Limited	*
Technico Pty Limited	*
Technico Technologies Inc. (a 100% subsidiary of Technico Pty Limited)	*
Technico Asia Holdings Pty Limited (a 100% subsidiary of Technico Pty Limited)	*
Technico Horticultural (Kunming) Co. Limited (a 100% subsidiary of Technico Asia Holdings Pty Limited)	*
ITC Infotech Limited (a 100% subsidiary of ITC Infotech India Limited)	*
ITC Infotech (USA), Inc. (a 100% subsidiary of ITC Infotech India Limited)	*
Indivate Inc. (a 100% subsidiary of ITC Infotech (USA) Inc.)	*
Gold Flake Corporation Limited	@
WelcomHotels Lanka (Private) Limited	*
ITC Investments and Holdings Limited	@

Pyxis Solutions, LLC, and King Maker Marketing, included in the Sustainability Report 2017, are no longer subsidiaries of the organisation.

The following jointly controlled entities (incorporated Joint Ventures) included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2018:

Names of Joint Ventures	Remarks
Maharaja Heritage Resorts Limited	#
Espirit Hotels Private Limited	#
Logix Developers Private Limited	#
ITC Essentra Limited (a joint venture of Gold Flake Corporation Limited)	#

The following Group's Associates included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2018:

Name	Remarks
International Travel House Limited	#
Gujarat Hotels Limited	#
Divya Management Limited	@
Antrang Finance Limited	@
Russell Investments Limited	@

*ITC is currently in the process of defining the system for inclusion of these entities in the Sustainability Reporting boundary. Going forward, the performance of these entities against identified material aspects will be reported in a progressive manner.

#These entities will be progressively included within the reporting boundary, as part of ITC's supply chain, based on identified material aspects.

@These entities primarily invest in financial market instruments and do not have any material sustainability impacts.

OVERVIEW

ITC's corporate governance philosophy is anchored on the values of trusteeship, transparency, ethical corporate citizenship, empowerment, control and accountability. ITC believes that since large corporations employ societal and environmental resources, governance processes must ensure that they are utilised in a manner that meets stakeholders' aspirations and societal expectations. For superior Triple Bottom Line performance, ITC's Governance processes ensure that sustainability principles are embedded in business strategies and execution plans.

ITC's Corporate Governance structure, systems and processes are based on two core principles

1 Management must have the executive freedom to drive the enterprise forward without undue restraints

2 This freedom of management should be exercised within a framework of effective accountability.

The practice of Corporate Governance at ITC takes place at three interlinked levels:

STRATEGIC SUPERVISION

by the Board of Directors (the Board)

STRATEGIC MANAGEMENT

by the Corporate Management Committee (CMC) headed by the Managing Director

EXECUTIVE MANAGEMENT

by the Divisional Chief Executive assisted by the Divisional Management Committee

ITC's governance framework enjoys the highest standards of ethical and responsible conduct of business to create value for all stakeholders.

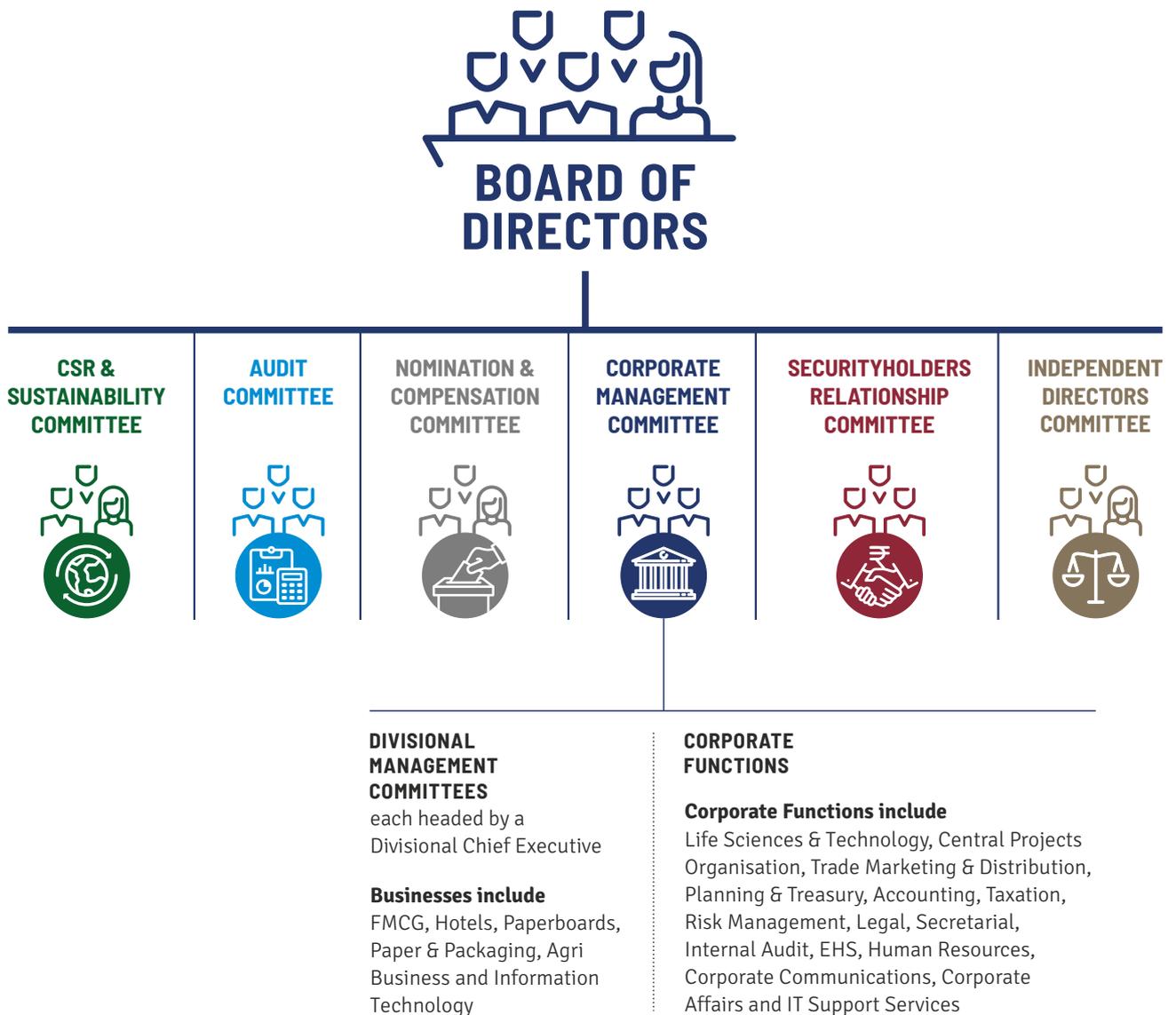
For more details on ITC's governance structure, please refer to the Company's Report and Accounts, 2018.

ITC has also adopted a comprehensive set of Sustainability Policies that are being implemented across the organisation in pursuit of its Triple Bottom Line agenda. These policies are aimed at strengthening the mechanisms of engagement with key stakeholders, identification of material sustainability issues and progressively monitoring and mitigating the impacts along the value chain of each Business.

The CSR and Sustainability Committee of the Board supervises the implementation of these Policies.



GOVERNANCE STRUCTURE



- The role, powers and composition of the Board, Board Committees and CMC are available on the Company's corporate website.
 - Reference to Division includes Strategic Business Unit, Business Vertical and Shared Services.

BOARD OF DIRECTORS

The ITC Board is a balanced Board, comprising Executive and Non-Executive Directors. The Non-Executive Directors include the Chairman and independent professionals.

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic supervision of ITC, its wholly owned subsidiaries and their wholly owned subsidiaries. As trustees, the Board ensures that the Company has clear goals aligned to shareholder value and its growth. The Board sets strategic goals and seeks accountability for their fulfilment. The Board also provides direction and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations.

GOVERNANCE STRUCTURE

SELECTION OF DIRECTORS

As reported in earlier years, criteria for determining qualifications, positive attributes and independence of Directors were approved by the Nomination & Compensation Committee pursuant to the statute, in respect of Directors, including Independent Directors.

The Corporate Governance Policy, inter alia, requires that Non-Executive Directors be drawn from amongst eminent professionals with experience in business/finance/law/public administration and enterprises. The Board Diversity Policy of the Company requires the Board to have balance of skills, experience and diversity of perspectives appropriate to the Company. The Articles of Association of the

Company provide that the strength of the Board shall not be fewer than five nor more than eighteen.

Directors are appointed/re-appointed with the approval of the Shareholders for a period of three to five years or a shorter duration, in accordance with retirement guidelines and as may be determined by the Board from time to time. All Directors, other than Independent Directors, are liable to retire by rotation, unless otherwise approved by the Shareholders.

The Independent Directors have confirmed that they meet the criteria of 'Independence' as stipulated under the statute.

COMPOSITION OF THE BOARD

The present strength of the Board is thirteen, including the Managing Director, two other Executive Directors and six Non-Executive Independent Directors, of which two are Women Directors. The strength of the Board as on 31st March 2018 was twelve; the composition of the Board, including other Directorship(s)/Committee Membership(s) of Directors as on the said date was as follows:

Director	Category	No. of other Directorship(s)	No. of Membership(s)/ Chairmanship(s) of Audit Committee/Stakeholders Relationship Committee of other Indian public limited companies
Y. C. Deveshwar	Chairman & Non-Executive Director	5	Nil
S. Puri *	Chief Executive Officer & Executive Director	4	Nil
N. Anand	Executive Director	8	1
R. Tandon	Executive Director & Chief Financial Officer	9	3 [all as Chairman]
S. Banerjee	Independent Director	Nil	Nil
A. Duggal	Independent Director	6	5 [including 1 as Chairman]
S. B. Mathur	Independent Director	11	9 [including 3 as Chairman]
N. Rao	Independent Director	5	2
S. S. H. Rehman	Independent Director	Nil	Nil
M. Shankar	Independent Director	3	2
S. B. Mainak	Non-Executive Director - Representative of Life Insurance Corporation of India as Investor	6	3 [including 2 as Chairman]
D. R. Simpson	Non-Executive Director - Representative of Tobacco Manufacturers (India) Limited, a subsidiary of British American Tobacco p.l.c.	2	Nil

* Re-designated as Managing Director w.e.f. 16th May 2018, subject to the approval of the Shareholders.

ITC's Governance Policy requires the Board to meet at least five times a year. Six meetings of the Board were held during the year ended 31st March 2018.

BOARD COMMITTEES

Currently, there are five Board Committees – the CSR and Sustainability Committee, the Audit Committee, the Nomination & Compensation Committee, the Securityholders Relationship Committee and the Independent Directors Committee. The composition and the terms of reference of the Board Committees are determined by the Board from time to time, other than the Independent Directors Committee the terms of reference of which have been adopted as prescribed under statute.



CSR AND SUSTAINABILITY COMMITTEE

The CSR and Sustainability Committee presently comprises the Chairman of the Company and five other Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Company is the Chairman of the Committee. The Company Secretary is the Secretary to the Committee.

The CSR and Sustainability Committee, inter alia, reviews, monitors and provides strategic direction to the Company's CSR and sustainability practices towards fulfilling its Triple Bottom Line objectives. The Committee seeks to guide the Company in integrating its social and environmental objectives with its business strategies and assists in crafting unique models to support creation of sustainable livelihoods. The Committee formulates & monitors the CSR Policy and recommends to the Board the annual CSR Plan of the Company in terms of statute. The Committee also reviews the Business Responsibility Report of the Company.

The CMC has also constituted a Sustainability Compliance Review Committee, which presently comprises seven senior members of management, with its Chairman being a member of the CMC. The role of the Committee, inter alia, includes monitoring and evaluating compliance with the Sustainability Policies of the Company and placing a quarterly report thereon for review by the CMC.



AUDIT COMMITTEE

The Audit Committee presently comprises four Non-Executive Directors, three of whom are Independent

Directors. The Chairman of the Committee is an Independent Director. The Executive Director & Chief Financial Officer, the Head of Internal Audit and the representative of the Statutory Auditors are Invitees to meetings of the Audit Committee. The Head of Internal Audit, who reports to the Audit Committee, is the Coordinator, and the Company Secretary is the Secretary to the Committee. The representatives of the Cost Auditors are invited to meetings of the Audit Committee whenever matters relating to cost audit are considered.



NOMINATION & COMPENSATION COMMITTEE

The Nomination & Compensation Committee presently comprises the Chairman of the Company and four other Non-Executive Directors, three of whom are Independent Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.



SECURITYHOLDERS RELATIONSHIP COMMITTEE

The Securityholders Relationship Committee presently comprises three Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.



INDEPENDENT DIRECTORS COMMITTEE

The Independent Directors Committee comprises all the Independent Directors of the Company.

CHAIR OF THE HIGHEST GOVERNANCE BODY

CHAIRMAN

The primary role of the Chairman of the Company is to provide leadership to the Board. As the Chairman of the Board, he presides over its meetings and leads and assists the Board in setting and realising the Company's strategic vision and related short and long term goals. He is responsible, inter alia, for the working of the Board, for its balance of membership (subject to Board and Shareholder approvals) and for ensuring that all Directors are enabled and encouraged to play a full part in the activities of the Board. Based on information and feedback from the Managing Director of the Company, the Chairman ensures that all relevant issues are on the Board agenda and the Board is kept informed on all matters of importance. He presides over General Meetings of Shareholders.

The present Chairman, at the request of the Nomination & Compensation Committee and the Board, recognising the need for orderly transition in a company of ITC's size

and complexity, agreed to continue as Chairman in non-executive capacity and also play the role of Mentor to the executive management. Providing mentorship to the executive management and support towards management of critical external stakeholders' relationships, accordingly, form part of the role of the present Chairman.

MANAGING DIRECTOR

The Managing Director carries total responsibility for the strategic management of the Company and accordingly heads the CMC. His primary role is to provide leadership to the CMC for realising Company goals in accordance with the charter approved by the Board. He is responsible, inter alia, for the working of the CMC, for ensuring that all relevant issues are on the agenda and that all CMC Members are enabled and encouraged to play a full part in its activities.

PERFORMANCE OF THE HIGHEST GOVERNANCE BODY

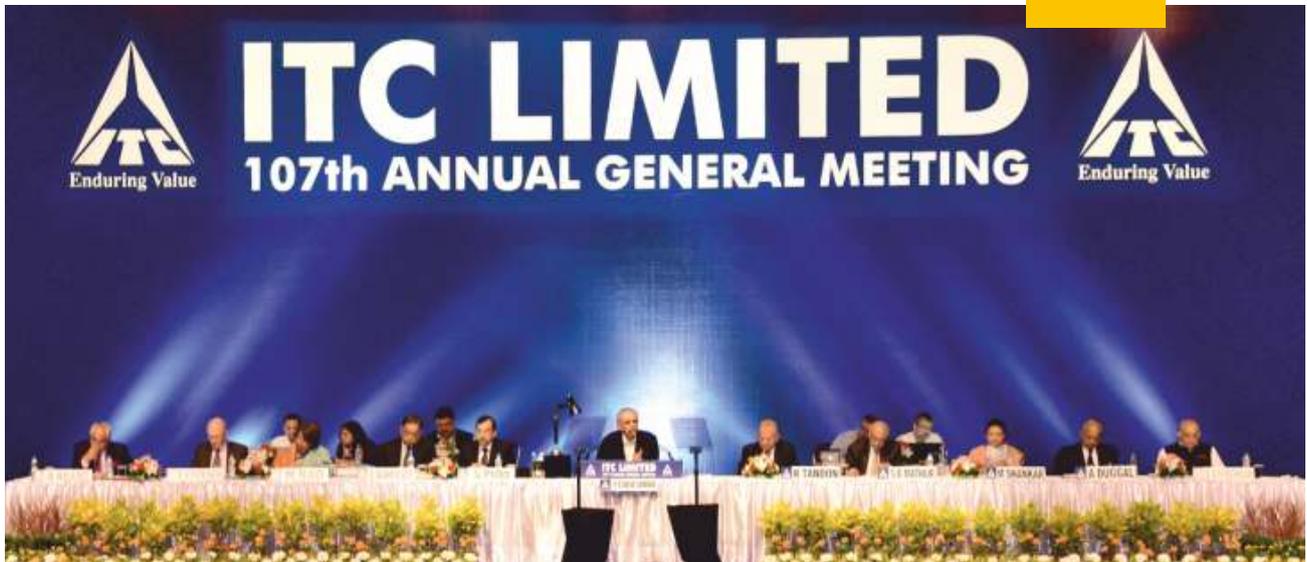
ITC believes that a Board, which is well informed/familiarised with the Company and its affairs, can contribute significantly to effectively discharge its role of trusteeship in a manner that fulfils stakeholders' aspirations and societal expectations.

In pursuit of this, the Directors of the Company are updated on changes/developments in the domestic/global corporate and industry scenario including those pertaining to statutes/legislations & economic environment and on matters affecting the Company, to enable them to take well-informed and timely decisions. The Directors are also kept abreast on all business-related matters, risk assessment & minimisation procedures, and new initiatives proposed by the Company. Visits to Company facilities are also organised for the Directors.

As reported in earlier years, the Nomination & Compensation Committee, pursuant to the statute, formulated the Policy on Board evaluation, evaluation of Board Committees' functioning and individual Director evaluation. In keeping with ITC's belief that it is

the collective effectiveness of the Board that impacts Company performance, the primary evaluation platform is that of collective performance of the Board as a whole. Board performance is annually assessed against the role and responsibilities of the Board as provided in the statute read with the Company's Governance Policy. The parameters for Board performance evaluation have been derived from the Board's core role of trusteeship to protect and enhance shareholder value as well as fulfil expectations of other stakeholders through strategic supervision of the Company.

Evaluation of functioning of Board Committees is based on discussions amongst Committee members and shared by the respective Committee Chairman with the Board. Individual Directors are evaluated annually in the context of the role played by each Director as a member of the



Board at its meetings, in assisting the Board in realising its role of strategic supervision of the functioning of the Company in pursuit of its purpose and goals.

The Board determines the remuneration of the Managing Director and the other Executive Directors, on the recommendation of the Nomination & Compensation Committee, subject to the approval of the Shareholders. Such remuneration is linked to the performance of the Company inasmuch as the performance bonus is based on various qualitative and quantitative performance criteria.

Remuneration to Non-Executive Directors, including Independent Directors, is by way of commission for each financial year; such commission is determined by the Board within the limit approved by the Shareholders. Their remuneration is based, inter alia, on Company performance and regulatory provisions and is payable on a uniform basis to reinforce the principle of collective responsibility.

The present Chairman, in view of his enlarged role, is entitled to additional remuneration and benefits as approved by the Shareholders, apart from the remuneration as applicable to the other Non-Executive Directors of the Company. Non-Executive Directors are also entitled to sitting fees for attending meetings of the Board and its Committees, the quantum of which is determined by the Board. Non-Executive Directors are also entitled to coverage under Personal Accident Insurance.

CODE OF CONDUCT

AVOIDANCE OF CONFLICT OF INTEREST

In terms of the ITC Code of Conduct, Directors, senior management and employees must avoid situations in which their personal interests could conflict with the interests of the Company. This is an area in which it is impossible to provide comprehensive guidance but the guiding principle is that conflicts, if any, or potential conflicts, must be disclosed to higher management for guidance and action as appropriate.

The Directors and Key Managerial Personnel are required to disclose to the Board whether they, directly or indirectly or on behalf of third parties, have material interest in any transaction or matter directly affecting the Company. Senior management is required to confirm on an annual basis that no material transaction has been entered into by them which could have potential conflict with the interests of the Company at large; such confirmations are placed before the Board. All transactions of the Company with related parties, or their subsequent modifications, are required to be approved by the Audit Committee. Further, transactions with related parties which are not in the ordinary course of business or not on arm's length basis would also require the approval of the Board or Shareholders, as applicable. Disclosures of related party transactions, as required, are made in the Company's Report & Accounts.

The Company has a code of conduct for prevention of insider trading in the securities of the Company. The ITC Code of Conduct for Prevention of Insider Trading - 2015, inter alia, prohibits trading in securities of the Company by Directors and employees while in possession of unpublished price sensitive information in relation to the Company.

REMUNERATION AND INCENTIVES

ITC's remuneration strategy is market led, leverages performance and takes into account the Company's capacity to pay. The remuneration package is competitive and is designed to attract and retain quality talent.

The ratio of remuneration of the highest paid employee to the median remuneration for the year 2017-18 was 108:1. The total remuneration of the highest paid employee has increased by 71% and the median remuneration has increased by 9% in FY 2017- 18.

Remuneration includes salary, performance bonus, allowances & other benefits/ applicable perquisites except contribution to the approved Pension Fund under the defined benefit scheme and Gratuity Funds and provisions for leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the statute.

ETHICS AND INTEGRITY

ITC believes that every employee is a trustee of its stakeholders and must strictly adhere to a Code of Conduct and conduct himself/ herself at all times in a professional and ethical manner. Integrity is a core value and forms the basis of the Company's organisation culture.

ITC's Code of Conduct, has been in place since 1996. The Code is anchored in three core principles - good corporate governance, good corporate citizenship and exemplary personal conduct in relation to the Company's business and reputation. The Code clearly spells out guidelines for employees on dealing with people in the organisation, ensuring a gender friendly workplace, relationships with suppliers and customers, legal compliance, health & safety, avoidance of conflict of interest, transparency and auditability in all their actions, protection of confidential information, leading by example etc.

The ITC Code of Conduct is displayed on the Company's corporate website and is shared with employees at the time of their induction into the Company. A system has also been put in place to get employees to read and sign-off ITC's Sustainability Policies and the ITC Code of Conduct. Any violation of the ITC Code of Conduct by an employee, renders him/her liable for disciplinary action.

RISK MANAGEMENT

As a diversified enterprise, ITC continues to focus on a system-based approach to business risk management. The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organisational capability with market opportunities, focusing on building distributed leadership and succession planning processes, nurturing specialism and enhancing organisational capabilities through timely developmental inputs. Accordingly, management of risk has always been an integral part of the Company's 'Strategy of Organisation' and straddles its planning, execution and reporting processes and systems. Backed by strong internal control systems, the current Risk Management Framework consists of the following key elements:

- The Corporate Governance Policy approved by the Board, clearly lays down the roles and responsibilities of the various entities in relation to risk management covering a range of responsibilities, from the strategic to the operational. These role definitions, inter alia, provide the foundation for appropriate risk management procedures, their effective implementation across ITC and independent monitoring and reporting by Internal Audit.

- The Risk Management Committee, constituted by the Board, monitors and reviews the strategic risk management plans of the Company as a whole and provides necessary directions on the same.
- The Corporate Risk Management Cell, through focused interactions with businesses, facilitates the identification and prioritisation of strategic and operational risks, development of appropriate mitigation strategies and conducts periodic reviews of the progress on the management of identified risks.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures are in place to proactively monitor and manage the inherent risks in businesses with unique/relatively high-risk profiles.
- A strong and independent Internal Audit function at the Corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk management processes may need to be strengthened. The Audit Committee of the Board reviews Internal Audit findings and provides strategic guidance on internal controls. The Audit Compliance Review Committee closely monitors the internal control environment within ITC including implementation of the action plans emerging out of internal audit findings.
- At the business level, Divisional Auditors continuously verify compliance with laid down policies and procedures and help plug control gaps by assisting operating management in the formulation of control procedures for new areas of operation.
- A robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives based on effective strategy implementation. The annual planning exercise requires all businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountabilities. Businesses are required to confirm periodically that all relevant risks have been identified, assessed, evaluated and that appropriate mitigation systems have been implemented.

ITC endeavours to continually sharpen its Risk Management systems and processes in line with a rapidly changing business environment. In this regard, it is pertinent to note that some of the key businesses of ITC have adopted the ISO 31000 Standard and the Risk Management systems and processes prevalent in these businesses have been independently assessed to be compliant with the said global Standard on risk management. This intervention provides further assurance on the robust nature of risk management practices prevalent in ITC.

During the year, the Risk Management Committee was updated on the status and effectiveness of the risk management plans. The Audit Committee was also updated on the effectiveness of ITC's risk management systems and policies.

ITC sources several commodities for use as inputs in its businesses and also engages in agri-commodity trading as part of its Agri Business.

ITC has a comprehensive risk assessment framework and well-laid-out policy to manage the risks arising out of the inherent price volatility associated with such commodities. This includes robust mechanisms for monitoring market dynamics on an ongoing basis towards making informed sourcing decisions, continuous tracking of net open positions & 'value at risk' against approved limits, use of futures contracts to hedge commodity price risk as applicable, hedging associated foreign exchange risk through appropriate instruments, assessment of country risk and counterparty exposure for suitable mitigation plans. Additionally, ITC's strategy of backward integration in areas such as sourcing of agri-commodities e.g. wheat, potato, fruit pulp and leaf tobacco, in-house manufacturing of paperboards, paper and packaging (including pulp production and print cylinder making facilities) facilitates access to critical inputs at benchmark quality and competitive cost besides ensuring security of supplies. Further, each of ITC's businesses continuously focuses on product mix enrichment towards protecting margins and insulating operations from spikes in input price. The combination of policies and processes as outlined above adequately addresses the various risks associated with ITC's businesses.

AMONGST
THE TOP 3 INDIAN CORPORATES
IN THE PRIVATE SECTOR
IN TERMS OF CONTRIBUTION TO EXCHEQUER.

URGE TO

SURGE







SNAPSHOT OF ECONOMIC PERFORMANCE

INR Billion

Key Economic Indicators*	2014	2015	2016	2017	2018	CAGR
Gross Sales Value (Refer Note - 1)	538.89	577.99	601.96	641.74	670.82	6%
Total Income (Refer Note - 1)	481.76	519.32	537.14	574.34	464.60	-1%
Profit Before Interest and Taxes (PBIT)	126.62	140.55	144.83	155.26	169.38	8%
Contribution to Government/ Exchequer	256.69	275.46	307.42	320.75	337.91	7%
Cost of Bought out Goods and Services	183.91	197.64	190.32	204.52	196.20	2%
Employee Benefits Expense	16.08	17.80	23.32	24.44	24.87	12%
Payments to Providers of Capital	79.78	86.46	79.85	90.49	100.18	6%
- Interest to Providers of Capital	47.75	50.67	68.89	57.93	63.72	
- Retained Profits	32.03	35.79	10.96	32.56	36.46	

* Detailed Financial Performance available at www.itcportal.com.

Note - 1: Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July 2017, Central Excise [other than National Calamity Contingent Duty (NCCD) on cigarettes], Value Added Tax (VAT) etc., have been replaced by GST. In accordance with Indian Accounting Standard - 18 on 'Revenue' and Schedule III of the Companies Act, 2013, GST, GST Compensation Cess, VAT etc. are excluded, but does not exclude NCCD, in Total Income. In view of the aforesaid restructuring of indirect taxes, Gross Revenue from sale of products and services included in Total Income is not comparable with the previous periods. Gross Sale Value is being provided to facilitate such comparison.

REVENUE AND PROFIT BEFORE DEPRECIATION INTEREST AND TAX (PBDIT)

INR Billion

Year	2014	2015	2016	2017	2018	CAGR
Gross Sales Value	538.89	577.99	601.96	641.74	670.82	6%
Gross Revenue	467.13	499.65	515.82	550.02	439.57	-2%
PBDIT	135.62	150.17	154.84	165.64	180.84	7%

* Refer Note - 1

MANAGEMENT APPROACH

The Company's sustainability strategy aims at creating significant value for the nation through superior 'Triple Bottom Line' performance that builds and enriches the country's economic, environmental and social capital. The sustainability strategy is premised on the belief that the transformational capacity of business can be very effectively leveraged to create significant societal value through a spirit of innovation and enterprise. The Company has adopted a comprehensive set of sustainability policies that are being implemented across the organisation in pursuit of its 'Triple Bottom Line' agenda. These policies are aimed at strengthening the mechanisms of engagement with key stakeholders, identification of material sustainability issues and progressively monitoring and mitigating the impacts along the value chain of each Business.

ITC is driven by its inspiration to be an exemplary Indian enterprise serving larger national priorities. The Company's relentless efforts to pursue extreme competitiveness, make societal value creation the core of its business strategy, invest in game-changing research and development and science-led innovation, as well as state-of-the-art infrastructure contribute in making the future even more sustainable and profitable. This super-ordinate vision spurred innovative strategies to address some of the most challenging societal issues including widespread poverty, unemployment and environmental degradation.



*WITH SUSTAINABILITY AT THE HEART OF THE COMPANY'S CORPORATE STRATEGY,
IT AIMS TO CREATE GROWING VALUE
FOR THE INDIAN SOCIETY THROUGH ITS 'TRIPLE BOTTOM LINE' APPROACH
THAT BUILDS AND ENRICHES THE COUNTRY'S ECONOMIC, ENVIRONMENTAL
AND SOCIAL CAPITAL*

GOALS AND PERFORMANCE

The 'Triple Bottom Line' approach to creating larger 'stakeholder value', as opposed to merely ensuring unidimensional 'shareholder value', is the driving force that defines our Company's sustainability vision and its growth path into the future.

At the enterprise level, the Company's goals include:

Strengthening ITC's position as one of India's most valuable corporations

Achieving leadership in each of the business segments within a reasonable time frame

Achieving a Return on Capital Employed (ROCE) in excess of the Company's cost of capital, at all times

Please refer to the 'Report of the Directors and Management Discussion and Analysis' section of the Report and Accounts 2018 (available on www.itcportal.com) for a detailed discussion on the Company's market standing in each of the business segments, as well as the business environment, opportunities, key challenges, etc. pertaining to each of the Company's businesses.

ECONOMIC PERFORMANCE

The global cyclical upswing that began midway through 2016 gathered strength in 2017. As per the latest IMF estimates, World GDP grew by 3.8% in 2017, representing a marked improvement over 2016, which at 3.2% was the weakest year of growth since the global financial crisis of 2009. The pick-up in growth was supported by synchronous growth in the Advanced Economies which grew by 2.3% in 2017 against 1.7% in 2016, and Emerging Markets & Developing Economies which recorded a growth of 4.8% in 2017 against 4.4% in 2016.

Within the Advanced Economies, the US posted a strong growth of 2.3% in 2017 against 1.5% in 2016, led by robust recovery in private investment and expansion in consumer spending. The Euro Area also expanded by 2.3% during the year compared to 1.8% in 2016. In the Emerging Market & Developing Economies, acceleration in growth was mainly attributable to Brazil and Russia achieving positive growth after two successive years of decline. The Chinese economy also grew faster at 6.9% in 2017 compared to 6.7% in 2016.

The Indian economy witnessed another challenging year, with Real GDP growth slowing down sharply to 6.6% compared to 7.1% in 2016-17, reflecting the short-term disruptions caused by GST implementation,

residual impact of cash crunch and deceleration in Net Exports. It is pertinent to note that Nominal GDP growth in 2017-18 stood at 9.8% - the lowest in six years. The Industry sector decelerated further during the year, recording the slowest growth in four years. The anticipated pick-up in Consumption remained elusive with Private Final Consumption Expenditure (PFCE) growing by only 6.1% during the year against 7.3% in 2016-17. Likewise, recovery of the capex cycle did not fructify with deceleration in Fixed Capital Formation growth to 7.6%.

Data on new project announcements, new capacity commissioned and stalled/abandoned projects during the year point to the subdued investment climate in the country. The 'twin deficits' came under pressure as well – higher expenditure and lower net tax collections resulted in Fiscal Deficit touching 3.5% of GDP against a target of 3.2% while the Current Account Deficit is expected to expand to about 1.9% of GDP (Vs. 0.7% in 2016-17) due to pick-up in imports even as growth in exports remained subdued.

On the positive side, India remains the fastest growing major economy in the world. Inflation remained largely within the comfort zone of the RBI during the year with the Consumer Price Index (CPI) declining to 3.6% in 2017-18 against 4.5% in 2016-17. This

HIGHLIGHTS 2017-18

ITC remains amongst the

TOP 3 INDIAN CORPORATES IN THE
PRIVATE SECTOR IN TERMS OF
CONTRIBUTION TO EXCHEQUER

Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, have grown at a compound rate of

22.4%

per annum during this period, placing ITC amongst the foremost in the country in terms of efficiency of servicing financial capital

Market Capitalisation of over

\$50 BILLION

ITC Foods is the

3RD LARGEST IN INDIA

prompted the RBI to reduce policy interest rates by 25 BPS during the year. However, with rising crude oil prices, anticipation of commodity prices firming up in the ensuing year and Core CPI steadily rising for the past several months, the scope for further reduction in interest rates seems limited. Foreign capital flows into the country remained robust leading to stability in the Indian Rupee and sustained buoyancy in the capital markets with the Sensex advancing by 11% in 2017-18 after a 17% rise in 2016-17.

While India remains one of the fastest growing major economies in the world, the pace of economic growth in recent years has remained below the desired levels and the country's potential. Stagnation in the manufacturing sector needs to be reversed at the earliest towards the creation of sustainable livelihoods and absorption of millions of Indians entering the job market every year.

The successful implementation of structural initiatives identified by the Government towards improving the ease of doing business in the country by enhancing transparency, speeding up the approvals process, resolving policy issues and fostering greater levels of value addition within the country would be crucial to boost the performance of the Indian economy and realise its true potential.

Enhancing agricultural productivity and value addition to international standards while simultaneously improving market linkages remain critical for the growth of the Agricultural sector. In this context, it is pertinent to note that anywhere between 5% and 40% of food is wasted along the chain in India, depending on the inherent perishability of the crop and the season. India processes only 8% of its total food production as compared to 23% in China, 65% in USA and 78% in Philippines. A big thrust on India's Food Processing sector can lead to significant job creation, enhance rural incomes and help manage food inflation. Similarly, supportive policies in the area of agro-forestry would go a long way in creating sustainable livelihoods while simultaneously augmenting the nation's environmental capital.

Over the last four years, the Company has implemented an integrated pilot programme towards doubling farmer incomes in four districts of Allahabad, Chandauli, Ghazipur and Varanasi, reaching out to nearly 200,000 farmers.

The programme seeks to enhance productivity, crop quality and price realisation through specific interventions such as adoption of new high yielding varieties of wheat, introduction of short duration paddy to enable timely sowing of wheat in rabi season,



promotion of value-added crops as well as educating farmers on best practices, knowledge and know-how transfer through the Choupal Pradarshan Khet initiative and, in particular, through practices like zero till sowing. **Over 28,000 farmers, who have adopted all the initiatives under the integrated programme, have already reported doubling of incomes.**

With a view to scale up its contribution to the national goal of improving farmer incomes, the Company has recently entered into a partnership with the NITI Aayog to boost agricultural and allied activities in 25 districts, under the Aspirational Districts programme launched to further the Hon'ble Prime Minister's vision of transforming such areas. **Under this initiative, the Company will collaborate with NITI Aayog and the district administration to train 200,000 lead farmers to enable them to reduce costs and enhance farm productivity across major crops in the identified districts.**

The forward linkages to domestic agricultural value chains provided through the Company's Branded Packaged Foods Businesses, stood further strengthened during the year. with recent foray into branded packaged potatoes and apples for the retail segment under the 'Farmland' brand, and 'Super Safe' spices, frozen prawns and dehydrated onions under the 'ITC Master Chef' brand.

Given India's disproportionately low share of global natural resources relative to its large population, and where millions continue to live in abject poverty, the focus both at the national and corporate level should be on fashioning strategies that foster sustainable, equitable and inclusive growth. Differentiated and preferential incentives, in the form of fiscal or financial benefits to companies that adopt sustainable business practices would act as a force multiplier in achieving this critical national goal.

The Company believes that businesses can bring about transformational change by pursuing innovative business models that synergise the creation of sustainable livelihoods and the preservation of natural capital with enhancing shareholder value. This 'Triple Bottom Line' approach to creating larger 'stakeholder value', as opposed to merely ensuring unidimensional 'shareholder value', is the driving force that defines the Company's sustainability vision and its growth path into the future.

The Company delivered a resilient performance during the year which was a particularly challenging one due to a sharp slowdown in the economy, steep escalation in tax incidence on cigarettes under the GST regime, subdued demand conditions in the FMCG industry and supply chain disruptions caused during the transition to GST.



PROFIT BEFORE TAX AND PROFIT AFTER TAX REGISTERED
GROWTH OF 8.7% AND 10.0%
RESPECTIVELY DURING THE YEAR.

Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July 2017, Central Excise [other than National Calamity Contingent Duty (NCCD) on cigarettes], Value Added Tax (VAT) etc. have been replaced by GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, GST, GST Compensation Cess, VAT etc. are excluded and NCCD is not excluded from Gross Revenue from sale of products and services for applicable periods. In view of the aforesaid restructuring of indirect taxes, Gross Revenue from sale of products and services and Excise Duty for the year ended 31st March, 2018 are not comparable with the previous periods.

On a comparable basis, Gross Sales Value (net of rebates/discounts)¹ for the year, stood at INR 670.82 billion, representing a growth of 4.5% over 2016-17 driven mainly by the Branded Packaged Foods, Personal Care and the Education and Stationery Products Businesses, offset by a decline in Agri Business revenue due to the reasons aforesaid.

Profit Before Depreciation, Interest and Tax (excluding Exceptional items) at INR 155.41 billion and Profit Before Tax (excluding Exceptional items) grew by 6.6% and 6.0% respectively.

¹Refer Note 1

Exceptional items during the year represent provisions for earlier years of INR 4.13 billion (INR 2.7 billion post tax) in respect of Tamil Nadu entry tax that have been written back, based on a favourable order of the Hon'ble Supreme Court.

Including Exceptional items, **Profit Before Tax at INR 168.52 billion and Profit After Tax at INR 112.23 billion registered growth of 8.7% and 10.0% respectively during the year.** Total Comprehensive Income for the year stood at INR 116.06 billion (previous year INR 102.78 billion). Earnings Per Share for the year stood at INR 9.22 (previous year INR 8.43). Cash generated from operations aggregated INR 183.70 billion, compared to INR 152.15 billion in the previous year.

For the year ended 31st March 2018, the Board of Directors have recommended an Ordinary Dividend of INR 5.15 per share (previous year Ordinary Dividend of INR 4.75 per share). Total cash outflow in this regard will be INR 75.77 billion including Dividend Distribution Tax of INR 12.92 billion.



TOTAL ASSETS AND RETURNS

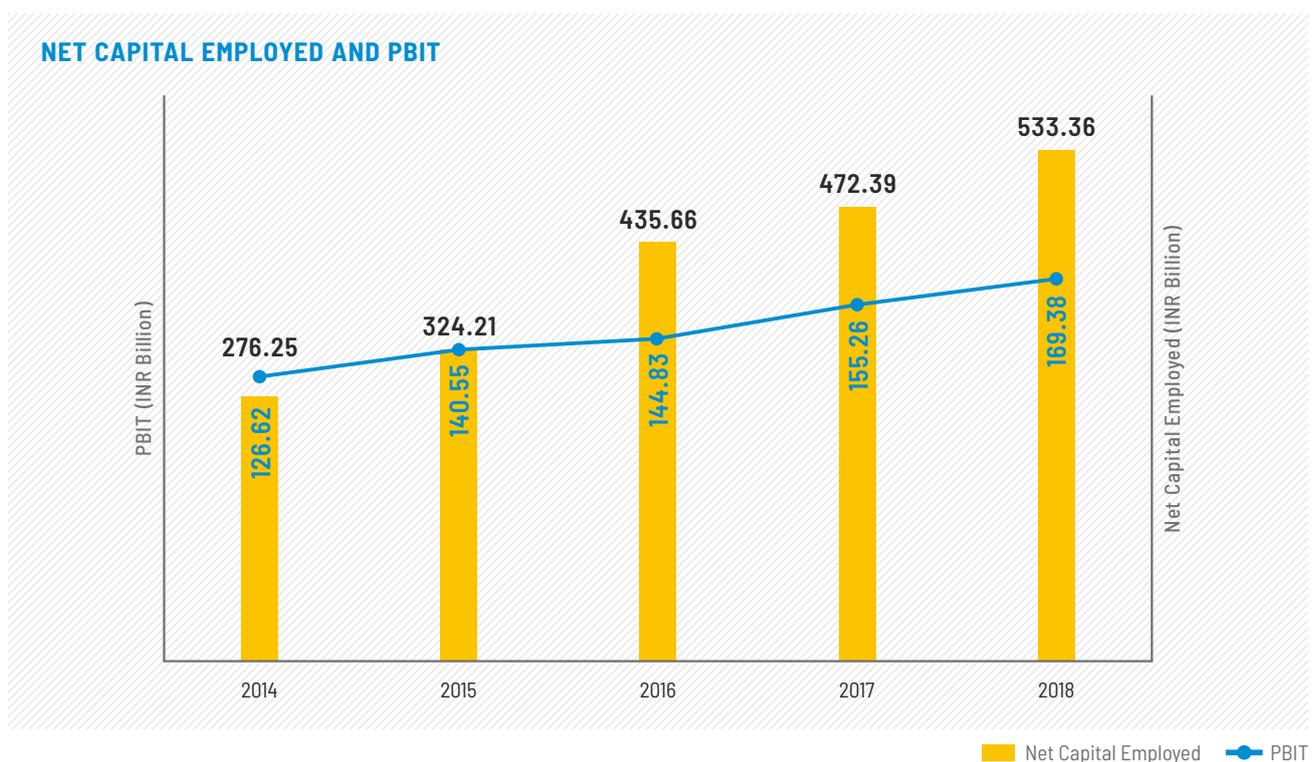
Despite the challenging business environment during the year under review, ITC continued to make significant investments in the Indian economy across its business domains. This included investments towards augmenting the manufacturing facilities and sourcing footprint across categories with a view to improving market responsiveness and reducing the cost of servicing proximal markets. During the year, two new owned manufacturing facilities – Kapurthala in Punjab and Panchla in West Bengal - were commissioned while capacity utilisation was progressively scaled up at the Uluberia, Mysuru and Guwahati units that commenced operations in the second half of FY17.

Apart from the above, Company continued to invest towards enhancing brand salience and consumer connect while simultaneously implementing strategic cost management measures across the value chain. Several initiatives were also implemented during the year towards leveraging the rapidly growing e-commerce channel with a view to the enhancing the reach of Company's products and harnessing digital and social media platforms for deeper consumer engagement. Substantial investments are also being made in Research & Development and focus on consumer insight discovery to develop and launch disruptive and breakthrough products in the market place.

ITC's diversified portfolio of businesses, spanning FMCG, Paperboards & Packaging, Agri Business and Hotels, enables it to have significant presence in all the three sectors of the economy, namely, agriculture, manufacturing and services, providing the Company the unique opportunity to contribute meaningfully to the country's growth and development.

Hence, while the net capital employed* has expanded over the previous five years to reach INR 533.36 billion as at 31st March, 2018, returns on net capital employed (Profit before interest and taxes) have increased during this period from INR 126.62 billion to INR 169.38 billion, a compound rate of 8%.

* Refer Note 1



MARKET CAPITALISATION & EARNINGS PER SHARE

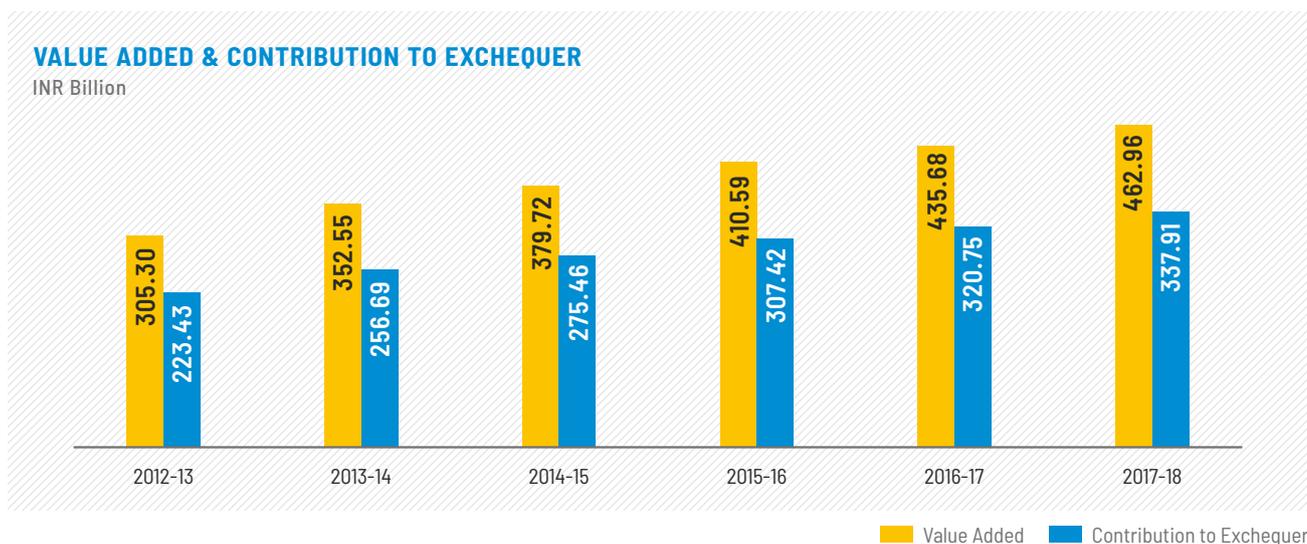
Over the last 22 years, the Company has created multiple drivers of growth by developing a portfolio of world-class businesses across all sectors of the national economy spanning agriculture, manufacturing and services. ITC is one of India's most admired and valuable corporations and has consistently featured amongst the foremost private sector companies in the country in terms of efficiency of servicing financial capital.

	1996	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
Market Capitalisation* (INR Billion)	55.71	1,404.08	1,773.60	2,442.45	2,807.08	2,608.64	2,639.89	3,406.73	3,123.08	20%
Adjusted EPS** (INR)	0.24	4.30	5.25	6.26	7.36	7.99	7.73	8.40	9.20	18%

*Market Capitalisation based on year-end closing prices quoted on the Bombay Stock Exchange. | **EPS adjusted for impact of Corporate Actions to facilitate like to like comparison.

ANALYSIS OF VALUE ADDED

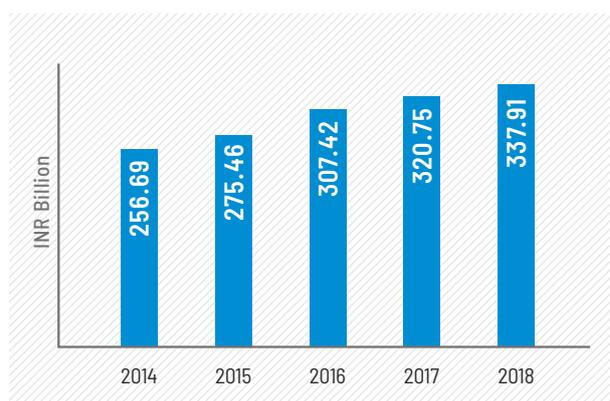
The Value-Added by the Company, i.e. the value created by the economic activities of the Company and its employees, grew by 6% over last year to INR 462.96 billion. The Company's Contribution to Exchequer during the year stood at INR 337.91 billion.



