



100 Inspiring Years

1910-2010

Sustainability Report 2010

FOR ALL OUR
TOMORROWS



GRI - G3 Compliant Application Level A+

"The earth, the air, the land and the water are not an inheritance from our forefathers but on loan from our children. So we have to handover to them at least as it was handed over to us."

- Mahatma Gandhi



ITC: AN EXEMPLAR IN TRIPLE BOTTOM LINE PERFORMANCE

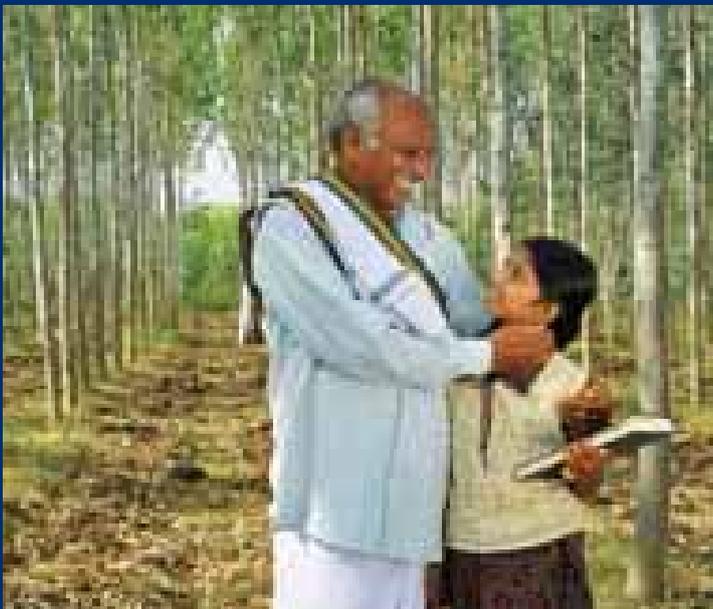
"It is indeed gratifying that sustainability and inclusiveness of growth not only remains the Government's objective but also guides key organisations in the private sector, such as ITC. I hope your initiatives would prove to be a trendsetter for the Indian Industry."

*- Mr. M. Hamid Ansari
Vice-President of India*



Economic

- ≡ **Multiple drivers of growth** encompassing FMCG, Paperboards & Packaging, Agri Business, Hotels and Information Technology.
- ≡ A **turnover of US\$ 6 billion** and a **market capitalisation of nearly US\$ 30 billion**.
- ≡ **Total Shareholder Returns**, measured in terms of increase in market capitalisation and dividends, growing at a **compound rate of over 24% per annum over the last 15 years**.
- ≡ The new FMCG businesses support the competitiveness, technology upgradation and market reach of **over 150 Small and Medium Enterprises (SMEs)**.
- ≡ ITC Group provides **direct employment to over 29,000 people**.



Environmental

- ✚ **'Carbon Positive'** - **five years in a row** (sequestering / storing twice the amount of CO₂ that the Company emits).
- ✚ **'Water Positive'** - **for eight consecutive years** (creating three times more rainwater harvesting potential than ITC's net consumption).
- ✚ **Waste Recycling Positive for the last three years**.
- ✚ **Nearly 31% of total energy** consumed is from **renewable sources**.
- ✚ **ITC Royal Gardenia and ITC Green Centre** are two of the **world's largest LEED Platinum rated green buildings**.
- ✚ **Environment, Health and Safety Management Systems** in ITC conform to **international standards**.



Social

- ✚ ITC's businesses generate **livelihoods for over 5 million people**.
- ✚ ITC's globally recognised **e-Choupal initiative** is the world's largest rural digital infrastructure **benefitting over 4 million farmers**.
- ✚ ITC's Social and Farm Forestry initiative **has greened 1,07,000 hectares**, creating an **estimated 48 million person-days of employment**.
- ✚ ITC's Watershed Development initiative brings precious water to **over 54,000 hectares of drylands and moisture-stressed areas**.
- ✚ ITC's Sustainable Community Development initiatives include **women's empowerment, supplementary education and integrated animal husbandry programmes**.

All photographs used in this Report are an actual depiction of ITC's various businesses and sustainability initiatives across the country

* Figures as on September 30th, 2010



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CHAIRMAN'S STATEMENT: ITC's vision and strategy



I have great pleasure in presenting ITC's seventh Sustainability Report.

This is a special year for ITC, as it completes a Century. This journey over a 100 years has been inspiring and transformational in many ways. It has witnessed ITC's evolution from a single product company to one of India's largest multi-business corporate enterprises. It has been a voyage of leadership to create a sustainable corporation of tomorrow, driven by a commitment to reach new heights in sustainable value creation for all stakeholders, including the Nation.

These 100 inspiring years have been marked by an overarching **Vision** to serve a larger national purpose, to live by the strong **Values** of Trusteeship and to nourish internal **Vitality** to create superior value for all stakeholders. It gives us immense pride that this amalgam of Vision, Values and Vitality has enabled ITC to attain global hallmarks of excellence in sustainability. ITC today is the only Corporation of its size to be **carbon positive, water positive and waste recycling positive**, even as it has created sustainable livelihood opportunities for over **5 million people**.

Many years ago, ITC redefined its Vision inspired by the superordinate goal to serve a larger national purpose. As part of the assessment of the long-term sustainability of our businesses, we took cognizance of two major challenges that would not only threaten future economic progress, but would even put at risk the destiny of the larger society in which we operate. These are global poverty and rising income inequities on the one hand, and the widespread destruction of the environment on the other. Global economic models pursued over a century have been premised on a uni-dimensional pursuit of material wealth creation with utter disregard for sustainability, leaving a deferred social cost burden on future generations.

At one level, the iniquitous distribution of wealth has created a vulnerable society, giving rise to social unrest including terrorism. At another level, the apathy towards replenishing natural capital has led to widespread degeneration of the environment, destroying life nurturing eco-systems. These challenges have got further aggravated by the onset of global warming, exposing the planet to unparalleled peril.

While these global challenges require concerted action from every section of society, we believe that businesses particularly can play an immensely meaningful role to create a more sustainable and inclusive future. With their numerous touch points in society, business and industry can deliver significant social value, given the strength of their financial, human and other strategic resources. It was this belief, together with ITC's aspiration to contribute to an over-arching national objective, that redefined the Company's Vision to inspire a more enduring role in building societal capital. To my mind, Shareholder Value ought to be a reward for Societal Value creation. This definition of wealth creation demands a commitment that goes far beyond the market. Committed corporates create societal value by serving their consumers through competitively superior value propositions, whilst simultaneously pursuing innovative strategies that nurtures the environment and maximises sustainable livelihood creation. This Triple Bottom Line approach to creating larger 'stakeholder' value is crucially necessary to ensure the perpetuity of our planet. This philosophy and commitment to contribute to the Triple Bottom Line in terms of building economic, environmental and social capital drives ITC's spirit of innovation and growth. As we complete a century of existence, this abiding commitment to embrace sustainability makes us a "**future-ready**" Corporation.

ITC's growth strategy is powered by unique business models that have enabled it to contribute in a larger measure to creating sustainable livelihoods, even as it has nourished natural capital and created shareholder wealth

Embedding Sustainability in Strategy

India's developmental challenges are rendered tougher by the large incidence of people living in poverty. World Bank estimates that more than 800 million people in the country survive on less than \$2 a day. Such widespread economic backwardness makes societies unstable and, in turn, can make business growth unsustainable. Therefore, creation of sustainable livelihoods is a very important economic objective that business strategists can ill-afford to ignore. ITC's growth strategy is powered by unique business models that have enabled it to contribute in a larger measure to creating sustainable livelihoods, even as it has nourished natural capital and created shareholder wealth.

At the heart of ITC's innovative strategies lies the creation of unique business models that synergise long-term shareholder value growth with that of enhancing societal capital. ITC's globally acknowledged e-Choupal initiative is one such example. e-Choupal based customised extension and information services empower small and marginal farmers through

clonal propagation programme, has greened over 100,000 hectares and created cumulative employment of 48 million person-days. These plantations provide a reliable source of wood pulp for the long-term competitiveness and sustainability of our Paper business. Sustainable forestry practices have secured for ITC the membership of the Global Forest Trade Network of the WWF in a first-of-its-kind achievement for India.

It is our firm belief that by integrating larger societal goals in our business models, we not only build stronger foundations for the future sustainability of the Company but also ensure that societal benefits are more scalable and impactful.

Investing in Social Development

ITC's Sustainability efforts are augmented by its dedicated programme 'Mission Sunehra Kal', its prime vehicle for implementing social development initiatives. Mission Sunehra Kal empowers rural communities by helping them adopt sustainable practices that enable them to be economically competitive and socially secure. These endeavours

by building community assets. ITC's Integrated Watershed Development initiative has helped create freshwater potential covering over 50,000 hectares in water-stressed areas. In addition, the Company's integrated animal husbandry services have reached out to over 4,00,000 milch animals creating avenues for non-farm based livelihoods. Over 2,00,000 children have attended our rural supplementary education centres, and more than 20,000 women entrepreneurs have been created through 1000 self-help groups. Mission Sunehra Kal is also engaging with several State Governments to deliver quality projects of high social value through intensive public-private-people partnerships.

ITC's efforts to improve the quality of life of rural communities, particularly women and children, will contribute to achieving many of the Millennium Development Goals enunciated by the United Nations. We take pride in our association with the United Nations Global Compact, the world's largest global corporate citizenship initiative. I am happy to state that our initiatives and practices support the principles of the Global Compact.

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sustainable agricultural practices that enhance farm productivity and raise rural incomes. Digital connectivity enables price discovery, provides critical weather information, establishes market linkages and enables the creation of a virtual co-operative ensuring freedom from exploitative intermediaries. Today, e-Choupals cover 40,000 villages and benefit over 4 million farmers. Similarly, our Social Forestry initiative, driven by an extensive research based

are aimed at (a) diversifying farming systems as a strategy for sustainable agriculture and climate change mitigation by broad-basing the farm-based livelihoods portfolio of the poor and (b) expanding off-farm income opportunities to reduce the disproportionate dependence of rural households on land. This deep engagement with rural communities has enabled ITC to contribute to the creation of sustainable livelihoods

Towards a low-carbon future

Going forward, we recognize that businesses must contribute more effectively to efforts that help in mitigating climate change. ITC has already taken several steps towards this objective (please visit www.itcportal.com for a more detailed perspective). While our large-scale afforestation initiatives help in sequestering twice the carbon emitted from the Company's

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operations, the propagation of sustainable agricultural practices and watershed development help adapt to the harsh realities of climate change, particularly for the poor in rural India who are more vulnerable to the ill effects of global warming. These actions are complemented by our effort to continuously enhance energy efficiency and conservation as well as invest in cleaner and renewable energy capacity. Nearly 31% of the energy consumed by ITC comes from renewable sources. We plan to further step up our investments in wind energy to enhance our renewable energy portfolio. Investments have also been made in "green boilers" to tap biomass based energy. As a testimony to its low carbon philosophy, ITC has invested in creating benchmarks in green buildings. The ITC Hotel Royal Gardenia in Bengaluru has received the Platinum LEED certification making it the largest hotel in the world to achieve this milestone. We will strive to ensure that all new buildings constructed by ITC will conform to the green norms of excellence.

ITC has 8 registered projects under the United Nations Framework Convention on Climate Change under the Clean Development Mechanism (CDM). These projects have started earning carbon credits. In addition, several other CDM projects are at various

stages of registration. ITC's climate change mitigation and adaptation initiatives support a large majority of the objectives set out in the Government's National Action Plan on Climate Change. We are well positioned to leverage the opportunities that are expected to emerge in the future as market based mechanisms are introduced globally to encourage low carbon growth strategies.

Going forward, ITC proposes to progressively conduct detailed Life Cycle Analysis of some of its businesses to help enhance its environmental responsibility efforts. It will also examine the possibility of extending its sustainability practices to some of its supply chain network partners in the near future.

Sustainability for Enduring Competitiveness

ITC's competitive vitality is manifest in its deep consumer insights, robust brands, trade marketing & distribution organization, world-class manufacturing, vibrant human resources, and deep commitment to society. It is also embedded in strong Values that drive its Corporate Governance based on the abiding principles of trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. Large investments in cutting-edge Research & Development aimed at creating the game-changers of tomorrow are further enriching this wide spectrum of competitive vitality. We recognize that in the years ahead, sustainable business practices will lend an additional source of competitiveness to ITC as civil society and tougher regulations demand increasing contribution to societal goals.