CONTRIBUTION TO THE NATIONAL EXCHEQUER

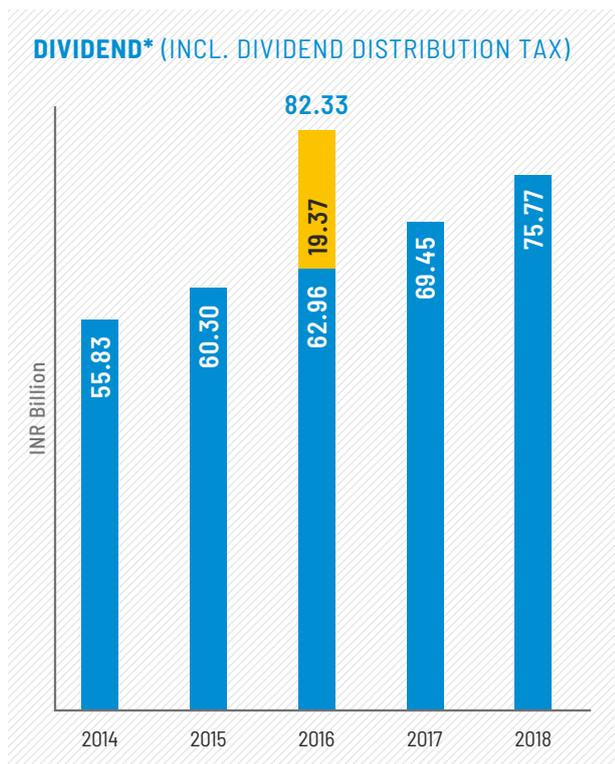
The Company remains amongst the Top 3 Indian corporates in the private sector in terms of Contribution to Exchequer.

Including the share of dividends paid and retained earnings attributable to government owned institutions, the Company's contribution to the Central and State Governments represents about 80% of its Value-Added during the year.



DIVIDEND

For the year ended 31st March, 2018, the Board of Directors have recommended an Ordinary Dividend of INR 5.15 per share (previous year Ordinary Dividend of INR 4.75 per share).



* On proposed basis ■ Ordinary Dividend ■ Special Dividend

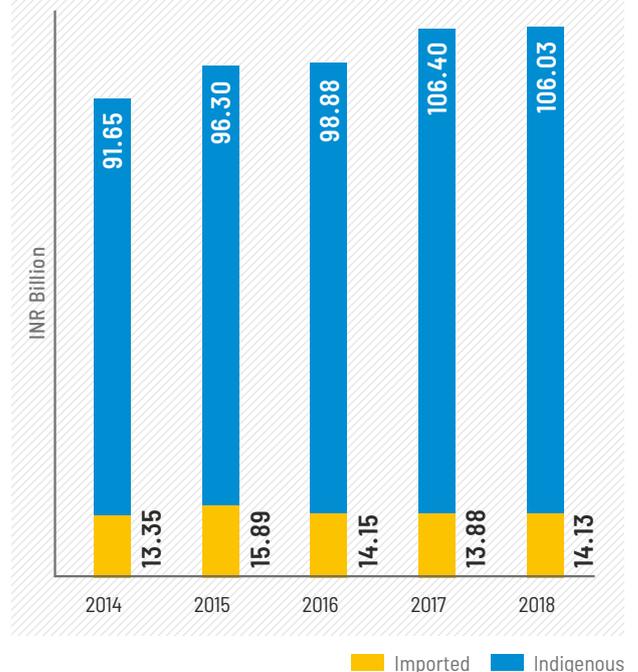
LOCAL BASED SUPPLIERS

The Hon'ble Prime Minister's vision to build a dynamic, progressive and self-reliant India through impactful programmes such as Make in India, Skill India, Digital India and Swachh Bharat, resonates deeply with the Company's efforts to create a national institution of pride.

The Company actively encourages competency development among local vendors, and its vendor base includes numerous medium and small scale enterprises that are proximate to its manufacturing locations.

More than 87% of raw materials and stores & spares have been locally procured during the year.

RAW MATERIALS, STORES & SPARES CONSUMED



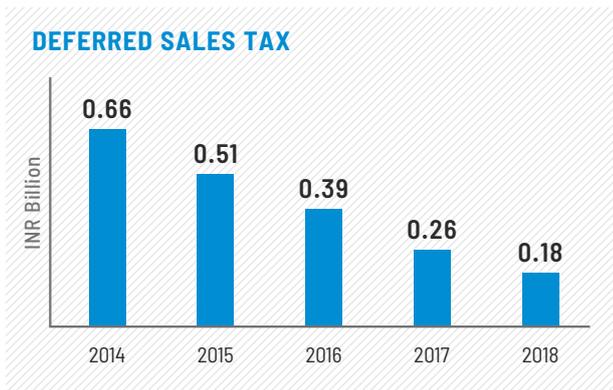
The Company's suppliers, both local and international, constitute one of its important stakeholder groups. Vendors/service providers and large outsourced manufacturing facilities are encouraged to adopt management practices detailed under the international standards such as ISO 9001, ISO 14001, OHSAS 18001 and ITC's Corporate Environment, Health and Safety (EHS) Guidelines.

In order to strengthen sustainable procurement processes, policies on 'Responsible Sourcing' and 'Human Rights Consideration of Stakeholders beyond the Workplace' have been adopted to address issues of labour practices, human rights, bribery, corruption, occupational health, safety and environment.

Please refer to 'Business Responsibility Report' of the Report and Accounts 2018 (available on www.itcportal.com) for discussion on sustainability of products and services across life-cycle, supply chain, product responsibility and more.

FINANCIAL ASSISTANCE FROM GOVERNMENT

The Company had availed the incentives offered by the States of Andhra Pradesh and Tamil Nadu, by way of deferment of Sales Tax, which are repayable over a period ranging from 10 to 14 years. The outstanding amount of such assistance in the form of Deferred Sales Tax due to be repaid by the Paperboards and Specialty Papers Division (PSPD) is given below:

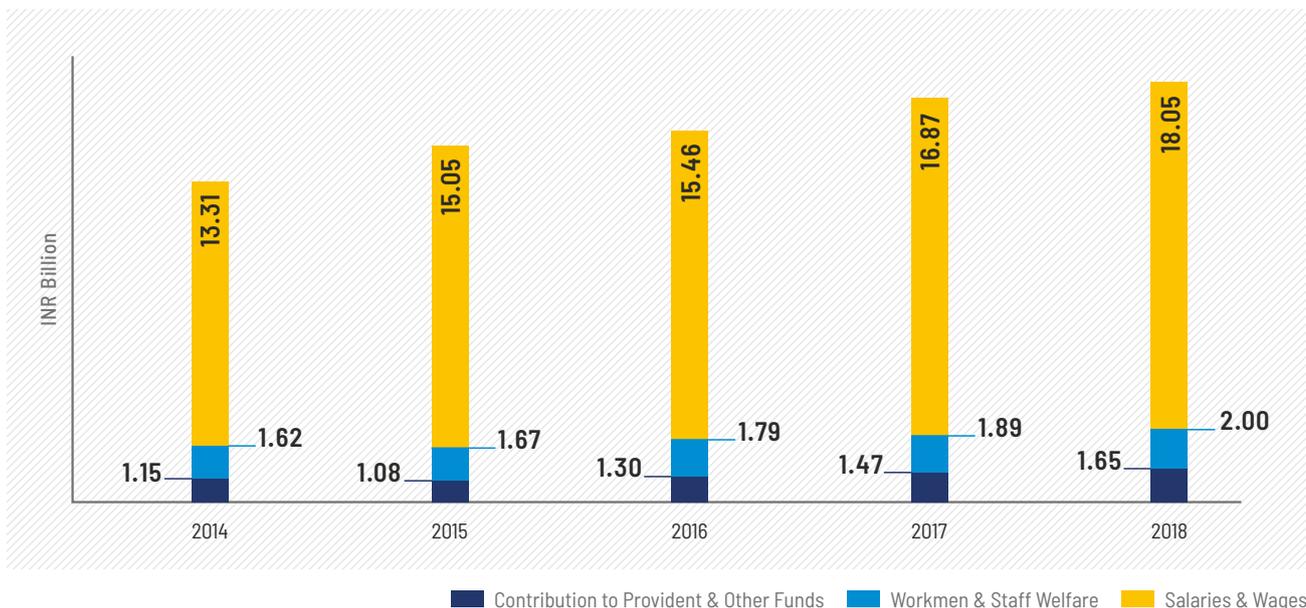


Other Government grants received in the form of incentives such as Export Promotion Capital Goods, Service Export from India Scheme, Merchandise Export from India Scheme amounted to INR 0.94 billion (2017 – INR 1.40 billion).

ENGAGING TALENT, LOCAL HIRING AND SENIOR MANAGEMENT

Human Resource Management systems and processes in the Company are aimed at creating a responsive, market-focussed, customer-centric culture and enhancing organisational vitality, so that each business is internationally competitive and equipped to seize emerging market opportunities. We focus on creating a stimulating work environment supported by a caring and compassionate work ethos so as to enable our employees to thrive and deliver winning performances. As a result, ITC was ranked amongst the Top 5 most preferred employers in 'Campustrack', an employer branding survey carried out by AC Nielsen amongst MBA students from leading Indian institutes.

Policies on 'Diversity and Equal Opportunity', 'Freedom of Association' and 'Environment, Health and Safety', among others, guide the management approach on specific elements of the Company's work practices. The Company has continuously invested in the human resource capital as seen below:

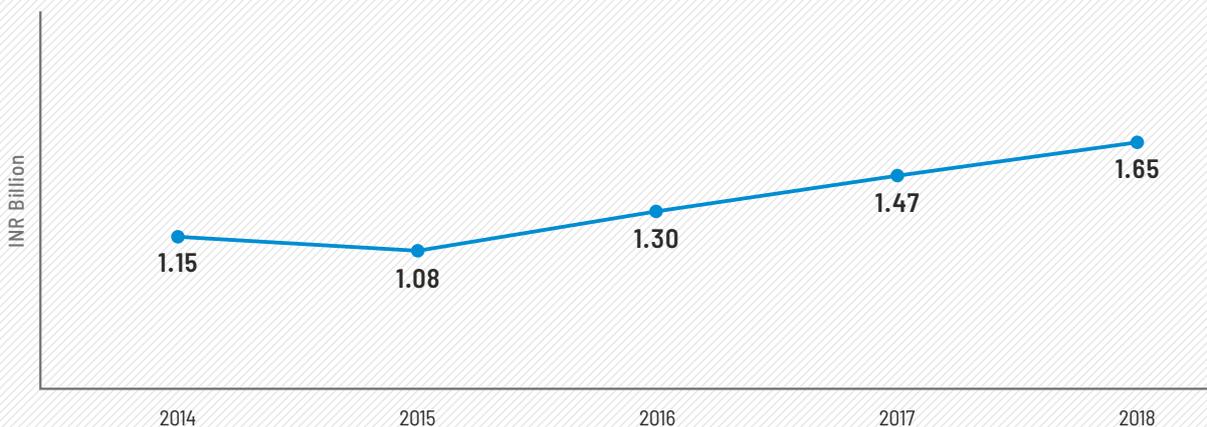




The employees are also entitled to retirement benefit schemes which include employee pension, provident fund and gratuity. All statutory payments, as applicable, e.g., Provident Fund and Family Pension contributions, are deposited with the Government in a timely manner.

The pension plans and other applicable employee benefits obligations are determined and funded in accordance with independent actuarial valuation. The assets of the trust funds are well diversified and investments are made within the prescribed statutory pattern with the objective of protecting capital and optimising returns within acceptable risk parameters.

CONTRIBUTION TO PROVIDENT & OTHER FUNDS



CORPORATE SOCIAL RESPONSIBILITY

ITC's overarching aspiration to create significant and sustainable societal value is manifest in its CSR initiatives that embrace the most disadvantaged sections of society, especially in rural India, through economic empowerment based on grassroots capacity building. Towards this end, the Company has adopted a comprehensive CSR policy outlining programmes, and plans to undertake projects and activities to create a significant positive impact on identified stakeholders. All these programmes fall within the purview of Schedule VII of the provisions of Section 135 - Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The footprint of the Company's Social Investments Programme (SIP) projects is spread over 25 states covering 188 districts.

The Company believes that an effective stakeholder engagement process is necessary for achieving its sustainability goal of inclusive growth.

The Company's stakeholders are confronted with multi-dimensional and inter-related issues, at the core of which is the challenge of securing sustainable livelihoods. Accordingly, it anchors its stakeholder engagement on the following principles:

MATERIALITY

Prioritised consideration of the economic, environmental and social impacts identified to be important to the organisation as well as its stakeholders

COMPLETENESS

Understanding key concerns of stakeholders and their expectations

RESPONSIVENESS

Responding coherently and transparently to such issues and concerns

Accordingly, interventions under the Company's Social Investments Programme (SIP) are appropriately designed to build their capacities and promote sustainable livelihoods.



Various CSR activities in which the Company has been engaged during the current year are listed below:

Areas listed under Schedule VII to the Companies Act, 2013	ITC's interventions (including through Trusts established by the Company)
(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water	<ul style="list-style-type: none"> • Health & Sanitation • Drinking Water • Eradication of Poverty
(ii) Promoting education, including special education and employment enhancing vocation skills specially among children, women, elderly, and the differently abled and livelihood enhancement projects	<ul style="list-style-type: none"> • Education • Vocational Training • Livestock Development • Livelihood Generation
(iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups	<ul style="list-style-type: none"> • Women Empowerment
(iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of River Ganga	<ul style="list-style-type: none"> • Environment Sustainability • Soil & Moisture Conservation • Social Forestry
(v) Protection of national heritage, art and culture, including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts	<ul style="list-style-type: none"> • Protection of national heritage, art and culture
(vi) Rural Development Projects	<ul style="list-style-type: none"> • Agri Development

THE EXPENDITURE INCURRED UNDER SECTION 135 OF THE COMPANIES ACT, 2013 ON CSR ACTIVITIES **INR 2.91 BILLION**

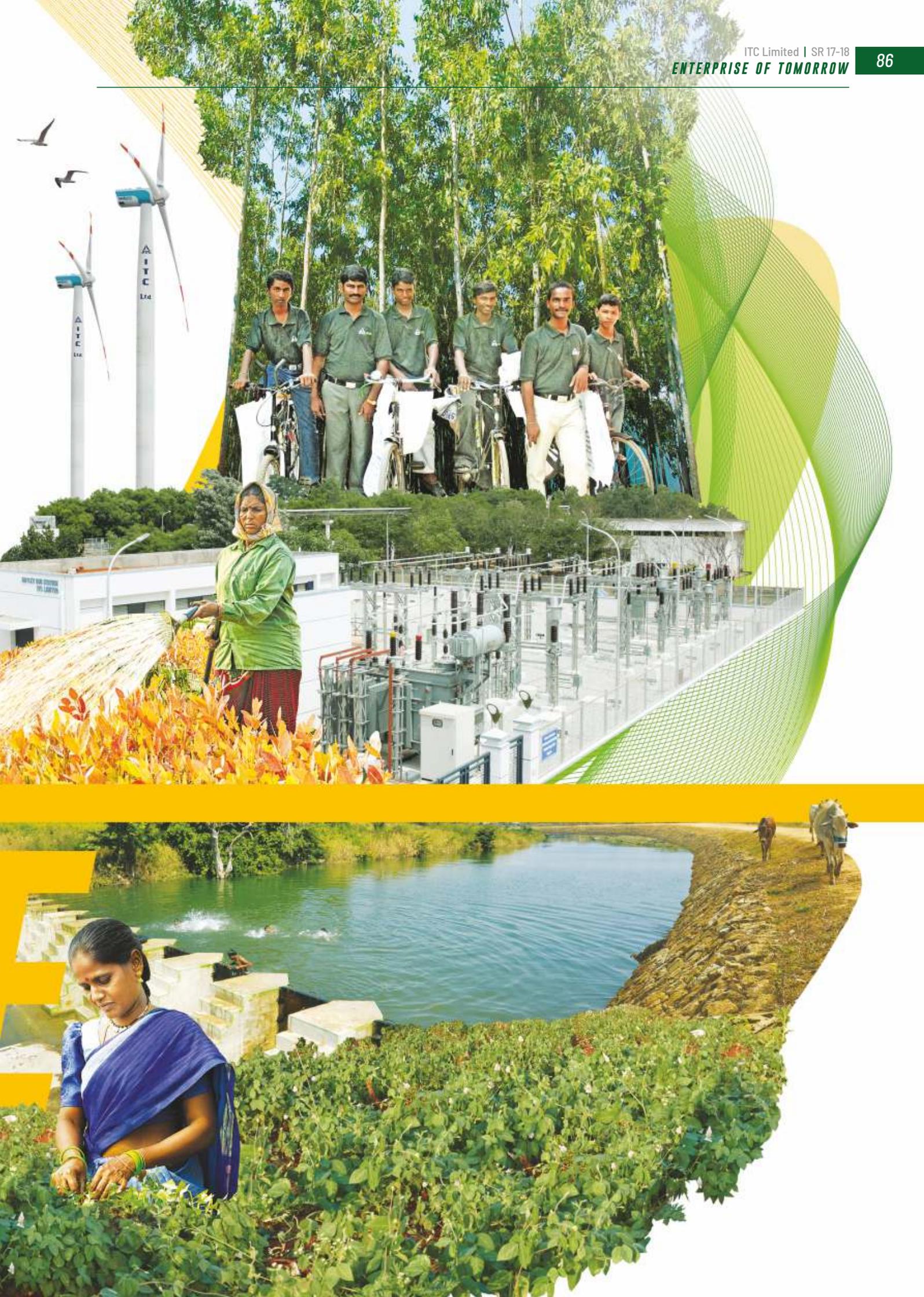
(2017 – INR 2.76 Billion)



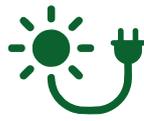
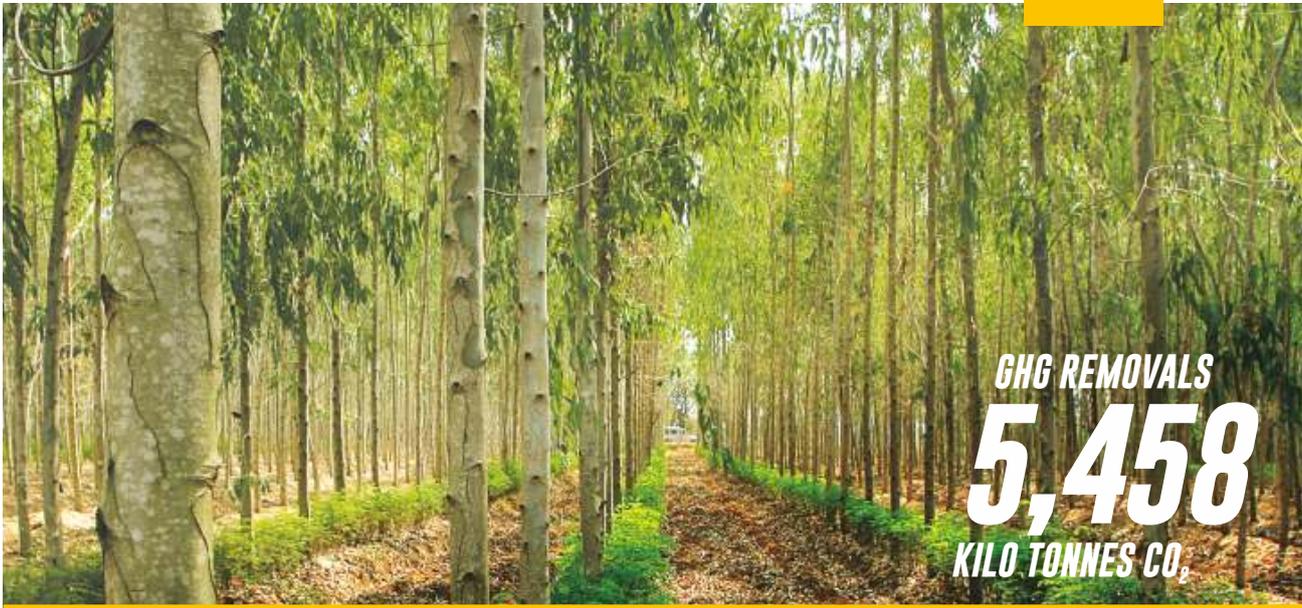
CONTINUE BEING
A NET CONTRIBUTOR TO THE
ENRICHMENT OF THE ENVIRONMENT.

NURTURE TO
SECURITY





PERFORMANCE SNAPSHOT



Key Environmental Indicators	2013-14	2014-15	2015-16	2016-17	2017-18
ENERGY & GREENHOUSE GAS (GHG) EMISSIONS					
Total Energy Consumption (Terra Joules)	21,433	21,777	21,946	21,600	22,199
Renewable Energy Consumption (Percentage)	38.1%	43.1%	47.3%	48.2%	43.2% ¹
Total GHG Emissions (excluding Biogenic Emissions) Kilo Tonnes CO ₂ e*	1,613	1,519	1,476	1,450	1,599
Scope 1 - Direct GHG Emissions (Kilo Tonnes CO ₂ e)	1,234	1,143	1,059	1,023	1,149
Scope 2 - Indirect GHG Emissions (Kilo Tonnes CO ₂ e)	177	183	187	174	186
Scope 3 - Other Indirect GHG Emissions (Kilo Tonnes CO ₂ e)	202	193	230	253	264
Biogenic Emissions - CO ₂ Emissions from combustion of Biomass (Kilo Tonnes CO ₂)	742	860	962	957	865 ¹
GHG Removals (Kilo tonnes CO ₂)	4,529	4,896	5,122	5,417	5,458

* Total GHG Emissions (excluding Biogenic Emissions) = Scope 1 + Scope 2 + Scope 3

¹ ITC's renewable energy consumption and Biogenic Emissions experienced a dip owing to shutdown of a Soda Recovery Boiler.

All above figures are rounded off



Key Environmental Indicators	2013-14	2014-15	2015-16	2016-17	2017-18
AIR EMISSION					
SO ₂ (Tonnes)	883	1,033	1,239	1,087	989
NO _x (Tonnes)	776	843	920	834	808
Particulate Matter (Tonnes)	781	592	639	651	609
WATER					
Water Intake (Million Kilo litre)	33.73	34.48	33.80	31.29	33.21 ²
Treated Effluent Discharge (Million Kilo litre)	23.90	24.24	24.45	22.12	23.57
Total Rainwater Harvesting Potential (Million Kilo litre)**	23.27	25.63	28.18	30.80	33.07
WASTE					
Total Waste Generated (Tonnes)	711,887	791,227	745,149	711,411	725,095 ²
Waste Recycled (Percentage)	99.90	99.80	99.70	99.80	99.70
Waste recycling footprint (Percentage)***	115	114	115	116	115

** Total Rainwater Harvesting Potential (RWH) created for the year = RWH potential created within ITC units + RWH potential created through watershed projects cumulative for that year

*** Waste Recycling Footprint (%) = (Waste recycled + external waste used as raw material) *100/ Total waste generated in ITC

² ITC's total water intake and total generation of waste increased due to inclusion of new Units into the reporting boundary and the commissioning of the Bleached Chemical Thermo Mechanical Pulp (BCTMP) mill at the Bhadrachalam Unit of Paperboards & Specialty Paper Business (PSPD).

MANAGEMENT APPROACH

In the last few years, environmental issues have unequivocally emerged as some of the top line risks as reported in the World Economic Forum (WEF) Report on Global Risks. These environmental risks include extreme weather events, natural and man-made environmental disasters, failure of climate change mitigation and adaptation, biodiversity loss and ecosystem collapse, and the burgeoning water crises.

Climate Change itself acts as a risk multiplier and further exacerbates the existing environmental and ecosystems' challenges of constrained availability and steady depletion of natural resources including biodiversity.

In order to address these challenges, best practices have been embedded into ITC's operations on the basis of which, the Company strives to maximise the efficiency of use of natural resources across its Businesses while also contribute to enhancing India's natural capital stock. The goal is to continue being a net contributor to the enrichment of the environment through a cohesive approach.



PHILOSOPHY

ITC nurtures a culture of conservation that emphasises meticulous monitoring of resource use and encourages innovations that aids in reducing the dependency on natural resources. It believes in bringing together like-minded stakeholders and working collaboratively in tackling such complex issues. Accordingly, ITC is collaborating with key stakeholders to spearhead large-scale interventions such as Social and Farm Forestry, Integrated Watershed Development and Sustainable Agriculture Practices among others.

POLICIES

ITC's Board approved Policies on Environment, Health and Safety (EHS), Life-cycle Sustainability, and Responsible Sourcing provide the necessary framework to address the direct impacts of Company's own operations as well as progressively extend the efforts to its supply chain. (Please refer to Sustainability Policies available at www.itcportal.com).

In line with ITC's sustainability roadmap, Businesses are moving ahead in a phase wise manner to implement the above policies. The overall responsibility for ensuring implementation of policies and standards on environmental performance resides with the Divisional/Strategic Business Unit's (SBU) Chief Executives who work with their respective management teams.

Various committees designated with specific responsibilities have also been constituted for operationalising the sustainability policies. At the corporate level, Corporate EHS Department is responsible for reviewing and updating Corporate Standards, verifying compliance, providing guidance and support as required.

The progress and compliance of different Businesses against the agreed roadmap is reviewed regularly by the Sustainability Compliance Review Committee (SCRC) constituted by the Corporate Management Committee (CMC).

PRACTICE

ITC's Businesses have targets for key performance indicators like specific energy consumption, specific greenhouse gas emissions, specific water intake, specific waste generation, etc.



As stated before, performance is monitored and reviewed on a regular basis to ensure that Businesses are on-track with respect to the agreed roadmap.

ITC has also installed an organisation-wide integrated sustainability data management system for the purpose of monitoring the performance of each Business. This system is further supplemented with Standard Operating Procedures for uniform measurement and recording by Businesses.

The following sections outline ITC's approach for addressing each of its material environmental issue both within as well as outside the boundary of its operations and its environmental performance for 2017-18.

ENERGY & CLIMATE CHANGE

MANAGEMENT APPROACH

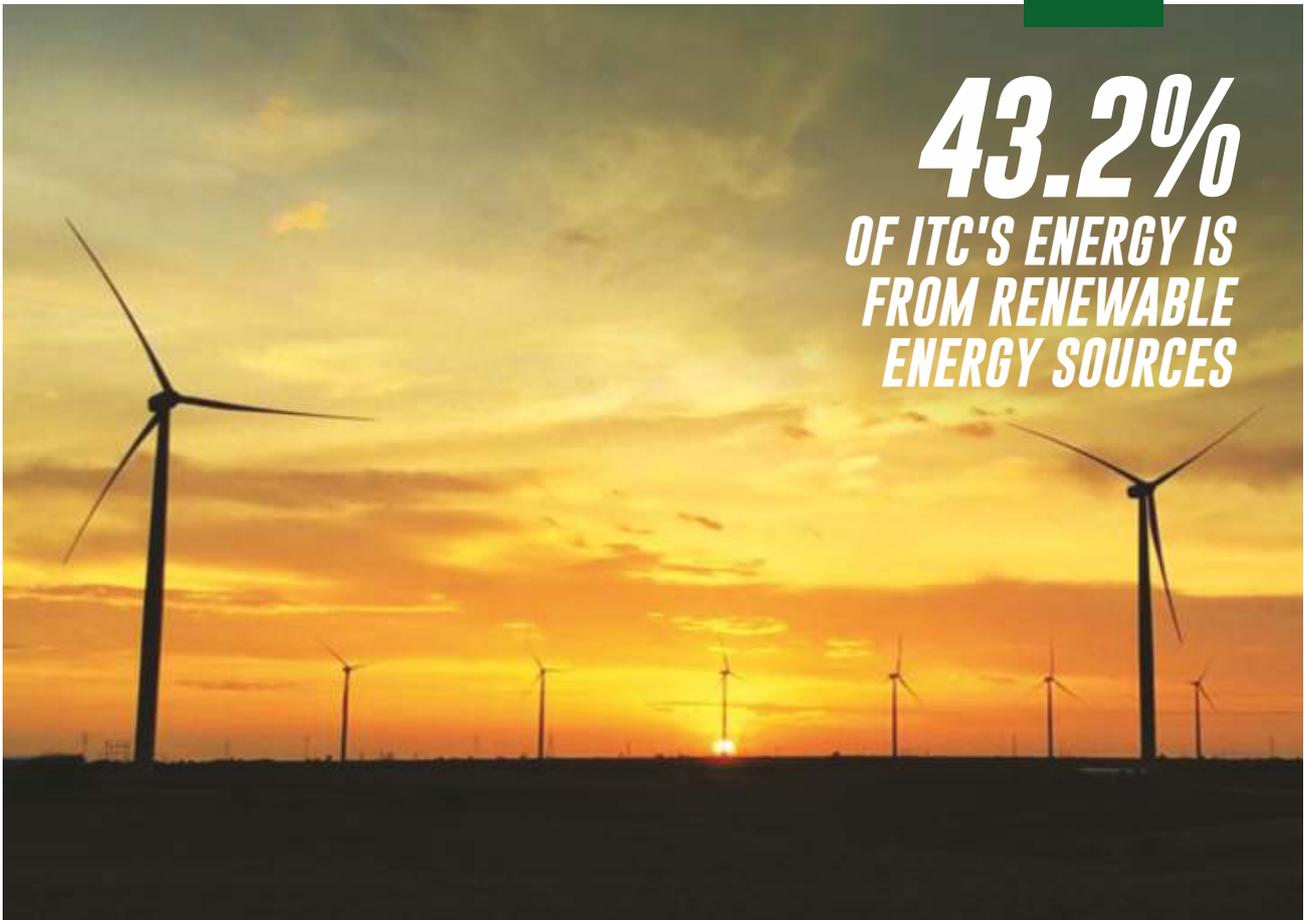
As a resource, energy has an impact on each of the three aspects of the triple bottom line. It is necessary for fuelling development and economic growth, creating inclusive communities, and it also has a direct impact on the environment including long term impacts through climate change.

The direct and cascading impacts of climate change are now well-documented and universally acknowledged, and are being felt across the globe including in India. As a signatory to the Paris climate treaty, India has committed to deliver on its nationally determined targets of reducing emission intensity by 33-35%,

increasing the share of non-fossil based electricity to 40%, and creating additional carbon sinks of 2.5-3 billion tonnes of CO₂ by 2030.

ITC's strategic efforts pertaining to managing its energy footprint and the potential climate change impacts positively contribute to the above national objectives. ITC remains committed to steering its course towards a low carbon pathway and has set a target of achieving a 50% share of renewable energy in its total energy mix. The Company continues to enhance its carbon sequestering potential through social and farm forestry initiatives.

GREEN ENERGY



CARBON HIGHLIGHTS

**CARBON
POSITIVE** *13 YEARS
IN A ROW*

90% *FROM RENEWABLE
SOURCES AT 6 UNITS*

6 ITC Units met more than 90% of their electrical energy requirements from renewable sources in FY 2017-18

683,423 *ACRES OF TOTAL AREA
UNDER FOREST COVER*

63,403 acres of plantation added under Social and Farm Forestry Initiatives (as on 31st March, 2018)

5,458,077 *TONNES CO₂
SEQUESTERED*
in FY 2017-18

ENERGY & CLIMATE CHANGE

ACTION PLAN ON ENERGY

ITC has mapped its energy challenges and accordingly devised an action plan to address these.

CHALLENGES

WITHIN BOUNDARY

Existing regulatory requirements such as the Perform, Achieve, Trade (PAT) and the Renewable Energy Certificates (REC) schemes →

Future regulatory pressures in line with India's commitment under NDCs to UNFCCC →

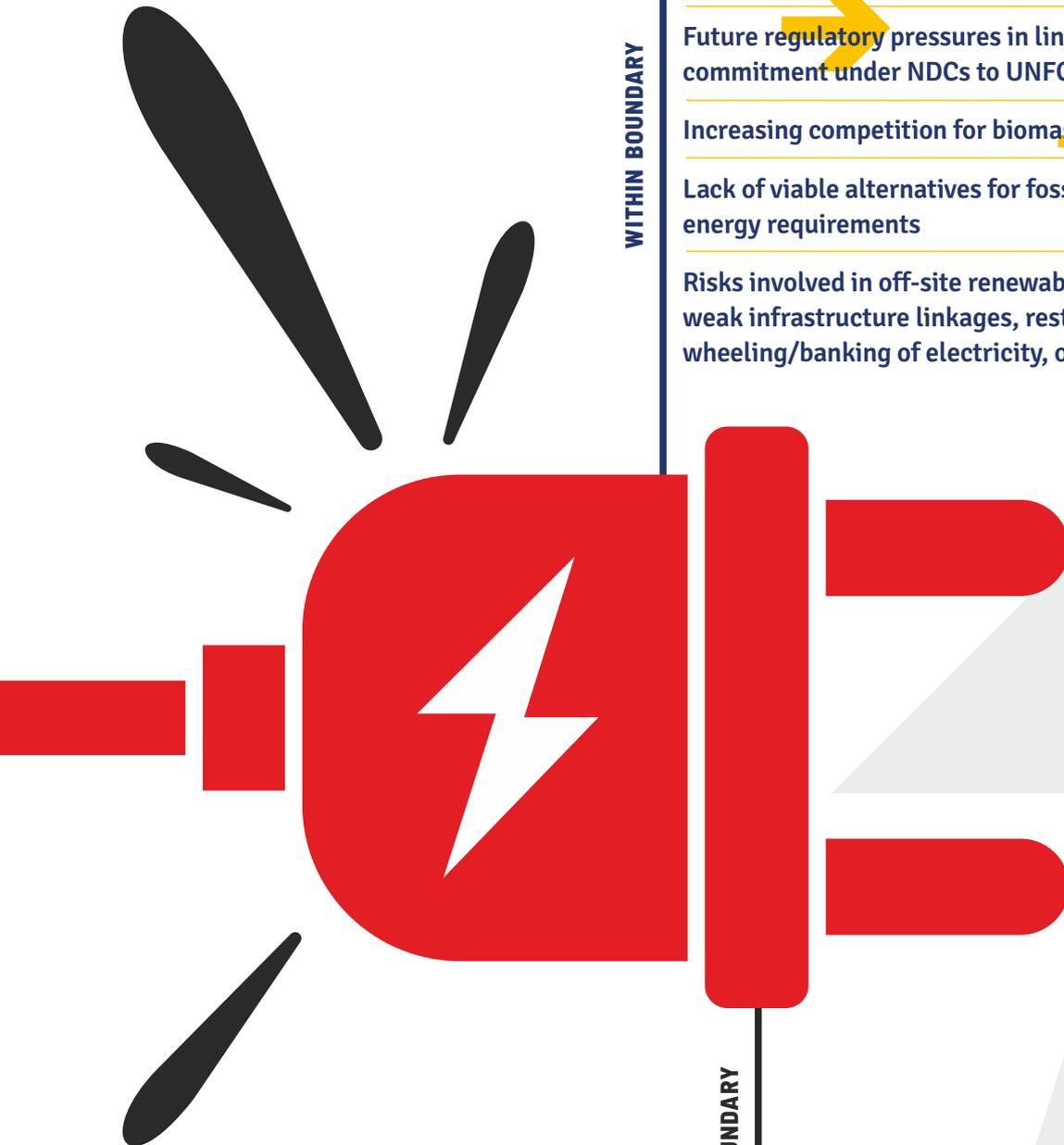
Increasing competition for biomass →

Lack of viable alternatives for fossil fuel to meet thermal energy requirements

Risks involved in off-site renewable energy investments – weak infrastructure linkages, restriction on inter-state wheeling/banking of electricity, open access, etc. →

BEYOND BOUNDARY

Mapping the energy footprint for ITC's supply chain →



ITC ACTION PLAN

- Adopting a low-carbon growth path with the aim of achieving a 50% renewable energy* share
- Energy conservation through audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service)
- Continuous monitoring and review of performance through an organisation-wide data management system

- Life-cycle assessment based approach for selected products and services**
- Evaluation of energy footprint along the value chain and identification of opportunities for improvement
 - Engagement with supply chain members for monitoring and improvement of energy performance
 - Progressive inclusion of energy performance of supply chain partners within the sustainability reporting boundary
 - Reduction of energy consumed in transportation of raw materials, finished goods and waste

ITC'S SUSTAINABILITY POLICIES

providing framework for relevant actions

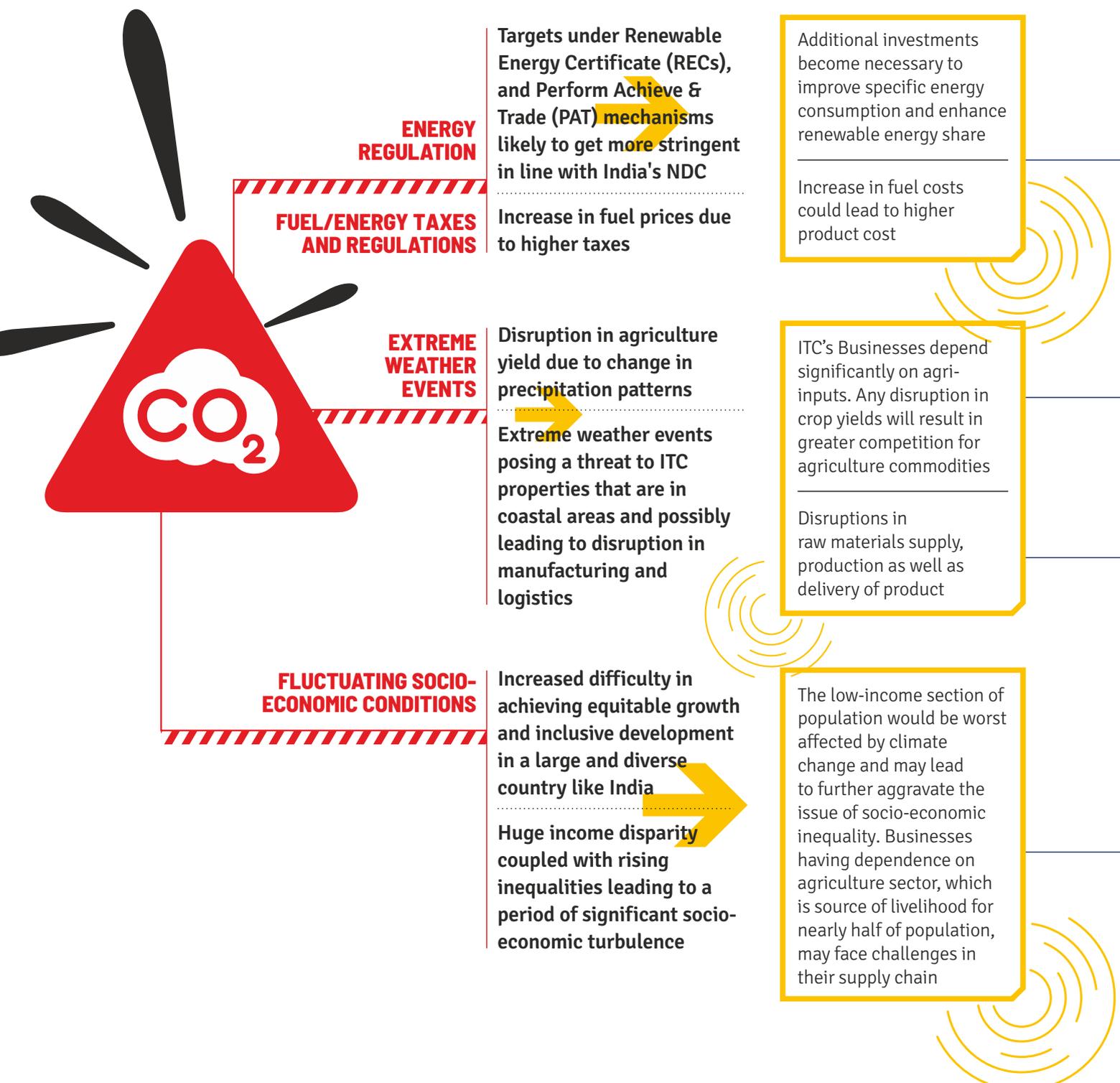


* includes electricity & thermal energy requirements

ENERGY & CLIMATE CHANGE

ACTION PLAN ON CLIMATE CHANGE

ITC has mapped its climate change risks and possible impacts, and has drawn out a mitigation strategy to address the same.

RISKS FROM
CLIMATE CHANGEPOTENTIAL
IMPACTS

MANAGEMENT METHOD

Effective measurement and benchmarking the performance with international best practices



Identification of energy conservation opportunities through rigorous third party audits and subsequent implementation of viable recommendations



DURING 2017-18
38.1 TJ
ENERGY SAVED OVER 2016-17 LEVELS

Social investments made in various programmes, such as soil and moisture conservation, climate smart agriculture practices and technologies, etc., reduce the dependence on rainwater



Significant investments have been made to strengthen measures covering ITC manufacturing units located in the coastal areas



Business continuity plans are in place to compensate any interruption of production by a manufacturing facility due to extreme weather events

ITC's inclusive development models are based on deep-rooted stakeholder concerns and focus on generation of sustainable livelihoods. With initiatives like Sustainable Agriculture, Soil & Moisture Conservation, etc., ITC has been working to promote climate-smart agriculture in its supply chain

For details on ITC's Social Investments Programme, please refer 'Mission Sunehra Kal' section of this Report

ENERGY & CLIMATE CHANGE

ACTION PLAN ON CLIMATE CHANGE

**CHANGING
CONSUMER
BEHAVIOUR****OPPORTUNITIES
FROM CLIMATE
CHANGE**

Increased awareness towards climate change to have an impact on consumer behaviour - preference for a product that is not only cost effective but also eco-friendly and addresses sustainability concerns across the value chain

An opportunity to grow businesses catering to these demands by being a pioneer in the field of sustainability

**RESOURCE
EFFICIENCY**

Opportunities for improving resource use efficiency, i.e. raw materials, energy, water, etc.

**POTENTIAL
IMPLICATIONS**

Major clients of ITC's B2B businesses like Paperboards and Speciality Papers and Leaf Tobacco are already seeking disclosures on sustainability issues. Meeting the customers' requirements and expectations enhances the customer value proposition and brand value

Improvement in resource efficiency would lead to overall reduction in costs

MANAGEMENT METHOD



Developing products/services that take into account the climate change related parameters like LEED certification of all Luxury Hotels, procuring FSC certified wood for paper/paperboard production, etc.



Life Cycle Assessment (LCA) studies for products/services to evaluate their environmental impacts along the value chain and taking necessary steps to make products/services more benign to the environment

Continue to expand initiatives towards sustainable growth and maintain transparency in disclosures



An integrated approach towards resource efficiency covering all inputs such as energy, water, raw material, etc. together for overall improvement

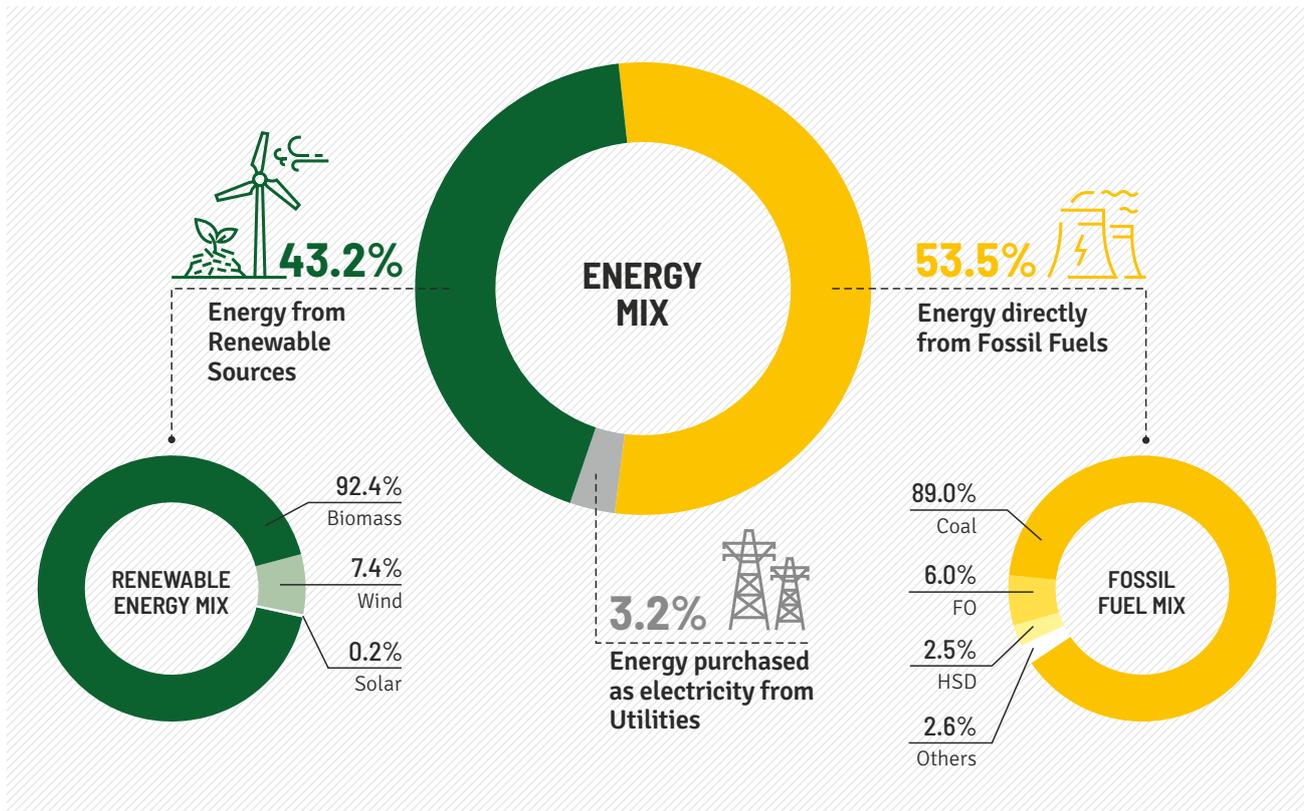


ENERGY & CLIMATE CHANGE

PERFORMANCE

TOTAL ENERGY CONSUMPTION

In FY 2017-18, ITC Units consumed 22,199 Terra Joules (TJ) of energy out of which 43.2% was from renewable sources.



This year, ITC's total energy consumption witnessed a marginal increase of 2.8% over last year. The commissioning of new Bleached Chemical Thermo Mechanical Pulp (BCTMP) mill and an increase in number of reporting units (i.e. nine new Units) contributed to this rise.

BLEACHED CHEMICAL THERMO MECHANICAL PULP (BCTMP) MILL

A Bleached Chemical Thermo Mechanical Pulp (BCTMP) mill has been installed at Bhadrachalam Unit of Paperboards and Specialty Papers Business. The purpose of the mill is to enable substitution of purchased imported softwood pulp with in-house manufactured hardwood pulp. This is one of the most advanced systems available for production of pulp wherein wood is treated with chemicals first and then mechanical force is applied to extract fibres for generating pulp. In this process, lignin in the wood is not removed leading to a higher pulping efficiency. This type of pulp was earlier being imported by ITC.

In line with Government of India's 'Make in India' initiative, BCTMP mill has reduced ITC's dependence on importing this type of pulp offering a host of benefits to the triple bottom line growth. It has also reduced supply chain risks from international logistics and risk from forex fluctuations. Apart from generating employment opportunities in India, it also contributes to livelihood creation for farmers thereby creating an incentive for improved farm productivity.