Investing in intensive skill development, training of human resources and inculcating a spirit of responsible citizenship are the other strategic dimensions of building the Corporation

of Tomorrow. In order to provide thought leadership in Sustainability, ITC has collaborated with the Confederation of Indian Industry to set up the CII-ITC Centre of Excellence for Sustainable Development to promote sustainability practices amongst a larger universe of corporates.

The growing recognition of ITC's sustainability efforts, including the global leadership awards and the prestigious national awards, provide us the encouragement to stay the course in this challenging task of building larger societal value.

This Report, prepared in accordance with the G3 guidelines of the Global Reporting Initiative, captures our Triple Bottom Line commitments and achievements. It is independently assured by M/s Ernst & Young.

ITC's Triple Bottom Line mission has inspired us to renew our commitment to consciously direct the collective endeavours of our employees across all businesses, functions and locations to continuously improve sustainability practices to attain and exceed global standards.

ITC's Sustainability philosophy continues to draw inspiration from Prime Minister Dr Manmohan Singh's vision for sustainable development with social equity through effective public-private partnerships. I have great pleasure in dedicating this Report to that abiding vision.

YC Deveshwar
September 2010

Key Impacts, Risks And Opportunities: Sustainability Challenges

REGULATION AND TAXATION

Discriminatory Rates of Taxation

Despite accounting for only 15% share of consumption, cigarettes contribute more than 85% of the Indian Government's tax revenues from the tobacco sector. Taxes realised from every kilogram of tobacco consumed in the cigarette format are 35 times higher than those from other forms of tobacco products. The excessively high rate of taxation has led to a massive growth in tax and duty evaded cigarettes. This impacts the legitimate industry, and also Government revenues. Tax-evaded cigarettes account for more than 8% of the Indian market.

In addition, non-uniform tax rates prevailing between States have not only led to trade diversion compromising the industry's ability to service the market effectively but also resulted in sub-optimisation of cigarette tax revenues to the State Exchequers. The move to a GST regime will have to address the imperative need for uniformity of taxes between states.

ITC's Initiatives

- ▶ ITC will continue to engage with policy makers through appropriate industry fora for a balanced regulatory and fiscal framework that addresses the genuine concerns of all stakeholders.
- ▶ It is also the Company's strategic intent to create multiple drivers of growth by investing in businesses of the future, leveraging its diverse competencies in world-class manufacturing, branding, packaging, agri-sourcing, hospitality, marketing and distribution. In the FMCG sector, ITC's products that span Branded and Packaged Foods, Personal Care, Education & Scholastic products, Apparel and Lifestyle products are fast gaining market share.

Policies governing the Agri-sector

Responding to cyclical issues such as inflation, frequent changes have taken place in policies that govern India's agricultural sector. These impact the scale, risk and profitability of ITC's e-Choupal operations. Policies that distort markets (eg. export bans, subsidies) or impose restrictions on smooth operations (viz. stock controls, prohibition of futures) adversely impact companies engaged in the agri-sector. In addition, the slow reform of Agricultural Produce Marketing (Regulation) Act (APMC Act) that enables direct transactions between the farmers and the agri-businesses is another area of concern.

ITC's Initiatives

- ▶ ITC will continue to engage with policy makers through appropriate industry fora for a pragmatic policy framework that addresses the unique needs of India's agri-sector and its farmers, and supports the growth of agri-business as a cornerstone of developing India's rural sector.
- ▶ The e-Choupal model is being continuously improvised to keep it contemporary. ITC is now reshaping the e-Choupal model, in its version 3.0, (which is now in its pilot phase), to leverage the spread in mobile telephony and the growing aspirations emerging from the semi-urbanisation of some of the top tier villages.
- ▶ Recognising that the needs of rural India are changing, e-Choupals are gearing up to provide a new spectrum of services that move from "customisation" to "personalisation". Analytical tools are being designed to examine uploaded data through mobile phones to provide extremely individualised services. New partnerships are being forged to help support micro-enterprises as also new off-farm opportunities through a recently created virtual rural employment platform available at "rozgarduniya.com".

Climate change is likely to significantly impact agricultural practices and output. Since ITC is largely dependent on agricultural inputs, possible disruption in agricultural patterns & yields is a potential risk. Water availability is yet another significant threat that we foresee in the future, besides the direct impact of climate change.

ITC is exposed to the physical risks related to climate change. Protection of our assets in coastal areas has been reinforced in anticipation of increased severity of storms and cyclones, which may occur as a result of the impact of global warming. Disruption in road and rail traffic caused by such extreme events may also affect the output of individual Units. Increased surface temperatures (thereby increased air conditioning costs) and disruption in water supplies are other anticipated risks.

Future regulatory regimes are therefore likely to include restrictions on carbon emissions.

Growing awareness and concern amongst the civil society together with tougher regulation in times to come will demand that businesses chart their growth path with low carbon based strategies. Competitiveness and profitability will require that companies vigorously implement sustainable business practices.

- ▶ ITC's responses have been:
 - 1) Move to a low carbon growth path
 - 2) Reduce water intensity and create watershed development initiatives
 - 3) Create sustainable livelihoods

▶ For over two decades now ITC has assiduously established processes to protect our physical infrastructure from anticipated natural disasters. We have also put in place appropriate emergency response plans. Furthermore we have adopted state-of-the-art technology and know-how to construct Green buildings that conform to best in class world standards. Such practices have helped us to substantially progress towards creating a positive environmental footprint. During the year, ITC Hotel Royal Gardenia was conferred the highest rating for green buildings in the world – the LEED India Platinum rating awarded by the Indian Green Building Council. Earlier, the ITC Green Centre at Gurgaon, was awarded the platinum LEED rating by the United States Green Building Council.

▶ We have started early in our initiatives to reduce energy intensity and make significant investments in renewable energy. Substantial progress has been achieved so far on both counts. Today around 31% of our energy requirements is met from renewable sources. This places us well ahead in the path to achieve low carbon growth.

▶ Enlarging our carbon positive footprint by a large scale social and farm forestry programme that has greened more than 100,000 hectares, in the process creating more than 46 million person days of employment.

▶ Aligning the company's objectives in climate change mitigation and adaptation to the Government's National Action plan on Climate Change (NAPCC). ITC has progressed extensively in the 7 missions relevant to its businesses out of the total 8 missions listed in the NAPCC.

With 17% of the world's population, India has only 4% of fresh water resources and 1% of global forest resources. The degradation of the environment as a result of accelerated economic growth and global warming implies scarce natural resources that will limit future growth potential.

The need of the hour is to augment natural resources on a large scale vis-a-vis incremental measures that are aimed only at minimising environmental damage alone. Clearly, the absence of policies to encourage the creation of natural resources such as green cover would impede the efforts of responsible corporates in building environmental capital. For example, policies have been designed to curtail the felling of trees, but have not aggressively addressed the growing of renewable forests.

In addition, as a Company engaged in the Paper business, we recognize that wastepaper and other waste products if dumped indiscriminately, without segregation at source, can lead to environmental degradation and poor health and hygiene.

ITC's strategies for natural resource augmentation include the following:

- ▶ ITC has invested extensively in R&D to create disease resistant clonal saplings and a comprehensive package of plantation management services under its social and farm forestry initiatives. Apart from creating a green cover of more than 100,000 hectares, it has also led to in-situ soil and moisture conservation, ground water recharge and significant reduction in top soil losses. The social and farm forestry programme also provides raw material sustainability to ITC's Paperboards business.
- ▶ An afforestation project of ITC has also been registered as a Clean Development Mechanism (CDM) project under the United Nations Framework Convention on Climate Change (UNFCCC)
- ▶ All units are continuously minimising the consumption of freshwater per unit of output. All waste water is treated and efforts are being made to achieve 100% recycling of all treated waste water. ITC has created rainwater harvesting potential in moisture stressed areas covering over 51,000 hectares of drylands.
- ▶ ITC also recycles nearly 100% of wastes generated by its units and maximises the use of external wastes as raw materials.

- ▶ ITC's 'WOW' or 'Wealth out of Waste' initiative aims to raise awareness among the public on the benefits of the reduce-reuse-recycle process and inculcate the habit of source segregation, thereby protecting the environment, conserving scarce natural resources and improving civic amenities, public health and hygiene. 25,000 tonnes of waste paper was collected through this initiative in 2009-2010.



POVERTY AND INCOME INEQUITIES

In India, more than 800 million people live under \$2 a day according to estimates by the World Bank.

Widespread income inequities are often a source of discontent and social unrest, leading to unsustainable societies. This can be a major threat to the future of business growth and the society.

ITC's Initiatives

► ITC has fashioned unique business models that deliver larger societal value in terms of livelihood creation and natural resource augmentation even as it pursues sustainable wealth creation for its shareholders.

► As a result of the Triple Bottom Line approach followed by ITC, its businesses, social initiatives and value chains support over 5 million livelihoods, many of whom belong to the weakest sections in India.

► ITC's e-Choupal initiative has benefited over 4 million farmers in 40,000 villages.

► ITC's social investment initiatives are in line with the United Nation's Millennium Development Goals. Titled 'Mission Sunehra Kal', this is ITC's prime vehicle for implementing social development initiatives, to facilitate sustainable livelihood creation thorough identified areas of intervention, namely,

- i. Diversifying Farming Systems through:
 - Social Forestry and wasteland development
 - Watershed development
 - Sustainable Agricultural practices
 - Livestock development
- ii. Expanding Off-Farm Income Opportunities :
 - Economic empowerment of women
 - Community development with focus on primary education, health and sanitation.

► ITC's deep engagement with rural communities has enabled us to contribute to the creation of sustainable livelihoods by building community assets.

SUPPLY CHAIN ENGAGEMENT

Our supply chain comprises a large number of small scale partners. Many of them operate under limiting circumstances in terms of their ability to invest in efficient technologies and their imperative need to rely on labour intensive practices. It will be important to integrate the Triple Bottom Line approach amongst the supply chain for long-term competitiveness by adopting a balanced approach towards creation of livelihoods and economic viability of the small scale units.

ITC's Initiatives

There is intensive engagement with our partners in the small-scale sector to facilitate them in introducing new benchmarks in quality and environmental performance.

ITC has already helped several small scale units to achieve ISO 9001 certification.

It is our endeavour to assist our small scale partners in the optimisation of resources, so that they can be cost-competitive in the future.

ORGANISATIONAL PROFILE



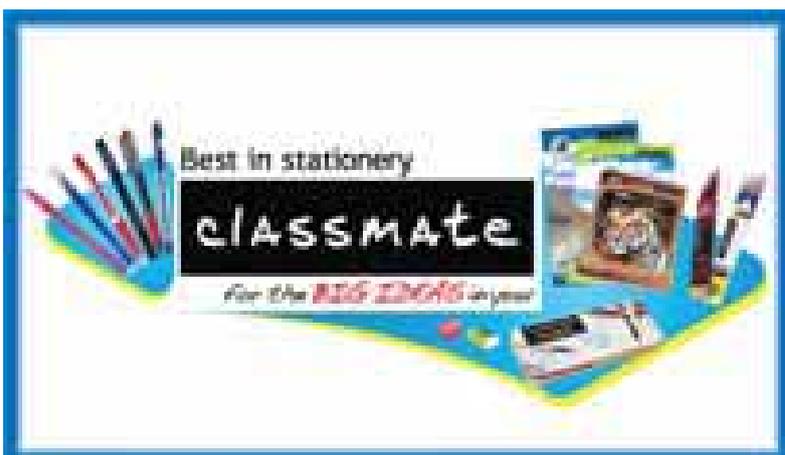
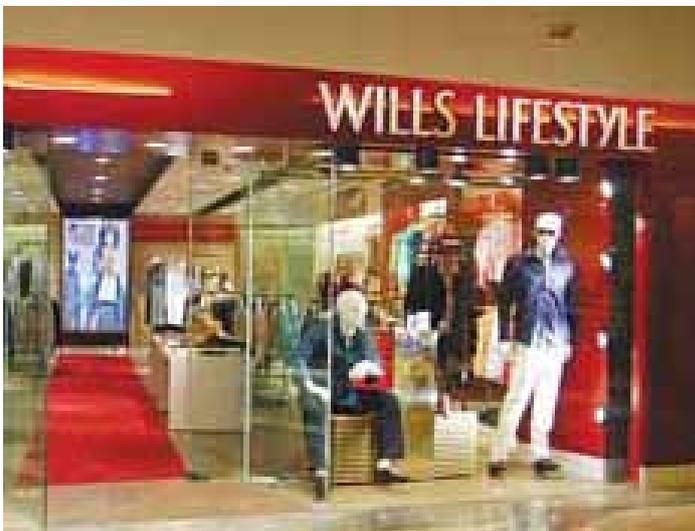
FMCG