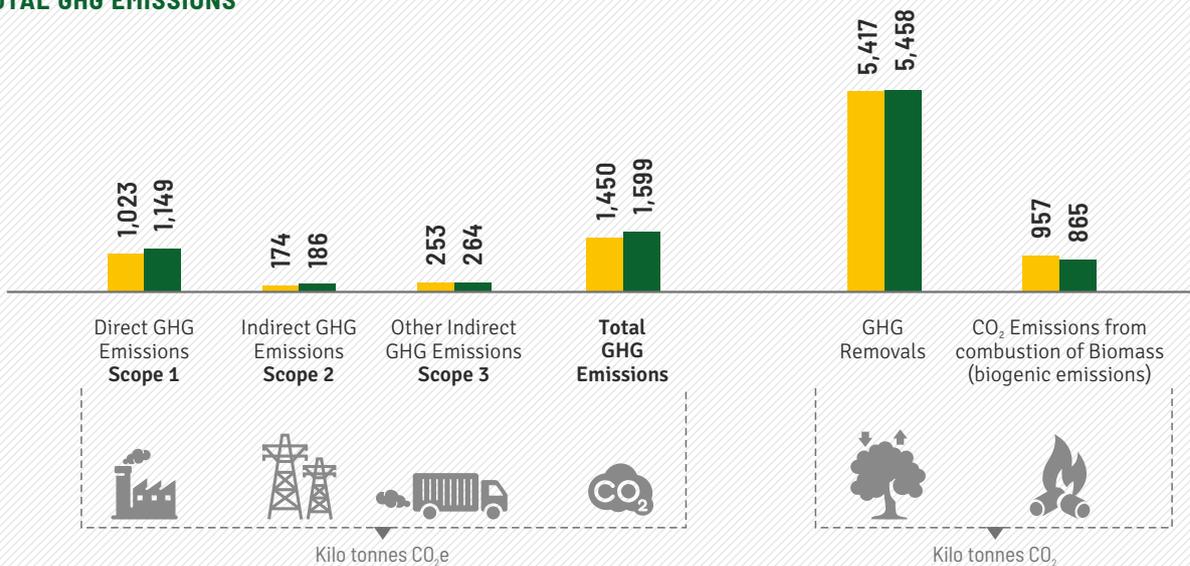
In FY 2017-18, ITC's renewable energy consumption experienced a dip owing to maintenance shutdown of a Soda Recovery Boiler (SRB). An increase in the total energy consumption accompanied with a reduction in the utilisation of biomass due to SRB shut down renewable energy component led to a decrease in the share of renewables in the overall mix to 43.2% from 48.2% in the previous year.

RENEWABLE ENERGY UTILISATION

■ Total Renewable Energy (TJ) ● Percentage of Total Energy (%)



TOTAL GHG EMISSIONS



■ 2016-17 ■ 2017-18

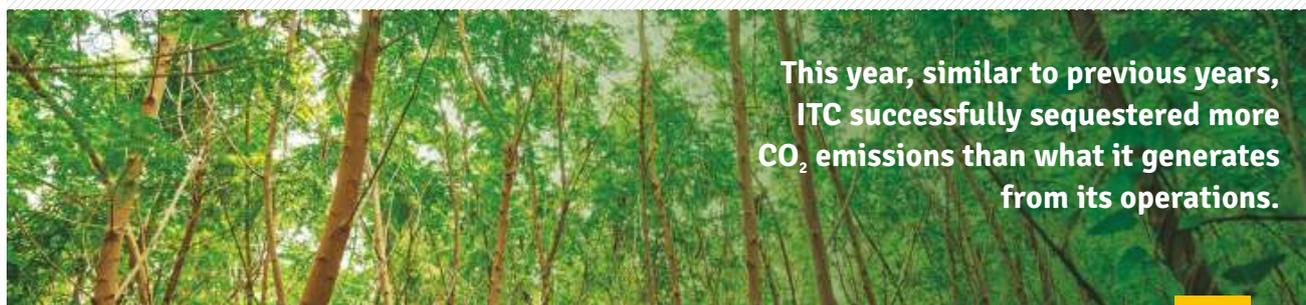
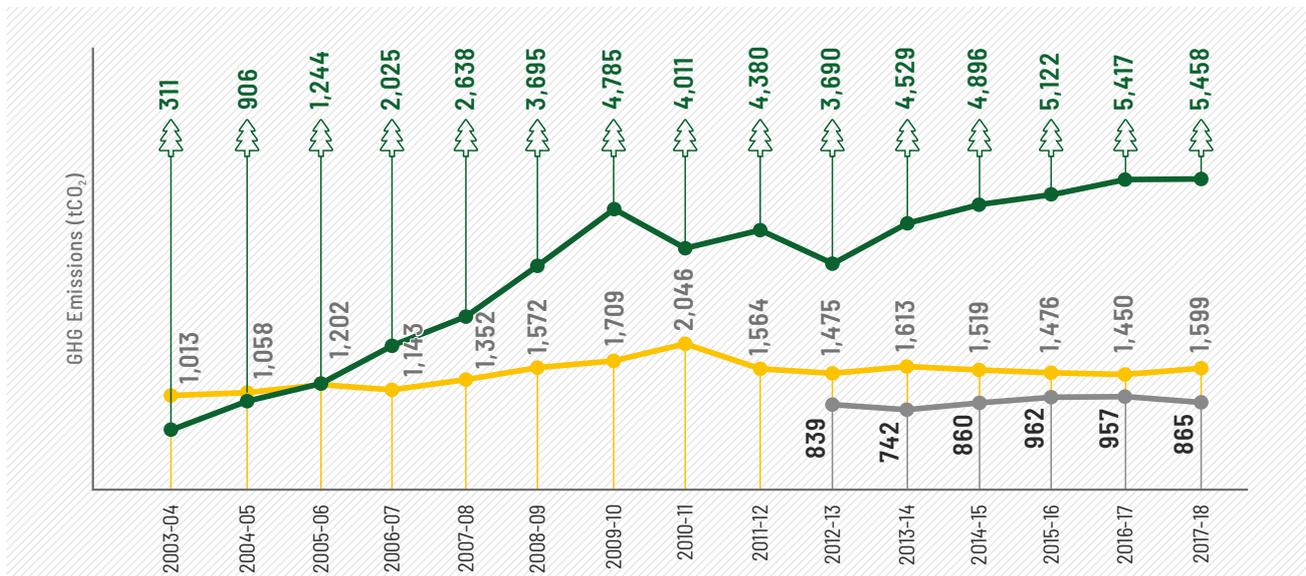
ENERGY & CLIMATE CHANGE

In the reporting year, scope 1, 2 & 3 GHG emissions witnessed an increase over the previous year on account of the following reasons:

SCOPE 1 EMISSIONS	SCOPE 2 EMISSIONS	SCOPE 3 EMISSIONS
<ul style="list-style-type: none"> • Increase in usage of coal instead of lignin due to shutdown of one of the Soda Recovery Boilers • Higher electricity demand for the new BCTMP mill which was met by the captive power plant that runs on coal 	<ul style="list-style-type: none"> • Addition of new Units leading to higher electricity consumed from the grid 	<ul style="list-style-type: none"> • Increase in GHG emissions from logistics due to increase in production

ITC has computed its greenhouse gas (GHG) inventory, including GHG emissions, biogenic Carbon Dioxide (CO₂) emissions and GHG removals, in accordance with ISO 14064:2006. **The GHG inventory of FY 2017-18 has been verified by EY, an independent third-party assurance provider, at the 'Reasonable Assurance' level.** ITC accounts for the following gases in its GHG inventory: Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF₆).

GHG EMISSIONS & CO₂ SEQUESTRATION



This year, similar to previous years, ITC successfully sequestered more CO₂ emissions than what it generates from its operations.

● CO₂e Emission (Scope 1, 2 & 3) in Kilo tonnes
 ● CO₂e Emissions from Combustion of Biomass in Kilo tonnes (Biogenic emissions)(computed since 2012-13)
 ● CO₂ Sequestered in Kilo tonnes

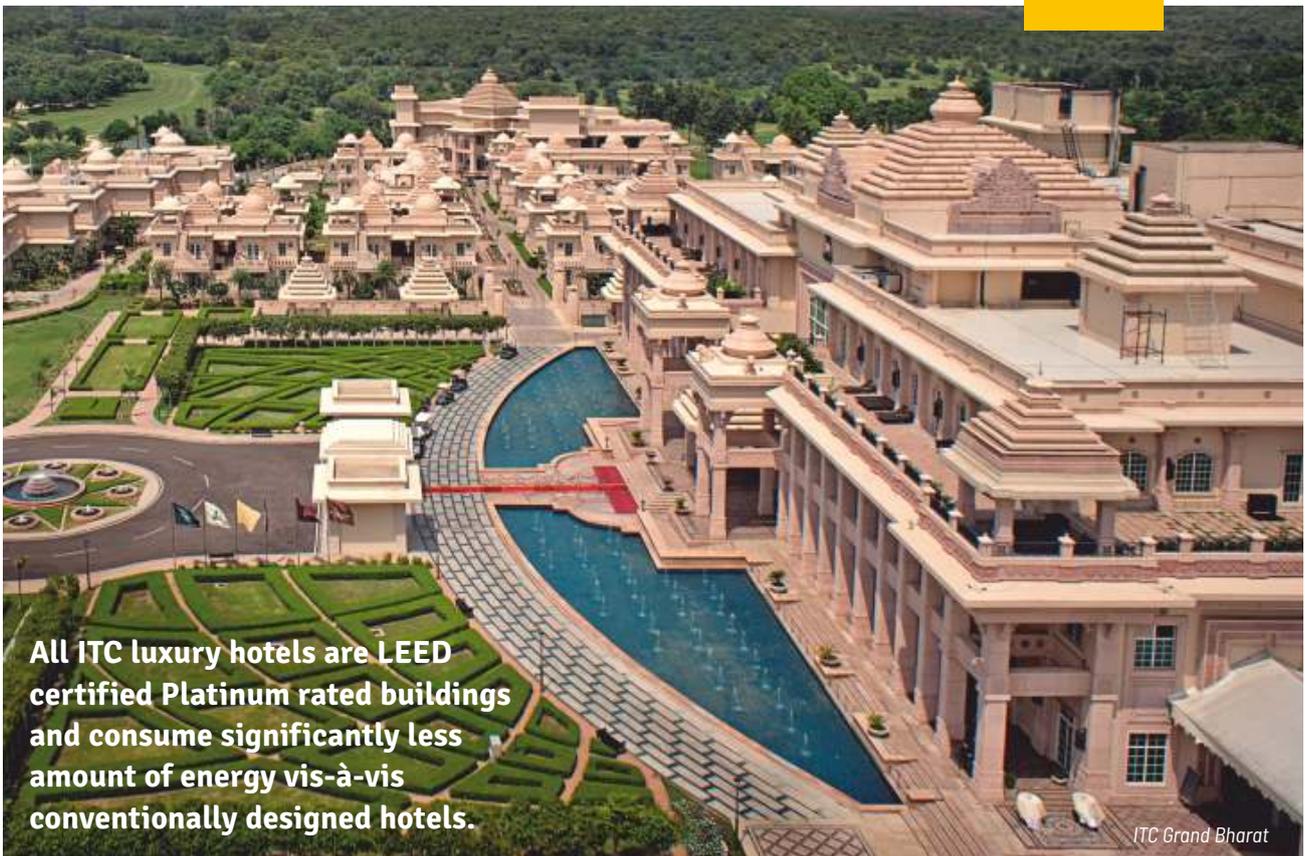
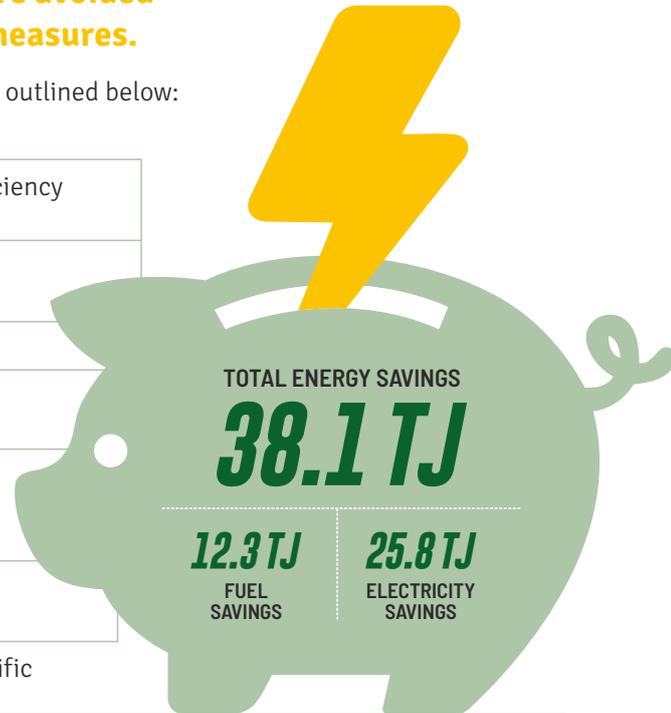
All above figures are rounded off

ENERGY SAVINGS

7,617 tonnes of GHG emissions (scope 1 & 2) were avoided by the implementation of energy conservation measures.

Some of the energy conservation adopted across the ITC units are outlined below:

- Changing over to efficient LED lighting solutions
- Installation of heat pumps and heat pipes for improving the efficiency of Heating, Ventilation & Air Conditioning (HVAC) systems
- Automation of tube cleaning system in HVAC chillers resulting in improved efficiency
- Installation of energy efficient gas burners at ITC Hotels
- Installation of recuperators and thermo-compressors to utilise waste heat
- Installation of Variable Frequency Drives (VFDs) at various belt conveyors, Air Handling Units, Effluent Treatment Plant (ETP) blowers, pumps etc.
- Retrofitting and replacement of motors, pumps and agitators leading to higher energy efficiency
- Process improvements to enhance productivity and reduce specific energy consumption



To view ITC's energy conservation measures in detail, refer the Annexure to the Director's Report in the Annual Report.

ENERGY & CLIMATE CHANGE

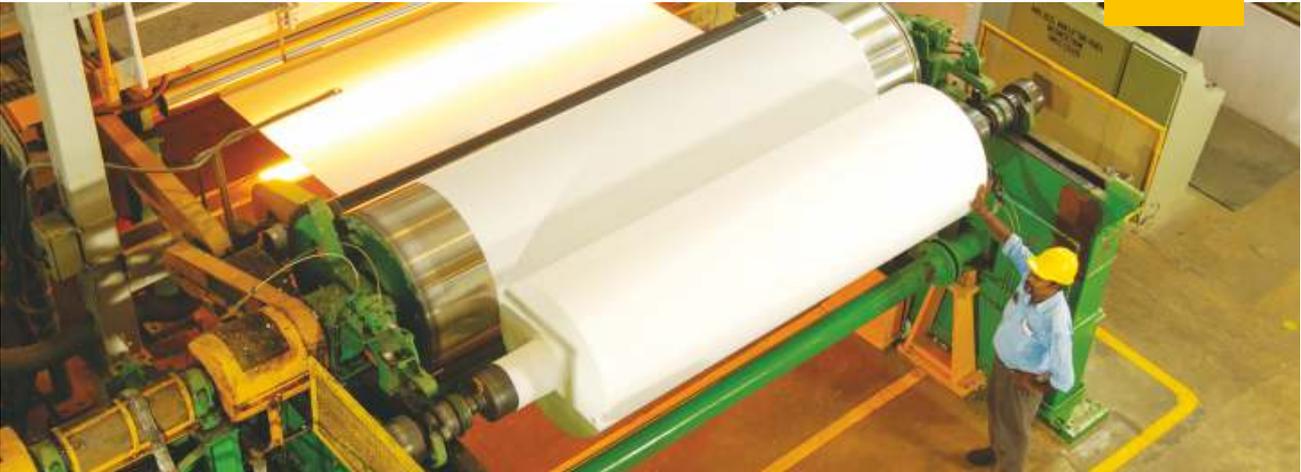
TARGET AND PERFORMANCE

In order to pursue continuous improvement in energy and emissions related performance, ITC Businesses have taken up specific energy as well as specific GHG emission reduction targets. In line with the same, Unit level targets have been allocated for driving performance improvement.

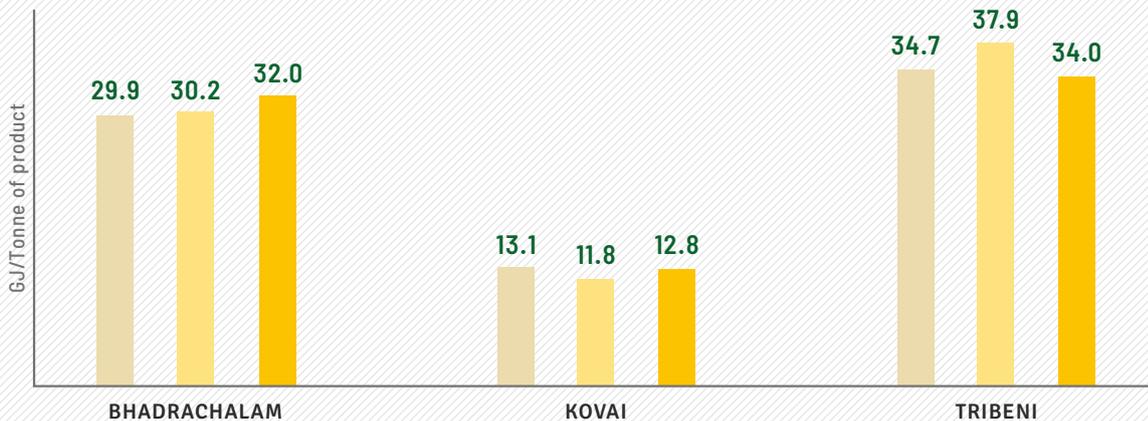
Since the three Units (Bhadrachalam, Kovai and Tribeni) of Paperboards and Specialty Papers Division (PSPD) together account for about 88% of ITC's total energy consumption and 80% of total scope 1 and 2 GHG emissions, greater focus is accorded towards improving the energy performance of these Units. A detailed account of their performance during the reporting period is provided below:

ENERGY

Specific energy consumption of Kovai Unit reduced by 9.6% from last year, however, Bhadrachalam and Tribeni Units saw an increase of 0.9%, and 9.0% respectively during the same period. As stated earlier, the increase in energy consumption at Bhadrachalam Unit because of the commissioning of new BCTMP mill contributed to an overall increase in energy consumption at ITC. However, the Unit did achieve its specific energy consumption target for the year through a number of energy savings measures.



SPECIFIC ENERGY CONSUMPTION

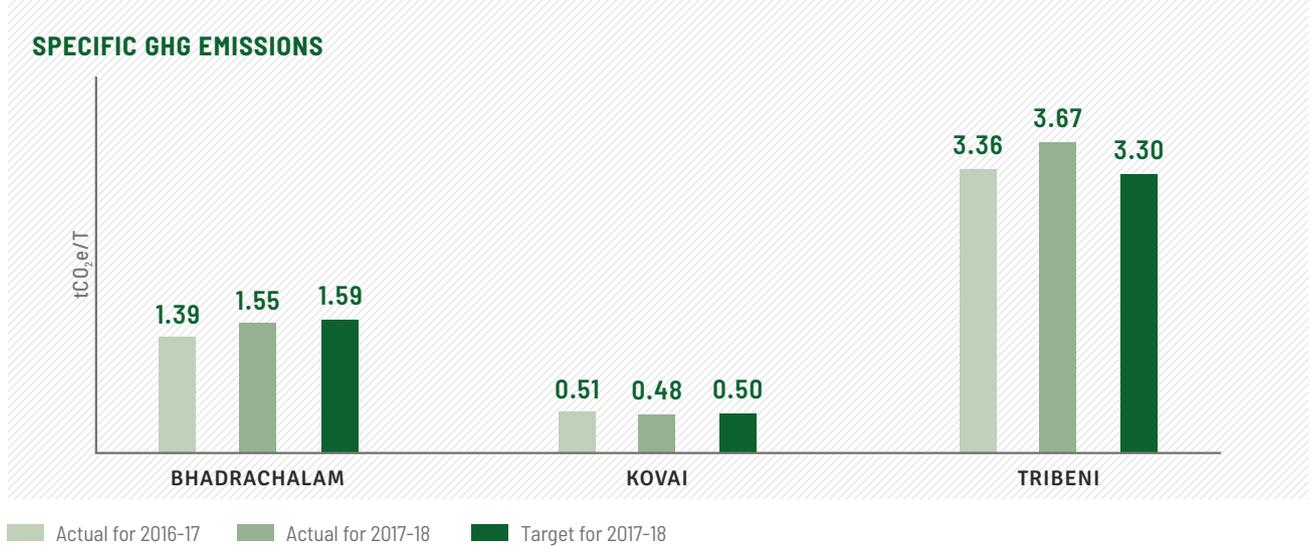


Actual for 2016-17 Actual for 2017-18 Target for 2017-18

In Tribeni Unit, the specific energy consumption increased due to upgradation of one of the paper machines. This upgradation activity and consequent non-availability of the paper machine resulted in lower production leading to higher specific energy consumption. Additionally, shutdown of the main boiler for scheduled maintenance resulted in increase in energy consumption due to operation of a standby boiler with comparatively lower efficiency. In Kovai Unit, significant energy savings measures were taken which has resulted in the Unit achieving its specific energy target.

GHG EMISSIONS

Similar to the trend in specific energy consumption and on account of the same reasons cited above, the specific GHG emissions (covering scope 1 and scope 2) increased for Bhadrachalam and Tribeni Units in the reporting year by 11.2% and 9.5% respectively, whereas for Kovai Unit it decreased by 4.7% during the same period.



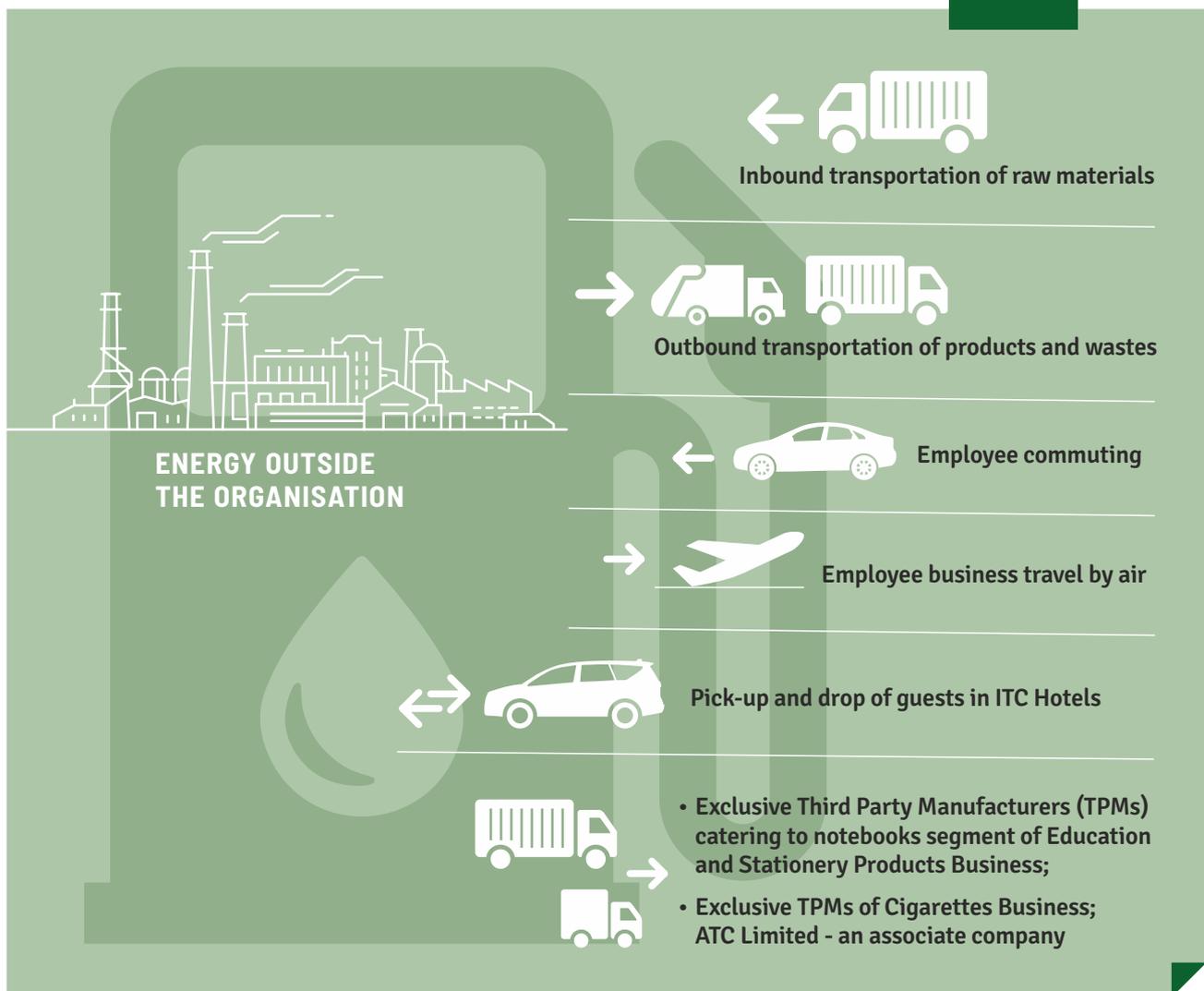
Specific GHG emissions target for 2017-18 was raised for Bhadrachalam Unit as compared to previous year. This was due to planned shutdown of a Soda Recovery Boiler (leading to increased supply of steam from existing coal fired boilers instead of using biomass (lignin)) and expected higher electricity demand from the newly commissioned BCTMP mill (met by the coal based captive power plant).

Despite these reasons, the Unit has been able to meet its specific GHG emission target through a number of energy savings measures and higher utilisation of wind electricity.

ENERGY & CLIMATE CHANGE

BEYOND BOUNDARY

ITC remains focussed on measuring and managing its environmental footprint across the value chain. During the year, FY 2017-18, 3,151 TJ of energy was consumed outside the organisation. Further, Scope 3 GHG emissions stood at 263,642 tCO₂e which includes emissions from the energy sources listed below as well as emissions from fertilizer application in farm forestry programmes.



5.5%
**REDUCTION IN SPECIFIC
SCOPE 3 EMISSIONS
BY OPTIMISING
DISTRIBUTION LOGISTICS**

Trade, Marketing and Distribution Division, which manages logistics of ITC's FMCG Businesses, optimised its distribution logistics in FY 2017-18 leading to a 5.5% reduction in specific Scope-3 emissions (tonnes of CO₂e emission per tonne of product transported) from transportation of FMCG products (Personal Care, Foods and Cigarettes) as compared to previous year.

This was achieved by use of higher capacity vehicles across the supply chain and extensive network de-layering in order to increase direct shipments to destination warehouses, thereby avoiding intermediate movements.

THE ROAD AHEAD

ITC continues to carry out life-cycle assessment (LCA) studies of its products/ services with an objective to evaluate the impacts in the value chain and to identify additional areas for improvement including energy conservation.



MOVING TOWARDS 50% RENEWABLE ENERGY SHARE

- 1** Continued focus on strategic interventions:
 - Energy audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product / service)
 - Investment in renewable energy assets based on techno-commercial feasibility
 - Monitoring and review of performance through Integrated Sustainability Data Management System (ISDMS)
- 2** Redesign of strategy, if warranted, according to the dynamics of the economy

ADDRESSING IMPACTS IN THE VALUE CHAIN

- 1** Progressive accounting of goods and services along the value chain within the sustainability reporting boundary
- 2** Engagement with supply chain members for improvement of environmental performance
- 3** Reduction of environmental impacts in transportation of raw materials, finished goods and wastes

LIFE CYCLE ASSESSMENT STUDIES FOR IDENTIFYING OPPORTUNITIES TO MINIMISE ENVIRONMENTAL IMPACTS ACROSS THE VALUE CHAIN OF PRODUCTS / SERVICES



AIR EMISSIONS

MANAGEMENT APPROACH

Air pollution, primarily caused by vehicular and industrial emissions, has become a major public health issue in recent times. Despite sustained efforts by the government in the form of stricter emissions norms on industries and improving vehicular emissions standards, air pollution continues to remain a challenge in India with 13 out of 92 cities falling in poor or below poor air quality categories¹. Addressing the challenge of air pollution will require concerted efforts by multiple stakeholders.



**ITC'S APPROACH OF PROACTIVELY PURSUING
ENERGY CONSERVATION AND INCREASING THE
SHARE OF ALTERNATE ENERGY
IN ITS ENERGY PORTFOLIO,
SIGNIFICANTLY CONTRIBUTE TO REDUCTION IN AIR EMISSIONS.**

ITC also appropriately invests in pollution control equipment and a robust system of monitoring, measuring and reporting is in place to ensure conformity with environmental standards.

¹ Bulletin of Ambient Air Quality National Ambient Air Quality Monitoring Programme (NAMP) Manual monitoring system, March 2018, prepared by Central Pollution Control Board. (<http://cpcb.nic.in/manual-monitoring/>)

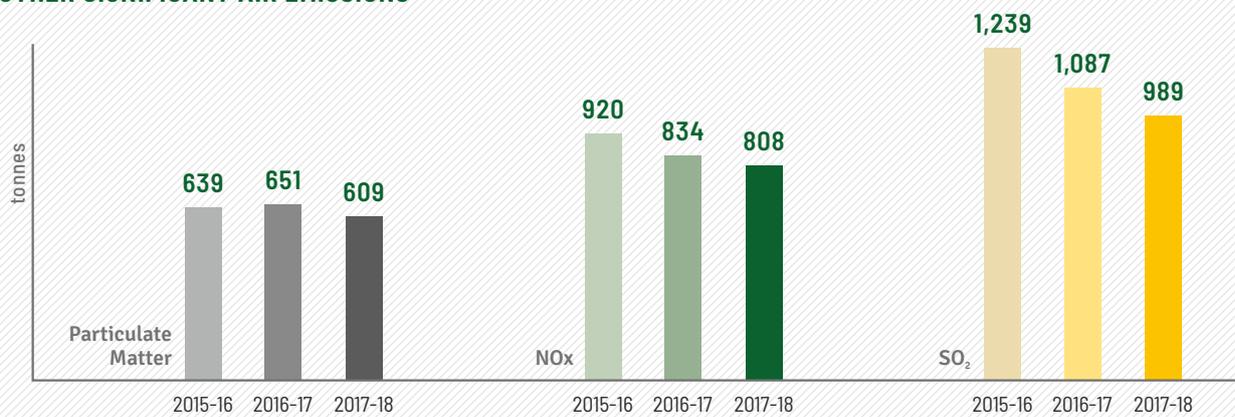
PERFORMANCE

All ITC Units monitor significant air emission parameters, such as Particulate Matter (PM), Nitrogen Oxides (NOx) and Sulphur Dioxide (SO₂) on a regular basis to ensure compliance with applicable Standards as well as continuous improvement.

In FY 2017-18, ITC reduced its total PM, NOx and SO₂ emissions despite an increase in the number of reporting Units.



OTHER SIGNIFICANT AIR EMISSIONS



Improved performance at PSPD Bhadrachalam Unit contributed significantly to reduction in overall PM emissions. This was on account of running the higher efficiency Circulating Fluidised Bed Combustion (CFBC) Boiler for the entire year (commissioned in December 2016) and resolution of technical issues with the Soda Recovery Boiler Electrostatic Precipitator (ESPs) (reported in Sustainability Report 2017).

The reduction in overall SO₂ and NOx emissions was driven by initiatives undertaken at PSPD Tribeni Unit that involved consumption of coal with lower sulphur content and better process control leading to reduction in NOx emissions.

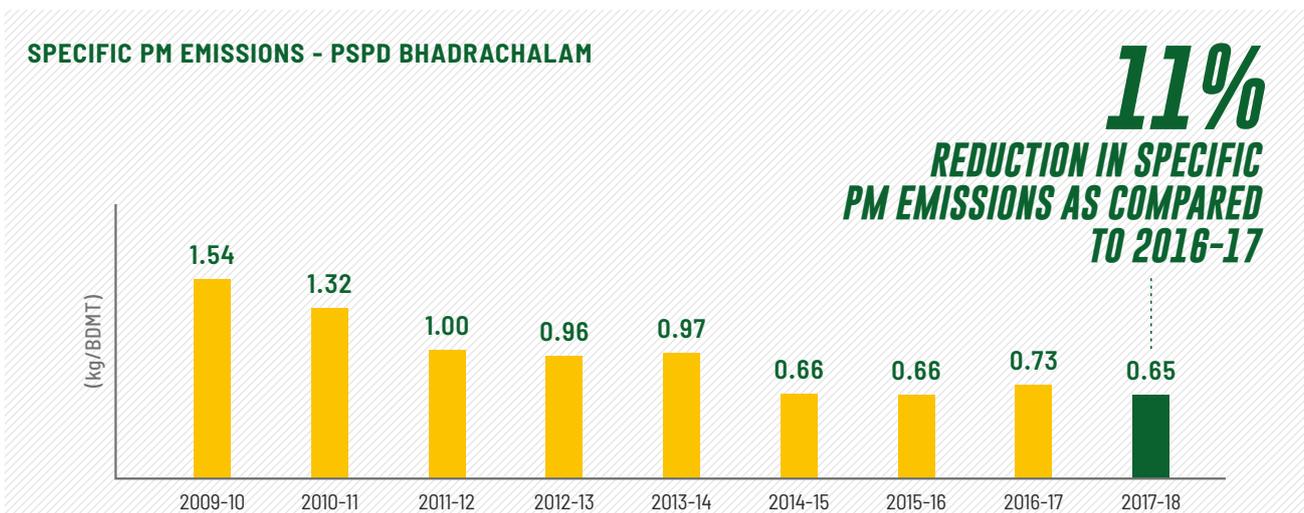
AIR EMISSIONS

AIR EMISSIONS PERFORMANCE AT PSPD BHADRACHALAM

PSPD Bhadrachalam Unit, given its scale of operations, is a major contributor to ITC's total air emissions. The air emissions data at Bhadrachalam Unit is reviewed on a regular basis and compared with industry benchmarks for improving performance. A snapshot of Bhadrachalam Unit's performance is presented below.



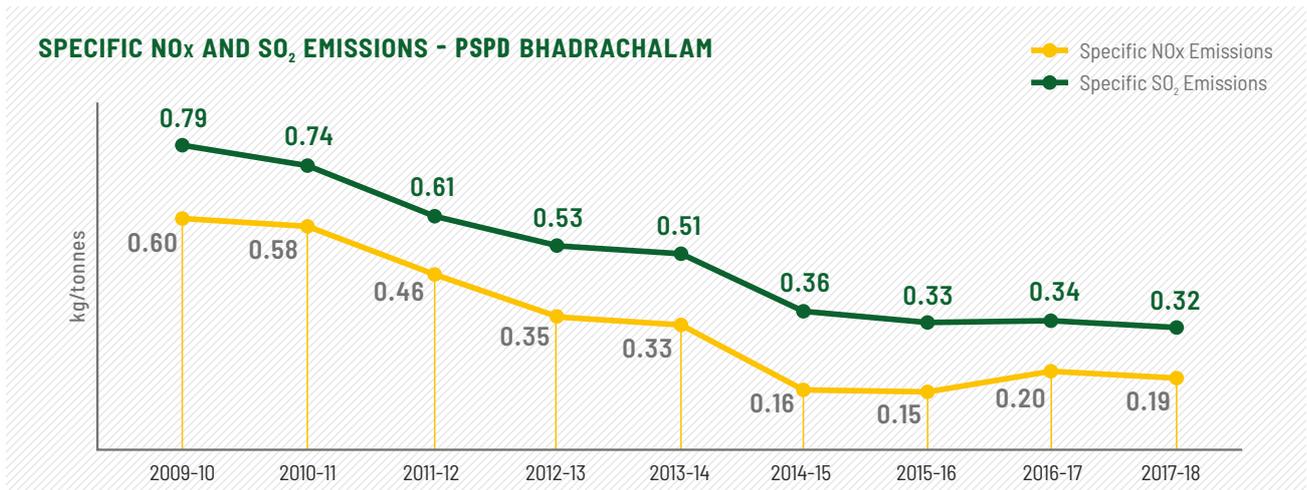
PARTICULATE MATTER



*BDMT stands for Bone Dry Metric Tonne

SO₂ AND NO_x EMISSIONS

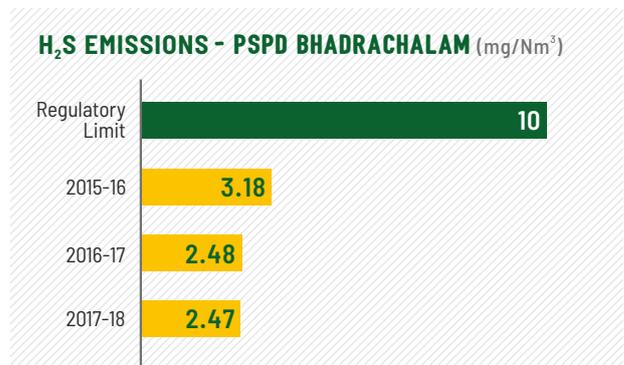
During FY 2017-18, both specific SO₂ and NO_x emissions exhibited a downward trend as compared to the previous year. The reduction in specific SO₂ emissions was driven by lower Sulphur content in coal and better process control led to reduction in NO_x emissions.



HYDROGEN SULPHIDE (H₂S) EMISSIONS

At Bhadrachalam, the primary source of H₂S emissions is the soda recovery boilers in which black liquor is used to produce steam and recover chemicals.

In FY 2017-18, better process control resulted in a slight reduction in H₂S emissions as compared to FY 2016-17 levels.



OZONE DEPLETING SUBSTANCES (ODS)

In FY 2017-18, the total consumption of ODS across Units stood at 79 kg of CFC-11 equivalent. ITC is working towards phasing out ODS from its operations through following interventions:

Procurement of new equipment that are free of Chlorofluorocarbons (CFC), Halons and Methyl Chloroform (MCF)

Replacement of all existing equipment using ODS well before the stipulated phase-out period

Ensuring safe recovery & disposal of ODS through authorised recyclers for equipment undergoing replacement

Regular monitoring of ODS levels in order to ensure reduction in consumption levels over time

THE ROAD AHEAD

- Energy conservation measures identified through audits, benchmarking against industry standards and setting targets for progressively reducing energy as well as air emissions
- Investment in alternate energy sources - wind and solar
- Investment in state-of-the-art pollution control equipment
- Monitoring, measurement and reporting of ITC's emissions for driving performance

WATER MANAGEMENT

MANAGEMENT APPROACH

Water is a fundamental human need and is essential for maintaining ecological balance. Today, water scarcity already affects four out of every ten people.¹ NITI Aayog in its report titled 'Composite Water Management Index'² warns that India is undergoing the worst water crisis in its history with more than 600 million people³ subjected to high and extreme water stress.

The critical groundwater resources, which account for 40% of India's water supply, are being overexploited and 21 cities including New Delhi, Bengaluru, Chennai and Hyderabad will run out of groundwater by 2020, affecting 100 million people. The report further estimates that 6% of GDP will be lost by 2050 due to water crisis under the BAU (business as usual) scenario.

The 2030 Water Resources Group Report also paints a similar picture. According to it, India would face a 50% aggregate gap between projected water demand and current water supply due to rapid growth in agricultural, municipal and domestic demand. The gap may further worsen due to risks posed by climate change.



With water scarcity increasingly becoming an area of concern, ITC continues to focus on an integrated water management approach that includes investing in water conservation measures and rainwater harvesting initiatives at its Units. While ITC has achieved a unique position in water resource management through well-crafted strategies, efforts are now being channelised to achieve water security for all stakeholders within the defined catchment areas of Units located in high water stress areas.

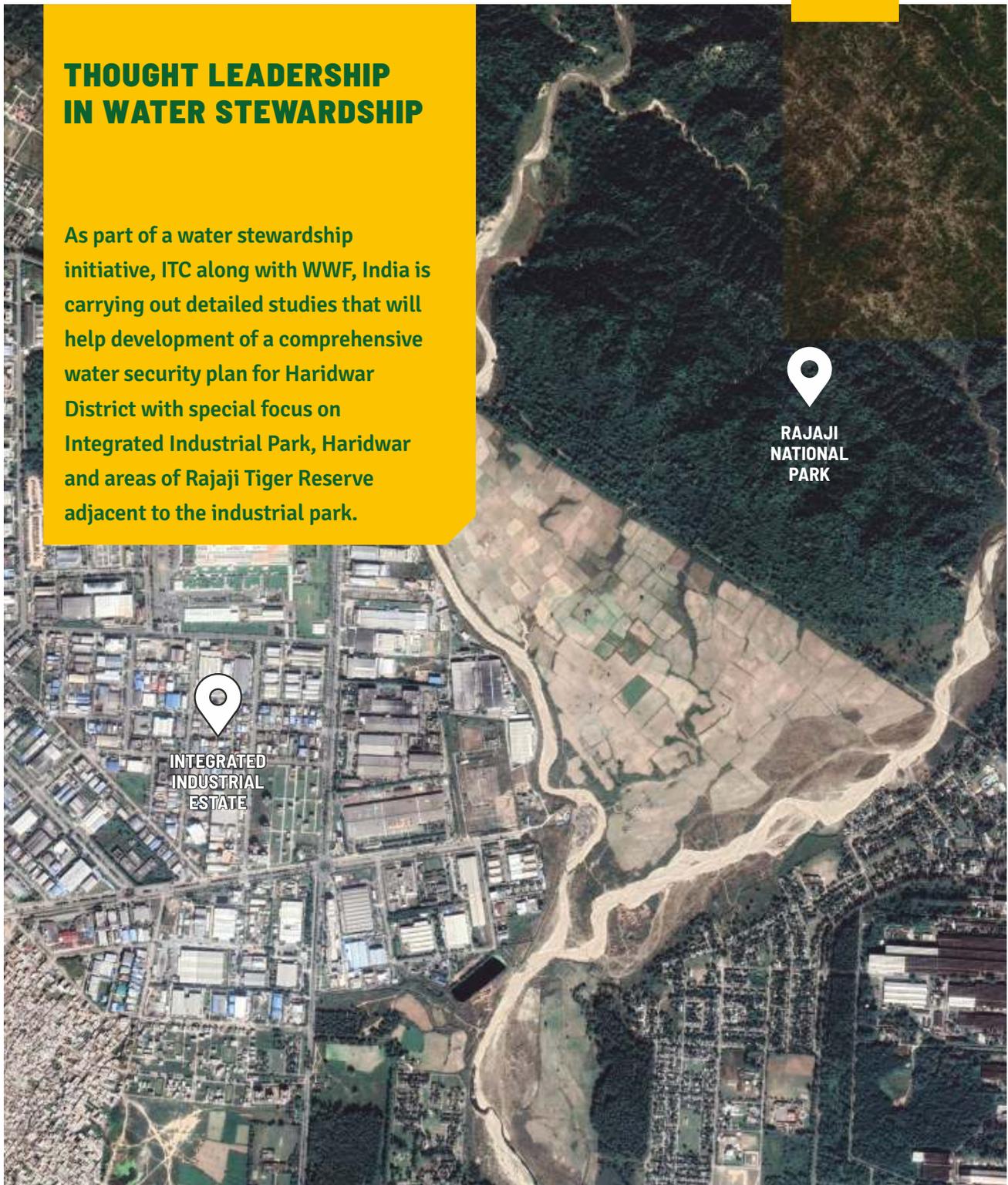
ITC acknowledges that water is a crucial input for its operations and impacts the entire value chain. Therefore, ITC engages actively with agencies like Alliance for Water Stewardship (AWS), World Business Council for Sustainable Development (WBCSD), and International Water Management Institute (IWMI) to exchange ideas and experiences and develop a shared-understanding of complex social and technical issues related to water.

¹ United Nations, Water, viewed on 20th June, 2018, <http://www.un.org/en/sections/issues-depth/water/> | ² NITI Aayog - Composite Water Management Index, June 2018 <http://pibphoto.nic.in/documents/rlink/2018/jun/p201861401.pdf> | ³ Maps Explain India's Growing Water Risks by Tien Shiao, Andrew Maddocks, Chris Carson and Emma Loizeaux - published on February 26, 2015 by World Resources Institute, viewed on 20th June, 2018, < <http://www.wri.org/blog/2015/02/3-maps-explainindia%E2%80%99s-growing-water-risks>

ITC is carrying out comprehensive studies through credible agencies in assessing water use at Units and subsequently implementing specific interventions to help improve water usage efficiencies and augment the supply of water for all stakeholders within the catchment areas.

THOUGHT LEADERSHIP IN WATER STEWARDSHIP

As part of a water stewardship initiative, ITC along with WWF, India is carrying out detailed studies that will help development of a comprehensive water security plan for Haridwar District with special focus on Integrated Industrial Park, Haridwar and areas of Rajaji Tiger Reserve adjacent to the industrial park.



INTEGRATED
INDUSTRIAL
ESTATE

RAJAJI
NATIONAL
PARK

WATER MANAGEMENT

STRATEGIC PRIORITIES FOR WATER RESOURCE MANAGEMENT

Based on the ever-evolving water scenario, ITC has identified its water related challenges and corresponding actions to address the same.