HOTELS

PAPERBOARDS
& PACKAGING

AGRI BUSINESS

INFORMATION
TECHNOLOGY



Powering growth with the businesses of tomorrow

 <p>ITC's products are today available in over 6 million retail outlets in the country and ITC directly services more than 2 million of these retail outlets.</p>	 <p>ITC's Social and Farm Forestry initiatives have greened more than 100,000 hectares and created over 46 million person days of employment.</p>	 <p>ITC's watershed programmes irrigate over 50,000 hectares.</p>	 <p>ITC has helped create more than 20,000 rural women entrepreneurs.</p>	 <p>ITC's supplementary education initiative has reached out to over 2,00,000 school children in rural areas.</p>
 <p>ITC's factories, hotels, R & D facilities, lifestyle retail outlets, e-Choupals, integrated rural service hubs and offices, taken together, are present in over 6500 locations in the country.</p>	 <p>ITC's Hotels chain comprises 4 brands which together represent nearly 100 hotels in over 80 locations spread across the country.</p>	 <p>ITC's businesses export products to over 90 countries across the world.</p>	 <p>ITC's e-Choupals benefit over 4 million farmers in nearly 40,000 villages.</p>	

ITC steps into its next century with an ambitious portfolio of businesses for tomorrow that span Fast Moving Consumer Goods, Paper & Packaging, Hotels, Agri Business and Information Technology. Its aspirations are matched by its formidable array of enterprise capabilities – deep consumer insights, international quality products, world-class human capital, globally contemporary business processes, powerful brands, an excellent trade marketing and distribution

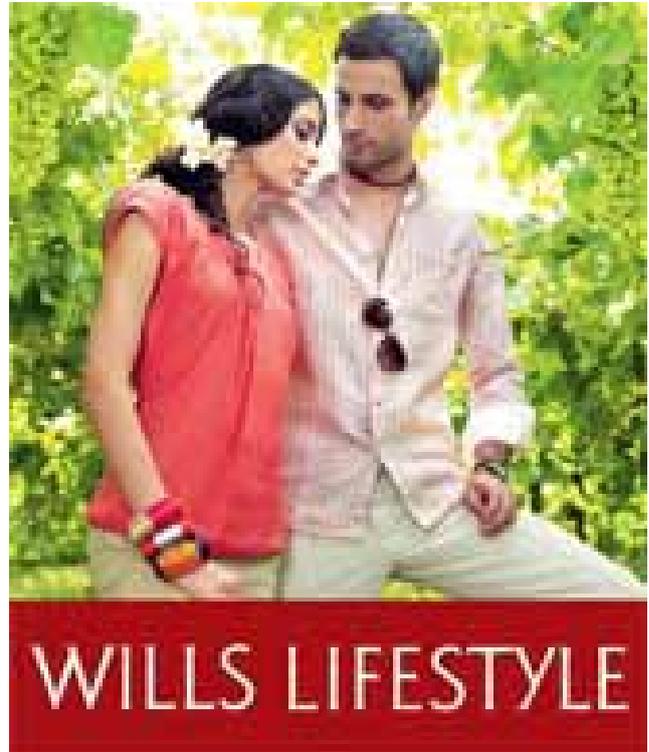
infrastructure and investments in cutting edge R&D.

The strategic choices made by its leadership over the years, the untiring effort of its dedicated human capital, the support of its shareholders and the trust of millions of consumers and its partners have today transformed ITC into a ₹ 26,000 crore company with a Profit After Tax of over ₹ 4000 crores and a Market Capitalisation that exceeds ₹100,000 crores. However, the financial

value created for the stakeholders is only one pillar of ITC's contribution. An even more meaningful contribution lies in its efforts to build societal and environmental capital for the nation (detailed in subsequent chapters).

ITC takes pride in its 100 year legacy of sustained effort, unmatched commitment to growth, robust strategy and an unshakable belief in delivering differentiated value and services.





Currently the ITC group employs more than 29,000 people in its manufacturing facilities, offices and hotels across the nation. The Company's large bouquet of Indian brands have clearly established themselves as leaders in their segments, reaching out to millions of consumers.

FMCG

ITC has rapidly expanded its FMCG portfolio, constantly developing new businesses and exploring new avenues. Segment revenues have grown at an impressive rate of 38% in the last five years and ITC is poised to further strengthen its leadership position in the FMCG industry.

█ Cigarettes

The market leader for cigarettes in India, ITC has always believed in ceaseless innovation, initiating new insights in manufacturing technology, quality, marketing and distribution.

▣ Branded Packaged Foods

The ITC range of offerings include staples, biscuits, snack foods, confectionery and ready-to-eat meals, with more than 170 distinct products under 6 brands. The business continues to expand with sales figures growing at 19% over the last year. The quality of our products continues to be 'best-in-class' and is seen as a benchmark in the industry across all segments.

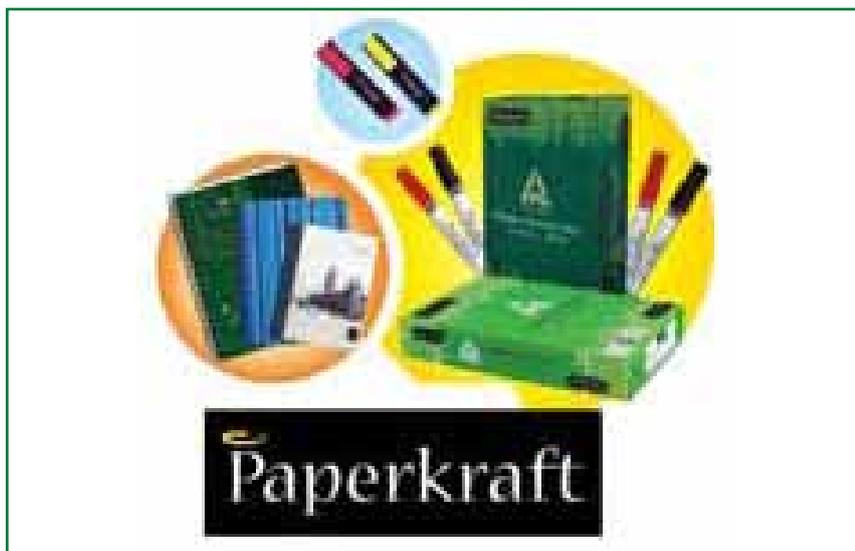
👕 Lifestyle Retailing

Consolidating its position in the branded apparel market, 'Wills Lifestyle' is now available at 56 exclusive stores in 30 cities and in more than 150 'shop-in-shops'. The brand aims to provide the best in high fashion, international trends and the latest in style. In the popular youth segment, 'John Players', has developed a strong pan-India presence with over 225 flagship stores and 1200 multi-brand outlets and departmental stores.

🧴 Personal Care Products Business

The personal care products business continues to rapidly stride forward, with new products regularly launched under





the 'Fiama Di wills', 'Vivel Di Wills', 'Vivel' and 'Superia' brands. The 'Vivel' and 'Superia' brand of shampoos and soaps are estimated to have together been purchased by over 70 million Indian households.

Education & Stationery Products Business

The education and stationery products business powered by the 'Classmate' brand has witnessed an impressive

sales growth of 40%. With its new brand ambassadors Yuvraj Singh and Soha Ali Khan, the Classmate product basket has expanded over the years to include, a number of other complementary products such as writing instruments and geometry boxes. Paperkraft Premium Business Paper, a-first-of-its-kind environment friendly multi-purpose paper, uses a pioneering manufacturing process called 'Ozone Treated Chlorine Free Technology' and pulpwood sourced from renewable plantations.

Incense Sticks

ITC's 'Mangaldeep' incense sticks (agarbattis) recorded a growth of 55% during the year and is now the second largest national brand in its category.

More importantly, the business continues to provide livelihood opportunities to more than 8000 under-privileged women through self-help groups, small scale entrepreneurs and NGO's across India, under the company's commitment to the 'Triple Bottom Line'.

Safety Matches

ITC safety matches in association with Wimco Ltd. has registered a topline growth of 10.8%. The business has also increased its presence in international markets by growing its exports of value added products, particularly to Africa and the Middle East.

Hotels

The ITC-Welcomgroup is the second largest hospitality chain in the country. With more than 100 hotels spread across 80 locations in India, the business operates under four brands – 'ITC hotels' for luxury, the



'Welcom Hotels' in the five star segment, 'Fortune' in the mid-market to upscale segment and 'Welcom Heritage' in the heritage leisure segment. ITC continues to maintain the highest standards of excellence in accommodation, cuisine, environment and guest safety. ITC Hotels are exemplars in 'Responsible Luxury' delivering world class luxury in the greenest possible manner.

Paperboards, Specialty Papers & Packaging

ITC'S Paperboards and Specialty Papers division has witnessed an exponential growth curve, with segment results clocking a strong 35% growth. In addition the business is technologically India's most advanced, using state-



of-the-art manufacturing processes like Ozone Bleaching and Elemental Chlorine Free Technology. ITC's packaging business is a leading provider of high quality paperboard and flexibles packaging in the country.

Agri Business

ITC's pioneering initiatives in the Indian agricultural sector has led to enhancement of farm productivity and empowerment of farmers. By promoting sustainable agricultural practices and providing efficient market access, ITC's e-Choupal is an example of how private sector initiatives can compliment state interventions to create significant value for the farmer. The sourcing strengths of e-Choupal lend significant competitive advantage to its Foods and other businesses.



Information Technology

The company's information technology business, provides a host of e-enabled solutions to an ever increasing number of global names in North America, Europe, Asia and Africa. Its deep and differentiated capabilities are being increasingly recognised by global analyst firms.





Certifications, Honours And Awards

Major Awards Received by the Company in 2009 – 10:

- Chairman Y C Deveshwar was conferred the US Global Leadership Award by the US India Business Council of the US Chamber of Commerce

- ITC Limited was presented the FICCI Award for Outstanding Achievement in Rural and Community Development by the Finance Minister, Shri Pranab Mukherjee

- Mr. K Vaidyanath, Executive Director was adjudged as the Best CFO by CNBC-TV18 in the FMCG Category

- ITC Limited ranked 2nd among top

companies in India and 7th in Asia in the first of its kind Asian Sustainability Rating released by CSR Asia

- ITC's Social and Farm Forestry programme won the 2nd NASSCOM Social Innovation Honours 2010 for bringing about social change and development through technology

- ITC's Sustainability Report 2009 was adjudged as one of the best global reports in the 'Carbon Disclosure' category in CRRRA'10 (Corporate Responsibility Reporting Award '10), the only global body to evaluate Corporate Responsibility Reports

- ITC Limited received six national awards for corporate communications from the Public Relations Society of India (PRSI)

- ITC became the first Indian company to gain membership with WWF GFTN for responsible forestry

- ITC-Welcomgroup topped the Hewitt Best Employer in Asia (Hospitality) Study

- ITC PSPD Unit Kovai received the Award for 'Excellent Water Efficient Unit' for the third year at the 6th National Awards for Excellence in Water Management 2009 organised by the CII Sohrabji Godrej Green Business Centre, Hyderabad

- ITC Mughal Agra, was voted the winner in the 'Large Accommodation Category' at the Wild Asia Responsible Tourism Awards, held in Kuala Lumpur, Malaysia

- ITC Infotech received the prestigious



Social Accountability (SA) 8000:2008 certification

- Bukhara at ITC Maurya becomes the only Indian restaurant to be ranked among Asia's top 20 restaurants by The Miele Guide, Asia's authoritative restaurant guide
- Conde Nast Traveller's Best City Spa Award for ITC Mughal's Kaya Kalp –The Royal Spa
- Two World Star Awards for ITC Packaging & Printing Business
- National Tourism Award for 'Best Eco-Friendly Hotel' from Ministry of Tourism for ITC Maurya
- ITC Sonar has received the 'Green Initiative of the Year' Award from Hotelier India for its CDM project on reduction of CO₂ emissions
- ITC Mughal Agra's 'Kaya Kalp –The Royal Spa' Awarded: Best New Spa in India, Best Interiors, and Best Spa Marketing by Asia Spa India



Major Awards and Accolades over the years

- ITC wins FICCI Award in recognition of Corporate initiative in Industrial Relations (1971)
- ITC Mughal wins Aga Khan Award for Architecture (1980)
- ICRA assigns its first Corporate Governance Rating to ITC Limited (2002)
- Inaugural World Business Award at Marrakesh for ITC's e-Choupal initiative (2004)
- ITC - first Indian company and second in the world to win the Development Gateway Award for its trail blazing e-Choupal initiative (2005)
- ITC wins the prestigious Corporate Social Responsibility Award from The Energy and Resources Institute (TERI) for its e-Choupal initiative (2005)
- ITC e-Choupal wins the Stockholm Challenge Award (2006)
- Chairman Y C Devshwar receives Business Person of the Year Award from UK Trade & Investment (2006)
- Chairman Y C Deveshwar awarded the SAM/SPG Sustainability Leadership Award in Zurich (2007)
- ITC wins National Award for Excellence in Corporate Governance from the Institute of Company Secretaries of India (2007)
- ITC wins NASSCOM Award in FMCG sector (2007)
- ITC Infotech ranked in the Leaders Category in the 2007 Global Outsourcing 100 and amongst Top 10 Specialty Application Development Providers (2007)
- ITC's Packaging & Printing business gets IQRS Level 8 rating - the highest rating that any company in India has attained till date (2007)
- ITC wins Asian CSR Award for Environmental Excellence, given by the Asian Institute of Management (2007)
- ITC receives Readers' Digest Pegasus Award for corporate social responsibility (2007)
- ITC receives FICCI Outstanding Vision Corporate Triple Impact Award from the Prime Minister (2008)
- ITC is awarded The Corporate Award for Social Responsibility from The Energy and Resources Institute (TERI) (2008)

- ITC is conferred the Corporate Social Responsibility Crown Award for Water Practices from UNESCO and Water Digest (2008)
- ITC wins the Inaugural GRI Readers' Choice Awards for the Sustainability Report (2008)
- World Bank Report lauds ITC's e-Choupal initiative as 'an innovative use of IT to link farmers to markets in India' (2008)
- ITC wins top UNIDO Award at the International Conference on Sharing Innovative Agribusiness Solutions at Cairo (2008)
- ITC-Welcomgroup chain wins NCPEDP (National Centre for Promotion of Employment for Disabled People) - Shell Helen Keller Award for providing employment to persons with disability (2008)
- Bukhara declared Best Restaurant in Asia - the only restaurant from India. The Bukhara menu, unchanged since 1977, obviously remains the most popular (2008)



EHS Awards & Certifications:

Awards

The following Awards received during 2009-10 bear testimony to the international standards conformed to by various Units of the Company and significant achievements in the areas of EHS:

🏆 5 Star rating and Sword of Honour (Safety) by British Safety Council, UK: Paperboards and Specialty Paper Unit at Bhadrachalam

🏆 5 star rating (Safety) by British Safety Council: Packaging & Printing Units of Tiruvottiyur, Munger & Haridwar

🏆 5 Star rating (Environment) by British Safety Council, UK: Paperboards and Specialty Papers Unit, Bhadrachalam

🏆 National Energy Conservation Award 2009, by Bureau of Energy Efficiency-1st prize: Sheraton Hotel, New Delhi

🏆 Excellent Energy Efficient Unit Award 2009 by CII: Paperboards and Specialty Papers Unit at Bhadrachalam

🏆 Energy Efficient Unit Award by CII: Cigarette Unit at Saharanpur

🏆 National Award for Excellence in Water Management 2009 by CII:

Excellent Water Efficient Unit: Paperboards Unit at Kovai

Water Efficient Unit: Cigarette Unit at Saharanpur and

Paperboards and Specialty Papers Unit, Bhadrachalam

🏆 Eco Friendly Hotel by India Today Travel Plus: ITC Maurya

🏆 Greentech Environment Excellence Award by Green Tech Foundation

Platinum: ITC Hotel Grand Central

Gold: Paperboards Unit at Bhadrachalam ITC Hotels Mughal and Grand Central

Silver: ITC Hotel Kakatiya Sheraton Rajputana

 Greentech Safety Gold Award by Greentech Foundation:

ITC Hotel Grand Central

 Safety, Health & Environment Award 2009-2010 by CII Eastern Region:

Cigarette Unit at Munger

 Energy Conservation Award 2009-2010 by CII Eastern Region:

First Prize: Cigarette Unit at Munger

 Safety, Health & Environment Award 2009-10 by CII Eastern Region:

Cigarette Unit at Kidderpore

 Safety Award in Large Scale Category & Best Boiler by Govt of Karnataka, Dept of Factories, Boilers, Industrial Safety and Health:

Cigarette Factory at Bengaluru



Certifications

The EHS Management Systems in ITC conform to the best international standards:

 ISO 14001 Environmental Management Systems:

All manufacturing Units of ITC (except Foods Unit at Pune and Personal Care Products Unit at Haridwar), all the major hotels & ITC R&D Centre at Bengaluru are certified.

 OHSAS 18001 Occupational Health & Safety Management Systems:

All the manufacturing units of ITC (except Foods Unit at Pune and Personal Care Products Unit at Haridwar) are certified.

 SA 8000 Social Accountability:

Leaf Processing Plants at Chirala and Anaparti, Cigarette factory at Kolkata, Surya Nepal's Simra factory, Packaging & Printing Unit at Tiruvottiyur and ITC Infotech, Bengaluru are certified.

Food Safety:

 ISO 22000 Foods Safety Management System:

ITC Hotels Maurya, Mughal, Maratha, Grand Central, Sheraton Rajputana and Sheraton Chola are certified.

 HACCP:

ITC Hotels Maratha, Grand Central, and Kakatiya have received this Certification.

Foods Unit in Haridwar has also received this Certification.

REPORT PROFILE, SCOPE AND BOUNDARY





This is ITC's Report on its sustainability performance for the period from April 1, 2009 to March 31, 2010.

ITC reports its performance annually, and the last Sustainability Report was published in August 2009 covering the period April 1, 2008 to March 31, 2009.

ITC is headquartered at Virginia House, 37, JL Nehru Road, Kolkata 700 071 (India).

For additional copies or for any clarifications on the Report, please contact the Corporate Communications Department at the above address or via e-mail: enduringvalue@itc.in.

This Report covers the performance of all the business units directly under ITC Limited and its four subsidiary companies. This covers all our significant operations in India and the one subsidiary company based in Nepal. (As detailed in Reporting Boundary.)

The reporting principles and methodology continue to remain in accordance with the 2006 version of the GRI (Global Reporting Initiative) G3 guidelines. The relevant indicators and

technical protocols have been followed for reporting on the various factors, and there has been no significant change in the reporting scope or boundary limits over the last year.

This report reflects the material issues, which have significant economic, environmental and social impacts that can substantially influence the assessments or decisions of our stakeholders. Our businesses / units continue to proactively engage with key stakeholders, who either have a major interest or are significantly affected by our operations, products or services.

Sustainability and sustainable development are integral to ITC's ethos and find expression in our commitment to enhancing the Triple Bottom Line performance of building economic, social and environmental capital.

We continue our efforts to influence sustainability practices along the value chain, and we intend to extend them significantly in the years to come, to cover all our suppliers.

The Economic performance reported here is from the Company's Report & Accounts (R&A) 2010. The R&A 2010

This report reflects the material issues, which have significant economic, environmental and social impacts that can substantially influence the assessments or decisions of our stakeholders

was prepared in accordance with the Companies Act, 1956 and has been audited by independent External Auditors - M/s. Deloitte Haskins & Sells.

The data in the Environment & Social sections is based on the actual performances of the various businesses, factories, hotels and large offices of the Company and its subsidiaries. The authenticity of the data and systems have been verified by M/s. Ernst & Young as per the independent assurance statement provided, which forms part of this Report.



Reporting Boundary

This Report covers the performance of the following Units of ITC's businesses:

FMCG

Cigarette Units at Kolkata (West Bengal), Bengaluru (Karnataka), Munger (Bihar) & Saharanpur (Uttar Pradesh)

FMCG Others

Foods Unit at Haridwar (Uttarakhand) & Pune (Maharashtra)

Personal Care Products Unit at Haridwar (Uttarakhand)

Hotels

ITC Hotels Maurya (New Delhi), Maratha (Mumbai), Grand Central (Mumbai), Sonar (Kolkata), Mughal (Agra), Windsor (Bengaluru) and Sheraton Chola (Chennai), New Delhi (New Delhi) and Rajputana (Jaipur)

Paperboards, Paper & Packaging

Units at Munger (Bihar), Tiruvottiyur (Tamil Nadu), Haridwar (Uttarakhand), Tribeni (West Bengal), Bhadrachalam (Andhra Pradesh), Bollaram (Andhra Pradesh) & Kovai (Tamil Nadu)

Lifestyle Retailing & Others

Lifestyle Retailing Design & Tech. Centre, Gurgaon (Haryana), ITC R&D Centre, Bengaluru (Karnataka), ITC Green Centre, Gurgaon (Haryana) and ITC Head Office, Kolkata (West Bengal)

Agri Business

Units at Anaparti, Chirala and Research Centre at Rajahmundry (all in Andhra Pradesh)

Subsidiaries

ITC Infotech India Limited
Units at Bengaluru (Karnataka) and Kolkata (West Bengal)

Surya Nepal Private Limited
Cigarette Manufacturing Unit at Simra (Nepal)

Srinivasa Resorts Limited
ITC Kakatiya, Hyderabad (Andhra Pradesh)

Bay Islands Hotels Limited
Fortune Resort Bay Island hotel, Port Blair (Andaman & Nicobar)



GOVERNANCE, COMMITMENTS AND ENGAGEMENTS

"I wish ITC all the best and greater laurels in the coming years. We are very proud of what ITC has been able to achieve in a short period and in establishing new and very high standards in corporate management."

- Mr. V. Krishnamurthy
Chairman
National Manufacturing Competitiveness Council
Government of India

FOR ALL OUR
TOMORROWS



- Effective management of multiple businesses
- Clearly defined roles and responsibilities
- Robust & comprehensive framework of strategic planning
- Building an institution of tomorrow



ITC LIMITED

100 Inspiring Years: 1910 - 2010





The cornerstones of ITC's Governance philosophy are trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship

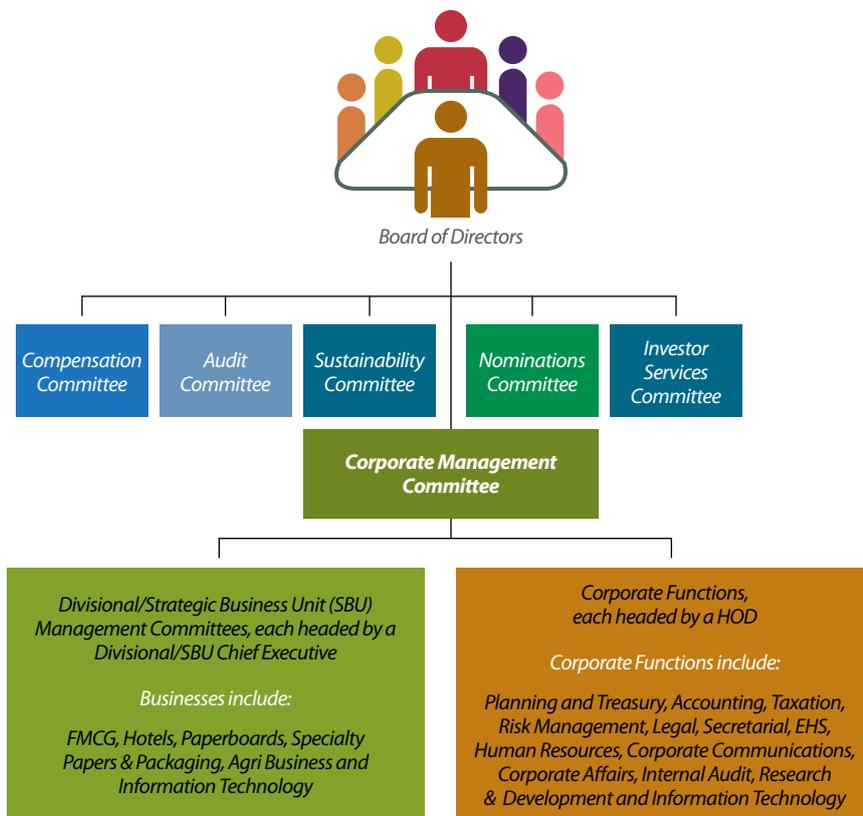
Our Corporate Governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them. The practice of Corporate Governance in ITC takes place at three interlinked levels:

Strategic supervision	by the Board of Directors (Board)
Strategic management	by the Corporate Management Committee (CMC)
Executive management	by the Divisional/Strategic Business Unit (SBU) Chief Executive assisted by the respective Divisional/ SBU Management Committee

The role, powers and composition of the Board, Board Committees, CMC and Divisional Management Committees are articulated and available on the Company's corporate website.



Governance Structure



Chair of the Highest Governance Body

The Chairman is the Chief Executive of the Company. He is the Chairman of the Board and the CMC. His primary role is to provide leadership to the Board and the CMC for realising Company goals in accordance with the charter approved by the Board.