CHALLENGES FROM WATER STRESS

WITHIN BOUNDARY

- With continuous decline in ground water and dying of rivers, it has become even more challenging for businesses to meet their water intake requirements
- Regulatory limits on water withdrawal for businesses

BEYOND BOUNDARY

- Over 50% of the workforce depends on agriculture for their principal means of livelihood
- Around 53% of India's total sown area meets its water requirements from rainwater. Any significant disruption in rainfall patterns resulting from climate change may lead to adverse impacts on agricultural yields
- Since, water is a crucial input for agricultural supply chain as well as production, business operations may get affected due to potential disruption in water availability
- India's water supply remains constrained owing to inefficient use of water, over exploitation of ground water reserves without adequate recharge and variations in surface water availability
- Deteriorating water quality requires additional treatment for rendering it usable and entails additional expenses

ITC ACTION ITEMS

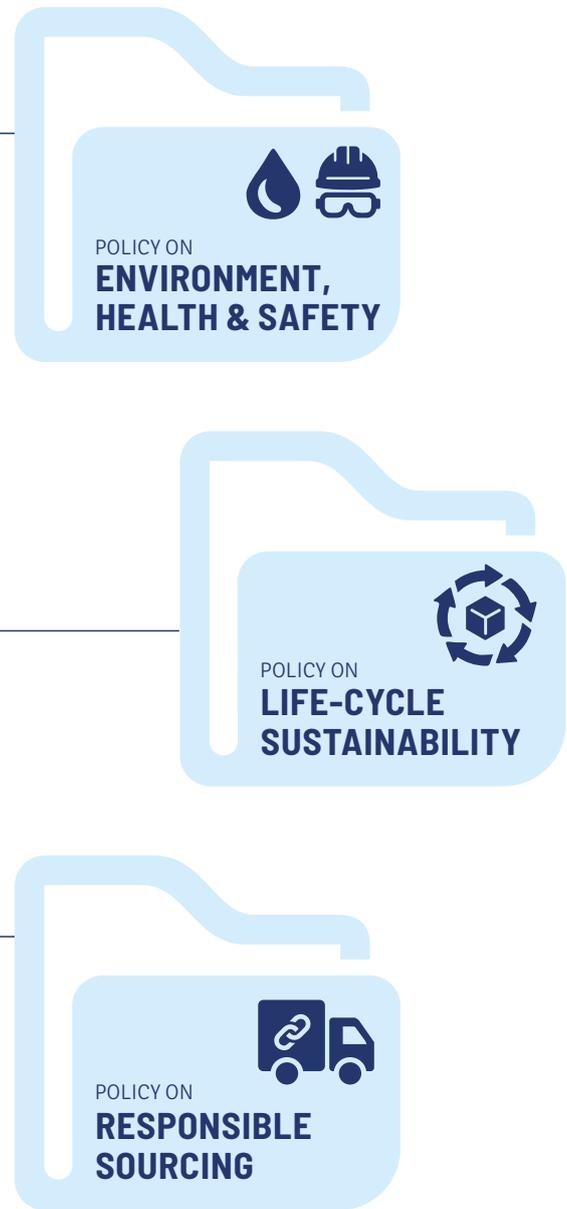
- Continuous monitoring of water use efficiency by progressively reducing specific water intake (water per unit of product/service)
- Focus on recycling/reusing of all treated effluents within or outside ITC premises
- Continued investment in creating rainwater harvesting potential, within and outside Company premises
- Conducting water security studies and hydrogeological assessments for operating units located in high water stressed areas. ITC has also made water security assessment an integral part of greenfield/brownfield project design & development
- Implementation of recommendations emerging from water security studies



- Ensuring sustainability of agriculture through integrated watershed development including rainwater harvesting, soil and moisture conservation projects, and aquifer recharge projects particularly in regions from where ITC sources its raw materials
- Grassroot capacity building for setting up proper governance mechanisms to ensure accountability with respect to efficient water usage in agriculture
- Engagement with external stakeholders for assessment and mitigation of water related risks at the local watershed level

ITC'S SUSTAINABILITY POLICIES

Addressing these Challenges



WATER MANAGEMENT

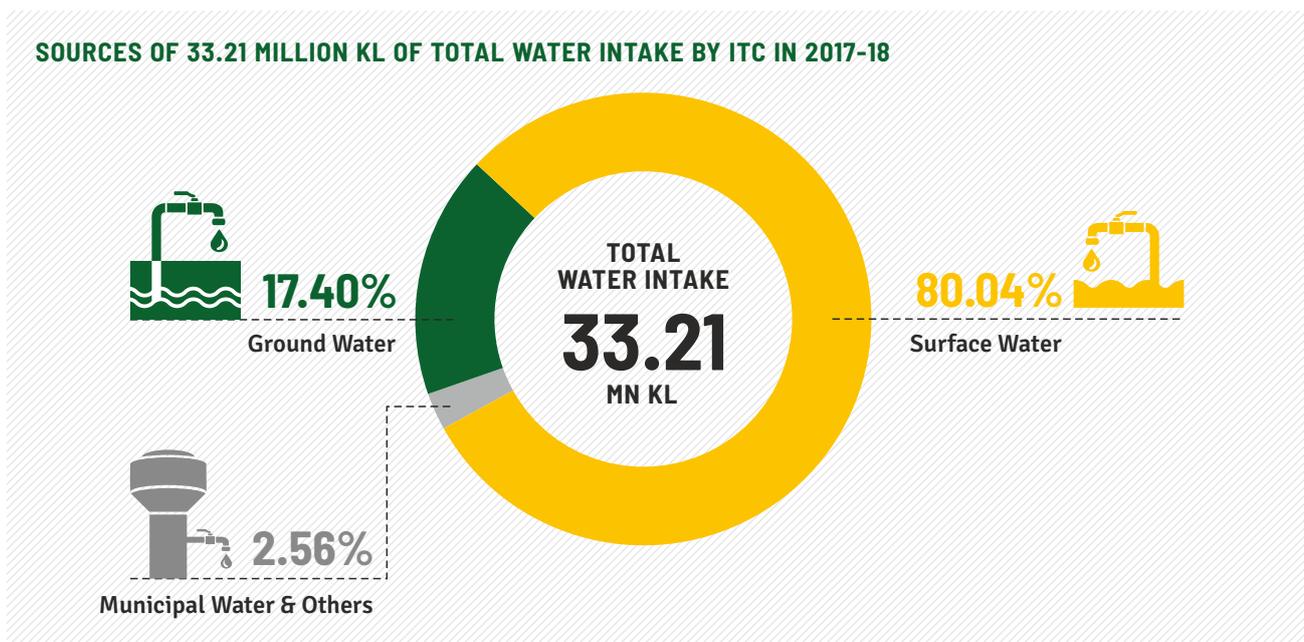
PERFORMANCE

In 2017-18, ITC's total water intake was 33.21 million kilolitres (kl), an increase of 6% over the previous year (31.29 million kl in 2016-17). This is primarily due to inclusion of new Units into the reporting boundary and the commissioning of the Bleached Chemical Thermo Mechanical Pulp (BCTMP) mill at the Bhadrachalam Unit of Paperboards & Specialty Paper Business (PSPD). The BCTMP mill allows for substitution of imported pulp with in-house pulp.

TOTAL WATER INTAKE BY SOURCE

Out of 33.21 million kl of total water intake in FY 2017-18, 80.04% was sourced from surface water, 17.40% from ground water sources and the remaining 2.56% from municipal and other water sources.

In order to drive continuous improvement, all ITC Units have systems to monitor the specific water intake (total water intake per unit of product/ service).



TOTAL WATER INTAKE OF PSPD UNITS

In FY 2017-18, PSPD Units accounted for around 89% of ITC's total water intake. The Company, therefore, continues to pay greater focus to water conservation and specific water intake reduction at these Units.

■ PAPERBOARDS UNIT - BHADRACHALAM

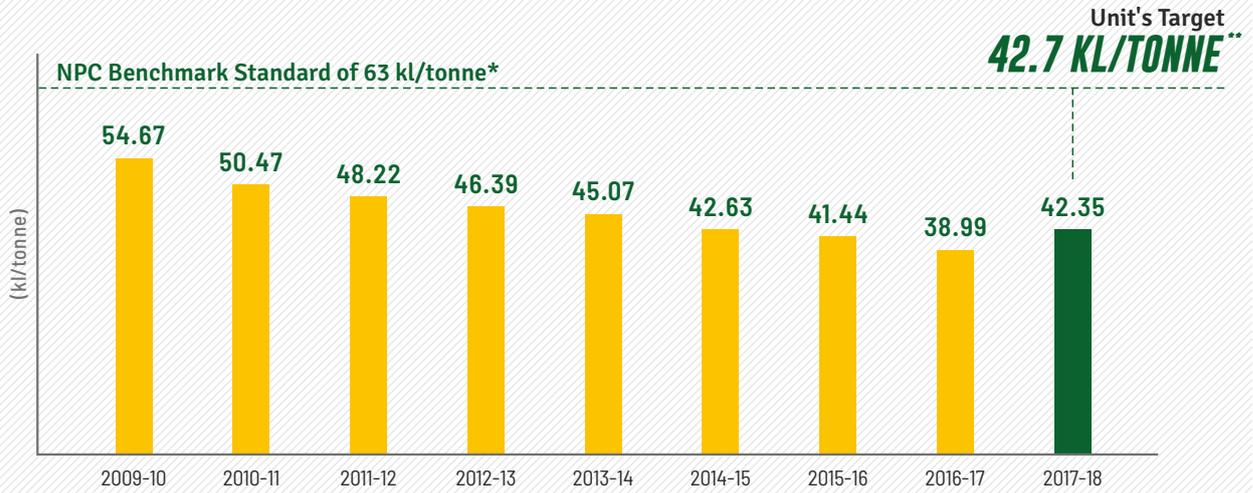
PSPD Bhadrachalam is India's largest integrated pulping and paperboard manufacturing Unit. Since Pulp and Paper Industry is highly water intensive, ITC has made significant investments in the last two decades to address this aspect.

In FY 2017-18, Bhadrachalam Unit accounted for 77.37% of the total water intake by ITC. The specific water intake of the Unit increased to 42.35 kl / tonne from 38.99 kl / tonne during the previous year to

accommodate for the additional water demand from newly commissioned BCTMP mill. The increased requirement of electricity in the BCTMP mill was mainly supplied from the captive thermal power plant, which in turn led to a corresponding increase in steam demand and therefore, water consumption.

The Unit is recycling the water discharged from the BCTMP mill within the Unit and additional efforts are underway to achieve reduction in specific water intake.

SPECIFIC WATER INTAKE - PSPD BHADRACHALAM



*Proposed National Productivity Council (NPC) Benchmark Standard of 63 kl/tonne for large scale integrated pulp and paper mills. (Reference: Final Report on Development of Guidelines for Water Conservation in Pulp and Paper Sector by NPC, New Delhi, March 2006.)

** The target of specific water intake was revised to 42.7 kl/ tonne to accommodate the additional water demand from the newly commissioned BCTMP mill.

SPECIALTY PAPERS UNIT - TRIBENI

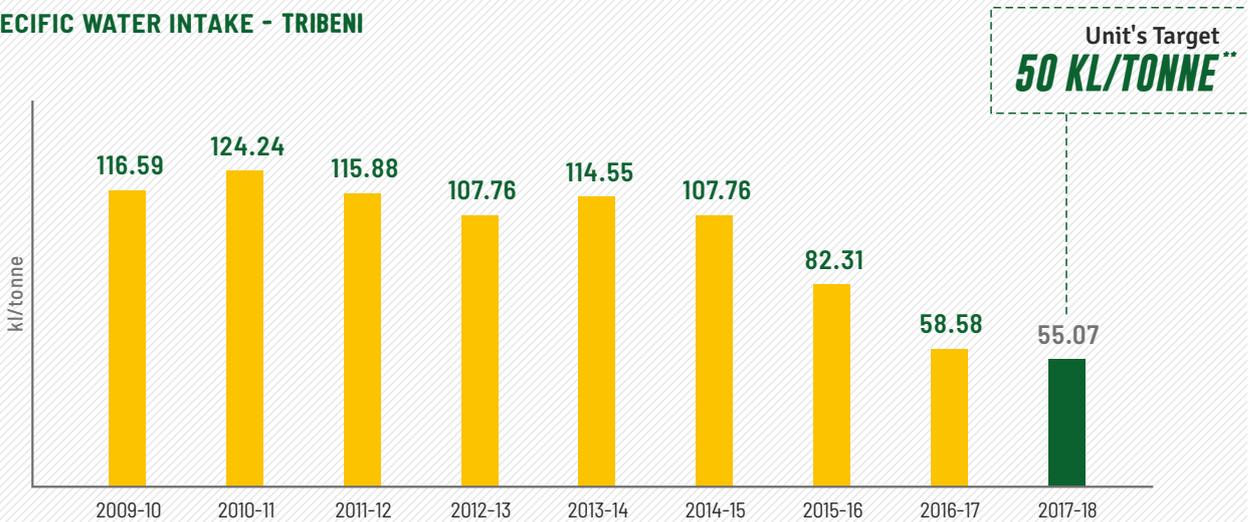
Tribeni Unit manufactures specialty paper, which is water intensive as well. For the reporting period, Tribeni Unit's specific water intake was 55.07 kl/ tonne which represented a reduction of 5.98% over last year on account of several measures implemented at the unit like process improvements and increased use of tertiary treated waste water in process applications.

The Unit however could not reach its target due to the delay in commissioning and stabilisation of the new

paper machine which led to production targets being trimmed and consequently a higher specific water intake.

Efforts for conserving water and getting the production back on track from the newly commissioned paper machine are underway and the corresponding effect on water savings and specific water intake will be reflected in the following year.

SPECIFIC WATER INTAKE - TRIBENI



*There is no specific NPC benchmark Standard for Specialty Paper Manufacturing

** The target of specific water intake for 2017-18 was revised to 50 kl/ tonne

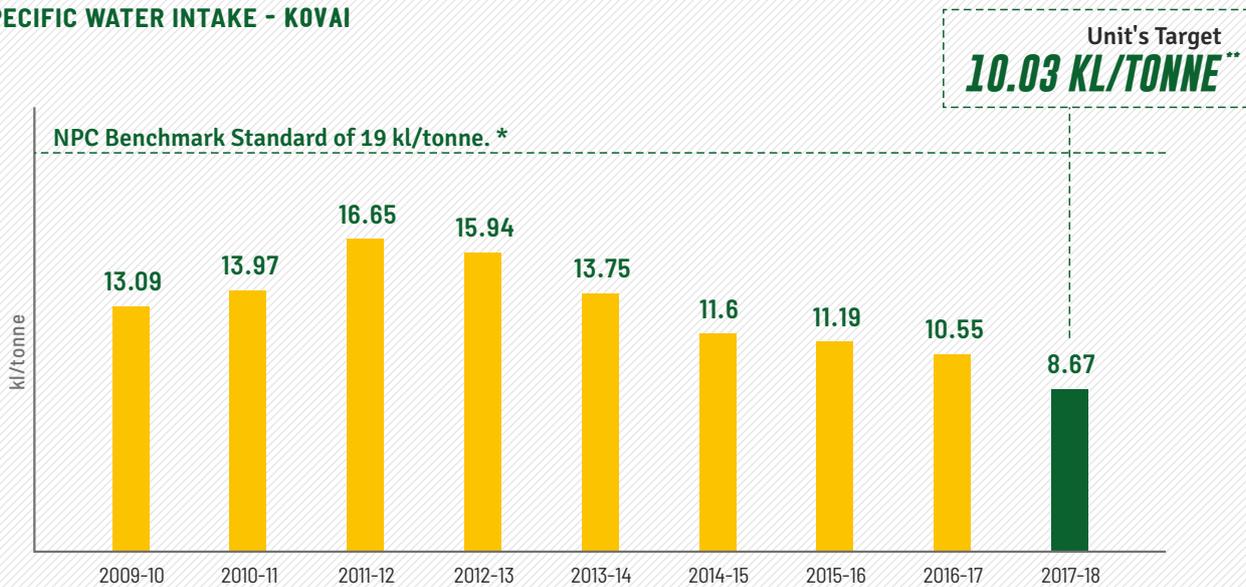
WATER MANAGEMENT

■ PAPERBOARDS UNIT - KOVAI

At Kovai, water conservation measures undertaken at the paper mill and on the utilities front resulted in a reduction in specific water intake from 10.55 kl / tonne in FY 2016-17 to 8.67 kl / tonne in FY 2017-18. Reuse of treated waste water in the process allowed the Unit to exceed its specific water intake target of 10.03 kl / tonne. The persistent efforts of the Unit for conserving water are evident in the decreasing trend of specific water intake depicted below.



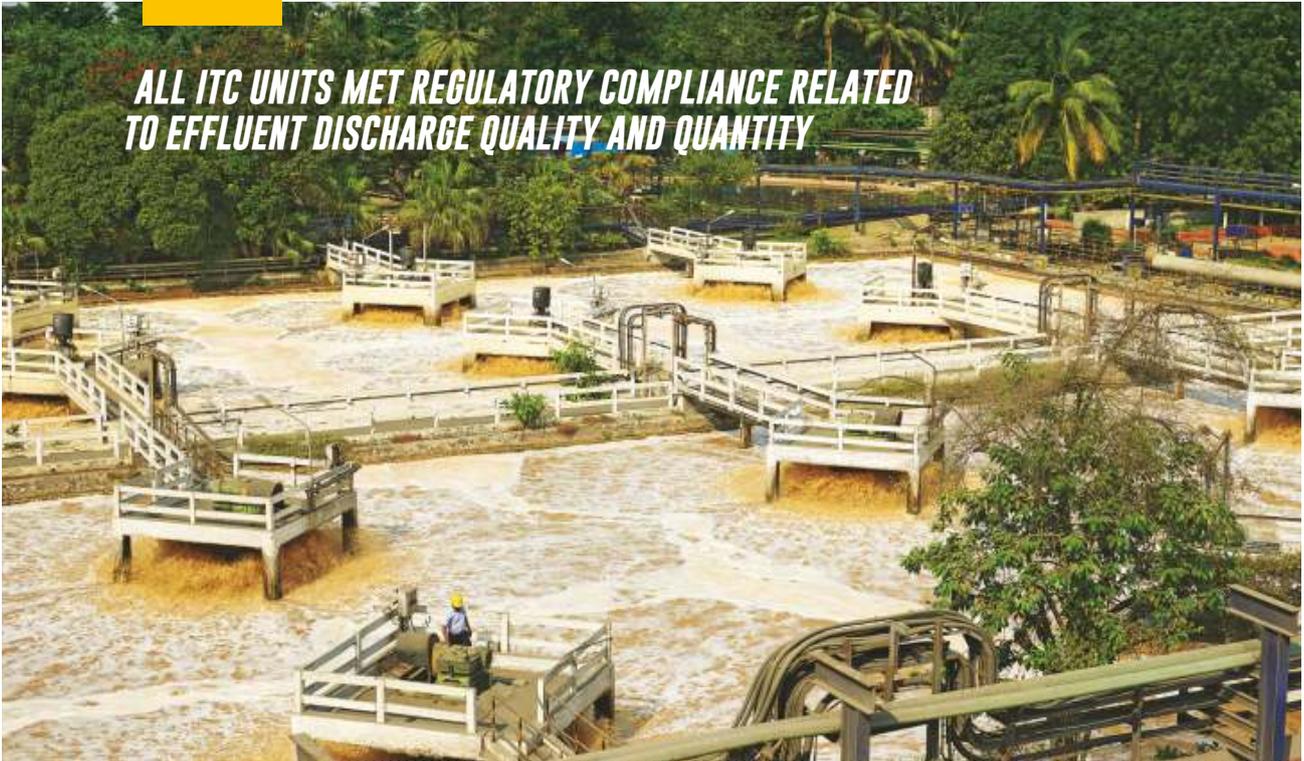
SPECIFIC WATER INTAKE - KOVAI



* Proposed NPC Benchmark Standard of 19 kl / tonne for recycled fibre based paper mills

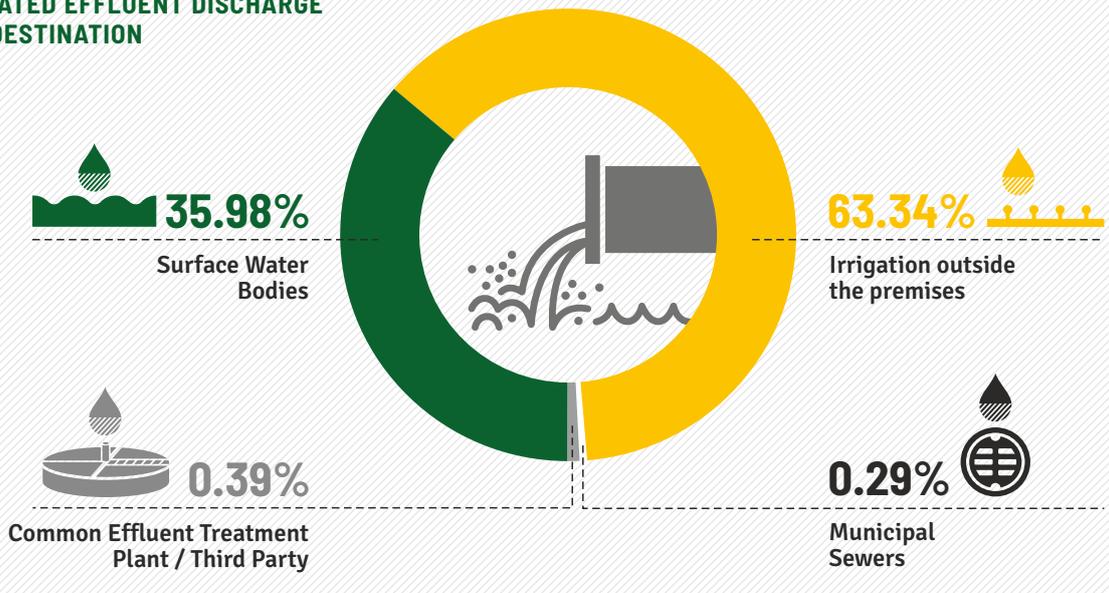
** The target of specific water intake for FY 2017-18 was revised to 10.03 kl/ tonne

EFFLUENT DISCHARGE



ALL ITC UNITS MET REGULATORY COMPLIANCE RELATED TO EFFLUENT DISCHARGE QUALITY AND QUANTITY

TREATED EFFLUENT DISCHARGE BY DESTINATION



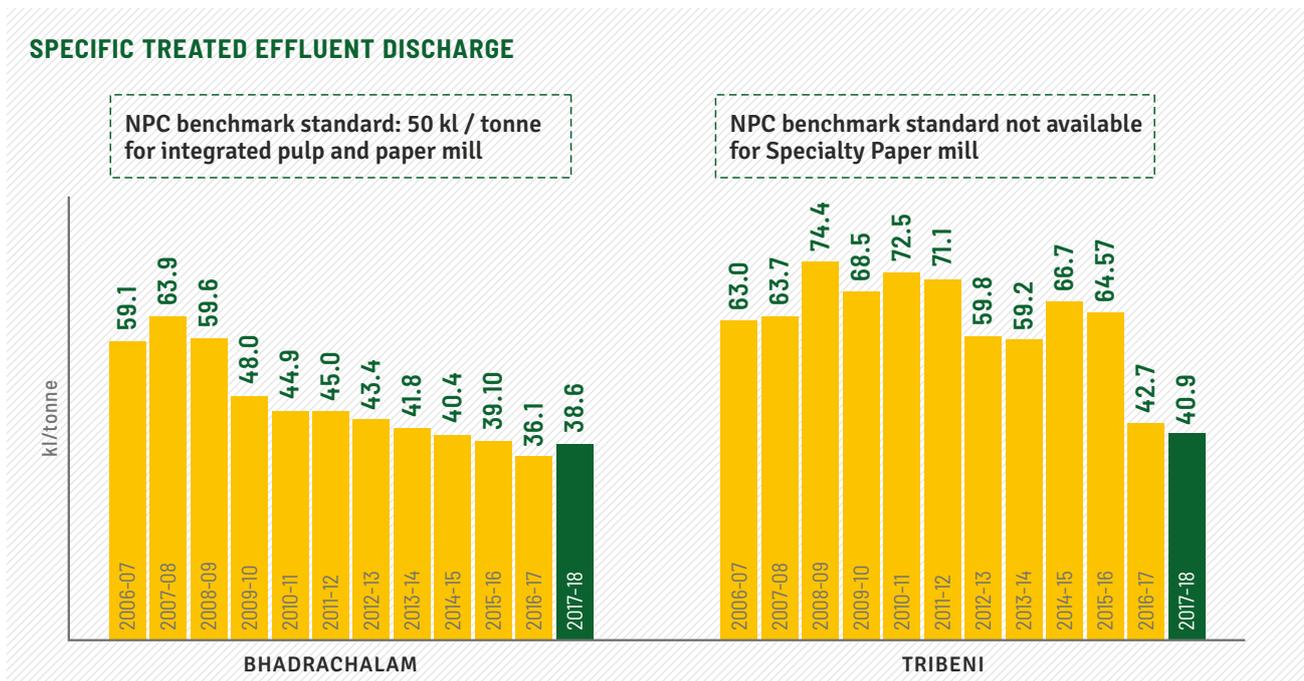
23.57 million kl of treated effluent was discharged outside the premises by ITC Units in FY 2017-18.

WATER MANAGEMENT

PSPD Units at Bhadrachalam and Tribeni accounted for 98.83% of total treated wastewater discharged outside the premises, out of which overall 63.59% of the discharge was utilised for irrigation purposes. Therefore, specific focus has been accorded to the performance of these two Units in terms of treated effluent discharge volume as well as quality.

Bhadrachalam Unit's specific treated effluent discharge stands at 41.1 kl/BDMT which is in line with the European pulp and paper industry's benchmark figure of 47 kl/ BDMT.⁴

⁴ Technical EIA Guidance Manual for Pulp and Paper Industries- IL&FS Environment.

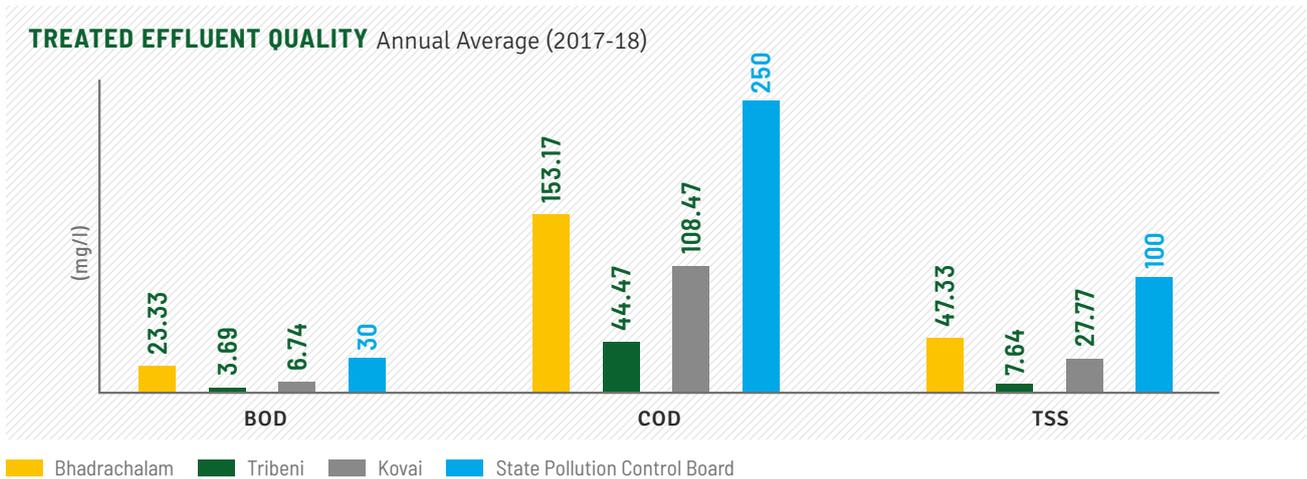


While Bhadrachalam Unit saw a marginal increase in specific treated effluent discharge, it was well within the benchmark standard. At Tribeni Unit, specific treated effluent discharge has consistently been decreasing since FY 2014-15.

Since FY 2010-11, the wastepaper-based pulp and paper mill at Kovai has not discharged any treated effluent outside its premises. In FY 2017-18, the specific treated effluent discharged within the unit for irrigation is 3.3 kl/tonne, which is significantly lower than the proposed NPC standard of 15 kl/tonne.



The quality of the treated effluent from Paperboards and Specialty Papers Units has been maintained at levels well below the stipulated norms by the State Pollution Control Board (SPCB).



At the Bhadrachalam Unit, levels of Adsorbable Organic Halides (AOX) is also monitored. These compounds are formed as a result of reaction between residual lignin from wood fibres and chlorine compounds used for bleaching. Depicted below is the Specific AOX Level for Bhadrachalam Unit for FY 2017-18 showing that the Level is well below the norm stipulated by Ministry of Environment, Forest and Climate Change (MoEFCC) as well as national and international benchmarks.

	Reference	Specific AOX Level (Kg/tonne of finished product)
BHADRACHALAM UNIT	-	0.01
MoEFCC Standard	http://www.moef.nic.in	1
Indian Paper/Paperboard Mills	Average as per Comprehensive Industry Document for Large-Scale Paper Mills, study conducted by Central Pulp and Paper Research Institute, 2007	0.46 - 0.8
European Paper Industries	Confederation of European Paper Industries (CEPI)'s Key Statistics 2016	0.023
International Finance Corporation (IFC) Standard	'Environmental, Health, and Safety Guidelines Pulp and Paper Mills', IFC, December 10, 2007	0.25

IMPACTS IN THE VALUE CHAIN

In line with the Board approved Policies on Life-cycle Sustainability and Responsible Sourcing, ITC had initiated the process of accounting for water intake of supply chain members in FY 2014-15.

In the coming years, ITC intends to include more supply chain members within the reporting boundary.

In FY 2017-18, the total water intake for ATC Limited (an associate Company) and two exclusive third party manufacturers for the Cigarettes Business taken together was 24,369 kl, a decrease of 7% over the previous year (26,093 kl in FY 2016-17).

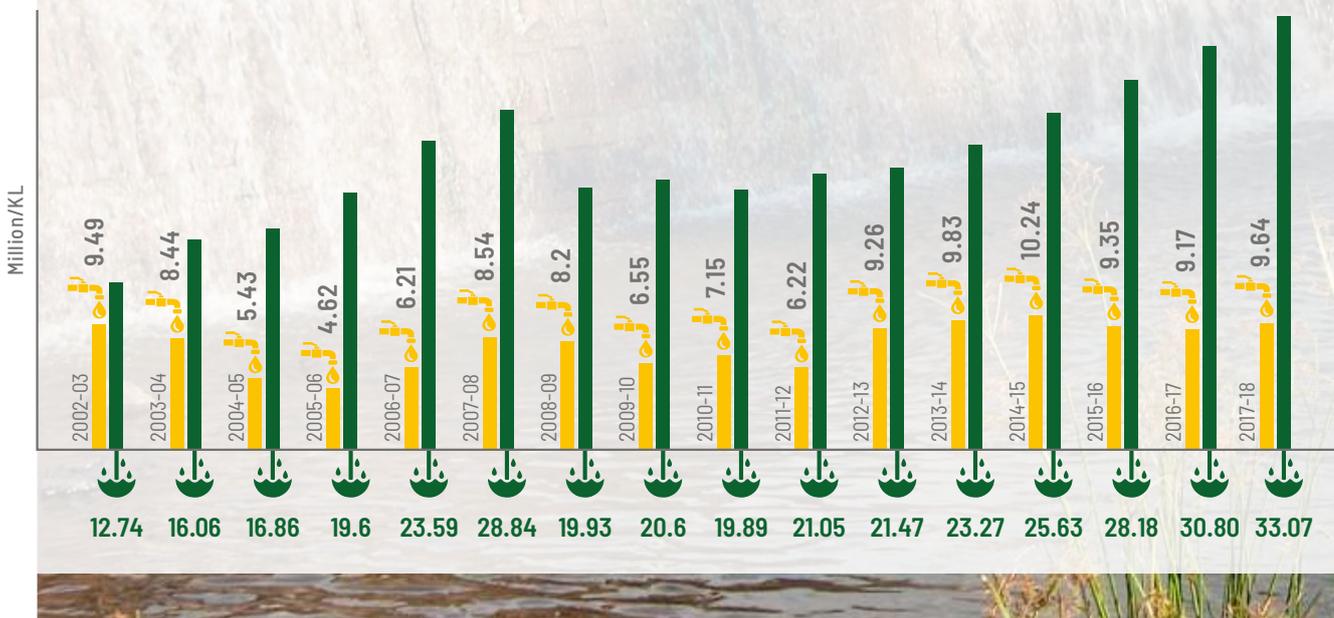
WATER MANAGEMENT

CREATING RAINWATER HARVESTING POTENTIAL

Over the years, ITC has been creating rainwater harvesting potential through extensive investments in its Integrated Watershed Development Projects. As on March 31, 2018, these projects covering 874,496 acres of land have supported the Water Positive status of the Company for 16th year in a row. Please refer to 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' chapter of this Report for more information.



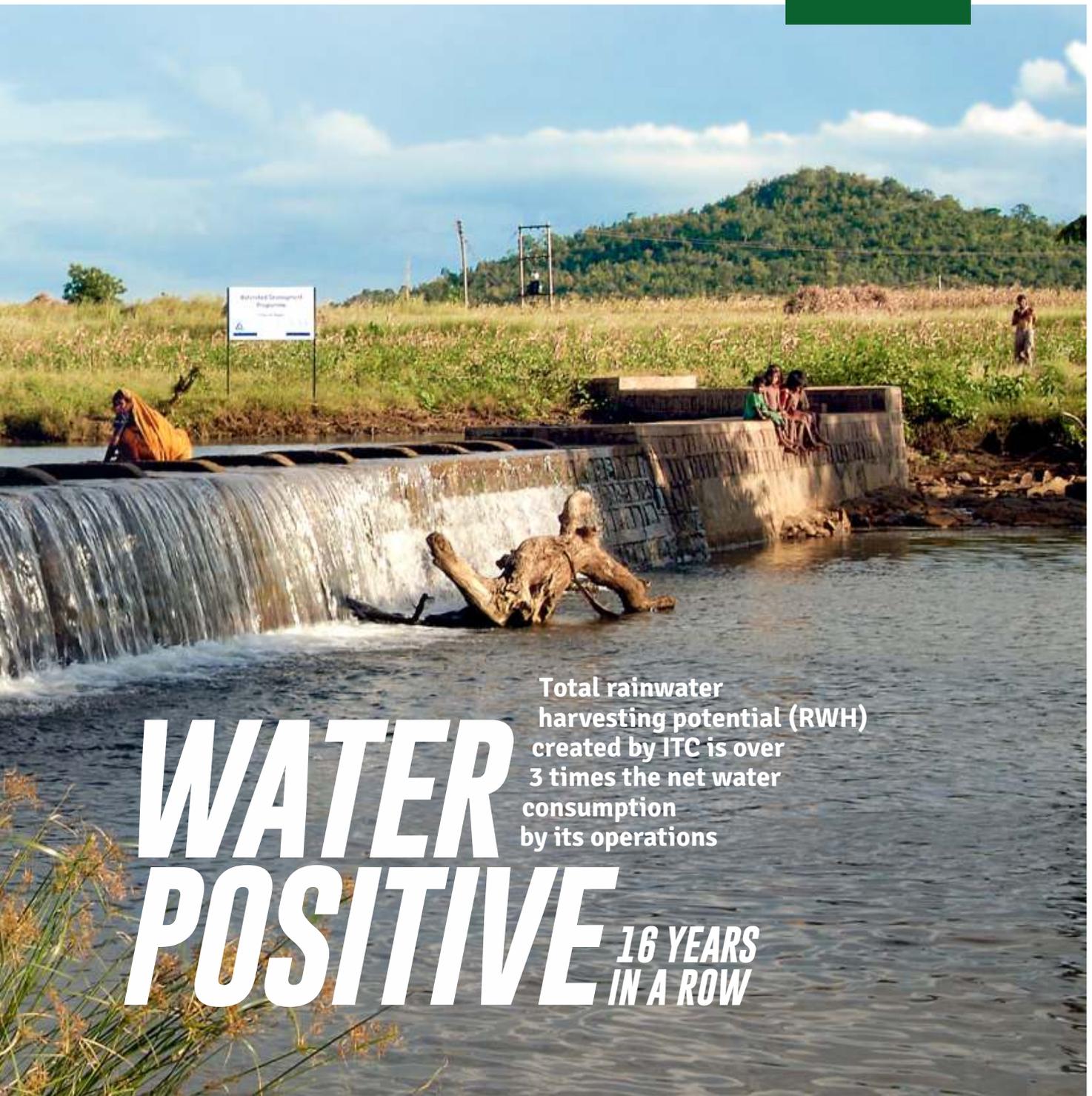
WATER BALANCE



Net Water Consumption (= Fresh Water Intake - Treated Effluents Discharged)

Total RWH Potential created for the year (= RWH Potential created within ITC Units + RWH potential created through watershed projects cumulative for that year)

From the year 2008-09, a factor based on sample measurements is being used to account for reduction in storage capacity due to siltation of all RWH surface storage bodies created inside and outside the company premises.



**WATER
POSITIVE** *16 YEARS
IN A ROW*

Total rainwater
harvesting potential (RWH)
created by ITC is over
3 times the net water
consumption
by its operations

WATER MANAGEMENT

CASE STUDY

WATER STEWARDSHIP EFFORTS IN MALUR BLOCK

ITC has a food production Unit and a warehouse at Malur Block in Kolar district of Karnataka, having a water requirement of approximately 68,000 kl per annum. The uncertainty and heterogeneity of hard rock aquifer system of the area combined with anthropogenic factors such as rapid urbanisation, change of agricultural patterns and breakdown of traditional cascading tank system has resulted in the failure of bore wells in the region including those within the Unit.

INTERVENTION

In line with the criticality of the overall situation within the factory as well as the surrounding area, ITC has been working towards water stewardship outcomes in the catchment.

Within the Unit, several measures have been taken to ensure maximum water use efficiency such as reuse of fryer vapour exhaust, additional condensate recovery system, reuse of ETP treated water for gardening and toilet flushing.

The Unit is constantly working towards continuous improvement of water use efficiency in processes and utilities.

Outside the Unit, a groundwater assessment study by Urdhvam supplemented with a detailed hydrogeological study by Geovale at the local level (20 sq. km around factory) and regional level (100 sq. km around factory). Based on the results of these studies, interventions have been initiated within the Unit premises as well as in 4 watersheds surrounding the Unit (accounting to 5000 ha).

Majority of the land within the watersheds is used for agriculture with 60% of the farmland being rain fed. Considering this, ITC has initiated several

capacity building activities to address the demand side of the issue.

These include creation of village level institutions to govern water use, trainings on water conservation, awareness campaigns about the ground water scenario in the area, farmer field schools for promoting farmer interaction with experts and demonstration of better agricultural practices.

These interventions are being carried out in close coordination with various government schemes as well as through collaboration with research institutes, various public sector agencies, etc.

On the supply front, interventions as building of water harvesting and recharge structures, revival of deep farm ponds and open wells (kalyanis), rejuvenation of traditional cascading tank system and their feeder channels have been initiated.

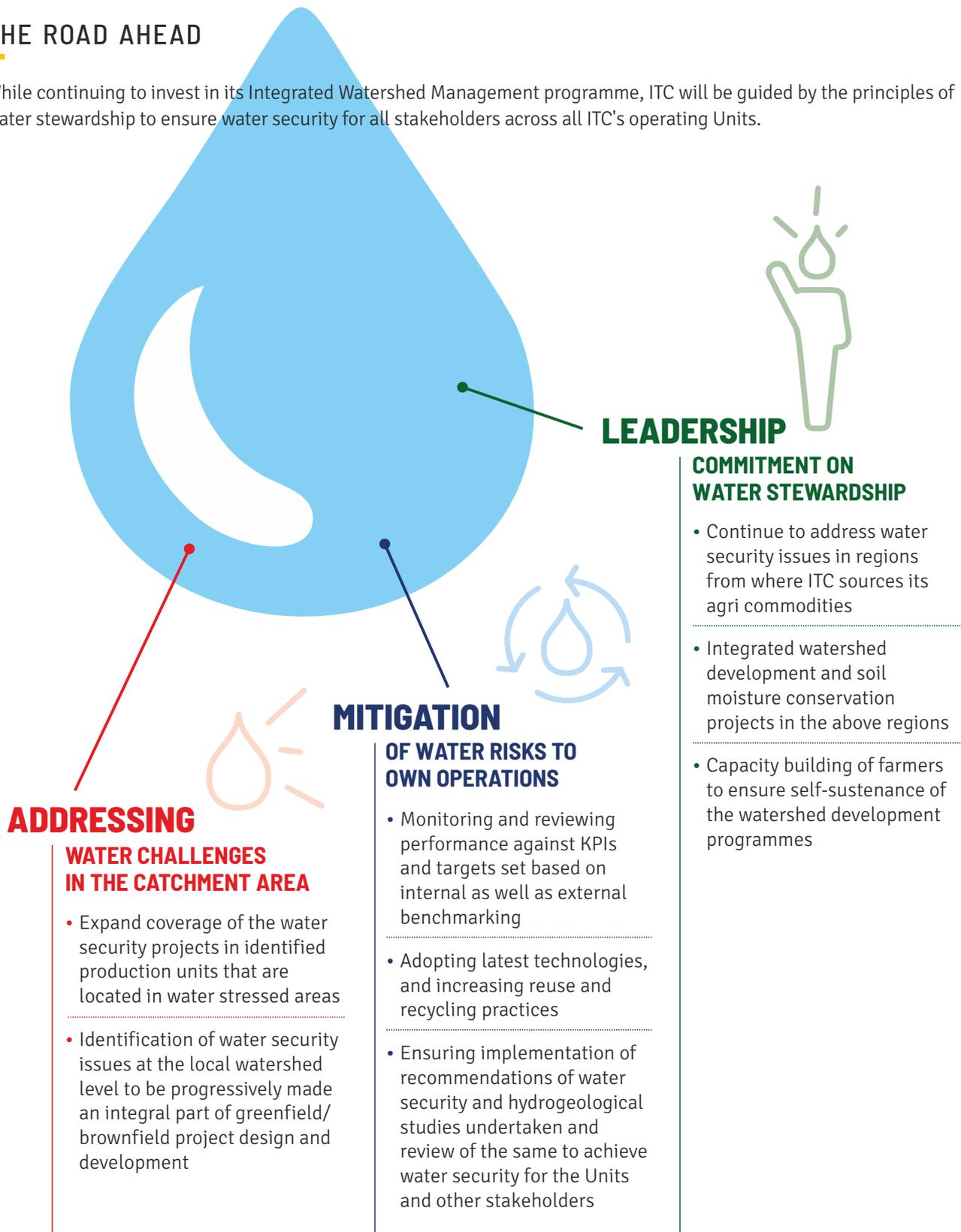
CERTIFICATION

The Unit is in the process of implementing the International Water Stewardship Standard by Alliance for Water Stewardship, which is a globally-applicable framework for water users to understand their water use and impacts, and to work collaboratively and transparently for sustainable water management at the catchment level.



THE ROAD AHEAD

While continuing to invest in its Integrated Watershed Management programme, ITC will be guided by the principles of water stewardship to ensure water security for all stakeholders across all ITC's operating Units.



WASTE MANAGEMENT

MANAGEMENT APPROACH

Driven by an ever increasing population, rapid and unplanned urbanisation and rising consumption levels, waste generation in India has gone up considerably. At the same time, the infrastructure required to collect and process the waste continues to lag behind. This along with absence of source segregation has culminated into a massive waste management problem. Every year, Indian cities generate about 49.34 million tonnes¹ of municipal solid waste (MSW) – of which a staggering 81% is being sent to landfills, open dump sites or just left as litter, clogging drains, contaminating water bodies and rivers.



AS AN EXEMPLAR IN ENVIRONMENTAL PERFORMANCE, WASTE MANAGEMENT IS A MAJOR ACTION AREA FOR ITC.

Within the scope of its operations, waste is minimised through systematic monitoring and improvement of efficiencies in material utilisation as well as by maximising recycling.

Outside the fence, ITC's initiatives focus on creating sustainable and scalable solutions for the enormous problem of MSW, based on the principles of circular economy.

¹ Consolidated Annual Review Report: 2015-16, Central Pollution Control Board

Plastic waste management has also received considerable attention in recent times. Plastic, today, is an integral part of modern life and its utility in providing insulation, protecting product integrity when used as packaging, etc. has been transformational. Plastic waste, though constituting about 7% of total MSW, has come under the scanner primarily because it is not being managed properly.

Recognising the concerns related to plastic waste, the Plastic Waste Management Rules, notified in 2016, adopted the concept of Extended Producer Responsibility (EPR) for plastic packaging. According to EPR, Producers, Importers and Brand Owners who introduce products with plastic packaging in the market are responsible for environmentally sound management of the waste.

ITC believes that the issue of plastic waste management needs to be addressed in an integrated manner along with overall MSW management. In the Indian context, where the unorganised sector accounts for as much as 2/3rd of the Fast Moving Consumer Goods (FMCG) market in terms of volumes, an effective EPR approach has to take this reality into account.

The key to success lies in the ability to collect segregated waste streams, which will allow for value realisation from each waste stream.

Within the boundary of ITC Units, focussed efforts are made towards resource conservation by minimising waste generation and improving efficiencies through waste segregation and recycling/reuse.

ITC is also engaged in MSW management through its Well-being out of Waste (WOW) and Mission Sunehra Kal (MSK) programmes. These programmes focus on source segregation and empowerment of waste collection workers/rag-pickers.



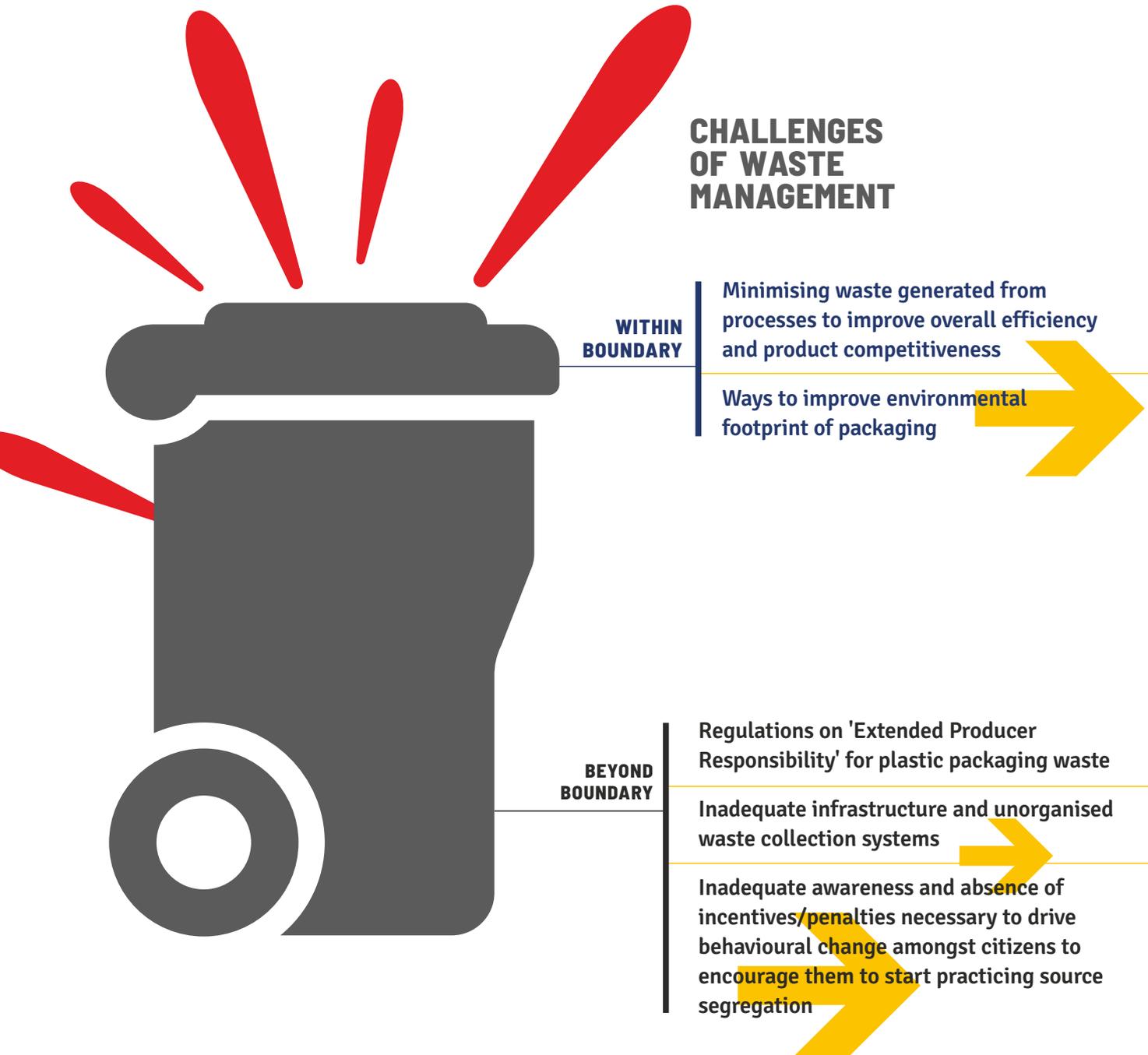
The WOW programme has covered 7.7 mn citizens, 3.3 mn school children and 2,000 corporates since inception. It has created sustainable livelihoods for 14,500 waste collectors and rag-pickers by facilitating an effective collection system in collaboration with municipal corporations. Besides the above, the intervention has also created over 80 social entrepreneurs who are involved in maximising value realisation through sale of dry waste streams to authorised aggregators/recyclers.

In terms of the Company's product packaging, ITC aims to go beyond Extended Producer Responsibility requirements and over the next decade, ensure that 100% of packaging is reusable, recyclable or compostable.

WASTE MANAGEMENT

STRATEGIC PRIORITIES FOR WASTE MANAGEMENT

Based on learning from past experiences, ITC has crafted the following approach on waste management.