We have a diversified business portfolio, which demands that the senior leadership has an in-depth knowledge and understanding of the

functioning of the Company, so as to enhance the value-generating capacity of the organisation and contribute significantly to stakeholders' aspirations and societal expectations. The Chairman of the Company is therefore chosen from the Executive management.

Board of Directors (Board)

The ITC Board is a balanced Board, comprising 3 Executive and 11 Non-Executive Directors (including 9 Independent Directors).

Selection of Directors

ITC's Governance Policy stipulates that the Non-Executive Directors (including Independent Directors) be drawn from amongst eminent professionals with experience in business / finance/ law / public enterprises. The selection of Executive Directors is done by the Nominations Committee, which comprises the Chairman of the Company and 7 Non-Executive Directors who are Independent Directors.

Performance of the Highest Governance Body

The Board evaluates Directors collectively to reinforce the principle of collective responsibility.

Compensation for Members of the Highest Governance Body

Remuneration of the Chairman and Executive Directors is determined by the Board, on the recommendation of the Compensation Committee comprising only Non-Executive Directors; remuneration of the Directors is 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 is by way of commission for each financial year; such commission is determined by the Board within the limits approved by the shareholders. Their remuneration is based, inter alia, on Company performance and regulatory provisions and is payable on a uniform basis to



The Corporate Governance Policy clearly lays down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from the strategic to the operational, is specified in the Governance Policy

reinforce the principle of collective responsibility. Non-Executive Directors are also entitled to sitting fees for attending meetings of the Board and Committees thereof, the quantum of which is determined by the Board, within the limit approved by the shareholders.

Avoidance of Conflicts 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.

Contracts in which Directors are interested, if any, are required to be placed before the Board for approval. Further, senior management is also 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; such confirmations are placed before the Board.

The Company has a Code of Conduct for Prevention of Insider Trading ('ITC Code') in the securities of the Company. The ITC Code, inter alia, prohibits purchase / sale of securities of the company by Directors and employees while in possession of unpublished price sensitive information in relation to the Company.

Shareholder Mechanisms

Detailed in Shareholders' section of 'Stakeholder Engagement'.

Precautionary Approach

As a diversified enterprise, the Company has always had a system-based approach to business risk management. Backed by strong internal control

systems, the current risk management framework of the Company consists of the following elements:

- The Corporate Governance Policy clearly lays down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from the strategic to the operational, is specified in the Governance Policy. These role definitions, inter alia, are aimed at ensuring the formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- The Corporate Risk Management Cell works with the businesses to identify and establish the respective risk profiles. The risk profiles include both strategic risks and operational risks.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed.
- Appropriate structures have been put 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 improved. The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. The Audit Compliance and Review Committee closely monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.
- At the business level, Divisional Auditors continuously verify compliance with laid down policies and procedures, and help plug control gaps by assisting the operating management in the

formulation of control procedures for new areas of operations.

- 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 accountability. Businesses have confirmed that all relevant business risks have been identified, assessed, evaluated and appropriate mitigation systems implemented.

The combination of policies and processes, as outlined above, adequately addresses the various risks associated with the Company's businesses. The senior management of the Company also periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

Oversight, Implementation and Audit of Economic, Environmental, Social and Related Policies

The CMC approves the relevant Financial, Environmental, Occupational Health & Safety and Social policies of ITC.

The Corporate Internal Audit Function audits the implementation of all systems and policies in all Company businesses and Corporate Headquarters.

The Head of the Corporate EHS Department is responsible for laying down ITC's EHS standards, preparing EHS Guidelines and ensuring effective implementation. EHS performance of all units / factories / hotels is audited at least once annually, to ensure conformity to statutory requirements, Corporate EHS Guidelines and Standards.

The Corporate Human Resources (CHR) Department similarly coordinates all activities relating to the Company's social performance.

Reports relating to Economic, EHS and Social performance are provided to the CMC on a monthly basis. In addition to the above, periodic presentations are made to the CMC to ensure performance in accordance with specified targets.

All management systems and standards in ITC conform to relevant national and international standards and benefit from internationally accepted best practices. Quality Management Systems in various businesses are certified in accordance with ISO 9001, International Quality Rating System (IQRS), Hazard Analysis and Critical Control Point (HACCP), TQM / TPM, Six Sigma and other internationally renowned standards, as applicable to the respective businesses.

Environment Management Systems in all ITC manufacturing units (except Foods Unit at Pune and Personal Care products Unit at Haridwar) and major hotels are certified in accordance with ISO 14001. The Occupational Health & Safety Management Systems in all

manufacturing units (except Foods Unit at Pune and Personal Care products Unit at Haridwar) are certified in accordance with OHSAS 18001.

The Investor Service Centre of the Company has been certified in accordance with ISO 9001:2008.

Internal Audit Services relating to Systems and Controls in all areas of operations in the Company are certified under ISO 9001 : 2008 and rated "Level 5" (highest level) by the certifying agency - DNV.

A robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives based on effective strategy implementation





Stakeholder Engagement

We have robust systems and procedures to identify, prioritise and address the needs and concerns of all our key stakeholders, across all businesses and units as well as at the corporate level. The stakeholder engagement process has evolved over 100 years of the organisation's existence, based on mutual trust and respect developed over the years.

Almost all our Units have been operating from the same premises over several decades now and our relationships with almost all our major suppliers and contract manufacturers go back several decades. These engagement processes are now being formalised and recorded.

The key stakeholders identified in this section are expected to be the primary users of this Report. They are Shareholders, Customers, Employees, Farmers, Suppliers, Community and Government.

Shareholders

As trustees of shareholders, we believe it is our responsibility to protect and enhance their wealth. Their primary expectations remain centered around continued profitability and growth, communication and investor servicing.

As one of India's foremost private sector companies, we have performed consistently for a century now and since the inception of the Company, have rewarded our shareholders with uninterrupted dividends and issue of bonus shares from time to time.

Our Chairman addresses and provides clarifications to the shareholders at least once a year at the Annual General Meeting, the principal forum for face-to-face interaction, in the presence of

the entire Board. The Board encourages open dialogue with all the shareholders - individuals, corporates or foreign investors.

In the Shareholder Satisfaction Survey conducted during the year, investors expressed a high degree of satisfaction with the services provided by the Company.

Our corporate website www.itcportal.com provides comprehensive information and an exclusive section on 'Shareholder Value' serves to inform and service shareholders; an exclusive e-mail ID isc@itc.in has also been provided to the shareholders for direct interaction.

Customers

Understanding customer's needs and aspirations and achieving consumer delight by creating products and services of a high quality along with cost competitiveness and on time delivery thereby developing a strong long-term customer relationship is the prime focus of all our businesses.

Each business has various mechanisms to capture the needs and expectations of the customer such as market surveys, personal contacts/ visits, events, customer satisfaction surveys, joint development & improvement projects, key account management, multi-level interfaces at dealer-customer-end user, personalised lifestyle privilege programmes, etc.

Product/service quality, availability, visibility & on time delivery, cost competitiveness, continuous product/process innovation, demand for 'green' products and value added services are the major topics/ issues discussed during the customer engagement process.

Robust Quality Assurance systems supported with process innovations, adoption of green technology, lean management, six sigma, and TPM help us achieve benchmarks in product and service quality in accordance with customer expectations.

We continue to invest significantly in R&D to develop newer products/ variants.

Employees

We continued to build on our strategic agenda of remaining globally competitive and creating engines for sustainable growth by nurturing quality talent and blending proven skills and capabilities drawn from different parts of the ITC Group. Each business focuses on engaging with employees through communication meetings, workplace interactions, mentoring and suggestion schemes, employees/manager surveys and talent recognition programmes.

We strive to attract and retain talent through various initiatives that focus on providing personal development and growth, a work culture that ensures high levels of performance, world-class learning and a conducive work environment.

We have further strengthened the organisational vitality and competitiveness through various efforts including:

- Developing agility and creativity to speedily embrace change.
- Developing leaders from a pool of talented, passionate and diverse individuals.
- Creating an environment where employees are inspired, engaged and aligned with the Company's Vision, Mission and Core Values.

Farmers

As a majority of our principal raw materials are agri-based, farmers have always been an integral part of our value chain. A large part of our R&D efforts are dedicated to providing expertise & support to improve agri - quality & productivity.

We partner with farmers in ensuring for them better price realization, assured markets and improved productivity.

More details are provided elsewhere in this Report.

Suppliers

Suppliers are critical to our value chain and intrinsic to our product and service quality. All our businesses have processes and practices in place such as regular formal & informal interactions, reviews, vendors' surveys & feedbacks, etc to understand their key issues and concerns, thereby ensuring the capability of suppliers/vendors to provide the best-in-class products/ services.

Cost of materials, products & services, variability in demand, long-term business partnerships, timely payments, technology upgradation, capacity improvement and hygiene standards are some of the key topics discussed during the supplier engagement process.

Supplier audits, product certifications, sharing best practices, joint product development, supplier/vendor capacity building help the Suppliers/Vendors to remain competitive.

Supply chain management with emphasis on IT and infrastructure development ensures world-class products and services.

Our Managers directly supervise many significant outsourced-manufacturing sites, which ensure product quality, delivery commitments, compliance to required EHS standards and cost competitiveness.

Community

All ITC businesses / Units regularly interact with communities surrounding their operations. Community need assessment surveys by competent agencies are conducted in and around the Operating Units and for green field projects.

Livelihood support, as well as Infrastructure needs, health & sanitation, primary education, women economic empowerment and skill development are the priority concerns raised through the need assessment surveys. Based on this, various social interventions are planned and implemented. The details are provided in the 'Social Performance' section of this Report.

Government

We continue to maintain a "beyond compliance" status by adopting globally recognized best-in-class practices. We proactively interact with Government /Regulatory Authorities on aspects relating to regulatory and public policy frameworks through Industry bodies and various other fora.

The stakeholder engagement process has evolved over 100 years of the organisation's existence, based on mutual trust and respect developed over the years



ECONOMIC PERFORMANCE



**CONSISTENT HIGH GROWTH
IN TOTAL SHAREHOLDER RETURNS**

**MARKET CAPITALISATION OF
OVER ₹ 100,000 CRORES**

**A FRONTRUNNER IN THE
BUSINESSES OF TOMORROW**

GROWING INVESTMENTS IN R & D



ITC delivered yet another year of impressive performance with a healthy topline growth and high quality earnings, reflecting the robustness of its corporate strategy of creating multiple drivers of growth.

This performance is stellar when viewed against the backdrop of the extremely challenging business context in which this was achieved, namely the unprecedented increase in excise duties on non-filter cigarettes in the preceding year, the arbitrary increases in VAT on cigarettes, the steep decline in hotel revenues as a consequence of the Mumbai terrorist attack and the global economic slowdown, the incubation costs incurred by the new FMCG businesses, the impact of the significant investments made in augmenting distribution infrastructure and the gestation costs of the large investments in the hotels business.

Gross Turnover for the year grew by 13.5% to ₹ 26260 crores. Net Turnover at ₹18153 crores grew by 16.3% primarily driven by a 20.9% growth in the non-cigarette FMCG businesses, a 19.8% growth in the Cigarettes business and a 17.4% growth in the Paperboards, Paper & Packaging segment. Pre-tax profits increased by 24.7% to ₹ 6015 crores while Post-tax profits at ₹ 4061 crores registered a growth of 24.4%. Earnings Per Share for the year stands at ₹ 10.73 (previous year ₹ 8.66). Cash flows from Operations stood at ₹ 6620 crores during the year, compared to ₹ 4682 crores in the previous year.

ITC has completed 100 years in August 2010. It is a matter of great pride to reflect on the enormous progress made by the organisation over the years. Today, we are the leading FMCG marketer in India, the second largest Hotel chain, the clear market leader in the Indian Paperboard and Packaging industry, and the country's foremost Agri-business player. Additionally, our wholly owned subsidiary is one of India's fastest growing Information Technology companies in the mid-tier segment.

Over the last fifteen years, ITC has created multiple drivers of growth by developing a portfolio of world-class businesses. During this period, the Company's Gross Turnover and Post-tax profits recorded an impressive compound growth of 12.4% and 21.7% per annum respectively. Profitability, as measured by Return on Capital Employed improved substantially from 28.4% to 41% during this period.

Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compound rate of 24.3% during this period, placing ITC amongst the foremost in the country in terms of efficiency of servicing financial capital.

ITC, today is one of India's most admired and valuable corporations with a market capitalisation in excess of ₹100000 crores.

ITC has completed 100 years in August 2010. Today, we are the leading FMCG marketer in India, the second largest Hotel chain, the clear market leader in the Indian Paperboard and Packaging industry, and the country's foremost Agri-business player

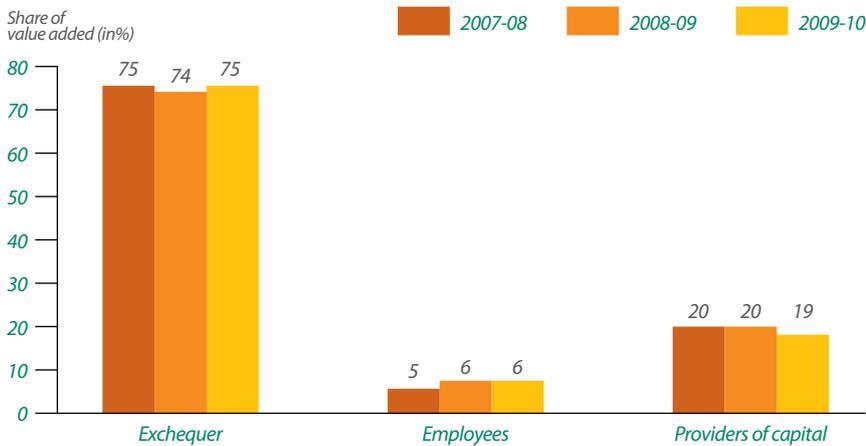
Direct economic impact

₹ 4061 crores
profit after tax

	₹ Crores		
Key Economic Indicators	2007-08	2008-09	2009-10
Gross Turnover	21356	23144	26260
Net Turnover	13948	15612	18153
Exports	1695	1762	2239
Contribution to Government / Exchequer	10768	11233	13633
Cost of Bought out Goods and Services	8668	9901	10696
Employee Wages and Salaries	733	891	1003
Payments to providers of Capital			
- Interest and Dividend	1324	1415	3872
- Retained Earnings	1577	1634	(391)
Community Investments	57	61	40

* Detailed Financial performance available at www.itcportal.com

Analysis of Value Added

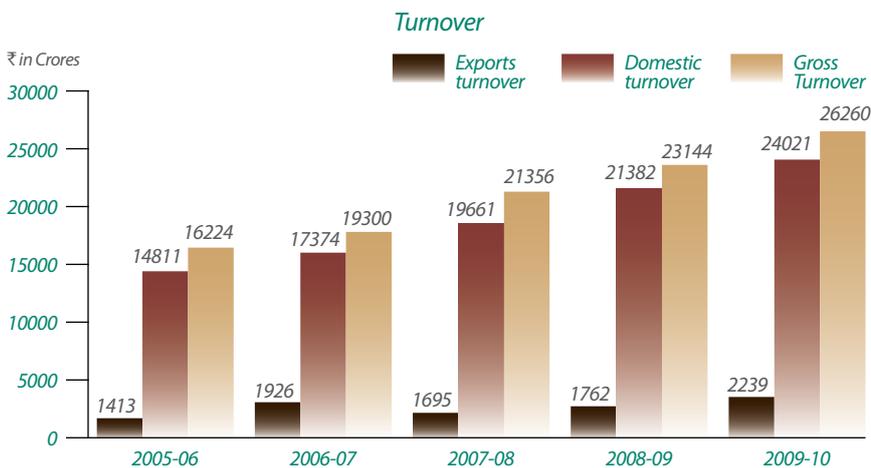


24%

compound annual average growth in Shareholder returns over the last 15 years

Putting Customers First

Our constant endeavour to engage with the customer has driven innovation in creating differentiated and superior value. This has contributed to building consumer trust in our products and services, which is clearly reflected in our increasing sales volume across all businesses.



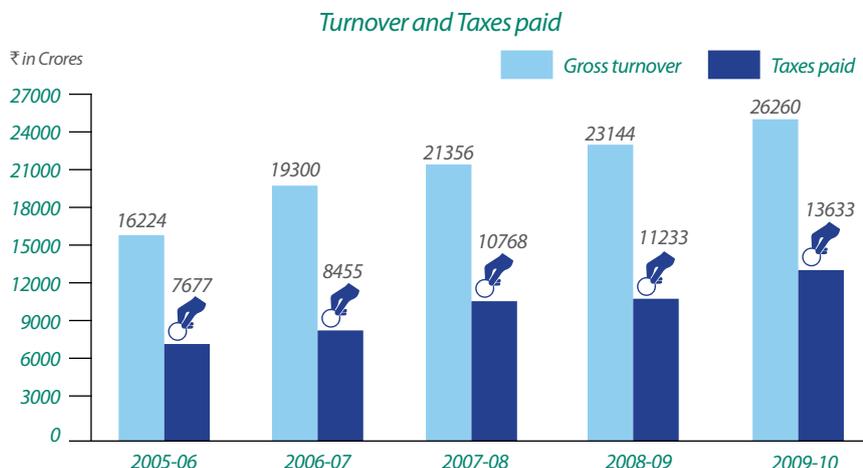
13.5%

increase in gross turnover over 2008-09

27%

increase in exports turnover over 2008-09

Contribution to National Exchequer



21%

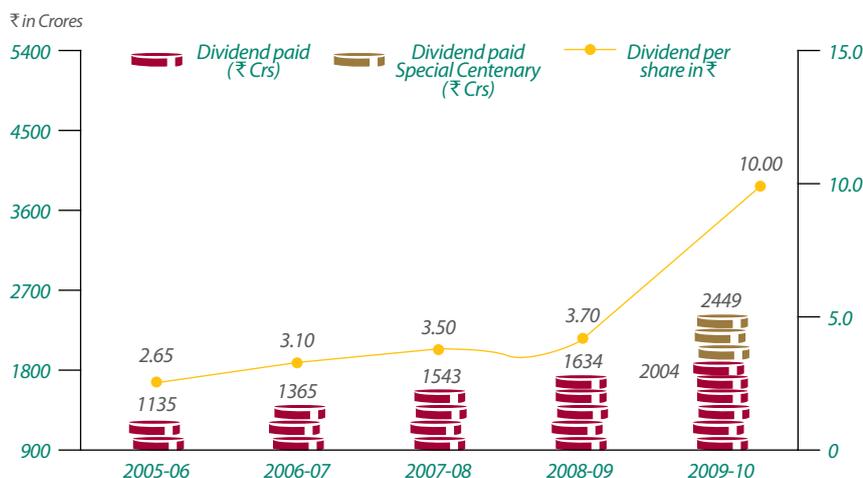
increase in taxes
paid over 2008-09

Contribution to the exchequer – 75 % of Value Added

Direct Taxes - the highest tax payer in Eastern India and amongst the top tax payers in the country

Excise payments – 8% of the country's total collection

Dividend paid



ITC is among the foremost companies in India in terms of efficiency of servicing financial capital and the 7th amongst the listed private sector companies in terms of market capitalisation as on March 31, 2010.

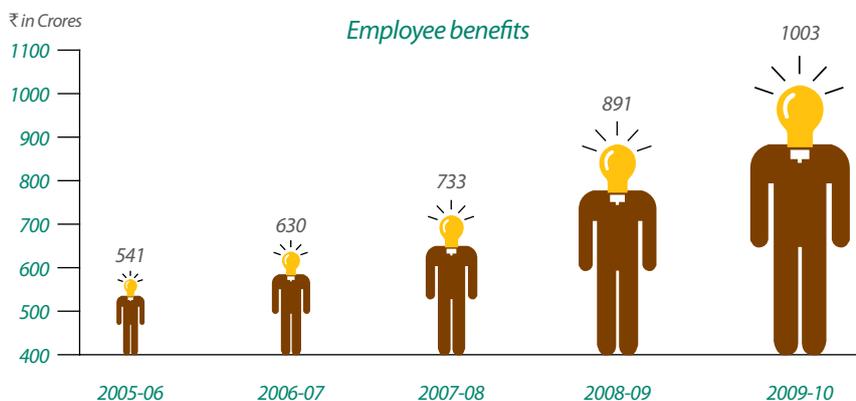
₹ In Crores	2005-06	2006-07	2007-08	2008-09	2009-10
Dividend Paid - Ordinary (incl. DDT*)	1135	1365	1543	1634	2004
Dividend Paid - Special Centenary (incl. DDT*)	-	-	-	-	2449
Dividend per share - Ordinary - in ₹	2.65	3.1	3.5	3.7	4.5
Dividend per share - Special Centenary - in ₹	-	-	-	-	5.5

₹ 4453 crores

Total Dividend paid in
the centenary year

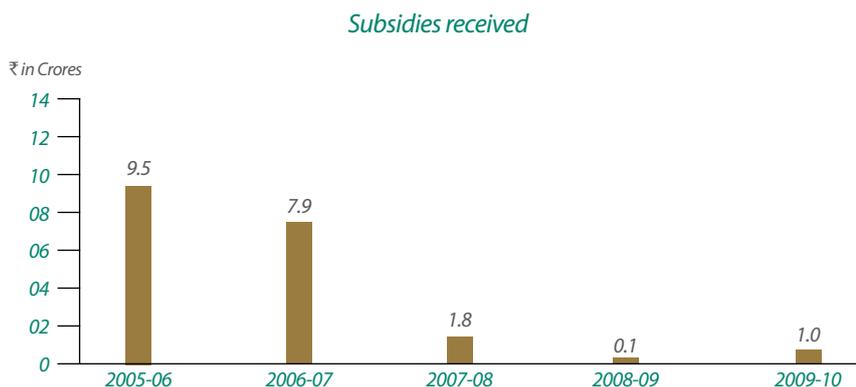
Growth in Total Shareholder Returns over a 15 – year period at 24.3% (compounded annual average, measured in terms of increase in market capitalisation and dividends).

Engaging Talent, Local Hiring & Senior Management



- Creating a responsive, stakeholder-centric and market-focused culture that enhances organisational capability and vitality.
- Attracting and nurturing quality talent supported by significant investments in learning and development, a culture of care and concern and systems and processes that encourage engagement and involvement.
- We encourage local employment in the workforce in manufacturing and hotels, depending on the availability of requisite skills.

Financial Assistance from Government



We support a large number of national priorities. The Governments of Andhra Pradesh and Tamil Nadu offer incentives such as deferment of sales tax for setting up new units or for modernisation/ expansion/diversification of existing Units. Our Paperboards & Specialty Papers Division (PSPD) has received such assistance for the Bhadrachalam and Bollaram Units in Andhra Pradesh and for expansion of the Kovai unit in Tamil Nadu.

Citizen First



₹ 40

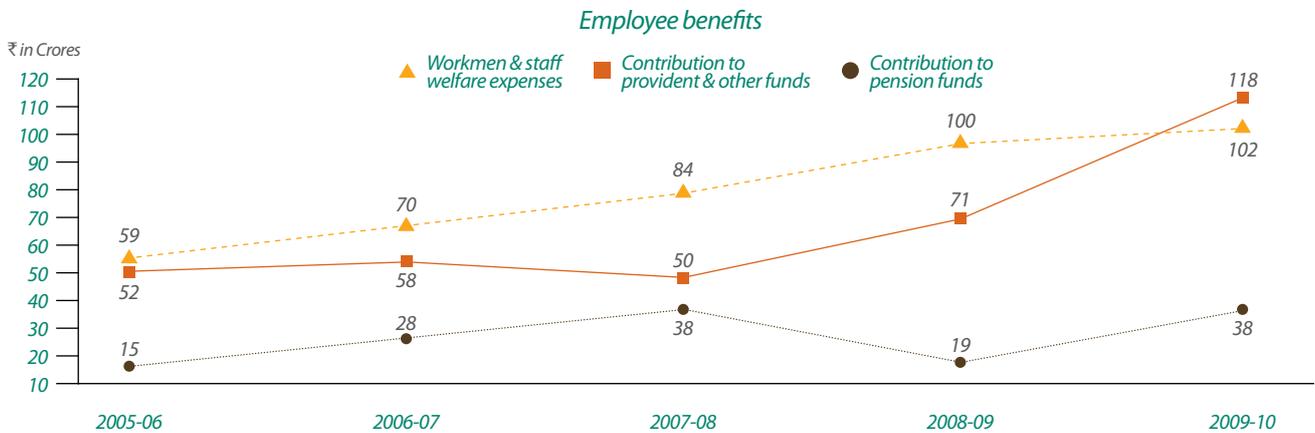
crores investment
in societal value
creation

ITC endeavours to create shareholder value while making a substantial contribution to society.

In 2009-10, ₹40 crores were invested

in various community development projects. Details of our societal value creation are available in the social investment initiatives section.

Pension Obligations



Employees' Retirement Benefit Schemes funded through duly constituted and approved independent trusts.