ITC'S STRATEGY

Resource Conservation
 Reducing specific waste generation at all ITC Units through constant monitoring and improvement of material utilisation efficiency

Towards 100% Recycling
 Tracking each waste category and ensuring value realisation through resource recovery at each Unit. This ensures that almost no waste from ITC's Units ends up in municipal or private landfills

Increase the Use of Post-consumer Packaging Paper Waste as Raw Material
 ITC's Paperboards and Specialty Papers Units seek to increase the utilisation of post-consumer waste paper as a source of fibre instead of using virgin fibre

Optimise Packaging
 To optimise packaging in a way that it reduces the environmental impact arising out of post-consumer packaging waste without affecting integrity of the product



Ensuring Source Segregation
 Collaborating with various stakeholders like municipal corporations, civil society, etc. for ensuring segregation at source

Moving Towards Circular Economy

- To identify and implement suitable end-of-life solutions for each stream of municipal solid waste and move towards circular economy
- To create viable recycling options for post-consumer multi-layered plastic packaging

Collaboration for Sustainable Packaging Solutions
 To collaborate with research organisations for developing sustainable packaging solutions



ITC'S SUSTAINABILITY POLICIES

providing framework for relevant actions

POLICY ON ENVIRONMENT, HEALTH & SAFETY

POLICY ON LIFE-CYCLE SUSTAINABILITY

POLICY ON RESPONSIBLE SOURCING

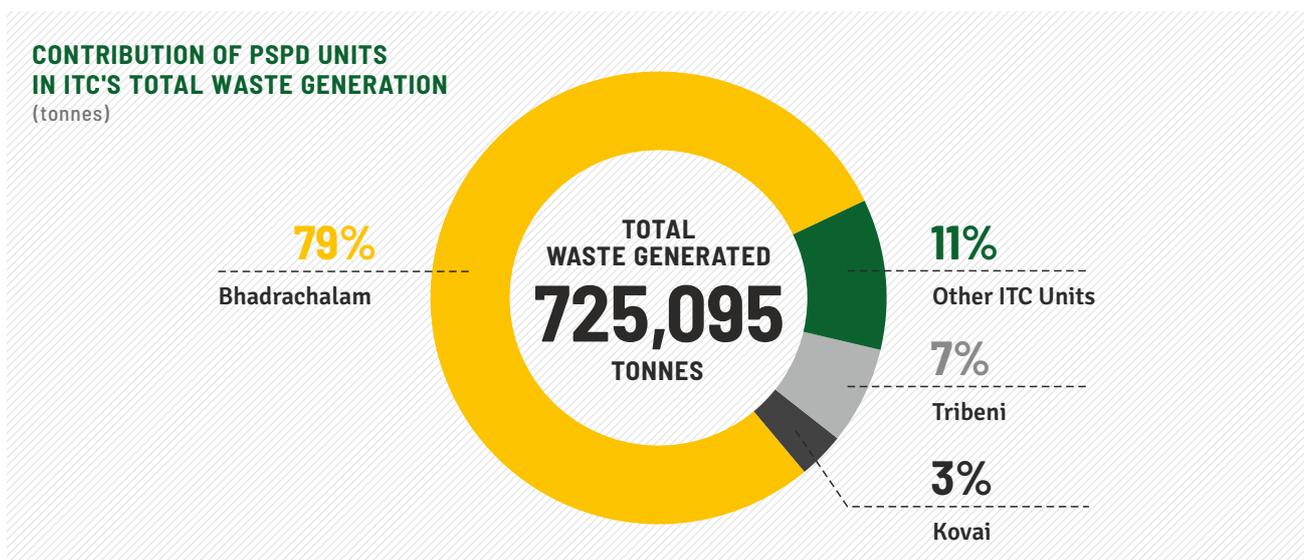
POLICY ON CORPORATE SOCIAL RESPONSIBILITY

WASTE MANAGEMENT

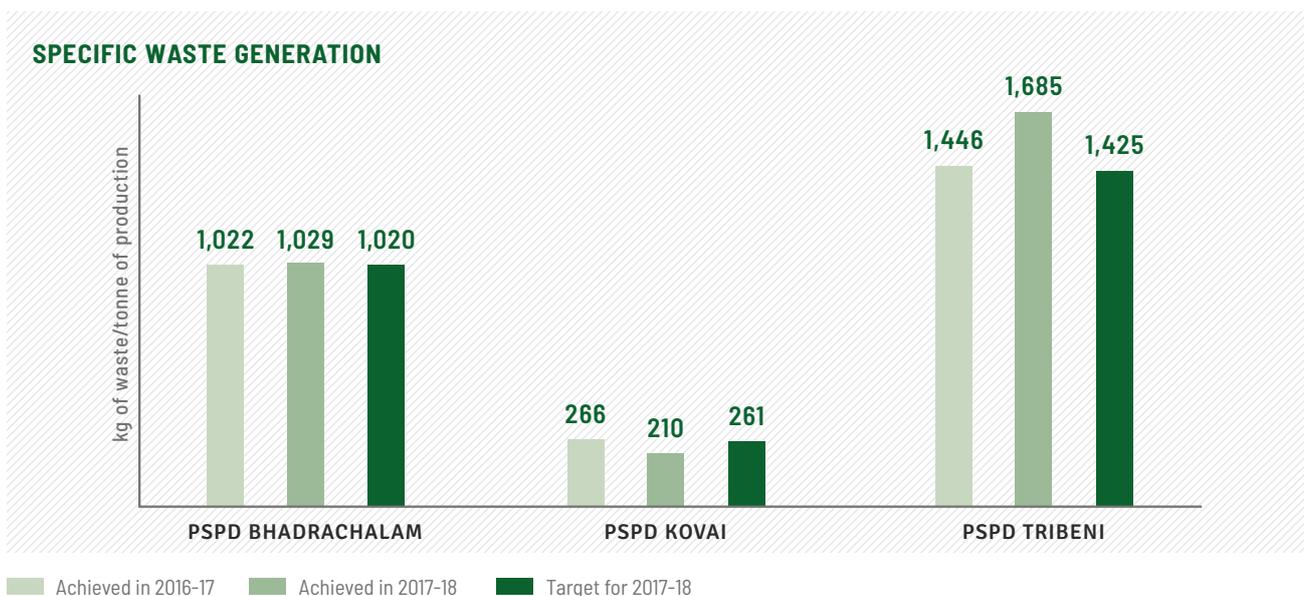
PERFORMANCE

In FY 2017-18, ITC Units generated 725,095 tonnes of waste as compared to 711,411 tonnes generated in FY 2016-17. The 2% rise is attributable to the commissioning of Bleached Chemical Thermo Mechanical Pulp (BCTMP) mill at PSPD Bhadrachalam Unit (leading to additional ash generation) and the expansion of reporting boundary.

Bhadrachalam Unit accounted for 79% of the total waste generated in ITC during FY 2017-18 which also saw an increase of 2% over the year.



PSPD Bhadrachalam, Kovai and Tribeni Units account for about 89% of ITC's waste.



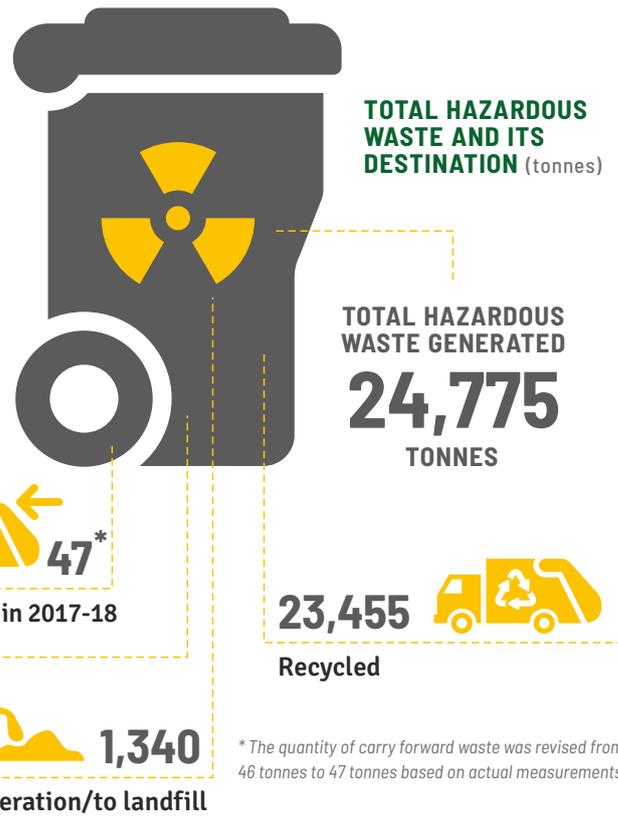
Kovai Unit achieved its target for specific waste generation, while Bhadrachalam and Tribeni Unit could not achieve the same. For Bhadrachalam Unit, this was due to increased ash generation from higher coal consumption to meet the energy requirement of the BCTMP mill. Tribeni Unit experienced a higher specific waste generation on account of higher ash content in coal and reduced production due to revamp of one of the paper machines.

Historically, due to limited avenues for recycling, lime sludge generated during the chemical recovery process was stored in lagoons within the premises at Bhadrachalam Unit. This was done after incorporating adequate precautions to prevent any adverse impact on soil and ground water. In FY 2014-15, the Unit formally tied up with cement plants to use lime sludge as an alternate raw material and recycled 27,314 tonnes of waste in FY 2017-18. About 74,000 tonnes of lime sludge is remaining in the lagoons which will be disposed in the subsequent years.

HAZARDOUS WASTE

For FY 2017-18, about 3% of waste (by weight) generated by ITC can be categorised as hazardous waste as per Indian statues. Close to 95% of this was sent for recycling to authorised external agencies, and the balance 5% was disposed using alternate means in accordance with applicable laws.

All ITC Units have established systems and procedures to verify relevant authorisations and licenses of agencies used for transporting, recycling and disposing hazardous wastes. Further, Corporate EHS department periodically verifies these compliances across ITC Units. During FY 2017-18, apart from hazardous waste transported to authorised external treatment sites by authorised transport agencies, no other hazardous waste was shipped out of ITC locations.



Hazardous waste carried over from previous year and disposed in 2017-18



* The quantity of carry forward waste was revised from 46 tonnes to 47 tonnes based on actual measurements.

NON-HAZARDOUS WASTE

During FY 2017-18, 99.9% of the total non-hazardous waste generated in ITC Units was either reused or recycled. This accounts for majority (around 87%) of non-hazardous waste generated in 2017-18.

Non-hazardous Waste Category	Source of Generation	Quantity Generated	Waste Application
Fly Ash from boilers	Units of PSPD & Agri Business (Leaf Tobacco)	329,317	Used by cement and brick manufacturers
Lime Sludge	Bhadrachalam and Tribeni Unit of PSPD	214,002	Utilised in in-house lime kiln as well as by cement manufacturers
Bottom Ash from Boilers	Units of Paperboards & Specialty Papers, Agri Business (Leaf Tobacco) and Tobacco Division	46,487	Used for brick manufacturing and filling of low-lying areas
Wood Waste from Chipping Operation	Bhadrachalam Unit of PSPD	22,914	Used as a fuel in in-house boiler

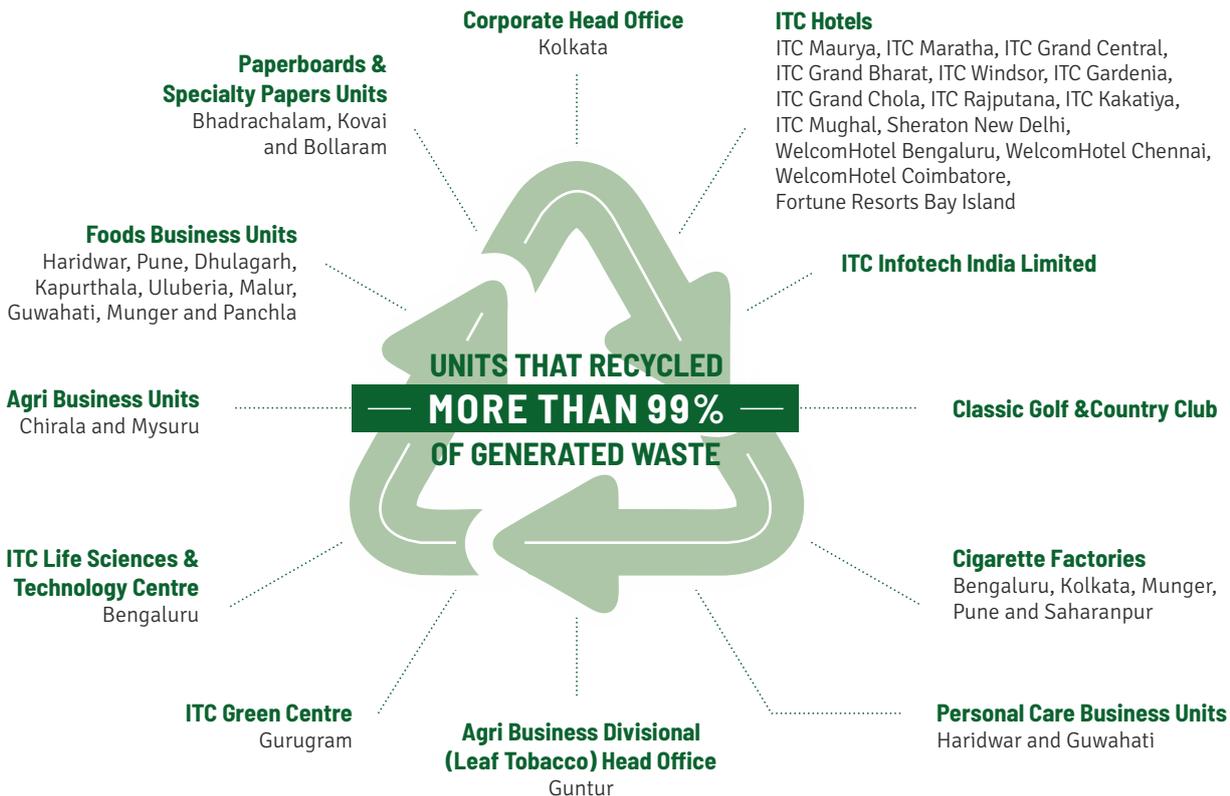
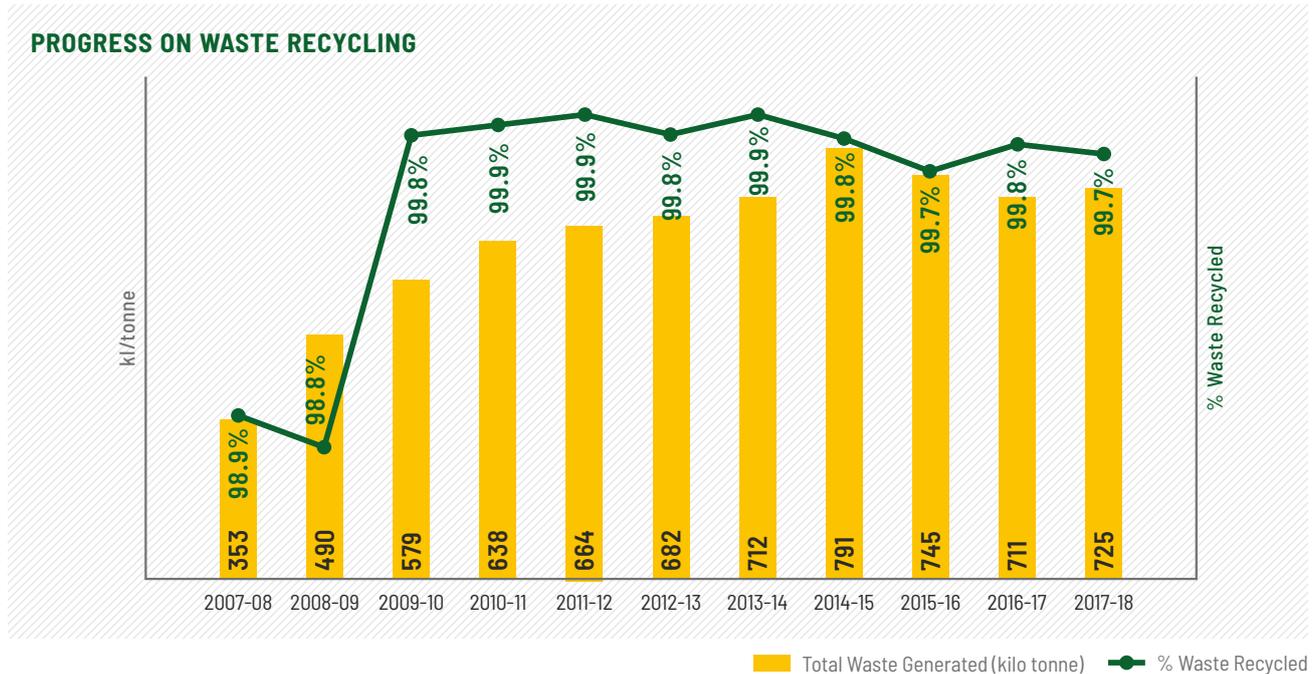
REUSED/RECYCLED
99.9%
OF TOTAL NON-HAZARDOUS WASTE GENERATED



WASTE MANAGEMENT

RECYCLE

Limitations in processes and technology do not allow for complete elimination of waste. Therefore, all ITC Units endeavour to work towards achieving 100% recycling of waste generated. 'Segregation at source' along with focused attention on identifying and tracking of all waste streams all the way till their final disposal, helped us in recycling 99.7% of the total waste generated within ITC Units during 2017-18.



RECYCLING POST-CONSUMER WASTE

PSPD Kovai and Bhadrachalam Units utilise post-consumer paper waste as raw material. Efforts at these ITC Units to recycle 100% of waste generated along with utilisation of externally generated paper waste as a source of fibre, have helped the company maintain its solid waste recycling positive status for 11 years in a row.

Refer to the table below:

Year	Total Waste Generated (tonnes)	Waste Recycled (tonnes)	% Recycled	Unrecycled Waste (tonnes)	External Wastes used as Raw Materials (tonnes)	Waste Recycling Footprint (%) *
2007-08	352,970	349,264	98.9	3,706	163,245	145
2008-09	490,180	484,287	98.8	5,893	125,337	124
2009-10	578,865	577,766	99.8	1,099	125,931	122
2010-11	638,405	637,452	99.8	953	119,002	119
2011-12	663,796	662,978	99.9	818	115,414	117
2012-13	682,405	681,129	99.8	1,276	118,462	117
2013-14	711,887	711,033	99.9	854	109,998	115
2014-15	791,227	789,720	99.8	1,592	114,563	114
2015-16	745,149	742,635	99.7	2,606	113,213	115
2016-17	711,411	709,817	99.8	1,704	115,074	116
2017-18	725,095	723,274	99.7	1,942	112,519	115

* Waste Recycling footprint (%) = (Waste recycled + external waste used as raw material) * 100 / Total waste generated in ITC. | All figures are rounded off to the nearest tonne

WASTE FROM SUPPLY CHAIN

For the purpose of reporting, ITC's supply chain boundary covers third party manufacturing (TPM) units catering to Education and Stationery Products Business, two exclusive TPMs of Cigarette Business and ATC Limited, an associate company. Recycling performance of these units is detailed below:

Supply Chain Members	Total Waste Generated (tonnes)	% Recycled
TPM Units for Notebook Segment	2,588	90
Exclusive TPM Units for Cigarette Business	1,058	100
ATC Limited	1,375	99.8

ITC plans to progressively expand its reporting boundary to cover more supply chain partners. Through close monitoring and reporting of waste related data, and through sharing of experiences and good practices, ITC aims to influence the performance of its supply chain partners.

WASTE MANAGEMENT

RESOURCE CONSERVATION BEYOND OUR OPERATIONAL BOUNDARY

GENERATING WELL-BEING OUT OF MUNICIPAL SOLID WASTE

During the year, ITC's WOW programme enabled collection and recycling of 50,196 tonnes of dry waste including low value plastic waste from 562 wards. The plastic waste collected includes over 5,000 tonnes of multi-layered plastics and thin films, which are typically not collected by waste collectors and rag-pickers due to low value realisation.



Plastic waste collected by the programme is primarily being sent to cement kilns for energy recovery. However, options are being explored for economically viable alternatives. ITC will continue with its efforts to improve the livelihoods of waste collectors and rag-pickers and make this model self-sustainable.

Additionally, ITC is working on a number of community managed projects in villages and towns to address the issue of waste management. A closed-loop model for managing organic waste in temples has also been implemented. ITC's objective is to scale up these initiatives and expand its contribution to the national 'Swachh Bharat' vision of a clean, green, and sustainable India.

“THE PROBLEM OF SOLID WASTE MANAGEMENT IS ONE OF EPIC PROPORTIONS AND REQUIRES EACH ORGAN OF SOCIETY AND MORE SO, ENTERPRISES THAT ARE LARGE ECONOMIC ORGANS OF SOCIETY, TO MAKE A MEANINGFUL CONTRIBUTION TOWARDS THIS IN LINE WITH THE HON'BLE PRIME MINISTER'S PATH-BREAKING INITIATIVE OF SWACHH BHARAT.”

Sanjiv Puri | Managing Director, ITC Limited

TRANSFORMING MUZAFFARPUR INTO A ZERO LANDFILL CITY

In December 2016, a model for Municipal Solid Waste (MSW) management under the WOW programme called 'Swachhtha Swasthya Samridhi' was initiated in Muzaffarpur, Bihar with a tripartite partnership between Muzaffarpur Municipal Corporation, Centre for Science & Environment (CSE) and ITC. It is a unique model, wherein, for the first time, local administration, a civil society organisation and industry came together to implement MSW management.

Muzaffarpur is a sub-metropolitan city with a population of 450,000 (approximately 100,000 households). The 49 wards of Muzaffarpur city are further divided into ten circles and each ward consists of 1,500–3,000 houses. As per information provided by MMC, Muzaffarpur generates about 170 metric tonne of waste daily.

OBJECTIVE OF THE PROGRAMME

1 The model focusses on the importance of a three-way segregation system with 100% collection and transportation of segregated waste

2 The model encourages the adoption of decentralised waste management - composting or biomethanisation of wet waste, recycling of dry waste, co-processing of non-recyclable waste with high calorific value and ensuring that only 5-10% of the residual inert waste is sent to engineered landfills

KEY OUTCOMES



SEGREGATION & IMPROVEMENT IN CLEANLINESS

Muzaffarpur has witnessed visible improvement in the waste management scenario with extensive participation from residents and over 80% segregation achieved on a daily basis.



BETTER WASTE PROCESSING

About 3-4 tonne of wet waste is collected every day from 14 wards and sent to a model aerobic composting facility. Plans are in place to set up 10 such decentralised composting centres in the near future.



OVERALL UPLIFTMENT OF THE CITY

The city also improved its rank in the Swachh Survekshan 2017 and has been included in the list of smart cities. The city has become the first in Bihar to have its own solid waste management by-laws, which have been duly reviewed by the elected board and were recently passed by the state government.

This programme aims to transform Muzaffarpur into a zero landfill city by adopting segregation and processing at source, and making solid waste management financially self-sustainable.

WASTE MANAGEMENT

THE ROAD AHEAD

In the context of PWM Rules 2016 and the adopted concept of EPR for post-consumer plastic packaging waste, industry has a critical role to play in providing a holistic solution to MSW management. An effective EPR model needs to be complemented with national level accounting of plastic packaging introduced into the market by a producer, importer or brand owner. This will enable creation of an offset mechanism for meeting phased targets under the EPR programme.

ITC will continue to engage with the government in making these rules implementable and move towards a feasible solution. ITC will continue to explore environmentally friendly and financially sustainable end-of-life solutions for processing multi-layered plastic waste. While energy recovery from multi-layered plastics is already an established end-of-life solution, ITC is at an advanced stage of developing several other solutions as well.

With learning from our direct experience on MSW management, ITC strongly believes that the following elements are essential for a comprehensive solution to MSW management.

Public-Private Partnership (PPP) programmes

on MSW management should be rolled out across the country with initial deployment in urban centres.

These should integrate MSW and plastic waste management and must keep the interest of the unorganised waste-picker communities at the centre, and focus on creating sustainable livelihood opportunities for them.



Low value plastics including multi-layered plastics because of low realisation of value are not picked up by the waste picker for further sorting and sale, and end up as litter on the streets and eventually in landfills. While energy recovery through **use as alternative fuel (replacing coal/coke)** in cement plants is an established route, this end-of-life treatment option will become financially viable and sustainable only when this waste stream is able to realise its value based on parameters like quality and calorific value.

Apart from energy recovery solution, ITC is also in advanced stages of developing several other recycling solutions.

Use of wet waste (organic) for production of bio-gas,

with manure as a by-product also needs further development. By and large, municipal wet organic waste in India remains an under-tapped resource barring some isolated small-scale efforts at composting or gasification.

ITC is convinced that the technology for large-scale gasification of organic waste for conversion to fuel has matured and the underlying business model is viable. Solid residues, post gasification of wet organic wastes, also serve as manure creating one more potential revenue stream and improving the financial viability.

Land, transportation and other infrastructure **support should be provided by urban local bodies for collection, sorting and pre-processing of different waste categories.**



Behavioural change at the individual waste generator level

for segregation at source requires sustained engagement and regulatory backing.



While Industry can facilitate setting up of waste management systems through capacity building, knowledge sharing and initial support, the system must operate on its own through a for-profit business model. The value created should be shared amongst the stakeholders involved in collection, handling, sorting and management of waste. In ITC's opinion, financial viability of integrated MSW and plastic wastes management models will drive its uptake across the country and determine its scalability.

ITC is calibrating its strategy for tackling the issue of post-consumer waste management in partnership with government agencies, municipal corporations, NGOs, communities and other stakeholders.

OPTIMISING PACKAGING	SOURCE SEGREGATION	SUSTAINABLE SOLUTIONS
<ul style="list-style-type: none"> • Conduct LCA studies to evaluate the impacts of packaging and identify opportunities for improvement • Optimise packaging to ensure environmental impacts are minimised without affecting the product integrity • Identify alternative packaging material with lower environmental impact • Identify suitable end-of-life solutions for packaging waste 	<ul style="list-style-type: none"> • Work with stakeholders like municipal corporations and civil society to educate waste generators, and waste collectors regarding segregation at source 	<ul style="list-style-type: none"> • Identify sustainable end-of-life solutions which are financially viable, environmentally sound and improve livelihood of waste collectors / sorters in both formal and informal sector

RAW MATERIALS

MANAGEMENT APPROACH

Most of ITC's Businesses are vertically integrated which facilitates optimum utilisation of raw materials, recycling of wastes as well as efficient logistic operations.

For addressing impacts outside the boundary of operations, life cycle assessments of ITC's products are progressively being taken up with the objective of making such studies an integral part of product design and development. In addition, the Board approved policies of ITC supplemented by a 'Code of Conduct for Vendors and Service providers' provide the direction for sustainable sourcing of raw materials to ensure their long-term availability.

Please refer the 'Supply Chain' section of this Report for further details.



**ALL ITC UNITS
CONTINUE TO PURSUE EFFICIENT USE OF
RAW MATERIALS THROUGH EXTENSIVE
PROCESS MANAGEMENT INITIATIVES
CENTRED ON WASTE ELIMINATION / REDUCTION.**

FOREST STEWARDSHIP COUNCIL™ CERTIFICATION

PSPD obtained the prestigious Forest Stewardship Council™ (FSC™) Chain of Custody Certification in 2009, which is valid till 2020. FSC™ is an independent, non-governmental, not-for-profit organisation established to promote responsible management of the world's forests and is recognised as the gold standard in wood certification for ethical and legal sourcing.

This certification illustrates ITC's continued commitment towards sustainable business practices and building an inclusive and secure future for its stakeholders and the society at large.

To ensure responsible wood sourcing, all domestic wood procurement sources have been certified as per standards of FSC™ - Controlled Wood and nearly 33,500 hectares have been covered under the FSC™ - Forest Management (FM) Certification, covering more than 30,000 farmers.



 Chain of Custody
Certification in 2009,
valid till 2020

**ITC IS THE LEADING SUPPLIER
OF FSC™ CERTIFIED PAPER &
PAPERBOARDS IN INDIA**

**IN FY 2017-18,
ITC PROCURED NEARLY
60,000 MT
OF FSC FM CERTIFIED WOOD
TO MANUFACTURE FSC CERTIFIED
PAPER & PAPERBOARDS**

RAW MATERIALS

ITC'S APPROACH FOR OPTIMISING RAW MATERIAL USE

**CHALLENGES
FROM MATERIALS
SUSTAINABILITY****WITHIN
BOUNDARY**

Increased competition for resources, technology barriers, need for capital investments and maintaining cost competitiveness

**BEYOND
BOUNDARY**

Significant variation in rainfall patterns resulting from climate change may adversely impact agricultural yields, which will in-turn have a negative impact on agri-based businesses

Focussing on long term sustainability goals while operating in an environment where both market dynamics as well as regulatory framework are subject to short term variations

Low productivity of small farm holdings and inadequate access of farmers to knowledge and technology

Agricultural procurement and sourcing policies in India come from a controlled market philosophy shaped by circumstances of post-independence India. In order to maximise agri-productivity while ensuring social equity, a new framework of laws and regulations is necessary

Furthermore, absence of crop and weather insurance reduces the risk-taking capability of small farmers to undertake investments in alternate crops or new technologies

ITC'S ACTION PLANS

Maximise resource use efficiency through rigorous process controls and continuous evaluation of opportunities to improve

- Ensuring sustainability of agriculture through integrated watershed development projects particularly in regions from where ITC sources its raw materials. Investment in multiple sourcing models from different geographies to spread risks
- Grassroots capacity building for creating proper governance models in the agri-value chain for creating accountability with respect to ensuring prudent water usage, self-sustenance of integrated watershed development programmes, infrastructure improvement, etc.
- e-Choupal network facilitates better access to customised knowledge on scientific farm practices for small and marginal farmers
- Life-cycle assessment studies for identifying areas to pursue for further improvements
- Engage with policy makers through industry associations and other appropriate forums

ITC'S SUSTAINABILITY POLICIES

providing framework for relevant sections



POLICY ON
**ENVIRONMENT,
 HEALTH & SAFETY**



POLICY ON
**LIFE-CYCLE
 SUSTAINABILITY**



POLICY ON
**RESPONSIBLE
 SOURCING**

RAW MATERIALS

PERFORMANCE

ITC's products and services can broadly be classified into the following categories:

FMCG (B2C) Products	Industrial Supplies and Exports	Services
Foods, Personal Care Products, Education & Stationery Products, Matches & Agarbattis, Cigarettes	Paperboards and Specialty Papers, Packaging and Printing, Agro Commodities	Hoteliering and Information Technology

Most of ITC Businesses largely depend on agro-based raw materials. Below is a snapshot of the materials used in FY 2017-18:

ITC processed 2,244,862 tonnes of materials, out of which over 95% (2,166,208 tonnes) were from agro/forestry based renewable sources.

The Paperboards and Specialty Papers Division (PSPD) processed 1,708,619 tonnes of raw materials (about 76% of the total raw material procured by ITC), out of which 99.6% were from renewable sources.

RESPONSIBLE SOURCING OF FIBRE

Approximately 52% of the total fibre requirements of ITC's PSPD is met by pulp, manufactured at Bhadrachalam Unit. Another 20% comes from recycled fibre processed at Units in Kovai and Bhadrachalam. The balance 28% is imported pulp used at Bhadrachalam and Tribeni Units. In terms of traceability:

- **Approximately 67% of the fibre produced in Bhadrachalam is from wood sourced from ITC's Social and Farm Forestry initiatives**
- **The fibre used at the Kovai Unit is either recycled or reclaimed fibre**
- **Overall, 100% of the fibre used by ITC's PSPD is of known and legal origin**

ITC contributes immensely towards forest preservation in line with the objectives of the National Forest Policy by forming partnerships with farmers through farm forestry and social forestry initiatives. These initiatives have led to massive afforestation, benefitted millions of farmers as well as ensured responsible sourcing of wood fibre.

For details, refer 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' section



Note: Only those raw materials, which constitute more than 10% of the total material consumed in a manufacturing unit or have significant environmental importance, have been considered in reporting this aspect.

THE ROAD AHEAD

In line with ITC's Board approved policies on life cycle sustainability and responsible sourcing, systems and processes are being progressively implemented across Businesses. In the coming years, ITC plans to carry out more life cycle assessment studies of select products to evaluate environmental impacts at various life cycle stages and help identify opportunities for further improving their environmental footprint across the value chain.

BIODIVERSITY

MANAGEMENT APPROACH

The long-term sustainability of several ITC Businesses depends on natural capital. Given the essential eco-system services that nature provides, especially to rural households, ITC recognises that preserving and nurturing biodiversity is crucial for the long-term sustainability of agriculture. Biodiversity provides varied ecosystem services to agriculture including recycling of nutrients, control of micro-climate, regulation of local hydrological processes and the quantum of undesirable organisms.

ITC HAS, THEREFORE, TAKEN UP BIODIVERSITY CONSERVATION AS A MAJOR INTERVENTION IN ITS OPERATIONAL AREAS WITH AN AIM TO
PRESERVE THE NATION'S RICH BIODIVERSITY AND ENSURE A SUSTAINABLE FUTURE
FOR COMMUNITIES RESIDING IN THE COMPANY'S AGRI BUSINESS AREAS.



BIODIVERSITY

BIODIVERSITY CONSERVATION - PROGRESS

As part of its Natural Resources Management programme, ITC practices a three-pronged approach to biodiversity conservation.

Biodiversity conservation in agri supply chains by minimising the adverse impacts of agriculture on biodiversity

Community driven biodiversity conservation with a focus on livelihood generation to ensure that communities understand and value the importance of biodiversity conservation

Revival of ecosystem services provided to agriculture by nature, which has witnessed considerable erosion in recent decades

BIODIVERSITY CONSERVATION IN AGRI SUPPLY CHAINS

The Biodiversity Risk and Opportunity Assessment (BROA) tool was deployed by ITC's Agri Business Division in its core crop growing regions to identify impacts and dependencies of business operations on biodiversity of a given agricultural landscape. This was followed by an assessment of the various risks and opportunities that emerge, based on which plans were made and actions were undertaken to address the same.

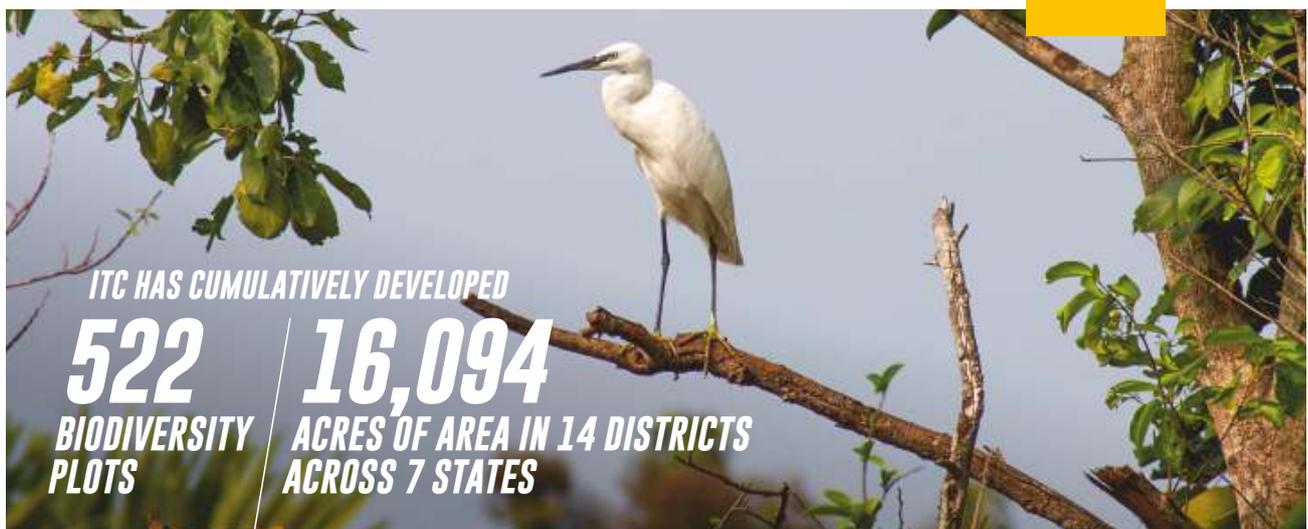


Based on the risk assessment, ITC has specifically promoted initiatives such as micro-irrigation, farmer education and awareness programmes on toxic waste disposal and Integrated Pest Management in crops, covering around 40,000 farmers.

ITC's Paper Business is committed to Forest Stewardship Council (FSC) principles and its pulpwood plantations and supply chain are certified under FSC. 82,780.17 acres were certified under FSC till 2017 by Rainforest Alliance as per which no rare, threatened and endangered species are in the land, considered under the scope of certification. It also provides an assurance that methods for enhancing biodiversity potential of the planted areas like retention of old growth / snag trees, retention of large woody debris, creation of water bodies, etc., are being practiced.

COMMUNITY DRIVEN BIODIVERSITY CONSERVATION

ITC implements community-driven biodiversity conservation with a focus on livelihood generation to ensure that communities understand and value the importance of biodiversity conservation. As part of the programme, studies are undertaken to understand the current status of richness of floral and faunal species in the watersheds, plans for landscape level restoration to improve green cover and native floral species population, and mosaic restoration to rehabilitate degraded common lands as biodiversity hot spots.



- ITC has cumulatively developed 522 biodiversity plots involving farmers and community members covering a total area of 16,094 acres in 14 districts across 7 states. The initiative has also helped in conserving myriad species of floral and faunal diversity, including birds, butterflies, reptiles and amphibians. Regular biodiversity indexing is also carried out in biodiversity conservation plots to measure the success of the programme in terms of enhancing species diversity and dominance.
- The studies undertaken in FY 2016-17 across 6 Indian states have shown ITC's success in rehabilitating degraded areas as biodiversity conservation plots. This has entailed enhancement of floral and faunal biodiversity as well as generation of adequate livelihoods and employment for local communities through creation of fodder, fuel and other wood sources.

REVIVAL OF ECO-SYSTEM SERVICES

ITC is collaborating with the International Union for Conservation of Nature (IUCN) in Munger (Bihar) to develop 'Sustainable Agriscape for Future'. IUCN had taken up studies and surveys to identify current and future key issues that will affect the ecosystem service potential of the agriscape, thereby impacting farm profitability. Based on the challenges identified, IUCN has suggested three varied landscape profiles for demonstrating the revival of eco-system services: forest and lakes, lacustrine (pond), and riverine (Ganga river bed) landscapes.

Plans for all three types of landscapes have been developed and work has been initiated in the Forest and Lake landscape in Kharagpur cluster of Munger district.

Progress

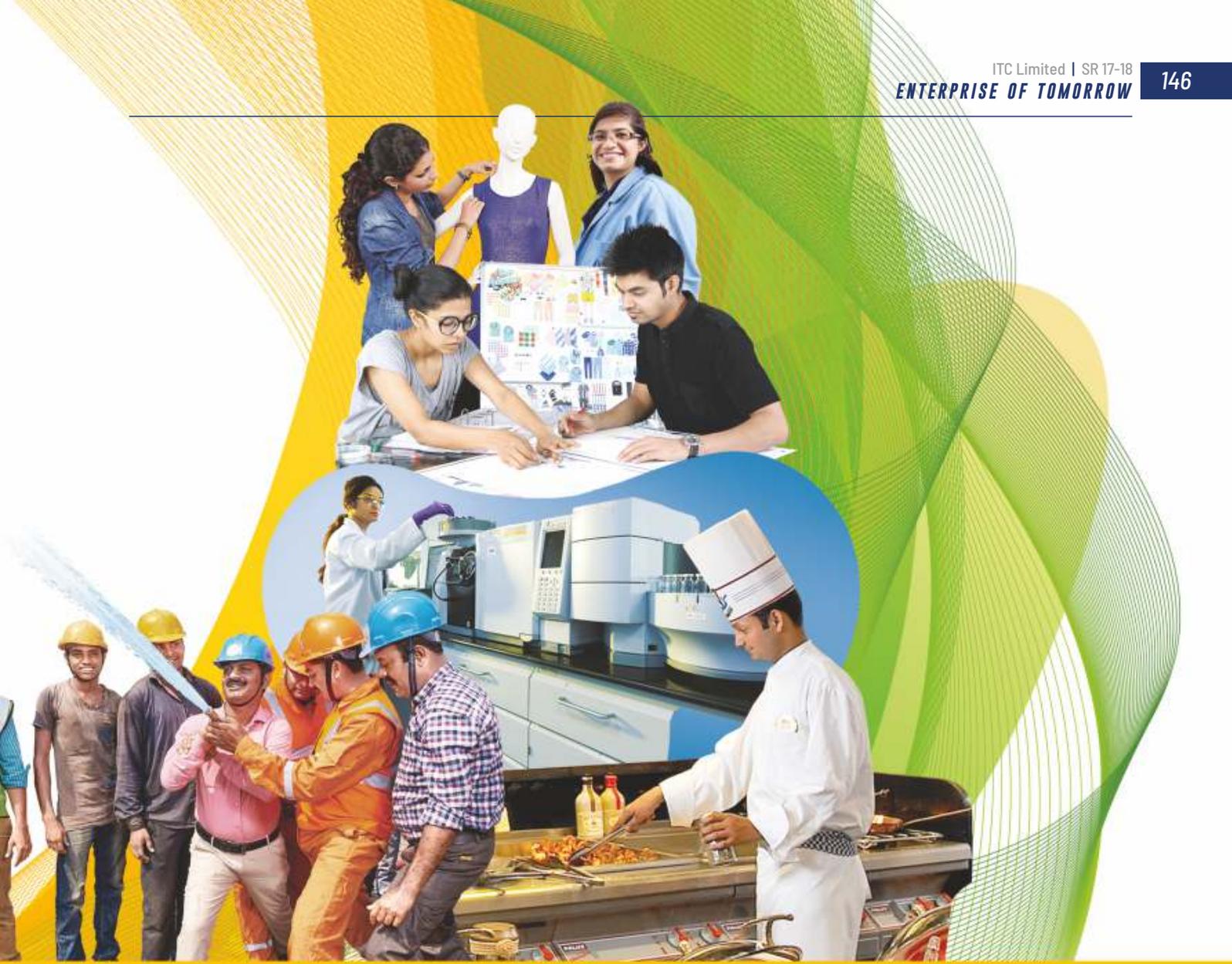
- **Field work initiated for educating communities on the issue and co-creating field plans to develop alternate fuel and fodder sources in forest fringe villages**
- **Pilot projects are underway to compost hyacinth, which is a major aquatic weed, addressing the issue of lake revival**
- **Consultations have been kick started with local communities in all three distinct ecosystems to discuss challenges and develop mitigation plans**

***NURTURE A TALENT ECOSYSTEM WHICH FOSTERS
CREATIVITY, COLLABORATION & INNOVATION.***

ENGAGE TO

MOTIVE





LABOUR PRACTICES AND DECENT WORK & HUMAN RIGHTS



SNAPSHOT - LABOUR AND EMPLOYMENT

Year	2016	2017	2018
Total Workforce	32,138	32,337	33,976
Total Female Employees	3,490	3,602	3,855
Total New Hires	5,884	6,609	7,075
Total Attrition Percentage*	19%	18%	19%
Total Training Man-days	149,264	121,653	106,081

*Including Retirals

It is the people that make ITC exceptional, both in driving world-class performance as well as in enhancing its reputational capital. Over the years, ITC has developed comprehensive systems and strategies to nurture a superior talent pool that is inspired by the organisation's ethos.

ITC thrives by the virtue of being customer-focussed, competition-differentiated, performance-driven and future-ready – capabilities that are achieved through our mandate of distributed leadership, differentiated people policies and diversified talent pool. This commitment is fulfilled by pursuing higher levels of human rights adherence and world-class talent management systems to keep the workforce ahead of the curve.

This comprehensive, competitive and ever-evolving human resource development approach has been recognised by a number of industry bodies and thought leaders.

ITC has been conferred the coveted 'National Award for Excellence in Employee Relations 2017' in the pan India category by the Employers Federation of India (EFI).

AC Nielsen ranked ITC amongst the top 5 most preferred employers as voted by MBA students from premier Indian institutes in an employer branding survey.

ITC won the international '2017 ATD Excellence in Practice Award' in two areas titled 'Talent Development from Internal Resources Opportunity for Career Growth' and 'Integrated Technical Talent Development Process'.

TALENT MANAGEMENT PARADIGM

ITC's talent management strategy is channelised to create business relevant capabilities so that the organisation can respond quickly and creatively to current and future opportunities. The talent is nurtured with information, knowledge and skills. This is supported by action plans to guide continuous learning and performance improvement across functions and businesses. The talent management approach is customised to employee needs and spans:

Recruitment | Engagement | Capability Building | Leadership Development | Health & Well-being | Rewards & Recognition

ITC is an employer of choice, owing to its strong commitment to employee-centric policies, practices and processes.

ITC's HR function leverages the Company's multi-business portfolio to enrich employees with diverse experiences and challenges in various business contexts, lending itself an unparalleled advantage in people practices.

In FY 2017-18, ITC employed 33,976 full-time employees out of which 2,271 employees in the Leaf Tobacco business were engaged on a seasonal basis owing to the nature of the business. During this period, 23,371 employees were also engaged from service providers.

BUILDING BUSINESS LEADERS

Leadership development is integral to talent management. ITC strives to strengthen its pool of high quality and future-ready managers, specialists and business leaders. All initiatives are geared towards developing managers with functional expertise, mentoring ability, accountability and a desire to contribute to a larger purpose. This focus is aptly articulated in ITC's talent brand: **Building Winning Businesses. Building Business Leaders. Creating Value for India.**

During the year under report, an employer branding survey conducted by AC Nielsen 'Campus Track' ranked ITC amongst the top 5 most preferred employers as voted by MBA students from premier Indian institutes. ITC featured among India's preferred and most attractive employers by Universum's survey of Indian B-schools. Randstad's 2017 Employer Brand Research survey also voted the Company as one of the top 10 employer brands in the country.



LABOUR PRACTICES AND DECENT WORK & HUMAN RIGHTS

RETENTION

Enduring employee relationship is pivotal towards maintaining institutional knowledge, high morale, as well as business growth. Improving employee experience and incentivising high performance is, therefore, an imperative.

The Company adheres to a market-driven and competitive remuneration approach and nurtures a work environment that enables superior performance and mitigates attrition in the organisation. This has led to significant investments towards development and growth of employees. The approach is to enthuse the best talent with influential triggers be it financial opportunities that complement their performance, learning avenues that offer intellectual stimuli and value-added perks that enhance their quality of life.



In FY 2017-18, the overall attrition (voluntary separation, retirement, termination and abandonment of services) across management and non-management employees was 19%. The attrition for management level employees was 14% and 21% for non-management employees. Gender-wise attrition stood at 17% for male employees and 37% for female. The above attrition includes the data for employees taken as fixed term contracts who have left the organisation after the contract has ended. It also includes employees who have superannuated from the Company.

The overall attrition across management and non-management employees excluding those on fixed term contracts was 14% and 13% respectively. The gender-wise attrition data for employees not on fixed term contracts is 13% for male employees and 21% for female employees.

LEARNING & DEVELOPMENT

The achievement of ITC's growth objectives depends largely on the ability to innovate continuously, connect closely with the customer, and create and deliver superior and unmatched customer value. This has been made possible by nurturing a culture of continuous learning, innovation and collaboration across the organisation.

To foster creativity, commitment and competence, ITC has identified five capability platforms which have the potential to provide a fillip to the businesses' growth and future-readiness.

STRATEGY

VALUE CHAIN

LEADERSHIP

INNOVATION



HUMAN RESOURCES DEVELOPMENT

Employees are offered cutting-edge learning and development inputs with a judicious blend of coaching, mentoring and on-the-job training, in each of these five areas depending on the need of the individual or the department.

In FY 2017-18, 106,081 person-days were invested in offering formal training to employees across the organisation.

ITC also continued to expand its learning and development portfolio whilst upholding the highest efficacy of delivery.