Provident Fund and Family Pension contributions in respect of unionised staff, as required by the statutes, deposited with the Government.

There are different pension plans and obligations and these plans cover over 23, 473 employees as on 31st March 2010. These plans are fully funded in accordance with the annual actuarial valuation. The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario.

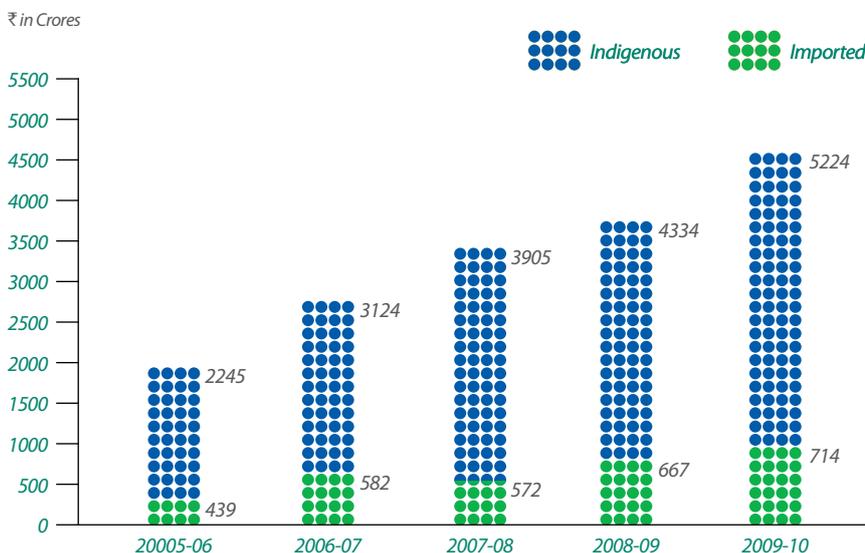
In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified. The funds are consistently sustained to meet requisite superannuation commitments.

Locally based suppliers

Our businesses have state-of-the-art facilities and use the best relevant technologies to ensure benchmarked quality and value. We source specialised production machinery globally as well as from reputed Indian manufacturers. High-class utility machinery such as

boilers, gensets, air-conditioning and refrigeration machinery, electrical & electronic systems are sourced largely from Indian or India based suppliers. Competent Indian contractors carry out construction of new factories, hotels and large-scale upgrades.

88% of our raw materials are locally procured



88% of our raw materials are locally procured

20.5%

increase in indigenous raw material procurement over 2008-09



Creating Enduring Institutions

Our diverse social sector investments are further complemented by our efforts to create enduring symbols of excellence, be it in the field of culture or sustainable development.

1. ITC Sangeet Research Academy

With a changing social ethos, India's rich 2000 year-old tradition of classical music with all its diverse forms and

genres seemed in the danger of being irrevocably lost.

To restore, maintain and preserve this priceless cultural legacy, to cultivate its growth and gradually build its future, ITC set up the Sangeet Research Academy in December, 1978.

A public charitable trust, the Academy has a three-fold vision:

- To establish a modern "Gurukul", reviving India's time-honoured tradition of the "Guru-Shishya Parampara";
- To support the oral tradition of Indian Classical Music with modern research and technology;
- To promote and propagate Indian Classical Music;



Inspired by ITC's vision, a host of illustrious musicians have joined the academy, ready to impart their knowledge to the next generation, bringing back the old traditions of the "Guru-Shishya Parampara" and grooming many of today's leading musicians.

Since its inception, three decades ago, ITC Sangeet Research Academy (ITC-SRA) has effectively demonstrated how India's rich cultural heritage can be preserved for future generations. Sangeet Sammelans and other Musical soirees have added a new vibrance and energy to the classical music scenario, while the Academy's strong archiving and documentation practices, have enhanced the quality of music education.

For the regular music-lover, ITC-SRA is merely, an institution. For ITC, this initiative is a corporate tribute to the great Indian tradition and history of Classical Music.

2. CII-ITC Centre of Excellence for Sustainable Development

A joint creation of the Confederation of Indian Industry and ITC, the Centre of Excellence for Sustainable Development is a unique institution that constantly endeavours to encourage corporates to embrace sustainability by creating awareness, promoting thought leadership, and building capacity amongst corporations in the quest for Sustainable Development. The Centre is the fountainhead of ideas and practices to power India's agenda for inclusive growth and sustainable development.

The Centre pioneers Corporate Sustainability Management (CSM) for the Indian industry in the belief that future competitiveness requires internalisation of sustainability management. It assists companies to initiate or improve the process of sustainability reporting and stakeholder engagement.



The Centre also provides a large number of services, organises a number of events and programmes, in order to meet these objectives.

Some of the major activities and programmes of the Centre includes:

CII- ITC Sustainability Awards

In an effort to identify and recognise Indian businesses for their exemplary sustainability performances, the Centre annually presents the CII-ITC Sustainability Awards. 84 companies competed for the Awards in 2009.

Asia Sustainability Summit

The annual flagship event from the Centre, was held in November 2009, with the theme "Winning Strategies for a Sustainable World", focusing on elements like green economy, climate change, technology development and

application, corporate governance and sustainable tourism.

National Conference on the Inclusive & Responsible: The Next Face of India Inc

In order to reiterate the need for strong governance focusing on fairness, transparency, accountability and responsibility as a vital element for business growth as well as for inclusive growth of the economy, the Centre organised the conference in March 2010 which deliberated and focused on two very specific aspects, i.e. Mainstreaming Voluntary Reporting & Disclosures and Creating Markets for Inclusive Business.

3. Other infrastructure initiatives

Information on e-Choupals (rural digital network) , watershed development etc. are detailed elsewhere in the Report.

ENVIRONMENTAL PERFORMANCE



CLIMATE CHANGE

**WATER
CONSERVATION
& MANAGEMENT**

**WASTE
MANAGEMENT**

AIR EMISSION



CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT

"Each passing day brings yet more evidence that we are now facing a planetary emergency, a climate crisis that demands immediate attention."

- Al Gore
Environmental Campaigner & Former Vice-President of
United States of America

FOR ALL OUR
TOMORROWS



- Holistic Triple Bottom Line approach
- Risk Assessment
- Risk Mitigation
- Low carbon growth path
- Alignment with the National Action Plan on Climate Change (NAPCC)
- Carbon positive for the 5th year in a row



National Action Plan on Climate Change (NAPCC)

ITC's Climate Change and Sustainable Livelihood strategies are aligned with several missions of the Indian Government's NAPCC :

Mission	Strategic Alignment
National Solar Mission	✓
National Mission for Enhanced Energy Efficiency	✓
National Mission on Sustainable Habitat	✓
National Water Mission	✓
National Mission for Sustaining the Himalayan Ecosystem	*
National Mission for a Green India	✓
National Mission for Sustainable Agriculture	✓
National Mission on Strategic Knowledge for Climate Change	✓

* Not relevant for ITC businesses

The world today is confronted with an impending catastrophe. This is related to the phenomenon of global warming and accelerated climate change.

Global warming exacerbates the challenges of poverty and environmental degradation and they pose a threat of far reaching consequences.

A defining trait of ITC is its deeply Indian character that aligns corporate strategies to national priorities.

In line with the Indian Government's National Action Plan on Climate Change we have adopted strategies to address climate change related impacts and developed mitigation and adaptation plans.

Our approach has been to integrate these plans with our business strategies.

Our strategies include:

A. Identify and evaluate climate change risks for each business

B. Reduce environmental impact of our processes, products and services and endeavour to enhance our positive environmental footprint

- Adopt a low carbon growth path through reduction in specific energy consumption and enhanced use of renewable energy.

- Enlarge our carbon positive footprint through increased carbon sequestration, by expanding forestry projects in wastelands

- Reduce specific water consumption and augment rainwater harvesting activities, both onsite and offsite, at watershed catchment areas.

- Work towards resource conservation by minimising waste generation, maximising reuse & recycling and using external post consumer waste as raw material in our Units

C. Create Sustainable Livelihoods and promote sustainable agricultural practices



Climate Change Risks

Comprehensive studies evaluating climate change risks for all our businesses have been carried out and based on the findings of these studies, we have crafted strategies for mitigation and adaptation.

Agriculture

Being largely dependent on agricultural inputs for its raw materials, the possible disruption in agricultural patterns or yields is a significant potential risk for ITC.

Water availability is yet another significant threat that we foresee in the future, besides the direct impact of climate change.

Furthermore, the possible decline in agricultural production due to changed weather patterns and rising temperatures not only impacts ITC, but becomes a major threat for millions of farmers, whose livelihoods depend on agriculture. This adversely impacts the nation's social stability as well.

ITC's strategy has been to create a holistic Triple Bottom Line approach that focuses on building sustainable livelihoods.

Our water conservation, watershed

ITC's strategy has been to create a holistic Triple Bottom Line approach that focuses on building sustainable livelihoods

development and rainwater harvesting projects, not only improve the sustainability of our agri-related businesses, but also create sustainable livelihoods for a large number of marginal farmers. Our R&D specialists,

in collaboration with expert study groups, are consistently evaluating agricultural productivity / adaptation issues related to climate change, and support is provided to farmers through in-house extension services.



Built Environment

We are also exposed to physical risks related to climate change. We have two large manufacturing facilities in coastal areas. Protection of our assets in these coastal areas has been reinforced in anticipation of increased severity of storms and cyclones, which may occur. All new buildings have been built with requisite factors of safety. For existing buildings and infrastructure that need to be reinforced, work is being taken up in a phased manner.

Disruption in road and rail traffic by such extreme events may also affect the output of individual Units, which has been taken care of by appropriate contingency and insurance plans. Higher surface temperatures (increased air conditioning costs) and disruption in water supplies are other anticipated risks.

We had started the conscious movement towards green buildings by construction of the ITC Green Centre at Gurgaon which in 2004 was the largest platinum rated LEED certified building in the world. All new construction by ITC now incorporate validated green attributes and efforts are underway to have existing buildings and factories also meet these validated green norms.





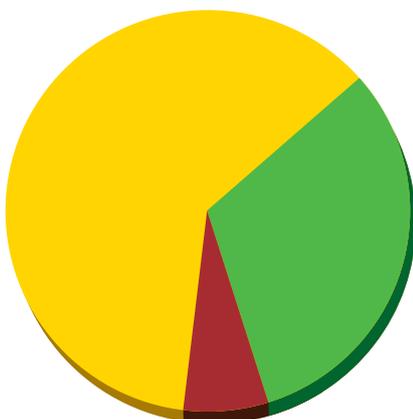
Minimising Carbon Intensity And Adopting A Low Carbon Growth Path



We have consistently consolidated our 'Carbon Positive' status over the years by adopting a strategy of reducing specific energy consumption, increasing our renewable energy portfolio and increasing carbon sequestration by expanding the area of degraded wastelands covered by our forestry programme.

Sources of Energy

In 2009-2010, ITC Units consumed 21,455 Terra Joules (TJ) of energy, which is 11.2% higher than the energy utilised in the previous year. (19,284 TJ in 2008-2009). This is due to significant growth in almost all businesses.



Sources of Energy in ITC (2009-10)

66.1%
Energy directly from fossil fuels

30.9%
Energy from renewable sources

3%
Energy purchased from State utilities

Substantially improved utilisation of carbon neutral fuels, such as black liquor and deoiled bran in the Paperboards and Specialty Papers business, and the commissioning of a 6MW wind power plant (commissioned September 2009) in Maharashtra for the Hotels

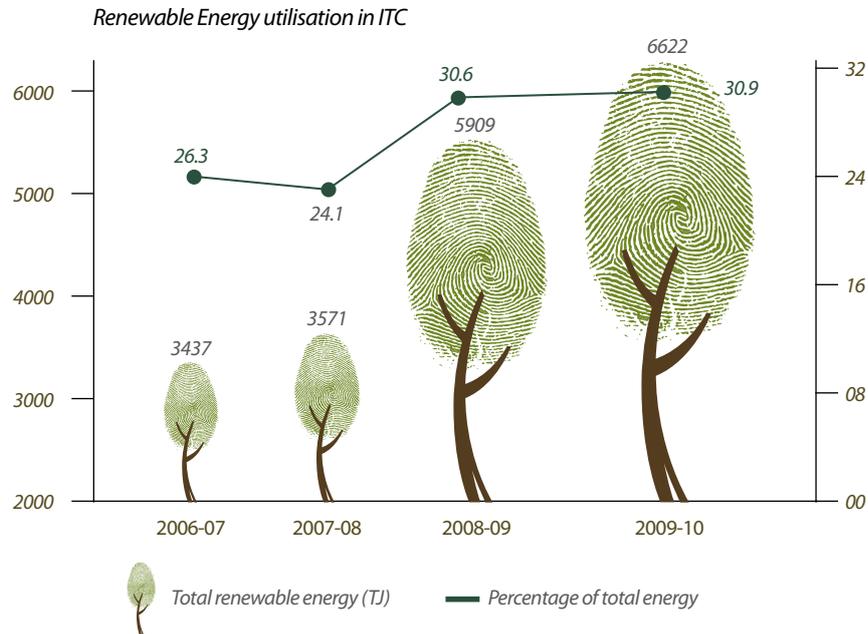
business & a 90 TPH biomass fired boiler (commissioned February 2010) at the Bhadrachalam Paperboards and Specialty Papers Unit, have contributed to the increased utilisation of renewable energy, despite being in operation for only a part of the year.