EMPLOYEE WELL-BEING

At ITC, we focus on creating a stimulating work environment supported by a caring and compassionate work ethos so as to enable employees to thrive and deliver winning performances. The aim is to positively influence all aspects of an employee's well-being – physical, mental and emotional.

ITC's full-time employees receive benefits such as periodic preventive health check-ups, medical assistance (including hospitalisation), group accident insurance, annual leave along with leave encashment, maternity leave for women employees and retirement benefits, among others. With an aim to ensure wellness, good ergonomics and safety practices are built into all ITC work spaces. Most of the units have a wellness centre and resident doctor. Regular sports and recreational activities are organised at all units to promote physical wellness among employees and their families.



In 2017-18, 115 women employees took maternity leave and 88 of them re-joined work within the year, a return to work rate of 76%.

We have a proactive programme for promoting healthy lifestyles which includes health/medical camps, yoga and other wellness sessions as well as various awareness building events. These contribute to making the individual feeling relaxed and revitalised all day long.

In the reporting period, several sessions on stress management, physical, financial and spiritual wellness, developing wellness plans, and medical check-ups continued to be organised across Businesses and Unit locations. Some of these initiatives are presented below.

- **Introduction and enhancement of specialised and specific interventions** in areas such as provision of app-based medical solutions, sessions on stress management, child care (for working parents), disease prevention, role of nutrition in healthcare and cardiac health amongst others.

- **Celebration of 'International Women's Day' by all ITC Businesses.**

-The Vivel brand team, as part of their campaign 'Ab Samjhauta Nahin', provided ITC employees a unique opportunity to promote sanitary hygiene through their collaboration with The Vatsalya Foundation and

'Padman' wherein employees of ITC donated an amount of their choice towards the cause.

- The human resources team at ITC's Head Office organised a half-day seminar on 'Women Empowerment- Know your Rights' as well as a session on 'Nutrition for 21st Century Women'.

- **Providing employees an opportunity to contribute meaningfully to the society and helping them provide a sense of purpose.**

- In Saharanpur factory, employees were given an opportunity to help establish a centre of employability for the local youths of the city through which vocational training was given to these youths so that they gain meaningful employment and, thereby, lead a life of respect and dignity. Periodic sessions on identified areas are taken by the employees for these youths and they are also helped to prepare for the job interviews in the various job fairs that are organised for them from time to time.

- In Munger unit, opportunity was provided to the employees to get involved in primary education for the underprivileged children in the city so that quality education is provided to them.

LABOUR PRACTICES AND DECENT WORK & HUMAN RIGHTS

EMPLOYEE VOICE AND ENGAGEMENT

During the year, ITC completed the second edition of its Employee Engagement Survey - iEngage 2018, capturing the employee perceptions and views, on various workplace dimensions such as:

- **Employee Engagement**
- **Performance Enablement**
- **Managerial Effectiveness**
- **Trust, Growth and Development**
- **Compensation and Benefits**
- **Work-Life Balance**

The employee participation rate in the survey was over 95% which is amongst highest for organisations of comparable size. Based on aggregated scores, it is reported that 'Pride of Association' continues to remain high at over 90% and there is progressive improvement on key indices of overall Employee Engagement, Performance Enablement and Managerial Effectiveness.

HUMAN RIGHTS

The commitment to protect, respect and elevate human rights throughout ITC is long-standing and is guided by the fundamental principles of human rights. This is reflected in the ITC Code of Conduct which forms the bedrock of all corporate policies.

Robust systems are in place to ensure complete conformity to policies and standards.

Policy

Environment, Health, Safety and Human Rights clauses covering decent place to work and beyond compliance labour practices are incorporated in all ITC contracts.

Practice

The managers supervise all such projects to assure complete adherence in this regard. This is reinforced through comprehensive audits by Corporate Internal Audit and Corporate EHS.

HUMAN RIGHTS IN THE SUPPLY CHAIN

Given the diversified nature of ITC, upholding the human rights of our vast supply chain holds paramount importance. In line with this belief, we constantly work towards building awareness and capacity on human rights, good labour practices, environmental conservation, health and safety.

The ITC Code of Conduct for Vendors and Service Providers enshrines the Company's unwavering focus on these issues. This Code is shared with the supply chain partners and has been accepted by all vendors and service providers. A step-wise iterative approach has been adopted to ensure that our providers comply with ITC's Policy on Human Rights, Labour Practices and Decent Work Environment as well as the Company's Environment, Health and Safety guidelines.

In FY 2017-18, of the 1,506 service providers contracted by ITC, 1,367 operated within the Company's premises and 139 worked off-site. In all cases, contracts with these service providers included clauses that conformed to ITC's Human Rights Policies and EHS guidelines.

PROHIBITION OF CHILD LABOUR AND FORCED LABOUR

In line with ITC's unflinching commitment to good labour practices, it is ensured that no person below the age of eighteen years is employed by the businesses. Forced or compulsory labour is strictly prohibited in all ITC Units and so is the association with vendors and suppliers who employ child and/or forced labour.

FREEDOM OF ASSOCIATION

ITC recognises and respects the right of its employees to exercise freedom of association and collective bargaining.

The Company entered into collective bargaining settlements involving 10,824 employees across India in FY 2017-18.

DIVERSITY AND EQUAL OPPORTUNITY

A proponent of equal opportunities, recruitment at ITC is solely based on merit and ability. Policies are in place to ensure that the work environment across ITC is free from discrimination in any form, whether it is compensation, training and employee benefits, caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a political, religious or union organisation or majority/minority group.



PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT

ITC has zero tolerance for the oppressors and the wrongdoers. In the event of any case of sexual harassment or any other offensive conduct, suitable processes and mechanisms have been established to address the issue with utmost honesty. Internal Complaints Committees have been constituted across businesses to handle such cases. To prevent such incidents from occurring, all employees undergo sensitisation training.

INCLUSION OF THE SPECIALLY ABLED

ITC is a firm advocate of creating awareness on empowering people who are differently abled and opening up employment opportunities for them. This is reflected in our policies and practices which support an inclusive work environment. Taking the lead in this direction is ITC Hotels Division which has not only been providing work opportunities in diverse functions for differently abled persons across its hotels, but continues to drive awareness and guide industry action in making workplaces more inclusive.

71 differently abled persons were employed by ITC in FY 2017-18, the majority of whom were working in the Hotels Division.

GRIEVANCE REDRESSAL

To address employee concerns and complaints pertaining to human rights and decent labour practices, a Grievance Redressal Procedure with appropriate systems and mechanisms has been instituted across ITC units and is backed by policies and statutory provisions. Implemented by Divisional Chief Executives through the respective Management Committees, it allows for open and structured discussions on grievances raised on these issues and their resolution in a fair manner.

377 grievances were received from employees on matters relating to policy, welfare and administration in FY 2017-18. Of these 292 have since been resolved.

OCCUPATIONAL HEALTH & SAFETY

MANAGEMENT APPROACH

WORKFORCE IS A KEY ASSET

CONTRIBUTING TO THE COMPANY'S LONG-TERM STANDING.



The Company believes that a safe and healthy work environment is a prerequisite for ensuring employee well-being, and adopting best practices in occupational health & safety bears a direct impact on the Company's overall performance. It helps in attracting and retaining quality talent, and also in elevating the brand of the Company as a responsible corporate citizen.

ITC ensures that Environment, Health & Safety (EHS) standards at all Units are continuously ahead of legislation and are benchmarked with the best international practices. ITC's approach towards best-in-class occupational health & safety standards is articulated in the Board approved EHS Policy. It is based on an EHS management system which emphasises continuous improvement supported by ongoing investments in state-of-the-art technology and quality human resources. The Company's commitment to provide a safe and healthy workplace to all, has been reaffirmed by several national and international awards and certifications received by various Units.

With an aim to percolate safety deeper into ITC's operational practices and achieve the 'zero accident' goal, the Company has developed a comprehensive EHS strategy founded on two pillars: **Safety by Design & Safety by Culture.**

SAFETY BY DESIGN

From 'Drawing Board' to 'Operations'

To ensure safety for all and at all times, it is imperative for safety parameters to be seeded right at the design and planning stage, and integrated across the construction and operation phases as well. ITC incorporates safety-oriented aspects in the design and project execution phases for all its assets, be its Units, Hotels, Warehouses and Offices. This helps reduce potential hazards as well as optimise operational costs and functionality of the infrastructure.

ORGANISATIONAL EHS FRAMEWORK

The key activities carried out to ensure integration of robust EHS standards across the project life cycle are depicted below.

DRAWING BOARD STAGE	EXECUTION STAGE	OPERATIONS STAGE
<p>EHS requirements integrated at the design stage for all new investments</p> <p>1 - Design Reviews</p> <ul style="list-style-type: none"> • Building and structural stability • Fire and life safety measures • Electrical systems • Work place lighting • Ventilation and hygiene requirements • Noise and dust controls • Water and energy use optimisation • Waste management • Traffic safety • Segregation of man-material movement <p>2 - Process of Incorporating EHS in the Design Phase</p> <ul style="list-style-type: none"> • Helps in eliminating and reducing hazards • Optimises operational cost and overall infrastructure • Create assets that are aligned to organisational goals 	<p>Compliance with EHS Standards during the construction phase is ensured by implementing project EHS management systems</p> <p>1 - Project EHS Management Systems</p> <ul style="list-style-type: none"> • Training of all employees including service providers' employees • Enforcement of the use of safe equipment / tools / tackles • Development of and adherence to safe work procedures / method statements • Observing good housekeeping and storage practices • Usage of personal protective equipment (PPE) <p>2 - Pre-commissioning Audits of All Large Projects done by Corporate EHS (CEHS) Department</p> <p>To ensure that infrastructure including plant and machinery have been procured and installed in conformance with agreed standards</p>	<p>Compliance with CEHS Guidelines during the operation phase of all ITC Units, Hotels, Warehouses and Offices is ensured through established EHS management systems with designated roles and responsibilities for competent resources</p> <p>1 - EHS Management Systems</p> <ul style="list-style-type: none"> • A well-defined EHS Management structure • Quarterly Meeting of the EHS Committee in every ITC unit to review EHS performance • Engagement with the workforce to jointly assess risks in the operations and accordingly improvise the Safe Work Practices (SWPs) • Coverage of health and safety aspects in long-term agreements with trade unions • Awareness sessions for employees, their families and surrounding communities on HIV/AIDs, hepatitis, dengue, malaria and other wellness related issues <p>2 - Monitoring Compliance</p> <ul style="list-style-type: none"> • Internal audits of ITC units by CEHS on a periodic basis which forms part of the report presented to the CMC (monthly) • Accident reporting and investigation to identify the root causes and subsequent implementation of corrective and preventive measures • Accident investigation findings with corrective and preventive measures form part of the report presented to the CMC (monthly) and the Board (quarterly) • Ensure effective dissemination of learnings from each incident/accident across the organisation

OCCUPATIONAL HEALTH & SAFETY

SAFETY BY CULTURE

From 'Compliance Focus' to 'Behaviour Centric' safety culture



ITC's journey in safety has evolved from 'compliance driven' by standards and guidelines to a 'behaviour centric' safety culture. ITC believes that the positive transformation of employees' attitude and perception towards safety backed by individual accountability will help ITC achieve the 'Zero Accident' goal. Accordingly, several of the Company's operating Units are progressively implementing behavioural-based safety initiatives.

Structured conversations are also carried out by employees with their peers and supervisors on Safe and Unsafe Acts (SUSA). These conversations are periodically reviewed and analysed to improve quality of engagement. This collaborative approach leads to positive behavioural change by reinforcing positive behaviour and correcting unsafe behaviour. These efforts are being supplemented by the adoption of a keystone behaviour by individual Units which provides a distinct identity and character to the safety culture that is being developed. Keystone behaviour is adopted by Units to demonstrate collective commitment and create a shared vision of safety and discipline.

PERFORMANCE

ITC reports its safety performance on two fronts – '**on-site**' - referring to the place of work i.e. Factory, Hotel, Office, etc. which is under the direct operational control of ITC and '**off-site**' - defined as all places visited in the course of work other than the premises where posted, which includes the to and fro commute between work place and residence.

ON-SITE SAFETY

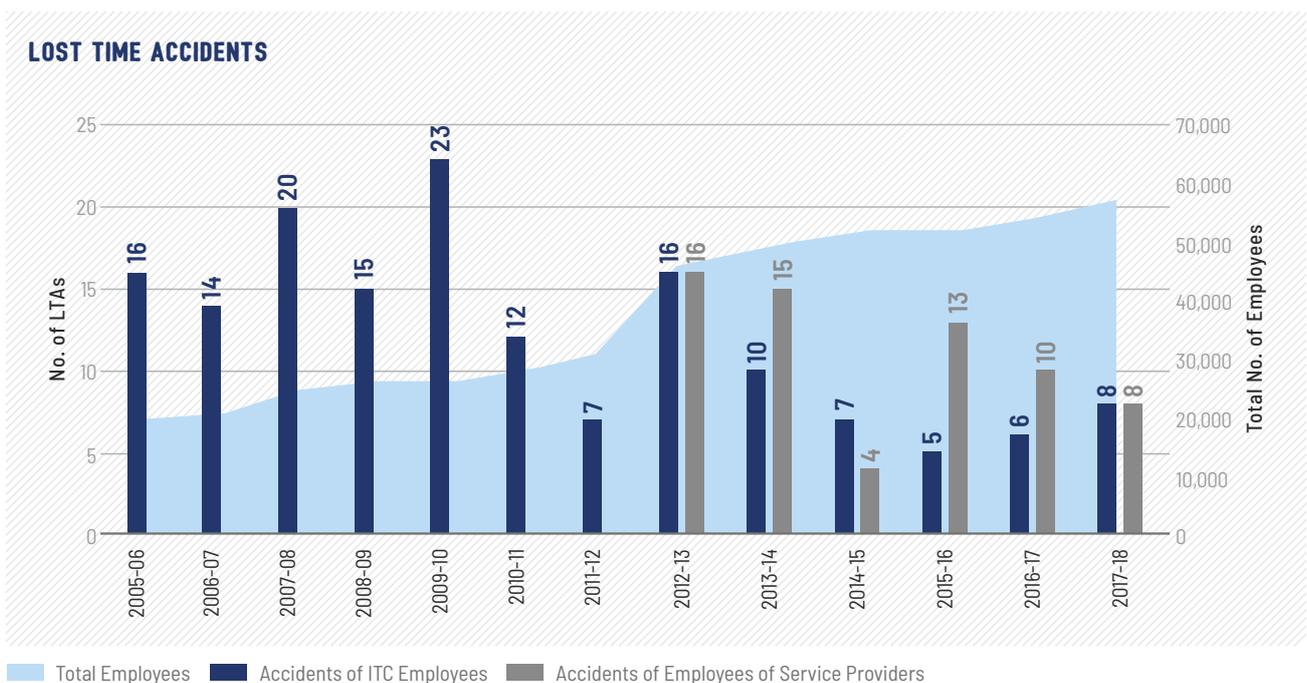
In FY 2017-18, the total on-site Lost Time Accidents (LTA) remained unchanged at 16 compared to FY 2016-17, notwithstanding the significant enhancement in ITC's scale of operations. Out of these 16 accidents, 8 occurred to ITC employees and the balance 8 to service providers' employees. All of these accidents involved male employees.

There were two unfortunate fatalities in FY 2017-18 to service providers' employees within the Units' premises. In the first case, the victim was knocked down by a moving truck, while in the second case, the victim succumbed to a snake bite.

Detailed investigations are carried out for all accidents to identify root causes and measures for preventing recurrence.

Following the fatal road accident, the Unit is re-evaluating its entire truck entry and management system. Post the snake bite fatality, a guideline on snake risk mitigation which is based on guidance by World Health Organization (WHO) has been issued for implementation. Further, the learnings from all accidents have been disseminated across the organisation in the form of case studies.

Lost Time Accident (LTA) is defined as an accident due to which the injured does not return to work in the next scheduled shift. As can be seen from the graph, total LTAs (including service providers' employees) reflect a persistent downward trend despite a significant increase in overall number of manufacturing Units and total employees within the reporting boundary.

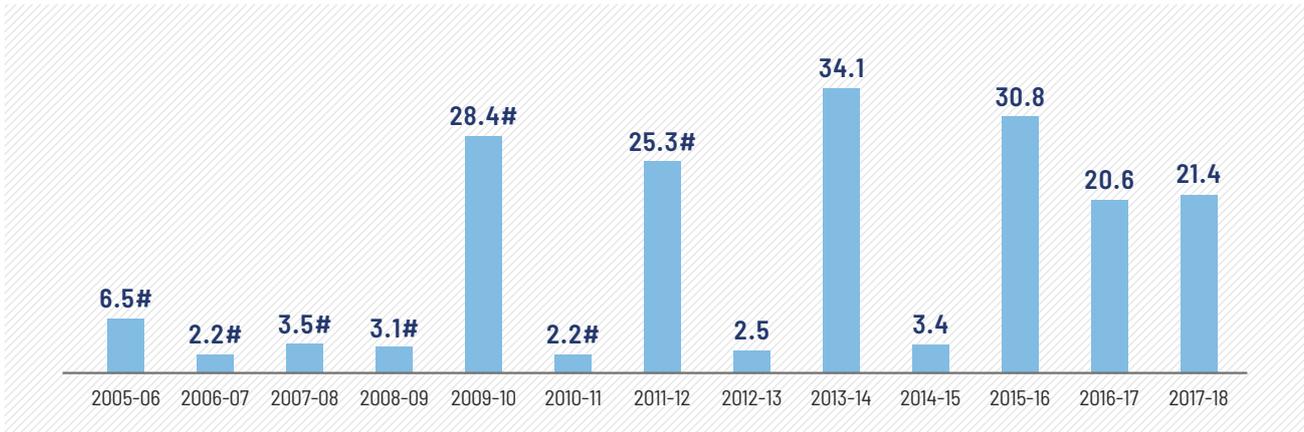


Data on Service Providers' employees available from FY 2012-13 only.

OCCUPATIONAL HEALTH & SAFETY

LOST DAY RATE

Lost Day Rate (LDR) is another measure for evaluating safety performance and it does so by comparing number of man-days lost for every 200,000 man-hours worked. As can be seen from the below graph, there has been a slight increase in the LDR during FY 2017-18 due to the two fatalities wherein a loss of 6,000 man-days each is required to be accounted for as per IS 3786:1983.



The period from FY 2005-06 FY to 2011-12 shows Lost Day Rate for ITC employees only. From FY 2012-13 onwards, the graph shows Lost Day Rate for the combined workforce i.e. ITC employees and service providers' employees.

INJURY RATE

Injury rate (IR) is used to assess the frequency of LTA in relation to total man hours worked. Though there has been a marginal improvement in the Injury Rate, ITC will continue to revalidate its approach towards safety and ensure creation of an organisation-wide safety culture.



The period from FY 2004-05 to FY 2011-12 shows Injury Rate for ITC employees only. From FY 2012-13 onwards, the graph shows Injury Rate for the combined workforce i.e. ITC employees and service providers' employees.

FORMAL AGREEMENTS WITH TRADE UNIONS

In ITC, long term agreements signed with Trade Unions include health and safety topics to encourage better participation and involvement. Some of the health and safety topics included in the agreements are mentioned below:

Participation in EHS Committees | Participation in EHS inspections, audits and accident investigations

Providing training and education to workers | Provision of PPE to the workers

During FY 2017-18, seven long term agreements with trade unions were signed.

ZERO ACCIDENT UNITS

Over the years, the number of Units delivering 'Zero On-site Lost Time Accident' performance has progressively increased. Moreover, 14 Units that achieved this status, have held on to it since FY 2012-13. The following ITC Units achieved 'Zero On-site Lost Time Accident' status in FY 2017-18.



MANUFACTURING UNITS	HOTELS	OFFICES AND OTHERS
<ul style="list-style-type: none"> • Cigarette Units at Bengaluru, Kidderpore, Saharanpur and Pune, Simra and Seratar (Nepal) • Foods Units at Haridwar, Pune, Malur, Munger, Guwahati, Kapurthala, Mysuru and NENPL Mangaldai • Agri Business Units at Anaparti, Chirala and Mysuru • Packaging & Printing Units at Munger and Tiruvottiyur • Paperboards and Specialty Papers Unit at Bollaram and Kovai • Personal Care Products Units at Guwahati, Haridwar and Manpura 	<ul style="list-style-type: none"> • ITC Gardenia • ITC Grand Bharat • ITC Grand Central • ITC Grand Chola • ITC Kakatiya • ITC Maratha • ITC Maurya • ITC Mughal • ITC Rajputana • ITC Sonar • ITC Windsor • WelcomHotel Bengaluru • WelcomHotel Chennai • WelcomHotel Coimbatore • Fortune Resort Bay Islands, Port Blair • Classic Golf & Country Club, Gurugram 	<ul style="list-style-type: none"> • ITC Corporate Head Office, Kolkata • ITC Green Centre, Gurugram • ITC Green Centre, Manesar • ITC Infotech, Bengaluru and Pune • Divisional Head Quarters of Cigarettes Business, Education and Stationery Products Business, Foods, Matches & Agarbattis, Packaging & Printing Business, Paperboards & Specialty Papers Business and Personal Care Products Business • Research Centre at Rajahmundry • Technico, Chandigarh & Manpura

OCCUPATIONAL HEALTH & SAFETY

OFF-SITE SAFETY

In FY 2017-18, the total number of off-site LTAs was 16 as compared to 30 in FY 2016-17. Out of these 16 accidents, 14 were road accidents. There was one fatal road accident to an ITC employee wherein the auto rickshaw in which he was travelling was hit by an oncoming lorry, resulting in his death.

As a standard practice, off-site accidents are also duly investigated. The learnings from these accidents are disseminated across the organisation and there is a constant reinforcement of the message among employees for exercising extreme care and being vigilant on the road.

ROAD ACCIDENTS TREND



Though road infrastructure and traffic management outside the premises are well beyond ITC's control, ITC believes that improved awareness and adoption of 'defensive road safety techniques' help reduce the risks. ITC has accordingly initiated training and awareness sessions for its employees and service providers.

Given that the majority of the road accidents have involved two-wheeler riders, a user interactive two-

wheeler rider safety programme was rolled out in FY 2011-12 for employees and for ITC's Trade Marketing & Distribution (TM&D) supply chain members in FY 2015-16.

The user interactive modules have been translated into vernacular languages to ensure wider coverage and adoption. During FY 2015-16, ITC also rolled out a similar user interactive training module for four-wheeler users.

OCCUPATIONAL HEALTH

A healthy workforce is an important contributor to ITC's competitiveness and sustainability. All Units maintain a conducive work environment in line with Indian/International standards on hygiene, lighting, ventilation and effective controls on noise and dust. Units are equipped with Occupational Health Centres with adequate medical staff to monitor occupational health and provide immediate relief as required. In addition, at least 2% of total employees are professionally trained as first aid providers.

As part of ITC's preventive medical programme, various categories of employees based on age and exposure to occupational hazards undergo periodic medical check-ups. In FY 2017-18, 13,043 employees underwent preventive medical examinations and no occupation related illnesses were identified across ITC's Business Units.

ENSURING WELLNESS IN THE WORKFORCE

ITC remains committed to protecting its employees from the threat posed by various serious diseases including HIV/AIDS, hepatitis, dengue, malaria etc.

During FY 2017-18, awareness camps/programmes conducted for employees and communities around ITC's Units covered a total of 8,253 people. 7,233 of these were employees of the Company while the rest were local community members. Awareness sessions were also conducted regarding allied off-the-job safety aspects such as home safety, safe use of LPG in the kitchen and road safety.



THE ROAD AHEAD

In line with the Company's EHS policy, the approach is to institutionalise safety as a value-led concept with a focus on inculcation of ownership at all levels, leading to the creation of a cohesive safety culture.

The efforts towards building a culture of safety will continue with focus on capacity building at the shop-floor level for carrying out risk assessments and continuous improvement of Safe Work Procedures (SWPs).

Considerable number of employees (workmen and managers) across several Businesses have undergone customised risk assessment trainings conducted by ITC. Scaling up of these efforts is an important aspect of sustaining and improving safety standards in ITC given its rapidly growing manufacturing footprint. Periodic reviews are also undertaken to ensure that training and other communications are relevant and take into account the local socio-economic context. This is done to ensure the transition from 'awareness developed' to 'changed behaviour'.

ITC remains firmly committed to achieving the goal of 'Zero Accident'.

ITC will continue to assess its safety performance by tracking both leading and lagging indicators, and accordingly identify solutions for strengthening the safety culture. With this approach, ITC will achieve the organisation-wide goal of 'Zero Accident' in the coming future.

ITC will continue to undertake efforts for creating a safe working environment and a strong safety culture through:

- **Integrating safety at the design stage itself and ensuring it through design reviews, stage inspections and pre-commissioning audits - with respect to infrastructure.**
- **Strengthening of engineering control measures through 'design for safety' principles, pre-commissioning and operational audits during design, construction and operational stages respectively.**
- **Progressively covering Businesses under various behavioural-based safety initiatives including customised risk management programmes that facilitate engagement for collaborative work on improving safety performances. Studies will be conducted to evaluate the safety culture and efficacy of behaviour-based safety interventions.**
- **Adoption of keystone behaviour by Units to demonstrate collective commitment and create a shared vision of safety and discipline.**

**ITC's SOCIAL INVESTMENTS PROGRAMME
AIMS TO TRANSFORM THE LIVES OF
EVEN THE MOST MARGINALISED
AMONGST ITS STAKEHOLDER GROUPS.**

**EMPOWER TO
TRANS**



ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

MANAGEMENT APPROACH - SOCIETY

ITC's Social Investments Programme (SIP) aims to transform the lives of even the most marginalised amongst its stakeholder groups to live a life of dignity.

*ITC'S WAY OF GRASS-ROOTS EMPOWERMENT,
**BASED ON KNOWLEDGE & TECHNOLOGY
TRANSFER, CONFRONTS LIVELIHOOD
CHALLENGES OF TODAY AND TOMORROW**
THROUGH A HOLISTIC APPROACH TO CREATE HEALTHY,
EDUCATED AND SKILLED COMMUNITIES WHICH LOOKS
TO THE FUTURE WITH CONFIDENCE AND DETERMINATION*



The Company's CSR Policy, approved by the Board in FY 2014-15, covers the programmes, projects and activities that the Company plans to undertake to create a significant positive impact on its identified stakeholders. These programmes fall within the purview of Schedule VII of the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

ITC's STAKEHOLDERS

Key stakeholders, based on the material aspects of ITC's businesses, comprise:

1 Rural communities with whom ITC's agri-businesses have forged long and enduring partnerships through crop development and procurement activities

While such economic linkages have generated wealth for rural households on a sustained basis for decades, they also look to the Company to help find viable solutions to combat extreme weather episodes that could threaten the sustainability of their production systems.

2 Communities residing in close proximity of our manufacturing units

Situated in urban and semi-rural hinterlands these communities derive considerable benefits from the multiplier effects arising from the Company's operations. Nevertheless, there is an expectation that the Company will aid in the creation of the necessary socio-economic infrastructure to enable significant improvements in their Human Development Indices.

THEIR DOMINANT NEEDS

A comprehensive survey was undertaken in FY 2015-16 to re-evaluate the socio-economic profile of stakeholders and their development challenges. The review covered a total of 103 clusters comprising 902 villages/wards, which form the **core operational geographies** for the Company's Social Investments Programme. These assessments gave a clear indication of the changing nature of development challenges confronting the Company's stakeholder communities:

While people aspire for improvements in the quality of their lives, **the more urgent concern is for their children to grow into a healthy, educated and skilled resource** to enable participation in the employment markets of tomorrow

Poverty is a challenge in the core areas **requiring focus on the poor**, the marginalised and women-headed households

Like the rest of India, more than half of agriculture in the core area is rain-fed, calling for the **development of water resources** as a major priority area



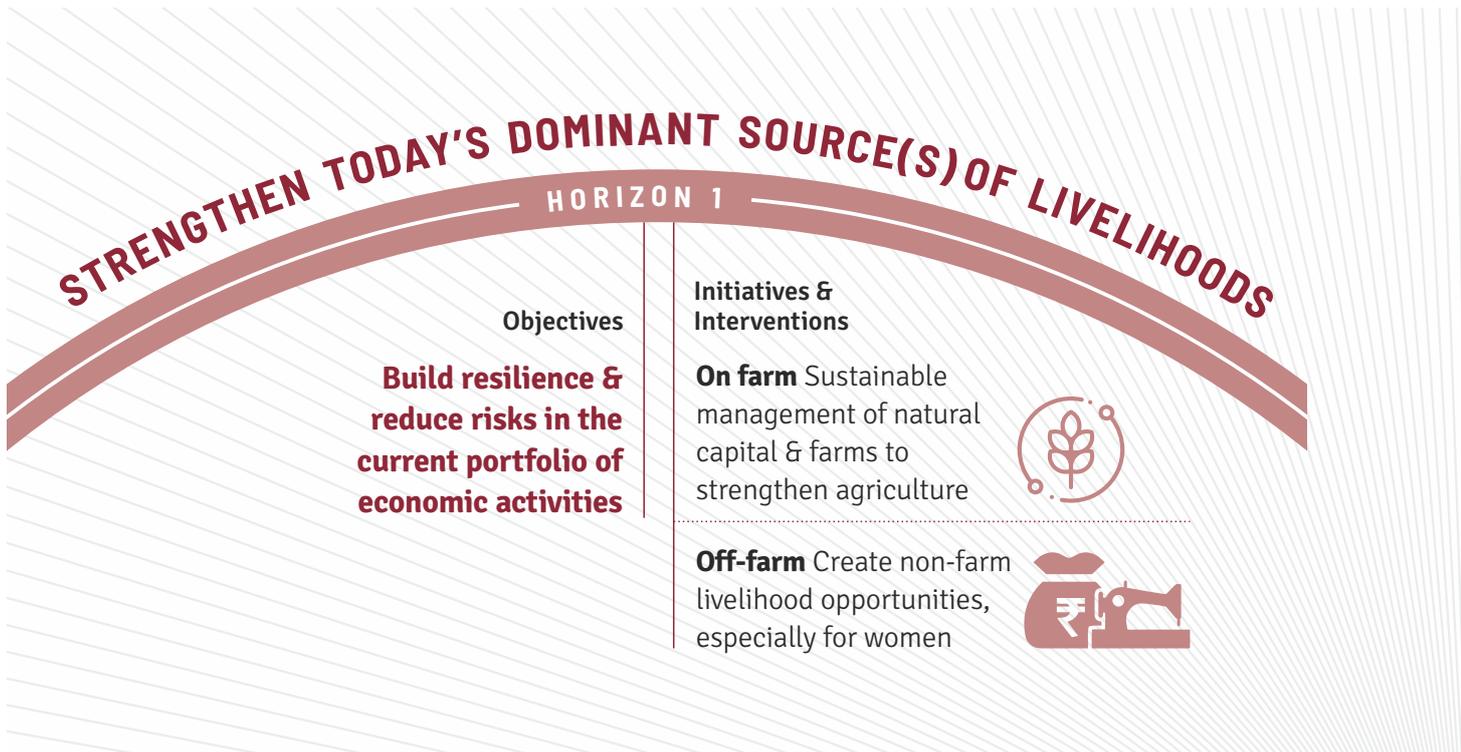
Farming is the mainstay of rural households, which, being dominated by small holder agriculture, **necessitates building their resilience to climate change** through adoption of sustainable nature based solutions

Off-farm opportunities are circumscribed, demanding **focus on reduction in youth unemployment, maximising enrolment, minimising dropouts and significantly improving the quality of learning in primary schools**

ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

ITC'S RESPONSE - TWO HORIZONS APPROACH

From the comprehensive survey conducted in FY 2015-16, it is clear that ITC's stakeholders are confronted with multiple, but inter-related issues at the core of which are the twin challenges of securing sustainable livelihoods today and tomorrow.



SUSTAINABLE PROCESSES

WE ARE COMMITTED TO

Participatory Development

based on empowered grassroots institutions to enable communities to independently manage their resources, and become change agents without having to depend on external agencies.

Inclusive Growth

that benefits the poor and marginalised communities, especially scheduled castes/tribes and women, thereby promoting affirmative action in project locations.

Behaviour Change

through focus on demand generation for all interventions, thereby enabling participation, contribution and asset creation for the community.

Partnerships with governments

to enable rapid scale-up of programmes that have been piloted and tested in ITC's project locations.

Collaboration with national and international organisations and agencies

in order to remain contemporary and access the latest knowledge/technical know-how to continuously improve the quality of programmes.



The findings thus validated the 2-horizon strategy put in place a few years earlier comprising an integrated response to development:



ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

LONG-TERM VISION - CREATION OF ADARSH HABITATIONS

TARGETS & TIMELINES

Based on the 2 Horizons strategy, a number of interventions have been designed to deliver on the Adarsh Habitation objectives, each with its own measurable indices to achieve the desired goals. These are detailed in the below table along with the estimated time it would take to achieve these targets.

PERFORMANCE AGAINST TARGET 2030 FOR MISSION SUNEHRA KAL PROGRAMMES

Objective	Initiatives	UoM	Target 2030	Achieved till 2017-18	Balance to Achieve	Timeline* (years)
HORIZON 1 - SUSTAINABLE LIVELIHOODS TODAY						
De-risk poor rural households by diversifying farm portfolios through the promotion of tree-based farming	Social Forestry	Acres	562,312	295,065	267,247	10
	Agro-forestry	Acres	234,910	101,939	132,972	10
Integrate diverse elements of the rural portfolio of initiatives into a Climate Smart Village approach	Sustainable Agriculture*	Acres	2,912,177	204,535	2,707,642	15
Ensure water security for all stakeholders through watershed development & managed aquifer recharge	Watershed Area	Acres	2,248,557	874,496	1,374,061	10
	Structures	Nos.	27,299	12,440	14,859	10
	Storage Potential	Million KL	56.222	32.249	23.972	10
	Biodiversity Conservation	Acres	57,655	16,094	41,561	10
Actively promote non-farm livelihood opportunities to diversify income portfolios of poor households	Women Covered	Nos.	150,014	61,106	88,909	13
HORIZON 2 - CREATING CAPABILITIES FOR TOMORROW						
Ensure that every child is in school and learning well through improvement in pedagogy and the learning environment	Children Covered	Nos.	713,446	558,758	154,688	10
	Schools Covered	Nos.	2,789	1,644	1,145	10
Align skills training to market demand to maximise employment of youth from our core areas	Youth Enrolled	Nos.	282,060	55,324	226,736	15
Reduce morbidity, especially amongst women and children, by promoting a clean and healthy environment	Toilets Constructed	Nos.	131,100	31,473	99,627	14
	SWM - Households Covered	Nos.	260,176	98,038	162,138	15

Note: 1 - Timeline from base year of 2016-17 | 2 - 1 hectare = 2.47105 acres | 3 - Figures on sustainable agriculture area and SWM - households covered, pertains to FY 2017-18

OUTCOME INDICATORS

Investing in such a holistic manner will establish enabling conditions for the emergence of “Adarsh” habitations, with indicators aligned to national priorities and goals, whether in the area of protection of natural resources or the development of human capabilities. Details of the same have been encapsulated in the below table.



OUTCOME INDICATORS FOR 'ADARSH' HABITATIONS

Outcomes for 'Adarsh' Habitation	Indicator	Benchmark
Sustainable Agriculture	Soil Organic Carbon (SOC)	0.75 – 1%
Water Security	Ground Water Recharge	From 'semi-critical'/'critical'/'over-exploited' to 'safe' category
Fuel & Fodder Security	Area Under Biomass (forest/tree cover)	33% of total geographical area
Women Economic Empowerment	Financial & Social Inclusion of Women	100%
Universal Primary Education	Enrolment	All
	Drop-out	Mean years of schooling – 7
Improvement in Health Status	Maternal Mortality Ratio (MMR)	National SDG goal – 109*
	Infant Mortality Ratio (IMR)	National SDG goal – 27**
End to Extreme Poverty & Hunger	Under-weight Children	National SDG goal – 26%

*Deaths per 100,000 live births ** No. of Deaths of infants less than 1 year old per thousand live births

ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

Alignment to National Priorities & SDG Goals



ENDURING PARTNERSHIPS FOR DEVELOPMENT

At the core of the Social Investments Programme is the commitment to create enduring partnerships with relevant stakeholders in order to remain contemporary and ensure scale and sustainability.

EMPOWERED GRASS ROOT INSTITUTIONS

Community participation is at the core of MSK's development model. All activities are undertaken through community-based organisations (CBOs) specially formed for the purpose of the project and supported with training and capacity building.

**COMMUNITY CONTRIBUTION,
 BOTH FINANCIAL AND IN KIND - IS A KEY ELEMENT,
 WHICH COMBINED WITH THE PARTICIPATORY APPROACH,
 GENERATES HIGH OWNERSHIP LEVELS,
 FUNDAMENTAL TO LONG-TERM SUSTAINABILITY**

The ultimate aim is to form empowered CBOs which can function autonomously, enabling communities to independently shape their own destiny.



GRASS-ROOT INSTITUTIONS

Intervention	Institution	Nos.	Members	Corpus Fund (INR Million)
Watershed	Water User Groups (WUGs)	2,488	45,484	11.4
Social Forestry	Vanikaran Sanghas (VSs)	1,783	43,013	18.3
Agriculture	Agri-Business Centres (ABCs)	381	11,764	18.7
Women	Self Help Groups (SHGs)	3,186	37,584	69.2
Education	School Management Committees (SMCs)	351	2,106	-
		8,189	139,951	117.6

ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

GOVERNMENT PARTNERSHIPS

Partnerships with governments enable rapid scale-up of programmes that have been piloted and tested in ITC's project locations. Cumulatively, MSK has signed 50 MoUs with various state government departments and NABARD. Of these, nine partnership agreements were signed with various state governments during FY 2017-18.



TOTAL NUMBER OF GOVERNMENT PARTNERSHIPS TO DATE

Theme	State	Department / Programme	No. of MoUs
Agriculture	Karnataka, Rajasthan	Tribal Development Fund (TDF), MGNREGS	2
Education	Karnataka	Department of State Education Research and Training	2
Livestock	Andhra Pradesh, Madhya Pradesh	Livestock Development Agency (APLDA), NABARD Farmer's Technology Transfer Fund (FTTF)	2
Sanitation	Rajasthan, Punjab, Uttar Pradesh, Uttarakhand	District Drinking Water and Sanitation Departments	4
Waste	Uttar Pradesh, Andhra Pradesh	Saharanpur Municipal Corporation, Guntur Municipal Corporation	2
Water	Madhya Pradesh, Andhra Pradesh, Maharashtra, Rajasthan, Bihar	Mukhyamantri Jal Swavlamban Abhiyan (MJSA), MGNREGA, IWMP, NABARD	35
Women	Madhya Pradesh, Maharashtra, Bihar	State Rural Livelihood Mission & CRISIL Foundation	3
Total MoUs			50

As a result of these partnerships, the Social Investments Programme was able to raise a total of INR 300 mn. by way of local contributions and external funds for almost all the important interventions.

EXTERNAL FUNDS RAISED, 2017-18

(In INR Million)

Community Contribution	External Sources	Total
124.6	175.4	300

KNOWLEDGE ALLIANCES

CGIAR – 'CLIMATE SMART VILLAGES' (CSV)

The partnership aims to improve the resilience of MSK operational villages in MP, Rajasthan and Maharashtra to face climate change related challenges. Based on crop-specific recommendations in the CY, fourteen Climate Smart practices were introduced in MP. The same process of risk analysis and crop advisory by CGIAR is also underway in Maharashtra and Rajasthan.



INTERNATIONAL UNION FOR CONSERVATION OF NATURE (IUCN) – 'AGRISCAPES'

This partnership, in Munger, aims to identify and revive key eco-system services provided by nature through biodiversity conservation measures. A pilot to demonstrate eco-system revival was initiated in the Kharagpur cluster, with the objective of creating fuel and fodder resources within the villages that are on the fringes of the forest.



WORLD WIDE FUND FOR NATURE INDIA

MSK has two partnerships with WWF India -

- **Water Budgeting & Water Risks Analysis** for the Bhavani River Basin in Kovai (Tamil Nadu)
- **The 'Better Cotton Initiative' (BCI)** in Telangana: 3 Project Units (PU) were formed covering 5,000 farmers. All were trained in BCI practices and a one-year license was issued by BCI to these PUs based on third party verification. The cotton produced by these farmers will be considered as BCI cotton, and the license will be renewed for 3 years post another audit next year.



IMPLEMENTATION PARTNERSHIPS

The Social Investments function has forged strong partnerships with 85 NGOs for execution of its 171 projects pan India, which include both thematic experts and grass root NGOs. These NGOs are identified after an operational and financial due diligence process. Whilst the agreements are renewed annually, the partnerships tend to be long term, enabling a deep understanding of the contextual realities and ITC's

systems & processes by the partners, thus leading to effective delivery of desired outcomes. A process of structured 'Dialogue' with NGO partners is in place for pulse check and also for feedback and forward planning. In most thematic interventions, there is more than one strong partner in place to ensure that there is no risk to the project in case of any untimely closure of the partnership.

ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

INTERVENTIONS IN HIGH PRIORITY AREAS

The projects promoted under the Social Investments Programme are spread over 188 districts of 25 States/Union Territories.

HORIZON 1 SUSTAINABLE LIVELIHOODS TODAY



4 MILLION FARMERS | **35,000 VILLAGES** | **6,100 KIOSKS** | **10 STATES**

■ ITC's e-CHOUPAL

The ITC e-Choupals are designed to deliver enhanced value to all participants in the value chain, including farmers, by leveraging the power of Information Technology. With a judicious blend of click and mortar capabilities, ITC e-Choupals have triggered a virtuous cycle of higher productivity, higher incomes, enhanced capacity for farmer risk management, larger investments and better quality of produce.

Village internet-kiosks managed by lead farmers, called 'sanchalaks', facilitate information access to other farmers, in their local language. Real-time information on weather forecasts and market prices, customised knowledge on scientific farm practices and risk management are supplemented by the availability of quality farm inputs and price discovery of farm produce

within the village. Such crucial information and inputs enhance the ability of farmers to take informed decisions, align their farm output with market demand and ensure higher quality and productivity. The aggregation of demand for farm inputs from individual farmers gives them access to high quality inputs from established manufacturers at fair prices.

Launched in June 2000, ITC e-Choupal is today the largest initiative among internet-based interventions in rural India. Its services reach out to more than 4 million farmers in over 35,000 villages through 6,100 kiosks spread across 10 states.



SOCIAL FORESTRY

The programme focuses on creating commercially viable land use options for smallholder farmers through tree-based farming to diversify incomes from land while fostering food, fodder and fuelwood security. Launched in FY 2001-02, the programme has covered over 201,000 acres under pulpwood plantations, over 93,400 acres under energy plantation and 494 acres of bamboo plantations. Till date, the Farm and Social Forestry programmes together have greened over 683,000 acres, generating 124 million person-days of employment.

During the year, 10,926.2 mn MT of wood was harvested, of which 22% (24,236 MT) was FSC certified wood, which benefits farmers through premium payment. Total wealth generation was to the tune of INR 316.7 mn for poor and marginal farmers.

Agro Forestry continued to be given emphasis, accounting for more than 95% of area under eucalyptus. Given the sizeable area under agro-forestry, and to drive improvement in farm economics from intercrops, ITC continued its partnership with the World Wide Fund for Nature, India (WWF India) to implement 'Better Cotton Initiative' in three districts of Telangana - Khammam, Warangal and Nalgonda.

SOCIAL FORESTRY

Activity	2016-17	2017-18	Cum to 2017-18
Coverage			
No. of new villages	276	182	4,991
No. of new beneficiaries	10,823	12,708	109,232
Total Forestry (Acres)	38,916	39,504	295,065
Agro Forestry Area (Acres)	21,553	19,683	101,939
Saplings Planted (Million)	76	72	628

WOOD HARVEST

Description	2016-17	2017-18
Area (Acres)	8,126	6,161
Farmers (Nos.)	3,167	2,342
Volume Harvested (MT)	148,236	109,262
Total Income (INR Million)	570.5	316.7
Earnings / Household (INR)	180,145	135,228
Earnings / Acre (INR)	70,208	51,400

ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH



■ SUSTAINABLE AGRICULTURE (SA)

The primary objective of the SA programme is to **de-risk farming operations** from erratic weather events to improve profitability of agriculture by creating an eco-system of services comprising:

1 CAPACITY BUILDING AND KNOWLEDGE DISSEMINATION

2 RESTORATION AND REPLENISHMENT OF NATURAL RESOURCES THAT ARE CRUCIAL FOR AGRICULTURE - WATER, SOIL AND BIODIVERSITY

3 INSTITUTIONAL SUPPORT THROUGH FARMER GROUPS - AGRI BUSINESS CENTRES (ABCs) - FOR COLLECTIVE ACTION

During FY 2017-18, 4,14,930 acres was covered under sustainable agricultural practices. Of this 114,000 acres, directly benefitting more than 64,000 farmers with a multiplier effect, was achieved through Choupal Pradarshan Khets (CPK), demonstration farms to disseminate scientific and technological best practices. Another 96,395 acres covering over 19,618 farmers were impacted through various interventions focused on increasing farm productivity, improving product

integrity, improving physical, chemical & biological health of the soil and reducing cost of cultivation.

In addition, 2,084 Farmer Field Schools (FFS) and 381 Agri Business Centres (ABCs) continued to give extension services, promoted advanced agri-practices, arranged agri-credit linkages and established collective input procurement and agricultural equipment on hire, together impacting over 62,628 farmers. Towards ITC's long-term objective of improving Soil Organic Carbon, 2,731 compost units were constructed during the year, taking the cumulative total to 37,530.

To strengthen participation of women in agriculture, ITC trained them in agri-related skills through 234 exclusive women FFS and promoted 133 enterprises owned and managed by women. Women-run Agri Business Centres (ABCs) hired out agri equipment, undertook seed production and established nurseries.

In addition, major agriculture practices have been institutionalised across states with the aim of reducing water usage and cultivation costs, and improving productivity to make agriculture more sustainable and climate resilient.

HIGHLIGHTS

**SUSTAINABLE
AGRICULTURAL
PRACTICES** **414,930**
ACRES COVERED during FY 2017-18

64,000 **FARMERS
BENEFITED**
from 114,000 acres with a multiplier effect through Choupal Pradarshan Khets

2,084 **FARMER
FIELD SCHOOLS**
234 **EXCLUSIVE
WOMEN FFS**

381 **AGRI
BUSINESS
CENTRES** | **2,731** **COMPOST
UNITS** constructed during
the reporting year

ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

SUSTAINABLE AGRICULTURE

Activity	2016-17	2017-18	Cum to 2017-18
Irrigation			
Group Irrigation (Nos.)	24	31	863
Sprinklers (Nos.)	1,001	617	4,267
Sustainable Practices			
Demonstration plots (Nos.)	2,602	5,348	44,492
Compost Units (Nos.)	3,931	2,731	37,530
Farmer Field Schools (Functional Nos.)	1,280	2,084	2,084
Agri Business Centres (Nos.)	326	381	381



MAJOR PRACTICES PROMOTED UNDER MISSION SUNEHRA KAL

Crops	Major Practices Promoted	States	Total 2017-18 (Acres)
Wheat	Zero tillage method of sowing, location specific varietal introduction	Bihar, Madhya Pradesh, Uttar Pradesh, Rajasthan, Punjab, Uttarakhand	129,929
Rice	Direct seeding of rice, mechanised transplanting / harvesting of rice	Bihar, Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Telangana, Assam, Odisha, Uttarakhand	8,687
Soya	Broad bed furrow method of sowing	Madhya Pradesh, Rajasthan, Maharashtra	20,596
Pulse/Oilseeds	Seed treatment and as green manure crop	Bihar, Uttar Pradesh, Andhra Pradesh, Maharashtra, Telangana, Chhattisgarh, Odisha	21,240
Millets - Sorghum, Maize, Bajra and others	Raised bed planting, seed treatment and standard package of practices	Bihar, Andhra Pradesh, Tamil Nadu, Maharashtra, Telangana, Punjab, Chhattisgarh, Odisha	6,466
Cash Crops - Chilli, Cotton, Turmeric, Onion and Sugarcane	Raised bed planting, seed treatment, water use efficient practices	Andhra Pradesh, Maharashtra, Telangana, Uttarakhand	15,012
Vegetables and Floriculture	Seed treatment, pre-germination tests and water efficient practices	Andhra Pradesh, Tamil Nadu, Telangana, Assam, Odisha, Uttar Pradesh	1,530
Fruit Plantations	Water efficient practices (ring bund / drip / mulching / etc.) and high density planting	Uttar Pradesh, Andhra Pradesh, Tamil Nadu, Maharashtra	1,075
Total Area Under Sustainable Agriculture (Acres)			204,535

HIGHER NET RETURNS FROM SMALLHOLDER AGRICULTURE IN MUNGER (BIHAR)

Agriculture in Bihar is dominated by small land-holdings with low investment capacity, leading to attendant challenges of low productivity and returns from farming. ITC realised that only an eco-system approach could counter the multiple challenges faced by such farmers, comprising the following:

Promoting either Direct Seeding or Mechanised Transplanting of rice and zero tillage method of sowing in wheat

Improvement in irrigation potential through development of water resources including the revival of traditional water systems such as Ahars & Pynes

Introduction of appropriate practices at critical periods of the crop cycle

Introduction of pulses as a summer crop against the traditional practice of leaving land as fallows



Best practices were introduced as a result of technical partnerships with international agri-research institutions like CIMMYT and with state agricultural universities. Extension took place through Farmer Field Schools. Farmer groups were encouraged to take up equipment hiring activity for its members.

Together these activities had significant impacts on farm productivity and income as compared to the sample of control farmers. Data collected from a sample of 180 farmers highlighted the following:

In paddy, **cost of cultivation decreased by 40%** (INR 8,019/acre), **productivity increased by 27%** (6 qt/acre) and **net profits stood at INR 21,699/acre, which was 235% higher than control**

In wheat, **cost of cultivation decreased by 37%** (INR 3,940/acre), **productivity increased by 28%** (4 qt/acre) and **net profits stood at INR 21,608/acre, which was 97% higher than control**

Pulses **provided INR 6,800/acre returns in the summer season**, which was zero in case of control as no crop was cultivated by them

In total, due to round the year engagement with farmers, INR 50,057/acre was the net profit as against INR 16,296/acre in control, which was 207% higher.

ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH



CUMULATIVELY
12,440
WATER HARVESTING
STRUCTURES CONSTRUCTED

32.25
MILLION KL FRESH WATER
HARVESTING POTENTIAL

■ WATER STEWARDSHIP

This programme champions water stewardship for all stakeholders in ITC's operational areas to promote water security through community-based participation in planning and execution and scientific water-balance assessments.

In the agri-catchments, ITC focuses on drought proofing agriculture by improving the groundwater status and reducing crop related demand for water. In the factory locations, ITC aims to achieve water security for all stakeholders by creating positive water balance through interventions in supply and demand side management.

In pursuit of these objectives, ITC collaborates with reputed institutions and thematic expert organisations to improve water use efficiency in agriculture, map recharge zones for managed aquifer recharge and for water balance estimation. ITC has partnered with institutions such as IWMI, WWF India, ACWADAM, CII, GEOVALE till date for the tasks mentioned above.

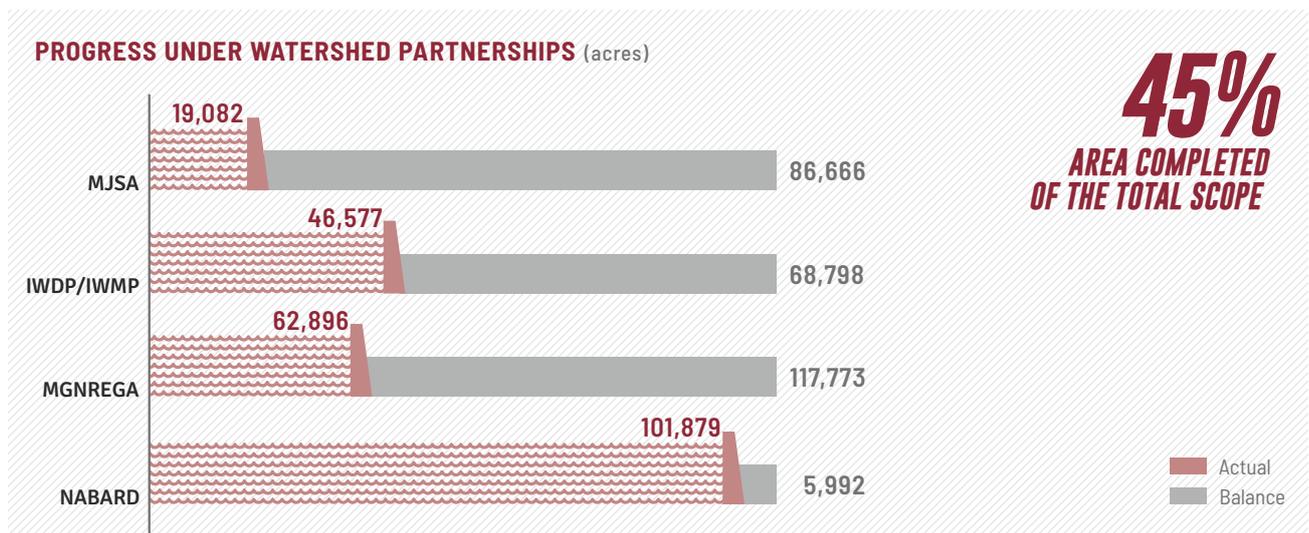
WATER STEWARDSHIP

Activity	2016-17	2017-18	Cum to 2017-18
Water Harvesting			
Minor Structures (Nos.)	1,621	1,949	8,891
Major Structures (Nos.)	480	392	3,549
Total Structures	2,101	2,341	12,440
Watershed Area (acres)			
Area Treated	89,709	68,643	585,011
Critical Irrigation Area	46,482	29,536	289,485
Total Watershed Area	136,190	98,180	874,496
Water Storage Capacity (Million KL)	3.40	2.93	32.25
Direct Beneficiaries (Nos.)	45,835	32,705	284,691
Empl. Person-days (Million)	0.34	0.15	5.67

The water stewardship programme covered over 98,180 acres in FY 2017-18, taking the total area to over 874,000 acres spread over 14 states. Cumulatively, 12,440 water harvesting structures have been constructed, creating freshwater-harvesting potential of 32.25 mn kl.

Public Private Partnership (PPP) projects, with various state governments and NABARD, have traditionally formed a significant part of the total watershed projects implemented by ITC. In FY 2017-18, two new MoUs were signed with Mukhya Mantri Jal Swavlamban Abhiyan (MJSA) in Jhalawar and Bundi districts of Rajasthan state to cover 49,000 acres under watershed development.

With this, the total target area under such PPP projects in Andhra Pradesh, Madhya Pradesh, Rajasthan and Maharashtra stands at 509,663 acres. Of the total, work on 45% of the area has been completed so far, of which progress in NABARD partnership programmes is 94% as they were the earliest amongst the PPPs signed.



RENOVATION OF IRRIGATION TANKS AND RESTORATION OF SOIL HEALTH

The study covered 179 tanks spread in 4 districts of 2 states - Mysore and Hassan in Karnataka and Prakasam and West Godavari in Andhra Pradesh districts - which had been rehabilitated by ITC between 2015 and 2018. The impact assessment combined household surveys with laboratory analysis of silt and soil. The study revealed the following:

- Impact on groundwater was noted in project areas, evident from the recharge of bore-wells. Functional bore-wells increased by 49% in Hassan, by 40% in Prakasam, 36% in West Godavari and 26% in Mysore which were defunct before the implementation of the tank rehabilitation project.
- Tank silt contained good quality of micronutrients which, when applied to fields, enhanced soil nutrient levels as compared to control fields.
- The average soil organic carbon content in tank silt was 4.80% for Karnataka and 2.97% for Andhra Pradesh and each tank was under the 'high carbon content' category. Tank silt application therefore significantly increased the organic carbon content of soil in more than 90% of the plots as compared to control fields.
- Application of tank silt contributed to increase in per hectare yield of Kharif crops as compared to pre-intervention scenario - cotton by 27%, tobacco by 21%, maize by 18% and paddy by 10% in Hassan district.
- In Rabi season, the tank silt application contributed to increase in per hectare yield by 18% for paddy and 12% for chilli in Mysore district. For West Godavari district, the per hectare yield enhancement for paddy and chilli was 9% and 15% respectively. Further, the Rabi ginger yield per hectare increased by 26% in both Hassan and Mysore districts of Karnataka.

ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

■ INTEGRATED ANIMAL HUSBANDRY PROGRAMME

The animal husbandry programme provides an opportunity for farmers to diversify their livelihood portfolio from primary dependence on agriculture by enhancing productivity of milch animals. The programme provides extension services, including breeding, fodder propagation and training of farmers to increase their incomes by enhancing milch yield of cattle in 25 districts across 7 states.



During the year, 202,000 Artificial Inseminations (AIs) were carried out which led to the birth of 79,000 cross-bred progeny.

In addition, indigenous breed promotion was given special focus in all project areas in order to build resilience in livestock-based livelihoods, which is also aligned to national priorities articulated in the National Project for Cattle and Buffalo Breeding (NPCBB).

65% of Artificial Inseminations (AIs) were done with native breed semen for both cows and buffaloes during the year.

ANIMAL HUSBANDRY SERVICES

Activity	2016-17	2017-18	Cum to 2017-18
CDC Centres (Functional Nos.)	223	211	211
Breed Improvement			
No. of AIs	228,000	202,000	2,221,000
No. of Pregnancies	123,000	109,000	1,080,000
No. of Calving	101,000	79,000	751,000
Vaccination & Health	129,000	117,000	877,000

■ WOMEN'S ECONOMIC EMPOWERMENT

This initiative is designed to provide a range of gainful entrepreneurial opportunities to poor women supported with financial assistance by way of loans and grants. Strong market linkages are attempted to ensure long term sustainability.

ASHIYA BEE: FROM ULTRA-POOR TO A SUCCESSFUL WOMAN ENTREPRENEUR

Ashiya Bee, living on the outskirts of Sehore town in Madhya Pradesh, was identified as ultra-poor under ITC's Women Empowerment Programme run in partnership with Bandhan Konnagar. Post training, and after a failed attempt at a tailoring and readymade garments business, she took up poultry since she had prior knowledge and experience in poultry management. From 10 chickens, her stock increased to 100 chickens, pushing up her monthly income from less than INR 1,800 pm to over INR 6,000 pm. **Currently, her enterprise assets are worth over INR 50,000.**

Ashiya Bee subsequently bought a goat for INR 5,000, and expanded the herd to five. She now sells goat milk and earns an additional income of INR 600 to INR 1,000 per month. A steady income and savings enabled her to construct a two-storey structure to house a poultry farm on the ground

floor and her 'pucca' two-room residence on the first floor. To expand her poultry business, she bought a bike worth INR 68,000 on a monthly instalment of INR 2,000 to make it easy for her sons to transport the chicken to the weekly 'haats'.

Ashiya Bee also enrolled her elder daughter in an ITC run Vocational Training Centre and post completion of the course, the daughter was recruited by a local hospital as a nursing attendant with a monthly income of INR 4,000. Further, Ashiya's youngest daughter is back to school to complete her education.

There has been a remarkable difference made to Ashiya Bee and several ultra-poor women like her through ITC's intervention to provide entrepreneurial opportunities to ultra-poor women headed households.

Till date 20,100 ultra-poor women have been supported towards their socio-economic mainstreaming. Of the 10,200 women graduated till date, 70% are earning more than INR 60,000 per annum from a base of less than INR 18,000 per annum. (see table below)

DISTRIBUTION OF WOMEN BY CURRENT INCOME SIZE

HH Income Before Project (INR/month)	HH Income Post Project (INR/month)			Total Women
	3,000 - 5,000	5,000 - 7,000	>7,000	
500 - 999	1,525	2,205	1,267	4,997
1,000 - 1,500	1,501	2,505	1,178	5,184
>1,500	10	6	3	19
Women Numbers	3,036	4,716	2,114	10,200

ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

Ultra-Poor Women

Initiated in 2014, this holistic intervention currently supports 9,900 ultra-poor women to promote their socio-economic mainstreaming. The Programme is operational in 8 districts of Bihar, West Bengal, Madhya Pradesh, Telangana, Rajasthan and Assam and has cumulatively impacted 20,100 women (refer the table). 6,600 women out of the total graduated during the year with significant progress on outcome indicators such as financial inclusion, literacy, health, water, sanitation and nutrition, besides income.

70% of the graduating women till date have tripled their incomes, earning more than INR 60,000/- per annum from a base of less than INR 18,000/- per annum.

ULTRA-POOR WOMEN PROGRESS

(Nos.)

Beneficiaries	2017-18	Cumulative
Women Selected*	9,900	20,100
Women Trained*	9,900	20,100
Women Provided Assets*	9,900	20,100
Women Graduated	6,600	10,200
Enterprise (Asset Distribution)		
On-Farm Assets	2,104	6,903
Off-Farm Assets	5,587	9,786
Mixed	2,209	3,411

Note*: Figures in the first three parameters under "Beneficiaries" include 3,600 women from 2016-17 continuing in 2017-18



Self-Help Groups (SHGs)

Out of a total of 3,186 operational SHGs, 282 SHGs were newly formed in FY 2017-18. The SHGs together leveraged INR 11.3 mn from banks and other formal financial sources.

Micro-enterprise

325 women across 11 villages of Chandauli District of Uttar Pradesh have been provided livelihood opportunities through a model that enables them to produce agarbattis from their homes along with easy access to quality raw material and market for their produce.

Financial Inclusion

ITC, in partnership with CRISIL Foundation, had implemented a Financial Literacy Programme in the states of Rajasthan and Madhya Pradesh (MP) to train over 8,000 women in financial inclusion. The objective was to disseminate knowledge and know-how on savings, social security (insurance & pension) and banking system among the Self-Help Group (SHGs) members. After the completion of the training, a monitoring study was undertaken in December, 2017 in Madhya Pradesh to assess impacts on a sample population of 5,921 women.

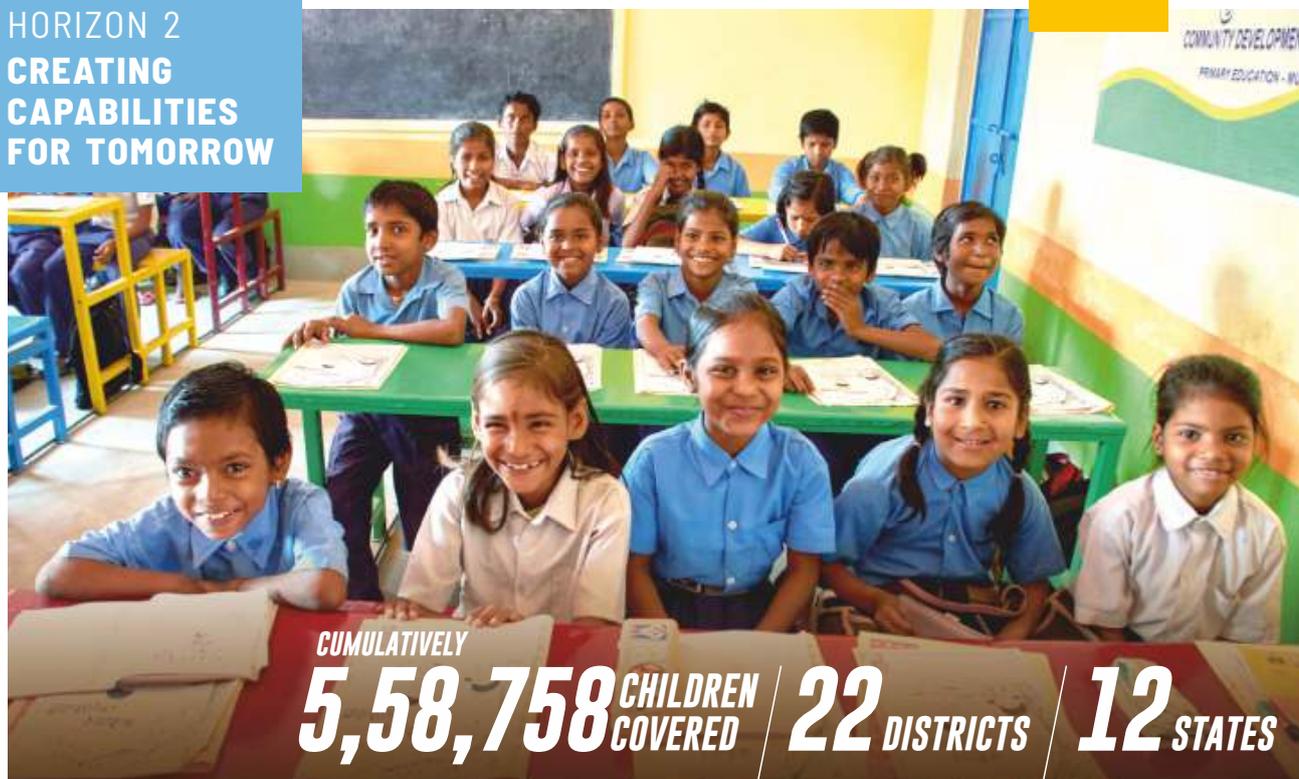
The study highlighted that awareness levels on savings, bank utility and social security (insurance and pension) had witnessed a steady increase and women felt confident to handle finance independently. However, the penetration of pension was low mainly due to account eligibility issue.

The intervention will be scaled up significantly as a result of a tri-party MoU signed between the Madhya Pradesh State Rural Livelihood Mission, CRISIL Foundation and ITC in December, 2017. The partnership project imparts financial literacy training to 179,000 SHGs with a member base of 2.067 mn in 43 districts of Madhya Pradesh.



ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

HORIZON 2 CREATING CAPABILITIES FOR TOMORROW



PRIMARY EDUCATION

ITC's Education Programme is designed to provide children from weaker sections, access to education with a focus on learning outcomes and retention.

Operational in 22 districts of 12 states, the programme covered 46,891 children in FY 2017-18. Of this, the Read India Plus programme covered 44,971 children and continued to bring about significant improvements in the learning levels of children in reading, number recognition and basic maths operations. Having effectively demonstrated the positive outcomes of this programme, MSK took the next step of scaling up the impacts by mainstreaming it into the government schools.

As a result, two MoUs were signed during the year with the Department of State Education Research and Training (DSERT), Karnataka for two districts and with the State Council of Educational Research and Training (SCERT), Assam for two blocks in Kamrup district to train government school teachers and Block Resource Officials in teaching methodologies to improve learning outcomes. The two collaborations will together reach out to nearly 76,000 children.

PRIMARY EDUCATION

Activity	2016-17	2017-18	Cum to 2017-18
Govt. Schools Infra Support (Nos.)	160	162	1,644
Children covered	49,000	45,000	558,758

In addition, 219 operational Supplementary Learning Centres (SLCs), focused on mainstreaming poor performers and students from marginalised communities into regular schools, covered 13,870 children during the year.

Infrastructure Support and Maintenance

Improvement in infrastructure at identified government primary schools / anganwadis is an important feature of the programme with the aim of creating an attractive and enabling learning environment through 'child friendly schools'.

In FY 2017-18, 162 primary schools were provided with infrastructure support, taking the cumulative number till date to 1,644 schools.

The programme strengthened 351 School Management Committees (SMCs) to enable participation, ownership and involvement in sustainable maintenance of school infrastructure being provided by the Company.

In several schools, contributions for operations and maintenance of infrastructure / sanitation facilities, creation of soap banks, capacity building of head masters, teachers and child cabinet members have also been initiated. In addition, 331 child cabinets were formed and strengthened across locations to drive cleanliness and hygienic practices in the schools.



ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

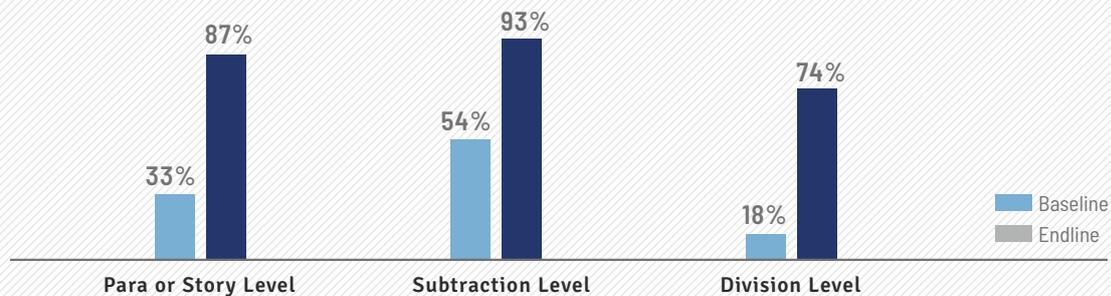
ARE PRIMARY SCHOOL-GOERS IN OUR PROJECTS LEARNING WELL? Impact of Read India Plus Programme



The 'Annual Status of Education Report' (ASER) from Pratham is an annual survey on children's enrolment and basic learning levels for each district and state in India. It is the only annual source of information on children's learning outcomes available in India today. Presented below are some of the key highlights of ASER 2016 report released in Jan 2017 for India as a whole and how the children in our project areas performed on the same parameters:

Indicator	All India	ITC Project Areas
Children enrolled in Class V who could read para or story	24.50%	87%
Children in Class V who could do basic division	26%	74%

ITC PROGRAMME - LEARNING LEVELS FOR PRIMARY SOURCE, ALL INDIA 2017-18



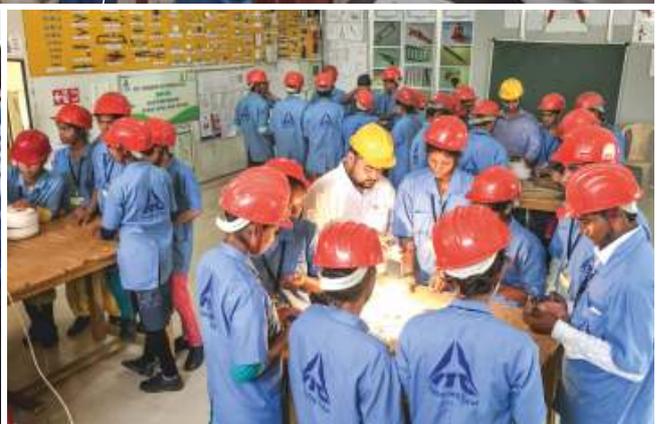
Pratham Project Data, 2017-2018

Digital Learning

ITC partnered with SAP India on 'Code Unnati', to cover 5,500 children in 27 government schools in Andhra Pradesh (AP) under digital literacy and software skill development.

VOCATIONAL TRAINING

ITC's vocational training programme focuses on providing market relevant skills so as to make potential job seekers industry-ready and employable. The programme is being implemented around ITC's factories and agribusiness catchments in 28 districts of 17 states and has impacted 55,324 youth cumulatively. 37% of the youth were from the SC/ST communities and 40% were female students in FY 2017-18.



VOCATIONAL TRAINING

Activity	2016-17	2017-18	Cum to 2017-18
Students Enrolled	12,338	11,619	55,324
Students Trained	11,344	10,584	41,753
Students Placed	8,084	7,428	26,441

The Programme offered courses in about 10 skills with the most sought after skills being hospitality, electrical, retail and automobile, which accounted for 67% of total enrolment. 70% of the students trained in FY 2017-18 have been placed so far with salaries ranging from INR 4,500/- to INR 12,000/- per month. The quality of placement has been superior in Hospitality, Electrical and Automobile courses.

Another programme, focused on marketing skills, covered 1,500 youth to open doors to opportunities for entrepreneurial development.

ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

KALI BAGWAN – A SUCCESSFUL WOMAN ELECTRICIAN

Kali Bagwan, a resident of Malipura village in Jhalawar district of Rajasthan, hails from a very poor farmer family and was therefore very keen to help her parents financially. She heard about the ITC promoted electrical training centre through a friend. After understanding the details, she joined the 14th batch of the centre. The curriculum covered various aspects of the electrical trade including house wiring, assembling and earthing. As part of the course, she also acquired soft skills and personality development inputs.

After successfully completing the training, she was placed in Minda Furukwa Pvt. Ltd., Bawal (Rajasthan) at a monthly salary of INR 8,000 plus food. However, after 4 months, Kali had to return home for family reasons. Subsequently, she contacted the training centre again, which helped her get a second assignment at Polo Plastic Pvt. Ltd., at Rewari, Haryana at a monthly salary of INR 11,000 plus food and transport facility. She has been working there since November, 2017.

The Vocational Training programme of ITC has helped Kali and her family, and many others like her, to not only combat extreme poverty but also successfully compete in what is traditionally regarded as a man's trade.

The Company continues to work with the Welcomgroup Graduate School of Hotel Administration (WGSHA) together with Dr. T.M.A. Pai Foundation to cater to the ever growing need for professionally trained human resources in the hospitality industry.

WGSHA has been recently rated by CEO World Magazine amongst the top 50 hospitality schools in the world.

In addition, since the inception of ITC Culinary Skills Training Centre, Chhindwara in 2014, 77 trainee chefs in seven batches have successfully completed the 6-months Programme wherein cooking skills are imparted to youth from the lower economic strata.

PUBLIC HEALTH

Individual Household Toilets

The objective of the programme is to promote a hygienic environment through prevention of open defecation and reduction in incidence of water-borne diseases. ITC has promoted low cost toilets on a cost sharing basis, coupled with high impact awareness campaigns, to ensure higher levels of ownership and behavioural change.

During the year, 7,494 Individual Household Toilets were constructed in 24 districts of 16 states in collaboration with Swachh Bharat Abhiyan, the government's flagship programme.

As a result of these efforts, by March 2018, 338 of the Project Villages / wards (73%) and 37% of core project habitations have been declared ODF by the government.

HOUSEHOLD TOILETS

Activity	2016-17	2017-18	Cum to 2017-18
Individual Household Toilets (IHHT) (Including Convergence)	8,550	7,494	31,473



To cover poor households without land for toilets, 8 community toilets were constructed in FY 2017-18 in Munger and Khidderpore catchments with O&M being managed sustainably through funds generated by the community. In addition, 15 community toilets were renovated / constructed and water was made available in identified Delhi slums by leveraging Delhi Jal Board funds and liaising with Delhi Urban Shelter Improvement Board (DUSIB).

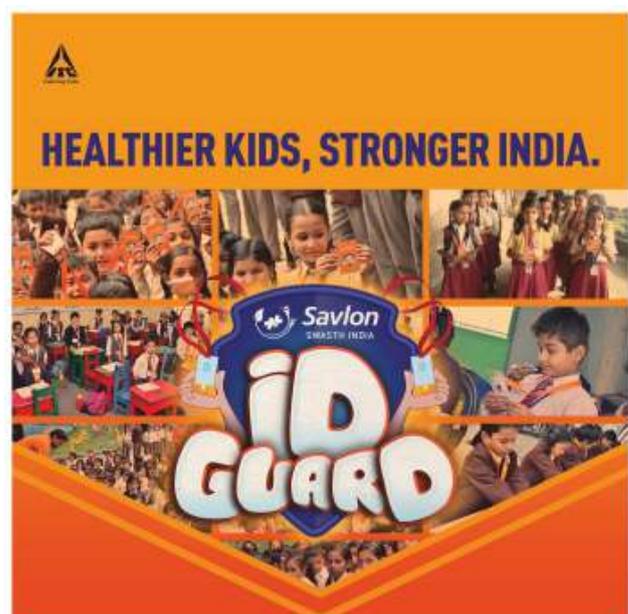
Potable Water

To make hygienic and healthy water available to local communities in 4 districts of Andhra Pradesh and Telangana, 15 new RO plants were established in FY 2017-18, taking the total to 101 plants providing safe drinking water to over 120,000 rural people. The beneficiaries pay for the water, thereby making it a financially viable model which provides the revenues for running and maintenance of the plant. An independent assessment of the RO plants reported the following outcomes:

- **Zero incidence of water borne diseases after the usage of RO water in the villages;**
- **The distance travelled by women to fetch water reduced from 4-5 km to 150-250 meters; and**
- **Reduced time spent by women in fetching water from 1-2 hours to 10-15 minutes post intervention.**

Hygienic Practices

The 'Swasth India Mission' leveraged a mix of audio-visual aids, games and practical training to encourage healthy hygiene habits amongst children. Nearly, 1.4 mn children from around 3,300 schools in 18 towns were covered during the year. Additionally, access to handwashing was enabled through the unique 'ID Guard' initiative to over 350,000 children in 1,000 schools.



ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

Health

The Company continued to enhance awareness on various health issues through a network of 348 women Village Health Champions (VHCs) who covered nearly 300,000 women, adolescent girls and school children during the year.

The programme is operational in 7 districts of Uttar Pradesh and 4 districts of Madhya Pradesh.

The VHCs conducted over 7,000 village meetings and participated in over 4,000 group events, apart from making door-to-door visits focusing on aspects like sanitation, menstrual and personal hygiene, family planning, diarrhoea prevention and nutrition.

Nearly 136,000 beneficiaries were covered under Mother and Child Health initiative aimed to improve the health-nutrition status of women, adolescents and children by strengthening institutional capacity, promoting greater convergence with existing government schemes and increased access to basic services on maternal, child, and adolescent health, nutrition and child protection.



SOLID WASTE MANAGEMENT

Waste Recycling Programme

'WOW – Well Being Out of Waste' helps in the creation of a clean and green environment through awareness and education of citizens on source segregation and recycling of dry waste. It also promotes sustainable livelihoods for waste collectors. During the year, the programme continued to be executed in Hyderabad, Coimbatore, Chennai, Bengaluru, Delhi, Muzaffarpur (Bihar) and major districts of Andhra Pradesh.

The quantum of dry waste collected during the year was 50,196 MT from 562 wards. The programme covered 1.3 mn additional citizens this year taking the

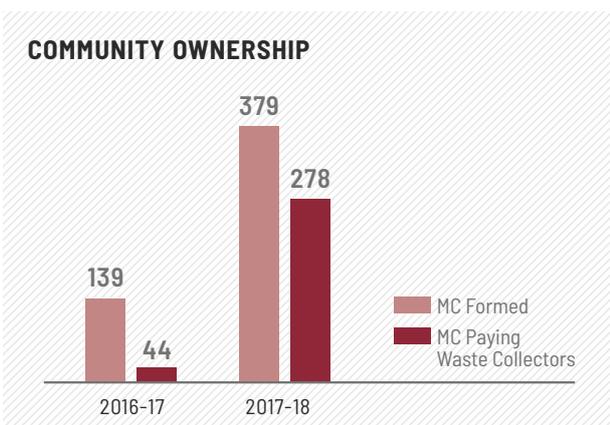
total to 7.7 mn citizens cumulatively through the household programme. 800,000 school children were also added through the school programme while propagation continued in 2,000 corporates. The Programme creates sustainable livelihoods for 14,500 waste collectors by facilitating an effective collection system in collaboration with municipal corporations.

Besides, the intervention has also created over 80 social entrepreneurs who are involved in maximising value capture from the dry waste collected.

Solid Waste Management

The primary focus of the Programme remains on source segregation and minimising the discharge of waste to landfills. The projects are operational in 13 districts of Andhra Pradesh, Bihar, Maharashtra, Tamil Nadu, Karnataka, Uttar Pradesh, Uttarakhand and West Bengal. An MoU was signed with Saharanpur Municipal Corporation, Uttar Pradesh to help manage the solid waste of the city covering 129,000 households.

The projects together covered 98,038 households and handled 7,603 MT of waste during the year.



Focus on decentralised community owned waste management continued with formation of household clusters (Mohalla Committees) and home composting to push waste management closer to the generator so as to minimise the environmental impact and associated costs. Currently 2,516 households are engaged in home composting resulting in more than 57% of total waste being managed at source.

Only 17% of the total waste, which is non-recyclable, was dumped in landfills.

The Projects earned INR 16.54 mn during the year as revenue from household levy, sale of compost and recyclables, which went towards meeting part of the administration and overhead costs.

The first Green Temple project in Kapaleeswarar Temple, Chennai, designed to convert organic waste to biogas and compost for use in temple kitchen and garden respectively, was made sustainable and handed over to the temple authorities and the volunteer committee within a year of implementation. Two new Green Temple projects have been initiated in Anantha Padmanabhaswamy Temple, Chennai and Srirangam Temple, Tiruchirappalli during the year.

ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

RESPONSIBLE ADVOCACY

The Policy on Responsible Advocacy provides the framework for the necessary interface with Government/Regulatory Authorities on matters concerning the various sectors in which the Company operates. The Company works with apex industry institutions that are engaged in policy advocacy, like the Confederation of Indian Industry, Federation of Indian Chambers of Commerce and Industry, Associated Chambers of Commerce and Industry of India and various other forums including regional Chambers of Commerce. The Company's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders.

The Company, for its social development projects, organises meetings with the local administration and state governments to seek their participation and involvement. Their expert advice and counsel are also sought and approvals obtained, where required, for the planned interventions. The Company also engages in public-private-partnerships (PPP) with the state governments for such projects.

CREATING ENDURING INSTITUTIONS

■ CII-ITC CENTRE OF EXCELLENCE FOR SUSTAINABLE DEVELOPMENT



The CII-ITC Centre of Excellence for Sustainable Development (CESD), established by ITC in 2006 in collaboration with the Confederation of Indian Industry (CII), continues with its endeavours to promote sustainable business practices among Indian enterprises. It is steered by its Advisory Council, led by Mr. Y.C. Deveshwar, Chairman, ITC Limited, and comprises members from industry, civil society and institutions, which provides strategic direction to the organisation.

The 12th edition of CESD's flagship programme, the Sustainability Summit, was held on 6-7 September 2017 in New Delhi with focus on achieving Sustainable Development Goals by the year 2030.

The CII-ITC Sustainability Awards recognise and reward outstanding contributions by corporates to sustainable development in the country. In the last 12 years, these Awards have set benchmarks for excellence in sustainable business in India. Since 2006, 696 businesses have applied of which 212 have been recognised so far. In 2017, the Centre received 105 applications for different Awards categories. 67 companies qualified for on-site verification that underwent rigorous evaluation by a peer team of CII-certified sustainability assessors, who spent approximately 1,000 man-hours per application over a period of six months. Of this, 24 companies were declared winners in various categories.

As advised by CII membership, the Centre has been continuing the policy dialogue with MoEFCC and CPCB on plastic waste management, based on which an approach paper for implementation of EPR was prepared by the Centre and submitted to the Chairman-CPCB and the Joint Secretary, MoEFCC.

During 6–17 November 2017, the Centre participated in the 23rd Conference of Parties under the United Nations Framework Convention on Climate Change held at Bonn, Germany.

The Centre organised the first session of the India Pavilion, which was inaugurated by Dr. Harsh Vardhan, Minister of Environment, Forests and Climate Change along with a keynote address by Mr. A.K. Mehta, Additional Secretary, MoEFCC.

Integrated Reporting: The Centre organised regular member meetings, produced periodic newsletters, and conducted webinars and workshops for knowledge sharing and capacity building. It was also involved in policy advocacy on integrated reporting. This year, the Centre also took a delegation to Amsterdam for participation in the global IIRC conference and hosted a session on the growth of integrated reporting in India.

The Centre promoted capacity building in sustainability through a range of training and consulting assignments. In 2017, almost 2,000 participants were covered through 75 programmes, conducted both in India and abroad. Topics included Value Innovation, CSR Rules and Impact Measurement, Sustainability Reporting, Integrated Reporting, Cluster Platform for Transformative Solutions, Human Rights, and Biodiversity.

■ ITC SANGEET RESEARCH ACADEMY

The ITC Sangeet Research Academy (ITC SRA) which was established in 1977, is an embodiment of ITC's sustained commitment to a priceless national heritage. The Company's pledge towards ensuring enduring excellence in classical music education continues to help ITC SRA in furthering its objective of propagating classical music on the age-old principle of 'Guru-Shishya Parampara'. The Academy through its eminent Gurus imparts quality education in Hindustani classical music to its scholars.

Padma Shri Pt. Ulhas Kashalkar, Padma Shri Pt. Ajoy Chakrabarty, Pt. Arun Bhaduri, Pt. Partha Chatterjee, Pt. Uday Bhawalkar, Vidushi Subhra Guha and Shri Omkar Dadarkar are the present Gurus of the Academy. The focus of the Academy remains on nurturing exceptionally gifted students, carefully hand-picked from across India, who receive full scholarship to reside and pursue music education in the Academy's campus under the tutelage of the country's most distinguished stalwarts. The objective is to create the next generation of masters of Hindustani Classical Music towards the propagation of a precious legacy.



**COMMITTED TO DELIVERING
WORLD CLASS PRODUCTS AND SERVICE
THAT DELIGHT CUSTOMERS.**

**EMBED TO
ASSURE**



ITC, with its unwavering focus on quality, innovation and differentiation, is committed to delivering world-class products and services that delight customers. Given ITC's presence in the FMCG and Hospitality sectors, its products and services reach out to a large number of consumers. ITC's FMCG products reach every 2nd household in India.

The Company has put in place stringent processes and systems to ensure that all products and services are in compliance with relevant regulatory requirements. This is an integral part of ITC's approach and all efforts are made to ensure that there is no deviation on this account. In addition, the key attributes of ITC's products and services are constantly evaluated against international standards and best practices.

 <p>ITC'S WORLD-CLASS INDIAN BRANDS. DELIGHTING 125 MILLION HOUSEHOLDS.</p>					
					
					
					
					
					
					

CUSTOMER HEALTH & SAFETY

MANAGEMENT APPROACH

ITC's commitment towards ensuring compliance with applicable standards of health and safety commences at the design stage. Risks during procurement, manufacturing and delivery stages are also mapped and evaluated, based on which necessary control measures are deployed. The entire process is supported by advanced research and testing facilities at the ITC Life Sciences and Technology Centre (LSTC), whose laboratories conform to ISO/IEC 17025 and are certified by National Accreditation Board for Testing and Calibration (NABL).

Manufacturing Units and Hotels are also housed in state-of-the-art facilities and internationally benchmarked quality management systems have been implemented. All systems and practices are subject to periodic review to ensure that these remain up-to-date, in line with national and international developments. The quality performance of third party manufacturing facilities is also monitored regularly.



BEST PRACTICES

■ AGRI BUSINESS

Leaf Tobacco

Product integrity, quality and hygiene standards are accorded the highest importance in tobacco cultivation. In ITC's operating regions, tobacco farmers are sensitised on a regular basis on the importance of sustainable production of residue-free quality tobacco. This is done through field-level trainings and seminars.

For assessment of product integrity, leaf samples from farmlands and packed cases of finished products are closely monitored for any undesired chemical residue and necessary measures are implemented across the value chain towards minimisation of Non-tobacco related matter.

Agro-chemicals Management Programme

ITC encourages an ecosystem approach to crop production and protection that integrates management practices to grow a healthy crop with minimal use of pesticides. This initiative involves active engagement with farmers and stresses on the importance of safe and environmentally responsible selection, handling, application, storage and disposal of agro-chemicals.

Other Agri-commodities

The Business involves sourcing of agri-commodities like Wheat, Coffee, Prawns, Soybean, Rice, Maida, Spices and Processed Fruits based on customer requirements of quality, quantity and packaging for both the domestic and export markets. Stringent process controls and quality inspection norms have been established to ensure compliance with the customer requirements. Systems and processes are in place to ensure hygiene of stored stock. Products are shipped after meticulous testing in-house or through external accredited labs as required by the customer.

For spices, special emphasis is given to food safety and quality across the value chain, right from the farmland to processing and sterilisation. ITC has adopted a holistic approach of "Integrated Crop Engagement" covering not only pest management but also crop management practices to ensure that the product meets stringent food safety standards laid down by the US and the EU.





Good Agricultural Practices

The Business has successfully partnered with the State Governments in Karnataka and Andhra Pradesh for introducing Food Safe Chilli Production, **benefiting 800 farmers in 26 villages and covering 2,150 acres of farmland.** The project leverages Government schemes for farmers in deploying good agricultural practices with a win-win outcome for all the stakeholders – higher export potential and increase in farmer income.

Rainforest Alliance Certification

The chilli farmers from whom ITC sources its supplies are Rainforest Alliance (RFA) certified confirming their adherence to sustainable agricultural practices. In the reporting year, the chilli farmers were successfully audited against the latest RFA standards, making ITC the first organisation among Indian spice companies to undergo this certification.

For organic and sustainable farm practices in the processed fruits business catering to specific customer segments, the Business has received the following international certifications:

Fairtrade Certification endorsing that the products meet defined environmental, labour and developmental standards

Demeter Certification for Biodynamic Farming

USDA Organic and India Organic Certifications for Organic Farming

Bio Suisse Certification for Organic Farming

In 2017-18, two new brands were launched in the domestic market - ITC Master Chef (prawns) and Farmland (fresh fruits and vegetables).



During the year, the Business launched the 'ITC Master Chef' range of 'Super Safe' frozen prawns which adhere to stringent international standards prevalent in the US, Europe and Japan.

These products go through rigorous testing (240+ tests) and are 'individually quick frozen' to ensure freshness. Certifications like Best Aquaculture Practices and BRC (British Retail Consortium) Global Standard for Food Safety ensure adherence to the most stringent norms of food safety.

■ BRANDED PACKAGED FOODS

The Business meets its commitment to provide world-class products through innovation, state-of-the-art manufacturing facilities and rigorous quality controls.

69 out of 75 manufacturing locations, including third party manufacturing units, accounting for 99.1% of total production volume (2017-18), are FSSC 22000 / ISO 22000 / Hazard Analysis and Critical Control Point (HACCP) certified. Certification of the remaining six newly commissioned units is planned in 2018-19.



'ITC MASTER CHEF SUPER SAFE SPICES'

UNDERGO MORE THAN 470 TESTS

FOR PESTICIDE RESIDUES IN LINE WITH EUROPEAN STANDARDS.

Products that not only 'Taste Good' but also 'Do Good'

With the objective of continuously providing consumers with products that not only 'Taste Good' but also 'Do Good', large investments have been made in R&D to focus on delivering specific formulations for identified health needs. This includes formulating products with lower saturated fat, sodium and sugar, and trans-fat and cholesterol free products. Through such investments, a number of healthier products are offered to the consumers.

- **'B Natural'** has pioneered the 'not from concentrate' offering wherein juices are made from fruit pulp as opposed to 'fruit concentrate', thus providing a more nutritive and natural experience to the consumer. In FY 2017-18, 'B Natural' introduced '100% Pomegranate Juice' with no added sugar. In the coming years, ITC plans to convert the entire portfolio of juices to 'not from concentrate' and launch more '100% juice without any added sugar' variants.

- **'Aashirvaad Sugar Release Control Atta'** is a blend of quality whole wheat and a natural grain mix including fenugreek (methi) and oats, which renders it rich in protein and fibre content. It's a low Glycemic Index (GI) atta which releases its sugar slowly in the body.'



- **'Aashirvaad Atta with Multigrains'** gives the consumer wholesome goodness of six different grains – wheat, soya, channa, oat, maize and psyllium husk. These ingredients provide nutrients like proteins, vitamins, minerals and fibre to the consumer's diet. The recently launched 'Aashirvaad Fortified Chakki Atta' contains nutrients like iron, folic acid, and vitamin B12 and helps in meeting the daily micronutrient requirement.

- **'Sunfeast Farmlite'** range of biscuits with 0% maida perfectly complements a healthy lifestyle. There is no cholesterol, no trans-fat, and no artificial sweetener, which makes these biscuits truly healthy. Several variants have been introduced to cater to specific consumer needs:



- **Active Protein Power** biscuit made from Bengal gram is rich in protein, providing consumers a tasty and healthy indulgence.

- **Sunfeast Farmlite Digestive High Fibre** variant is made from 5 grains like wheat, corn, oats, ragi (millet) and jowar (sorghum), making it one of the highest fibre content biscuits in India.



- **Sunfeast Farmlite Digestive All Good Biscuit** has additional benefits of no added sugar and a low Glycemic Index (GI) which makes it suitable for consumers seeking to control their sugar intake.



- Recently, Sunfeast launched India's first ever **A2 cow milk biscuit** enriched with Indian native cow milk, 8 essential vitamins, iron and calcium. Indian native cow milk contains A2 protein which is known to be beneficial for health, especially for growing children.



- **Sunfeast Marie Light, Sunfeast Marie Light Oats** are other such products that come enriched with micronutrients like vitamins and minerals.



SPREADING THE GOODNESS OF HEALTH AMONG SCHOOL CHILDREN

FSSAI's 'Safe and Nutritious Food at School' initiative

ITC has been participating in FSSAI's 'Safe and Nutritious Food at School' initiative for creating awareness amongst children on healthy and hygienic food practices. ITC has been involved in executing the 'Food Funda' campaign under this initiative through following actions:

Spreading story based content around packaged and unpackaged food safety through 10 million Classmate notebooks

Interactive Voice Response (IVR) based quiz contest on general awareness and safe and nutritious food practices

On-ground direct engagement with school children across 30 cities and 850 schools

Till date, the campaign has received close to 10,000 calls on IVR and has created an outreach of over 350,000 children. Also, 4,000+ posters of 'Food Funda' campaign have been placed at clinics across 6 metro cities to create awareness.

EDUCATION AND STATIONERY PRODUCTS

Since the primary consumers of these products are children, stringent processes and quality control measures are in place to ensure that product safety is not compromised. Multiple process controls such as third party certifications, inline and final quality checks are deployed across the manufacturing process to ensure that product safety is not compromised.



Some of the stringent processes employed are:

- Only approved non-hazardous materials like Elemental Chlorine Free (ECF) paper, ink and dyes are used in notebooks
- Pencils and art stationery items are in compliance with the European Standard EN 71

PERSONAL CARE PRODUCTS

For personal care products, a comprehensive approach has been developed to address potential health and safety impacts at each stage of the product life cycle. All safety tests from prototype development stage to final product stage are conducted in accordance with standard international guidelines. The ingredients used in products undergo rigorous analysis for their toxicity and skin sensitivity prior to clearance for use in product development.

Product safety and efficacy is certified through external accredited laboratories. Manufacturing of products takes place in a highly automated environment under strict hygienic conditions. A documented Quality Management System, which includes procured material checks, in-process checks and finished goods quality checks, ensures that the manufactured products are consistently of high quality.

HOTELS

Robust food safety management systems certified as per HACCP/ISO 22000 are in place at all ITC Hotels. In addition, ITC Hotels adhere to Good Hygiene Practices (GHP) and Good Manufacturing Practices (GMP).

All ITC Hotels adhere to the ITC Fire and Life Safety Management Guidelines that are based on National Fire Protection Association (NFPA) Codes and other international best practices. They supplement the EHS Guidelines applicable to all ITC businesses, compliance to which is audited by the Corporate EHS Department on a regular basis.



LIFESTYLE RETAILING

All raw materials and garments are tested at the NABL accredited in-house laboratory for post-usage experience and conformance to quality standards. The standards and product specifications are periodically validated by international testing agencies.

Quality is monitored through an internal Product Quality Rating System (PQRS) together with the external Acceptable Quality Level (AQL) norm that is followed internationally by apparel businesses.

The Wills Lifestyle range has received the 'Oeko-Tex' certification (w.e.f. January 2012) in the domestic apparel retail segment in India. The certification has been conferred by Hohenstein Textile Testing Institute GmbH & Co. KG, Germany. It guarantees that the products are free from more than 100 harmful substances and ensures that Wills Lifestyle garments are completely safe for consumers, without compromising on relevant style quotient of its products.

■ CIGARETTES

With consistent focus on product innovation, new product development in the Business involves consideration of Indian and global developments, and is supported by research and testing facilities at the ITC Life Sciences and Technology Centre. The Business uses proprietary software to regularly monitor and review product specifications of all raw materials.

■ PACKAGING AND PRINTING

Various initiatives have been undertaken by the Business in developing packaging solutions that incorporate use of environment-friendly raw materials and reduced material usage in terms of packaging thickness. The Business engages with customers on a continuous basis to provide solutions that help protect functional needs like product integrity and visual imagery, whilst providing scope for use of alternate eco-friendly materials.

All operations at Haridwar and Tiruvottiyur factories have been certified as per British Retail Consortium (BRC) Global Standard for Packaging and Packaging Materials.

The Business has won several prestigious awards including World Star Awards, Asia Star Awards and India Star Awards for innovation and creativity in design. The Business was also awarded the 'Packaging Company of the Year' by PrintWeek for operational excellence for its high skill in packaging design backed by state-of-the-art converting technology.

■ PAPERBOARDS AND SPECIALTY PAPERS

ITC has been a pioneer in manufacturing Elemental Chlorine Free (ECF) pulp in India. This ensures that the levels of dioxins and furans in the pulp are less than 1 part per trillion and the levels of specific Adsorbable Organic Halides (AOX) in wastewater are well below the regulatory limit. The global migration test is conducted periodically on all food-grade paper and paperboards for compliance with the US FDA standards and adherence to prescribed limits for presence of heavy metals. All manufacturing ingredients for applications involving direct/indirect food contact are procured from

reputed suppliers that conform to US FDA and equivalent standards. The Business ensures that the components of food allergens listed in the EC directive 2003/89/EC and the US FDA Act are not used in any virgin grade boards and papers. All food-grade papers and paperboards are periodically tested for compliance with European regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and Restriction of Hazardous Substances (RoHS).

The Bollaram Unit and production lines at Bhadrachalam Unit that manufacture food grade board meant for direct/indirect food contact are 'third party' certified in accordance with BRC/IoP (British Retail Consortium/Institute of Packaging) standards.

■ INCENSE STICKS (AGARBATTIS) AND SAFETY MATCHES

Chemicals approved by IFRA (International Fragrance Resource Association, Geneva) are used to prepare fragrances required in the manufacture of dipped Mangaldeep agarbattis. The manufacturing processes of agarbattis and safety matches are designed to ensure product safety and consistency.

■ TECHNICO AGRI SCIENCES LIMITED

The Business is primarily into agricultural biotechnology business of growing and selling of TECHNITUBER® Seed Potatoes and Field Generated Seed Potatoes. This requires the Business to ensure highly efficient infrastructure and scientifically advanced processes of producing large volumes of miniature seed potatoes.

The Business follows Potato Tissue Culture Raised Mini Tubers (PTCMT) standards as laid down by Ministry of Agriculture, Government of India, for production and certification of TECHNITUBER® Seed. The facility that maintains germplasm of seed potatoes has also been accredited by the Department of Biotechnology, Ministry of Science & Technology, Government of India and is regularly inspected by Central Potato Research Institute (CPRI), Shimla.

The Business has been building capabilities for sourcing and supply of fruits and vegetables especially potatoes, onions and apples from its farmer base and supplying to processors and retailers. The Business is also undertaking trials at a reputed third party facility for growing Tissue Culture Plantlets of Banana.

PRODUCT INFORMATION AND LABELLING

MANAGEMENT APPROACH

As an organisation committed to high standards of transparency and good governance, ITC's Business operations comply with applicable laws of the nation. As an integral part of ITC's customer satisfaction philosophy, adequate systems with respect to product information and labelling, and customer engagement have been put in place. Some of the best practices followed at ITC are mentioned below.

■ FMCG PRODUCTS

Consumers are provided with several communication channels like email, telephone number, website address and feedback forms to enable them to connect with the relevant business. Processes are laid down to ensure that consumers are provided with responses on their feedback in a timely manner. For food products, information regarding ingredients and nutrition is published on product packaging in line with relevant statutory requirements.

Traceability in the Foods Supply Chain

ITC's Board approved policies on sustainability supplemented by a 'Code of Conduct for Vendors and Service Providers' provide the structure for addressing traceability within the supply chain and also the sustainability aspects therein. (For further details refer to the 'Supply Chain' section of this Report). In Foods Business, over 90% of the vendors for processed raw materials like flavours, seasoning, colour, emulsifier and other special ingredients have already provided documented acceptance of ITC's 'Code of Conduct for Vendors and Service Providers', demonstrating their commitment to comply with applicable laws and contribute to sustainable development.

In Foods Business, wheat constitutes around 50% of the total value of raw material procured and is sourced through the e-Choupal platform of ITC's agri business, thereby, ensuring 100% traceability to the origin.



■ B2B BUSINESSES

Customer feedback for B2B businesses like Agri Business and Packaging and Printing is obtained through different channels. For example, Agri Business conducts pre-season engagement with customers, undertakes client visits and the Divisional Management Committees engages with major customers. The Business also looks at claims due to rejection on grounds of quality as a proxy indicator for measuring customer dissatisfaction.

Products sold by Agri Business on a B2B basis are labelled as per customer requirements on quality, shipping marks or in line with the labelling requirements of the importing country. The Business also provides phytosanitary certificates, surveyor quality and quantity reports as well as Chamber of Commerce certificates as necessary. In the Leaf Tobacco Strategic Business Unit, customer concerns are addressed through a robust redressal mechanism which involves preparing a Corrective and Preventive Action (CAPA) report for all queries. These reports are shared with the customers as well.

HOTELS BUSINESS

Hotels Business has a well-established system for monitoring guest satisfaction levels across all properties through a proprietary index called WoW ratio. The three-tiered process followed by ITC Hotels ensures that the guest feedback is not only received but is also addressed in a systematic and satisfactory manner.



REPORTS ANALYSED	IMPROVEMENTS IDENTIFIED AND IMPLEMENTED	MONITORED AND VERIFIED
<ul style="list-style-type: none"> • Scores are generated for the hotel and individual departments • Scores are compared against the target set 	<ul style="list-style-type: none"> • Data is analysed to identify areas of improvement 	<ul style="list-style-type: none"> • Scores are monitored to ensure that corrective action has been effective • Audits are conducted to check efficacy of the changes

THE AVERAGE
WOW RATIO FOR 2017-18 WAS 91.64%,
SUSTAINING THE HIGH LEVELS ACHIEVED IN THE PAST FEW YEARS.

INFORMATION TECHNOLOGY BUSINESS

Formal mechanisms are in place to measure customer experience. The Customer Service Satisfaction Survey is an annual check on the robustness of customer engagement that culminates into the Customer Experience Index. The survey is conducted amongst Chief Executives and Senior Management, and is based on a structured questionnaire customised for the stakeholder. Multiple parameters and business outcomes are measured including satisfaction, loyalty, advocacy and value for money. The outcomes and insights from the survey are utilised to further drive customer engagement and improvements in service delivery at the organisation, business unit and account level.

MARKETING COMMUNICATIONS

All Businesses/Divisions of ITC have established rigorous systems, standard operating procedures and review mechanisms to identify and comply with applicable laws and regulations concerning marketing communications. In addition to the above, ITC has put in place a dedicated consumer response cell to address consumer queries related to ITC products.

ITC follows standard operating procedures to ensure that its marketing communications are in accordance with voluntary codes adopted by each business as well as applicable statutes. Marketing and advertising communications of all ITC's Businesses are vetted by the internal legal team for compliance. Such process compliances are validated periodically by internal audit department.



ITC's Consumer Goods Businesses adhere to voluntary and legal codes of conduct and **follow the ASCI (Advertising Standards Council of India) Code** for all marketing communications.

ITC's Hotels Business follows a self-regulated marketing communications approach which is also guided by the Indian Society of Advertisers (ISA) rules and guidelines.

CUSTOMER PRIVACY

Data privacy is primarily relevant to ITC's Information Technology Business. Systems and procedures have been established to ensure that there are no instances of non-compliance related to breach of data privacy. The Business has a privacy policy, developed in line with the IT Act, 2000, that covers all aspects of data privacy with respect to sensitive information.

Stringent risk assessments are carried out on a periodic basis to identify vulnerabilities and threats to assets, and controls that need to be put in place.

Network architecture and information security controls of the Business, driven by industry best practices, ensure compliance to the privacy policy. The Business has also formulated an Information Management policy catering to IT security aspects of ISO 27001 Information Security Management System (ISMS).

The IT operations arm of ITC Infotech Limited is ISO 27001 certified for its business processes to deliver IT services and projects. Documented procedures are available and practised to control physical access to information, e.g., the defined and restricted access rights to IT room/server room and User Access Management based on ISO 27001 and as agreed with customers. The Business has also put in place measures at various control areas in order to meet customers' requirements for data security.

These include desktop access, server access, network access, operating system, application security, data transfer, penetration testing, etc. Clear guidelines are provided for data backup, retention periods, the media on which backups have to be maintained and storage at remote locations.

During the year 2017-18, no complaint related to breach of data privacy or loss of data was received.

COMPLIANCE

All Businesses/Divisions of ITC have well-established systems, procedures, and review mechanisms to identify and comply with the laws and regulations concerning products and services.

ITC has established systems wherein every Business and Corporate Department has to submit a monthly statutory compliance report to the CMC/Board on regulatory, product specific, finance/revenue, personnel, technical/process and environmental statutes, and other applicable laws and regulations. This is done on the basis of updated checklists backed by appropriate monitoring and control systems maintained by each Unit/Business/Corporate function.

No incident of non-compliance was reported in FY 2017-18.

THE ROAD AHEAD

Recognising the unique construct of ITC in terms of its strong presence in Agriculture, Branded Packaged Foods and Personal Care Products, a convergence of R&D capabilities is being leveraged for delivering future products aimed at nutrition and health and well-being.

ITC'S LIFE SCIENCES AND TECHNOLOGY CENTRE HAS CREATED
**LONG TERM RESEARCH PLATFORMS TO EVOLVE
 MULTI-GENERATION PRODUCT CONCEPTS**
FOR BRANDED PACKAGED FOODS AND PERSONAL CARE PRODUCTS BUSINESSES.

Multiple value propositions have been identified in the area of functional foods, and progress is being made towards developing products of the future with scientifically validated claims via clinical trials. Similar advances have been made in the area of personal care products.

Following are some of the specific areas that LSTC has been working on:

- Contemporary breeding programme for Casuarina and Subabul as pulp wood species which have the ability to biologically fix nitrogen and enrich the soil in a sustainable way.
- Developing site-specific and species-specific nutrient management systems for a range of crops that are of interest to ITC with a focus on sustainability, farm productivity and long-term soil health.
- Weight reduction of corrugated fibre-board cartons with appropriate structure design for enabling multi-use functionality.
- Research efforts from LSTC over the past few years, in collaboration with University of Agricultural Sciences, Bengaluru, for leveraging the National Facility of Carbon Isotope Discrimination Techniques along with in-house contemporary molecular breeding tools, have successfully led to the development of a water efficient tobacco variety with enhanced yield. The techniques developed in this programme are generic and have much wider applicability for several crops beyond tobacco.
- Scalable production system in greenhouse for non-destructive extraction of bio-actives from important medicinal/aromatic plants is being developed. This technology, by virtue of its design, requires substantially reduced land and entails a significantly reduced environmental impact.



LSTC has been working on a strategy of building a new value chain called 'Nutrition', with a special focus on 'Indianness' and 'health and well-being'. This concept is rooted in Value Added Agriculture (VAA) and medicinal and aromatic plants. The initial activities related to VAA have commenced with a focus on soya.

GRI STANDARDS INDICATORS INDEX

General Disclosures		Explanation/Page number	Omissions	External Assurance/ Section Reference
Disclosure Number	Disclosure Title			
ORGANISATIONAL PROFILE				
102-1	Name of the organisation	07	-	-
102-2	Activities, brands, products, and services	11-22	-	Yes/Independent Assurance Statement
102-3	Location of headquarters	57	-	Yes/Independent Assurance Statement
102-4	Location of operations	57-59	-	Yes/Independent Assurance Statement
102-5	Ownership and legal form	Report and Accounts 2018	-	Yes/Independent Assurance Statement
102-6	Markets served	09	-	Yes/Independent Assurance Statement
102-7	Scale of the organisation	09-20	-	Yes/Independent Assurance Statement
102-8	Information on employees and other workers	147-148	-	Yes/Independent Assurance Statement
102-9	Supply chain	23-28	-	Yes/Independent Assurance Statement
102-10	Significant changes to the organisation and its supply chain	23-28, 57-59	-	Yes/Independent Assurance Statement
102-11	Precautionary Principle or approach	67-68	-	Yes/Independent Assurance Statement
102-12	External initiatives	01-06	-	-
102-13	Membership of associations	226-227	-	-
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102-14	Statement from senior decision-maker	01-06	-	-
102-15	Key impacts, risks, and opportunities	46-52	-	-
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102-16	Values, principles, standards, and norms of behaviour	67, 224	-	Yes/Independent Assurance Statement
102-17	Mechanisms for advice and concerns about ethics	67	-	Yes/Independent Assurance Statement
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102-18	Governance structure	61-66	-	Yes/Independent Assurance Statement
102-19	Delegating authority	61-66	-	Yes/Independent Assurance Statement

General Disclosures		Explanation/Page number	Omissions	External Assurance/ Section Reference
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102-20	Executive-level responsibility for economic, environmental, and social topics	64	-	Yes/Independent Assurance Statement
102-21	Consulting stakeholders on economic, environmental, and social topics	61-66	-	Yes/Independent Assurance Statement
102-22	Composition of the highest governance body and its committees	62-66	-	Yes/Independent Assurance Statement
102-23	Chair of the highest governance body	65	-	Yes/Independent Assurance Statement
102-24	Nominating and selecting the highest governance body	61-63	-	Yes/Independent Assurance Statement
102-25	Conflicts of interest	66-67	-	Yes/Independent Assurance Statement
102-26	Role of highest governance body in setting purpose, values, and strategy	62-65	-	Yes/Independent Assurance Statement
102-27	Collective knowledge of highest governance body	65-66	-	Yes/Independent Assurance Statement
102-28	Evaluating the highest governance body's performance	65-66	-	Yes/Independent Assurance Statement
102-29	Identifying and managing economic, environmental, and social impacts	64	-	Yes/Independent Assurance Statement
102-30	Effectiveness of risk management processes	64, 67-68	-	Yes/Independent Assurance Statement
102-31	Review of economic, environmental, and social topics	64-66	-	Yes/Independent Assurance Statement
102-32	Highest governance body's role in sustainability reporting	53, 64	-	Yes/Independent Assurance Statement
102-33	Communicating critical concerns	53	-	Yes/Independent Assurance Statement
102-34	Nature and total number of critical concerns	37-53	-	-
102-35	Remuneration policies	67, 224	-	-
102-36	Process for determining remuneration	67, 149	-	-
102-37	Stakeholders' involvement in remuneration	Report and Accounts 2018	-	-
102-38	Annual total compensation ratio	67	-	-
102-39	Percentage increase in annual total compensation ratio	67	-	-

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102-41	Collective bargaining agreements	151	-	Yes/Independent Assurance Statement
102-42	Identifying and selecting stakeholders	37	-	Yes/Independent Assurance Statement
102-43	Approach to stakeholder engagement	35-45	-	Yes/Independent Assurance Statement
102-44	Key topics and concerns raised	37-41	-	Yes/Independent Assurance Statement
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102-45	Entities included in the consolidated financial statements	57-60	-	Yes/Independent Assurance Statement
102-46	Defining report content and topic Boundaries	57-60	-	Yes/Independent Assurance Statement
102-47	List of material topics	54-56	-	Yes/Independent Assurance Statement
102-48	Restatements of information	57-60	-	Yes/Independent Assurance Statement
102-49	Changes in reporting	57-60	-	Yes/Independent Assurance Statement
102-50	Reporting Period	57-60	-	-
102-51	Date of most recent report	57-60	-	-
102-52	Reporting cycle	57-60	-	-
102-53	Contact point for questions regarding the report	57-60	-	-
102-54	Claims of reporting in accordance with the GRI Standards	57-60	-	-
102-55	GRI content index	211-220	-	-
102-56	External assurance	228-233	-	-

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ECONOMIC

ECONOMIC PERFORMANCE

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201-2	Financial implications and other risks and opportunities due to climate change	95-98	-	-
201-3	Defined benefit plan obligations and other retirement plans	81-82	-	-
201-4	Financial assistance received from government	81	-	-

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103	Management Approach	83-84	-	-
203-1	Infrastructure investments and services supported	84	-	-
203-2	Significant indirect economic impacts	163-192	-	-

PROCUREMENT PRACTICES

103	Management Approach	80	-	-
204-1	Proportion of spending on local suppliers	80	-	-

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103	Management Approach	67-68	-	-
205-1	Operations assessed for risks related to corruption	67-68	-	-
205-2	Communication and training about anti-corruption policies and procedures	67-68	-	-
205-3	Confirmed incidents of corruption and actions taken	67-68	-	-

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206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	209	-	-
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ENVIRONMENT

ENVIRONMENT

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MATERIALS

103	Management Approach	137, 139-140	-	-
301-1	Materials used by weight or volume	141	-	Yes/Independent Assurance Statement
301-2	Recycled input material used	-	We have used 112,519 Tonnes of post-consumer waste paper/ paperboard which contributed to approximately 20% of total fibre demand of our Paperboards and Specialty Papers Business. However, we are not able to correlate the post-consumer waste coming from the consumers of our products.	-
301-3	Reclaimed products and their packaging materials	-		-

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103	Management Approach	89-94	-	-
302-1	Energy consumption within the organisation	99-100	-	Yes/Independent Assurance Statement
302-2	Energy consumption outside of the organisation	105	-	-
302-3	Energy intensity	103-104	-	Yes/Independent Assurance Statement
302-4	Reduction of energy consumption	102	-	Yes/Independent Assurance Statement
302-5	Reductions in energy requirements of products and services	102	-	-

General Disclosures		Explanation/Page number	Omissions	External Assurance/ Section Reference
Disclosure Number	Disclosure Title			
WATER				
103	Management Approach	111-114	-	-
303-1	Water withdrawal by source	115	-	Yes/Independent Assurance Statement
303-2	Water sources significantly affected by withdrawal of water	115-124	-	-
303-3	Water recycled and reused	118-120	-	Yes/Independent Assurance Statement
BIODIVERSITY				
103	Management Approach	142-144	-	-
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	None of ITC's operational sites are owned, leased, managed in, or are adjacent to, protected areas and areas of high biodiversity value, therefore, these are not applicable.	-
304-2	Significant impacts of activities, products, and services on biodiversity	-		-
304-3	Habitats protected or restored	-		-
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-		-
EMISSIONS				
103	Management Approach	91, 95-98, 107	-	-
305-1	Direct (Scope 1) GHG emissions	100-101	-	Yes/Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
305-2	Energy indirect (Scope 2) GHG emissions	100-101	-	Yes/Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
305-3	Other indirect (Scope 3) GHG emissions	100-101, 105	-	Yes/Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
305-4	GHG emissions intensity	104	-	-
305-5	Reduction of GHG emissions	102, 105	-	-

GRI STANDARDS INDICATORS INDEX

General Disclosures		Explanation/Page number	Omissions	External Assurance/ Section Reference
Disclosure Number	Disclosure Title			
305-6	Emissions of ozone-depleting substances (ODS)	110	-	-
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	108	-	Yes/Independent Assurance Statement

EFFLUENTS AND WASTE

103	Management Approach	118, 125-128	-	-
306-1	Water discharge by quality and destination	118-119	-	Yes/Independent Assurance Statement
306-2	Waste by type and disposal method	129-136	-	Yes/Independent Assurance Statement
306-3	Significant spills	107-110	-	-
306-4	Transport of hazardous waste	-	This standard disclosure is not applicable as there was no transport, import, export or treatment of waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII	-
306-5	Water bodies affected by water discharges and/or runoff	111-124	-	-

ENVIRONMENTAL COMPLIANCE

307-1	Non-compliance with environmental laws and regulations	209	-	-
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SOCIAL**EMPLOYMENT**

103	Management Approach	147-148	-	-
401-1	New employee hires and employee turnover	147	-	Yes/Independent Assurance Statement
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	149-150	-	-
401-3	Parental leave	150	-	-

General Disclosures		Explanation/Page number	Omissions	External Assurance/ Section Reference
Disclosure Number	Disclosure Title			
LABOUR MANAGEMENT RELATIONS				
402-1	Minimum notice periods regarding operational changes	Minimum notice periods regarding operational changes from part of long-term agreements with employees	-	-
OCCUPATIONAL HEALTH AND SAFETY				
103	Management Approach	153-155	-	-
403-1	Workers representation in formal joint management-worker health and safety committees	158	-	-
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	156-157	-	Yes/Independent Assurance Statement
403-3	Workers with high incidence or high risk of diseases related to their occupation	159-160	-	-
403-4	Health and safety topics covered in formal agreements with trade unions	158	-	-
TRAINING AND EDUCATION				
404-1	Average hours of training per year per employee	147-149	-	Yes/Independent Assurance Statement
404-2	Programs for upgrading employee skills and transition assistance programs	149	-	-
404-3	Percentage of employees receiving regular performance and career development reviews	148-149	-	-
DIVERSITY AND EQUAL OPPORTUNITY				
405-1	Diversity of governance bodies and employees	63, 147	-	-
NON - DISCRIMINATION				
406-1	Incidents of discrimination and corrective actions taken	151-152	-	-
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
103	Management Approach	151	-	-
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	151-152	-	-

GRI STANDARDS INDICATORS INDEX

General Disclosures		Explanation/Page number	Omissions	External Assurance/ Section Reference
Disclosure Number	Disclosure Title			
CHILD LABOUR				
408-1	Operations and suppliers at significant risk for incidents of child labour	151-152	-	-
FORCED OR COMPULSORY LABOUR				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	151-152	-	-
HUMAN RIGHTS ASSESSMENT				
412-2	Employee training on human rights policies or procedures	151-152	-	-
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	151-152	-	-
LOCAL COMMUNITIES				
103	Management Approach	163-166	-	-
413-1	Operations with local community engagement, impact assessments, and development programs	167-192	-	Yes/Independent Assurance Statement
413-2	Operations with significant actual and potential negative impacts on local communities	167-192	-	-
PUBLIC POLICY				
103	Management Approach	193-194	-	-
415-1	Political contributions	Nil	-	-
CUSTOMER HEALTH AND SOCIETY				
103	Management Approach	198	-	-
416-1	Assessment of the health and safety impacts of product and service categories	199-205	-	-
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	209	-	-
MARKETING AND LABELING				
103	Management Approach	208	-	-

General Disclosures		Explanation/Page number	Omissions	External Assurance/ Section Reference
Disclosure Number	Disclosure Title			
417-1	Requirements for product and service information and labeling	208	-	Yes/Independent Assurance Statement
417-2	Incidents of non-compliance concerning product and service information and labeling	209	-	Yes/Independent Assurance Statement
417-3	Incidents of non-compliance concerning marketing communications	208-209	-	Yes/Independent Assurance Statement
CUSTOMER PRIVACY				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	208	-	-
SOCIOECONOMIC COMPLIANCE				
419-1	Non-compliance with laws and regulations in the social and economic area	209	-	-

GRI G4 FOOD PROCESSING SECTOR SUPPLEMENT (FPSS)

Material Aspects - DMAs and Indicators	Description	Explanation/Page number	Reasons for Omissions	External Assurance
ASPECT: PROCUREMENT/SOURCING PRACTICES - DISCLOSURE ON MANAGEMENT APPROACH (DMA)				
DMA	Protecting Natural Resources	89	-	-
DMA	Minimising Toxicity	199-205	-	-
DMA	Fair Trade	All of ITC's trading partnerships are conducted in compliance with applicable legislations	-	-
DMA	Fair Compensation for Labour	151-152	-	-
DMA	Traceability	206	-	-
DMA	Genetically Modified Organisms (GMOs)	ITC Foods Business does not use any GMOs in manufacturing its products	-	-
DMA	Biofuels	27, 99, 106	-	-
ASPECT: PROCUREMENT/SOURCING PRACTICES - INDICATORS				
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	All our suppliers comply with the Company's defined sourcing processes / 25-28	-	-
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	All suppliers of food-based raw materials comply with the Food Safety and Standards Authority of India (FSSAI) requirements	-	-
ASPECT: LABOUR/MANAGEMENT RELATIONS				
DMA	-	-	-	-
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs by country	151	-	-
ASPECT: HEALTHY AND AFFORDABLE FOOD				
DMA	Nature, scope and effectiveness of programmes and practices that promote access to healthy lifestyles; prevention of chronic diseases; access to healthy, nutritious and affordable food; and improved welfare for communities in need	201-203	-	-

Material Aspects - DMAs and Indicators	Description	Explanation/Page number	Reasons for Omissions	External Assurance
ASPECT: CUSTOMER HEALTH AND SAFETY				
DMA	-	-	-	-
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards	201	-	-
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars	201-203	-	-
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fibre, vitamins, minerals, phytochemicals or functional food additives	201-203	-	-
ASPECT: PRODUCT AND SERVICE LABELING				
DMA	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	For food products, all information about ingredients and nutrition of products is published on the product packaging as per relevant statutory requirements	-	-

ASPECT: ANIMAL WELFARE

Not material as none of our businesses are involved in activities related to animal welfare

ALIGNMENT TO BUSINESS RESPONSIBILITY REPORT PRINCIPLES

Linking Sustainability Report 2018 to Business Responsibility Report (BRR) Principles to assess compliance with Environmental, Social and Governance (ESG) norms.

Principle	BRR Principles to assess compliance with ESG norms	Coverage in Section of Sustainability Report 2018
1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	<ul style="list-style-type: none"> Governance Structure
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life-cycle	<ul style="list-style-type: none"> Energy and Climate Change Air Emissions Water Management Waste Management Raw Materials Supply Chain ITC Mission Sunehra Kal for Sustainable & Inclusive Growth Product Responsibility
3	Businesses should promote the well-being of all employees	<ul style="list-style-type: none"> Labour Practices and Decent Work & Human Rights Occupational Health and Safety
4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	<ul style="list-style-type: none"> Economic Performance Stakeholder Engagement, Risk & Opportunities and Materiality Analysis Labour Practices and Decent Work & Human Rights ITC Mission Sunehra Kal for Sustainable & Inclusive Growth
5	Businesses should respect and promote human rights	<ul style="list-style-type: none"> Labour Practices and Decent Work & Human Rights
6	Businesses should respect, protect, and make efforts to restore the environment	<ul style="list-style-type: none"> Energy and Climate Change Air Emissions Water Management Waste Management Raw Materials Biodiversity ITC Mission Sunehra Kal for Sustainable & Inclusive Growth
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	<ul style="list-style-type: none"> Responsible Policy Advocacy Stakeholder Engagement, Risk & Opportunities and Materiality Analysis Memberships and Affiliations
8	Businesses should support inclusive growth and equitable development	<ul style="list-style-type: none"> Economic Performance ITC Mission Sunehra Kal for Sustainable & Inclusive Growth
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner	<ul style="list-style-type: none"> Stakeholder Engagement, Risk & Opportunities and Materiality Analysis Product Responsibility

ITC'S VISION, MISSION, CORE VALUES AND POLICIES & GUIDELINES

THE ITC VISION

Sustain ITC's position as one of India's most valuable corporations through world class performance, creating growing value for the Indian economy and the Company's stakeholders.

THE ITC MISSION

To enhance the wealth generating capability of the enterprise in a globalising environment, delivering superior and sustainable stakeholder value.

ITC'S CORE VALUES

ITC's Core Values are aimed at developing a customer-focused, high-performance organisation which creates value for all its stakeholders. ITC's Core Values encompass the principles of Trusteeship, Customer Focus, Respect for People, Excellence, Innovation and Nation Orientation. Please check the following link for details:

<http://www.itcportal.com/about-itc/values/core-values.aspx>

CORPORATE GOVERNANCE AT ITC

<http://www.itcportal.com/about-itc/values/corporate-governance.aspx>

ITC's Code of Conduct and Policies are available at the Company's corporate website www.itcportal.com. Please check the following links for details:

ITC'S CODE OF CONDUCT

<http://www.itcportal.com/about-itc/values/code-of-conduct.aspx>

ITC'S SUSTAINABILITY POLICIES

<http://www.itcportal.com/about-itc/policies/sustainability-policy.aspx>

ITC'S CSR POLICY

<http://www.itcportal.com/about-itc/policies/corporate-social-responsibility-policy.aspx>

ITC'S FOOD PRODUCTS POLICY

<http://www.itcportal.com/about-itc/policies/itc-food-product-policy.aspx>

ITC'S E-WASTE POLICY

<http://www.itcportal.com/about-itc/policies/itc-it-e-waste-policy.aspx>

ITC'S REMUNERATION POLICY

<http://www.itcportal.com/about-itc/policies/remuneration-policy.pdf>

QUANTIFICATION METHODOLOGIES

ENERGY AND GHG EMISSIONS

To set organisational boundaries for consolidated GHG emissions, ITC has utilised the operational control approach for the various entities covered under the Report. ITC's accounting of Scope 1, 2 & 3 GHG emissions is based on the 'GHG Protocol Corporate Accounting and Reporting Standard' and the 'GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard' issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

1. STATIONARY COMBUSTION

Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 were used to calculate GHG emissions from stationary combustion sources.

Activity data (quantity of fuel consumed) is multiplied with the respective default energy factor or actual measured Net Calorific Value (NCVs) to arrive at the energy consumption values, which is multiplied by the emission factor to quantify the direct emission from stationary combustion sources.

2. PURCHASED ENERGY

The quantification of indirect GHG emission due to purchased electricity is based on activity data (Electricity consumption in kWh) multiplied by emission factors specified in the 'CO₂ Baseline Database for the Indian Power Sector User Guide', (version 12.0, May 2017) issued by Central Electricity Authority, Government of India.

The quantification of indirect GHG emissions for purchased steam is based on activity data (energy consumption in GJ) multiplied by the applicable emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006.

3. TRANSPORTATION

The energy consumption outside of the organisation due to road transportation is quantified by using energy conversion factors based on the Report by World Bank on Road Transport Service Efficiency Study (India)-2005.

The modes of transportation used in ITC, for raw materials, finished goods & wastes, employee commuting by means of company owned/hired vehicles, transportation due to guest pick-up in ITC Hotels and sources for calculation of emission factors are as follows:

Road - Emission factors for trucks are calculated based on the Report by World Bank on Road

Transport Service Efficiency Study (India)-2005. Emission factors for employee commuting by means of company owned/hired vehicles and transportation due to guest pick-up in ITC Hotels are based on a report by Automotive Research Association of India.

Rail - Emission factors are calculated based on the information available from the Indian Railways Annual report 2013-14, Indian Railways Statistics 2013-14.

Air/Ship - "Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting - Freight Transport 2011" developed by the Department of Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA), U.K.

4. MINOR SOURCES

The quantification of GHG emissions from minor* sources is based on a robust process of data collection at Unit/Division level and emission factors taken from recognised global sources, such as IPCC guidelines and assessment reports; GHG Protocol HFC Tool v10 developed by GHG Protocol initiative, WRI & WBCSD; Pulp and Paper Tool-2005; UNFCCC approved methodologies. The sources that have a minor contribution to ITC's overall GHG emissions are listed below:

1. Air-conditioning
2. Process Emissions
3. Company owned vehicles
4. SF₆ release from power distribution system
5. CO₂ release from fire protection system
6. Gas cutting/welding
7. Waste water treatment
8. GHG emissions from composting of waste inside the unit premises
9. GHG emissions from fertiliser application in forestry project
10. GHG emissions due to employee air travel

5. GHG REMOVALS

GHG removals from plantations have been calculated based on the approved methodology used in ITC's UNFCCC registered CDM project '2241: Reforestation of severely degraded landmass in Khammam District of Andhra Pradesh, India under ITC Social Forestry Project.'

* The Frequency of quantification of GHG emissions from minor sources is once in three years.

MEMBERSHIPS AND AFFILIATIONS

- Agricultural & Processed Food Products Export Development Authority
- All India Association of Industries
- All India Food Processors' Association
- All India Management Association
- All India Organisation of Employers
- All India Rice Exporters Association
- Andhra Chamber of Commerce
- Andhra Pradesh Chambers of Commerce and Industry Federation
- Association of Finance Professionals of India
- Audit Bureau of Circulations
- Bangalore Chamber of Commerce & Industry
- Bihar Chamber of Commerce & Industries
- Bihar Industries Association
- Bombay Chamber of Commerce & Industry
- Bombay Management Association
- British Safety Council
- Calcutta Management Association
- Coal Consumers Association of India
- Coffee Board
- Coffee Exporters Association
- Coimbatore Management Association
- Confederation of Indian Industry
- Ecotourism Society of India
- Employer's Association of Northern India
- Employers' Federation of India
- European Society for Opinion and Market Research
- Federation of Hotels & Restaurants Associations of India
- Federation of Indian Chambers of Commerce and Industry
- Federation of Indian Export Organisations
- Federation of Industry and Commerce of North Eastern Region
- Federation of Jharkhand Chamber of Commerce & Industries
- Federation of Karnataka Chambers of Commerce & Industry
- Federation of MP Chamber of Commerce & Industry
- Fire & Security Association of India
- Fragrances and Flavours Association of India
- Global Reporting Initiative
- Haryana Environmental Management Society
- Hotel Association of India
- Hyderabad Management Association
- India Convention Promotion Bureau
- Indian Association of Tour Operators
- Indian Beverage Association
- Indian Chamber of Commerce
- Indian Coffee Trade Association
- Indian Confectionery Manufacturing Association
- Indian Dairy Association
- Indian Flexible Packaging & Folding Carton Manufacturers Association
- Indian Golf Union
- Indian Institute of Materials Management
- Indian Institute of Packaging
- Indian Merchants Chamber
- Indian Paper Manufacturers Association
- Indian Pulp & Paper Technical Association
- Indian Tobacco Association
- Indian Wind Power Association
- Indo-American Chamber of Commerce
- Indo-German Chamber of Commerce
- Industrial Model Township (Manesar) Association
- Industrial Waste Management Association
- International Chamber of Commerce

MEMBERSHIPS AND AFFILIATIONS

- International Fiscal Association
- International Flexible Packaging Network
- International Market Assessment
- International Packaging Group
- Karnataka Employers' Association
- Karnataka Planters' Association
- Madras Management Association
- Madras Printers and Lithographers Association
- Maharashtra Economic Development Council
- Mahratta Chamber of Commerce, Industries & Agriculture
- Media Research Users Council
- Nag Vidarbha Chamber of Commerce
- National Accreditation Board for Testing and Calibration Laboratories
- National Commodity & Derivatives Exchange Limited
- National Safety Council
- Oeko-Tex Association
- Pacific Asia Travel Association
- PHD Chamber of Commerce and Industry
- Protein Food and Nutrition Development Association of India
- Ranjangaon Industries Association
- Registrars Association of India
- Retailers Association of India
- Seafood Exporters Association of India
- Tamil Nadu Electricity Consumers Association
- The Advertising Standards Council of India
- The Associated Chambers of Commerce and Industry of India
- The Bengal Chamber of Commerce & Industry
- The Central Organisation for Oil Industry and Trade
- The Cochin Chamber of Commerce and Industry
- The Coimbatore Productivity Council
- The Indian Chamber of Commerce and Industry, Coimbatore
- The Indian Society of Advertisers
- The Institute of Internal Auditors-India
- The Madras Chamber of Commerce and Industry
- The Marine Products Export Development Authority
- The Market Research Society
- The Solvent Extractors' Association of India
- The Soybean Processors Association of India
- The Tobacco Institute of India
- The U.S. Green Building Council
- The Utkal Chamber of Commerce & Industry Ltd.
- Travel Agents Association of India
- United States Tour Operators Association
- U.S.-India Strategic Partnership Forum
- Western U.P Chamber of Commerce & Industry
- World Business Council for Sustainable Development
- World Travel & Tourism Council India Initiative
- World Wide Fund for Nature - Global Forest and Trade Network



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Independent Assurance Statement

The Management and Board of Directors
ITC Limited
Virginia House
Kolkata 700071, India.

Ernst & Young LLP ('EY') was engaged by ITC Limited (the 'Company') to provide independent assurance to its annual Greenhouse Gas (GHG) inventory (the 'Inventory') presented in their Sustainability Report 2018.

The Company has developed its GHG inventory in accordance with the ISO14064-1:2006 Standard. EY's responsibility, as agreed with the Management of the Company, is to provide independent assurance as per the requirements of ISO14064-3:2006 "Specification with guidance for the validation and verification of greenhouse gas assertions" and as per the International Standard for Assurance Engagements (ISAE) 3410 Standard - Assurance Engagements on Greenhouse Gas Statements. Our responsibility in performing our assurance activities is to the Management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

Scope of Assurance

The scope of assurance covers the following aspects of the Inventory:

- ▶ Data and information related to the Company's GHG inventory- Scope 1, Scope 2, Scope 3 and Biogenic emissions as well as GHG removals;
- ▶ The consistency of the Company's internal protocols, processes, and controls related to the collection and collation of GHG emissions and removals with the requirements of ISO14064-1:2006 guidelines;
- ▶ Understanding the reasonableness of various assumptions, estimations and materiality thresholds used by the Company for data analysis;
- ▶ Review of information and data on sample basis through consultations at the Company's Head Office and the following Divisional Headquarters (DHQ) and locations of operations:
 - ITC Tobacco Division (ITD) DHQ, Personal Care Products Business (PCPB) DHQ and Trade Marketing and Distribution (TM&D) in Kolkata; Packaging and Printing Business (PPB) DHQ at Chennai; Paperboards and Specialty Papers Division (PSPD) DHQ at Hyderabad and Agri Business Division (Leaf Tobacco Strategic Business Unit) DHQ at Guntur;
 - Locations of operations, as listed below:
 - 1) ITD (Tobacco Division): Bengaluru, Kidderpore, Pune, Saharanpur and Munger;



- 2) FBD (Foods Division): Haridwar, Mysuru, Pune, Dhulagarh and Malur;
- 3) PCPB (Personal Care Products Business): Haridwar and Manpura;
- 4) Hotels: ITC Gardenia (Bengaluru), ITC Grand Central (Mumbai), ITC Maurya (New Delhi), ITC Grand Bharat (Gurugram), ITC Windsor (Bengaluru), ITC Kakatiya (Hyderabad), ITC Rajputana (Jaipur) and ITC Grand Chola (Chennai);
- 5) PPB (Packaging and Printing Business): Haridwar and Tiruvottiyur;
- 6) PSPD (Paperboards and Specialty Papers Division): Bhadrachalam, Tribeni, Kovai and Bollaram;
- 7) ABD (Agri Business Division): Mysuru, Chirala and Anaparti;
- 8) ITC Infotech India Limited: Bengaluru.

Limitations of our review

The assurance scope excludes:

- Operations of the Company as mentioned in the Inventory other than those mentioned in the 'Scope of Assurance';
- Data and information outside the defined reporting period i.e. 1st April 2017 to 31st March 2018.

Assurance criteria

The assurance engagement was planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) as well as ISO14064-3:2006 "Specification with guidance for the validation and verification of greenhouse gas assertions". Our evidence-gathering procedures were designed to obtain a 'reasonable' level of assurance in order to ascertain that the Company's GHG Inventory is fairly stated and in conformance in all material aspects with the requirements of ISO14064-1:2006.

What we did to form our conclusions

In order to form our conclusions we undertook the following key steps:

- Interactions with the key personnel at the Company's head office, divisional headquarters, manufacturing units and hotels in order to understand and review the current processes in place for capturing the GHG emissions and removals data;
- Verification of the reported GHG inventory, on a sample basis, at the Company's corporate office, divisional headquarters, manufacturing units and hotels as mentioned in the 'Scope of Assurance' above;
- Review of relevant documents and systems for gathering, analyzing and aggregating the data in the reporting period.

Our Observations

The GHG emissions and removals have been calculated as per the ISO14064-1:2006 guidelines. There were no observed inconsistencies in the Company's internal protocols, processes, and controls related to the collection and collation of GHG emissions and removals with the requirements of ISO14064-1:2006 guidelines. The various assumptions, estimations and materiality thresholds used by the Company for data analysis were found to be in line with the requirements of ISO14064-1:2006 guidelines.



Our Conclusion

On the basis of our procedures aimed at obtaining reasonable assurance, we conclude that in our opinion the Company has fairly represented its GHG Inventory in accordance with the requirements of the ISO14064-1:2006 guidelines. The reported GHG emissions and removals for the reporting period are:

- ▶ Scope 1 emissions: 11,49,484 tonnes of CO₂e
- ▶ Scope 2 emissions: 1,86,473 tonnes of CO₂e
- ▶ Scope 3 emissions: 2,63,642 tonnes of CO₂e
- ▶ Biogenic emissions: 8,65,309 tonnes of CO₂
- ▶ GHG removals: 54,58,077 tonnes of CO₂

Our assurance team and independence

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant Indian and international businesses. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics¹ for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

For Ernst & Young LLP

Chaitanya Kalia
Partner
25 June 2018
Mumbai

¹ International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. This Code establishes ethical requirements for professional accountants. The guidance related to network firms was updated in July 2006.



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Independent Assurance Statement

The Management and Board of Directors
ITC Limited
Virginia House
Kolkata 700071, India.

Ernst & Young LLP (EY) was engaged by ITC Limited (the "Company") to provide independent assurance to its annual Sustainability Report 2018 (the 'Report').

The development of the Report is based on the Global Reporting Initiative (GRI) Standards (2016) and Food Processing Sector Supplement (applicable only for Foods Business); its content and presentation is the sole responsibility of the management of the Company. EY's responsibility, as agreed with the management of the Company, is to provide independent assurance on the Report content as described in the scope of assurance. Our responsibility in performing our assurance activities is to the management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

Scope of Assurance

The scope of assurance covers the following aspects of the Report:

- ▶ Data and information related to the Company's sustainability performance for the period 1st April 2017 to 31st March 2018;
- ▶ The Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data;
- ▶ Review of information on sample basis through consultations at the Company's Head Office and the following Divisional Headquarters (DHQ) and locations of operations:
 - ITC Tobacco Division (ITD) DHQ, Personal Care Products Business (PCPB) DHQ and Trade Marketing and Distribution (TM&D) in Kolkata; Packaging and Printing Business (PPB) DHQ at Chennai; Paperboards and Specialty Papers Division (PSPD) DHQ at Hyderabad and Agri Business Division (Leaf Tobacco Strategic Business Unit) DHQ at Guntur;
 - Locations of operations, as listed below:
 1. ITD (Tobacco Division): Bengaluru, Kidderpore, Pune, Saharanpur and Munger;
 2. FBD (Foods Division): Haridwar, Mysuru, Pune, Dhulagarh and Malur;
 3. PCPB (Personal Care Products Business): Haridwar and Manpura;
 4. Hotels: ITC Gardenia (Bengaluru), ITC Grand Central (Mumbai), ITC Maurya (New Delhi), ITC Grand Bharat (Gurugram), ITC Windsor (Bengaluru), ITC Kakatiya (Hyderabad), ITC Rajputana (Jaipur) and ITC Grand Chola (Chennai);
 5. PPB (Packaging and Printing Business): Haridwar and Tiruvottiyur;
 6. PSPD (Paperboards and Specialty Papers Division): Bhadrachalam, Tribeni, Kovai and Bollaram;
 7. ABD (Agri Business Division): Mysuru, Chirala and Anaparti;
 8. ITC Infotech India Limited: Bengaluru.



EY's multidisciplinary team of professionals visited the Company's aforementioned units and reviewed and verified the data and information in the Report, on the following General Disclosures and Specific Disclosures of the GRI Standards (2016):

General Disclosures:

- ▶ Organizational Profile (102-2 to 102-11)
- ▶ Ethics and Integrity (102-16, 102-17)
- ▶ Governance (102-18 to 102-33)
- ▶ Stakeholder Engagement (102-40 to 102-44)
- ▶ Reporting Practice (102-45 to 102-49)

Specific Disclosures:

- ▶ Environmental
 - Materials (301-1), Energy (302-1, 302-3, 302-4), Water (303-1, 303-3), Emissions (305-1 to 305-3, 305-7), Effluents and Waste (306-1, 306-2)
- ▶ Social
 - Employment (401-1), Occupational Health & Safety (403-2), Training & Education (404-1), Local Communities (413-1), Marketing & Labelling (417-1 to 417-3)

Limitations of our review

The assurance scope excludes:

- ▶ Operations of the Company other than those mentioned in the 'Scope of Assurance';
- ▶ Aspects of the Report and data/information other than those mentioned above;
- ▶ Data and information outside the defined reporting period *i.e.* 1st April 2017 to 31st March 2018;
- ▶ The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention provided by the Company;
- ▶ Data and information on economic and financial performance of the Company.

Assurance criteria

The assurance engagement was planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Our evidence-gathering procedures were designed to obtain a 'reasonable' level of assurance (as set out in ISAE 3000) as well as conformance of sustainability performance indicators as per the GRI Standards (2016).

What we did to form our conclusions

In order to form our conclusions, we undertook the following key steps:

- ▶ Interviews with select key personnel and the core team responsible for the preparation of the Report to understand the Company's sustainability vision, mechanism for management of sustainability issues and engagement with key stakeholders;
- ▶ Interactions with the key personnel at the Company's manufacturing plants in order to understand and review the current processes in place for capturing sustainability performance data;
- ▶ Physical and desktop audits of the Company's corporate office, trade marketing and distribution office, divisional headquarters and manufacturing units as mentioned in the 'Scope of Assurance' above;



- ▶ Review of relevant documents and systems for gathering, analyzing and aggregating sustainability performance data in the reporting period;
- ▶ Review of selected qualitative statements and sample case studies in various sections of the Report.

Our Observations

The Company continues to uphold its commitment to managing its environmental impacts as evidenced by its continued status as being water positive, carbon positive and solid waste recycling positive. The Company's carbon positive status is based on improvements in specific energy consumption and sequestration of carbon-dioxide through social and farm forestry initiatives, the water positive status on creation of rainwater harvesting structures both within and outside the fence and their evaluated rainwater harvesting potential, while the solid waste recycling positive status of the Company is based on reduction of specific waste generated and usage of post-consumer wastes as raw material. The Company has also continued to demonstrate its commitment to creating shared value through its extensive social initiatives activities. There is further scope for streamlining data compilation for further accuracy through strengthening internal controls.

Our Conclusions

On the basis of our procedures aimed at obtaining reasonable assurance, we conclude that in our opinion, the Company has presented, in a reasonably balanced, accurate, complete and transparent manner, the information on material aspects in accordance with the GRI Standards (2016) and Food Sector Supplement (applicable to Foods Business) of the GRI and conforms to the GRI Standards 'In Accordance - Comprehensive' disclosure criteria.

Our assurance team and independence

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant Indian and international businesses. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics¹ for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

for Ernst & Young LLP

A handwritten signature in blue ink, appearing to read 'Chaitanya Kalia', is written over a horizontal line.

Chaitanya Kalia
Partner
25 June 2018
Mumbai

¹ International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. This Code establishes ethical requirements for professional accountants. The guidance related to network firms was updated in July 2006.



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