Renewable Energy Sources in ITC comprise the following:

- Black liquor waste from the pulping process in Bhadrachalam Paperboards Unit
- Waste wood biomass from chipping operations
- Locally sourced chip / sawdust and de-oiled bran as boiler fuel in Kovai
- Wind Energy farms for the Packaging & Printing and the Hotels businesses
- Solar thermal systems for preheating boiler feed water and canteen hot water in a number of our Units

Energy Consumption within ITC across Businesses in 2009-10

	OFFICES	0.2%
	FOODS & PERSONAL CARE PRODUCTS	0.9%
	PACKAGING	1.2%
	HOTELS	2.0%
	LEAF	2.2%
	CIGARETTES	2.3%
	PAPER	91.2%



The three factories, Bhadrachalam, Tribeni and Kovai of the Paperboards & Specialty Papers business together accounted for 90.9% of the total energy consumed by ITC.

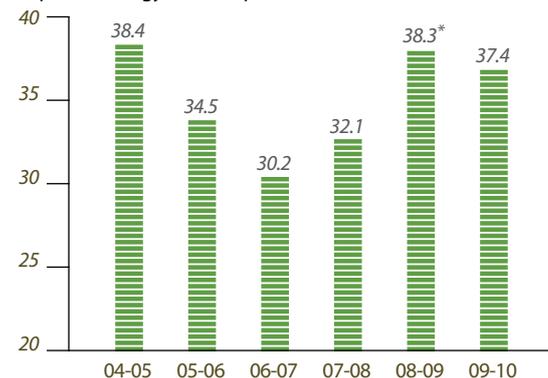


2.5%
reduction in specific energy consumption over 2008-2009 at the Bhadrachalam Unit (the most energy efficient factory of its type rated by CSE, New Delhi)

9%
reduction in specific energy consumption at the Tribeni Unit over last year

4.8%
reduction in specific energy consumption at the Kovai Unit over last year

Specific Energy Consumption(GJ/Tonnes): Bhadrachalam



* Due to installation of additional pulping facility which substitutes imported pulp

The Centre for Science and Environment, New Delhi has rated the Paperboards and Specialty Papers Unit at Bhadrachalam as the most energy efficient factory of its type in the country (reference: Green Rating Project, 2009). This Unit has further reduced its specific energy consumption by 2.5% over 2008-2009.

In 2009-2010, the Tribeni Unit of the Paperboards and Specialty Papers business, achieved a reduction of 9% over the last year, with specific energy consumption of 71.04 Giga Joule/Tonnes (GJ/T).

The wastepaper based Paperboards Unit at Kovai, used 18.98 GJ/T in the current year; an improvement of 4.8% over the last year (19.94 GJ/T in 2008-2009).

A more focused approach on energy conservation through rigorous third party audits and the implementation of their recommendations have resulted in substantial improvement in specific energy performance at both the Personal Care Products and the Foods Business Units at Haridwar, as illustrated below:

The Cigarette business, in 2009-2010, utilised 6.07 Giga Joules of energy per million cigarettes (equivalent) [5.77 GJ/Million Cigarette (eq.) in 2008-2009]. This was due to decreased production volumes. The largest cigarette manufacturing Unit of ITC at Bengaluru, however, reduced its specific energy consumption from 8.46 to 7.72 GJ/Million Cigarettes (equivalent), a reduction of 8.7% over the last year. This is comparable with international benchmarks on specific energy consumption for cigarette businesses.

Both the Leaf-Threshing Units in Chirala and Anaparti have also reduced their specific energy consumption by 9.7% and 16.3%, respectively, over the previous year.

In the Hotels Division, significant improvements in specific energy consumption have been achieved by ITC Hotel Windsor (22.6%), Sheraton Hotels New Delhi (17.3%), Rajputana (9.8%) and Chola (7.5%).

Business	Product Portfolio	Percentage reduction in Specific Energy
Personal Care Products Business	Soap	20.4
	Shampoo / cream	31.0
Food Business	Biscuit	21.3
	Snack food	16.8

ITC Hotel Royal Gardenia world's largest LEED Platinum rated hotel

ITC Hotel Royal Gardenia was conferred the highest rating for green buildings in the world – the LEED Platinum Rating awarded by the Indian Green Building Council. This recognition makes it the world's largest platinum rated hotel and is yet another instance of ITC's leadership in Sustainability. The LEED Platinum Rating for the hotel is one more green milestone close on the heels of the ITC Green Centre in Gurgaon, which was awarded the platinum rating in 2004 by US Green Building Council (USGBC). At that time, it was the largest office space in the world to have achieved the prestigious LEED Platinum rating.

The ITC Royal Gardenia is an inclusive blend of contemporary design and international green practices, a beacon in a bustling urban environment. Built on the ethos of

'Responsible Luxury', the hotel has adopted contemporary 'Green Practices' that harness picturesque natural beauty in an inspired setting to deliver unique guest experiences.



Additional details of energy conservation measures implemented by various ITC Units are available at www.itcportal.com under Reports & Accounts 2010.

We have identified several Clean Development Mechanism (CDM) projects under the Kyoto Protocol. The Certified Emission Reductions (CERs) generated by the eight projects registered with UNFCCC (United Nations Framework Convention on Climate Change) have helped offset some of the investments made towards reducing specific energy consumption and enhancing our renewable energy portfolio.

ITC has also been successful in registering its large-scale social forestry project, the first of its kind in India, with retrospective Carbon credits, which is expected to provide additional returns to the farmers. Several other projects are in the process of being registered.

Enlarging Our Carbon Positive Footprint

ITC operations (manufacturing & freight) generated total CO₂ emissions of 1709 Kilo tonnes (KT) in 2009-2010 (1,572 KT in 2008-2009). Higher CO₂ emissions were due to significant growth in most businesses and increased pulp production which substitutes imported pulp. Contributions by the new 6 MW wind energy plant and the 90 TPH bio

mass residue fired boiler have been for only a part of the year and over 2010-2011 their contribution is expected to have a much larger impact.

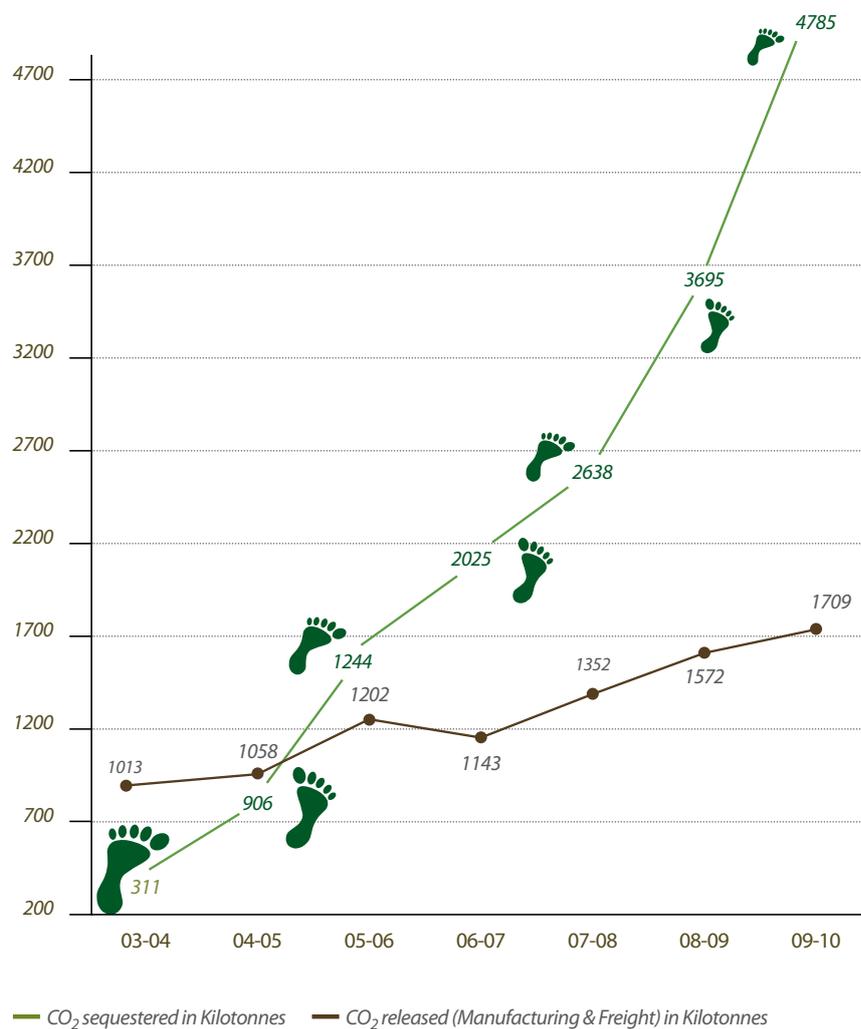
ITC's social and farm forestry initiatives added 13,333 hectares of plantations during 2009-2010. Total plantations, as at March 31, 2010, now stands at 103,466 hectares. The social & farm forestry initiatives have not only provided a sustainable source of raw material for the Paperboards and Specialty Papers business, but have also helped sequester 4785 KT of CO₂, provided over 46 million person-days of employment and also consolidated ITC's status as a 'Carbon Positive Company' for the fifth year in a row.

103,466
hectares now covered by plantations because of ITC's social and farm forestry initiatives

4785
KT of CO₂ sequestered by ITC's farm and social forestry projects

ITC - a 'carbon positive company' fifth year in a row

CO₂ sequestered/CO₂ released



WATER CONSERVATION & MANAGEMENT

"The title of the report "For All Our Tomorrows" really sums it up very well. It is indeed inspiring to see the excellent work being done by ITC."

- Brijmohan Lall
Chairman
Hero Honda Motors Limited
New Delhi

FOR ALL OUR
TOMORROWS



- Ensuring water conservation (through audits, benchmarking and best practices)
- Sustained efforts to ensure zero effluent discharge
- Integrated Watershed Management Programmes
- Continuity of water supplies to farmers, across the year
- Water positive for the 8th year in a row



Water remains a serious concern globally. With the phenomenon of climate change only further aggravating water availability challenges, India faces a difficult and turbulent water future.

Not only are there serious supply threats to our major snow-fed rivers, like the Ganga and the Brahmaputra as a result of glacial melt, but there is also the direct threat of reduced agricultural outputs due to disruptions in monsoon patterns.

Agriculture accounts for around 90% of the total water consumption in India and the water problems of our country

are worsened by the huge inequalities in geographical distribution, as well as by the fact that the entire monsoon rainfall happens over around a 12-week period.

Given these challenges, ITC is committed to conserve and manage this precious natural resource by adopting the following approach:

1. Water Conservation

Water audits, benchmarking and the use of best practices to achieve the lowest possible specific water consumption (water per unit of product).

2. Zero Effluent Discharge

Treating and progressing to achieve recycling of all waste water.

3. Water Positive Footprint

Enhancing our positive water footprint through rainwater harvesting, both within our own Units and across different watershed areas.

4. Water Availability

Ensuring the supply of satisfactory quality of water to neighbouring farmer communities during the non-monsoon period, so as to provide an alternative option to rain-fed agriculture.



Water Conservation

24.3%
 reduction in specific
 freshwater intake in
 Bhadrachalam unit
 over the last year

In 2009-2010, ITC units withdrew 29.96 million kilolitres(KL) of fresh water (32.7 Million KL in 2008-2009), a substantial reduction of 8.4% over the previous year, despite significant growth in almost all businesses.

This was made possible only by the focused approach of all Units through water audits, benchmarking and adoption of best practices to try and achieve the lowest possible specific water consumption (water required per unit of production).

Water Sources

Of the 29.96 million KL of fresh water, 80.92% of water was sourced from rivers, 17.25% from ground water sources and only 1.83% from municipal water supplies.

Of this total fresh water intake by ITC, our 3 Paperboards & Specialty Paper mills (Bhadrachalam, Kovai and Tribeni)

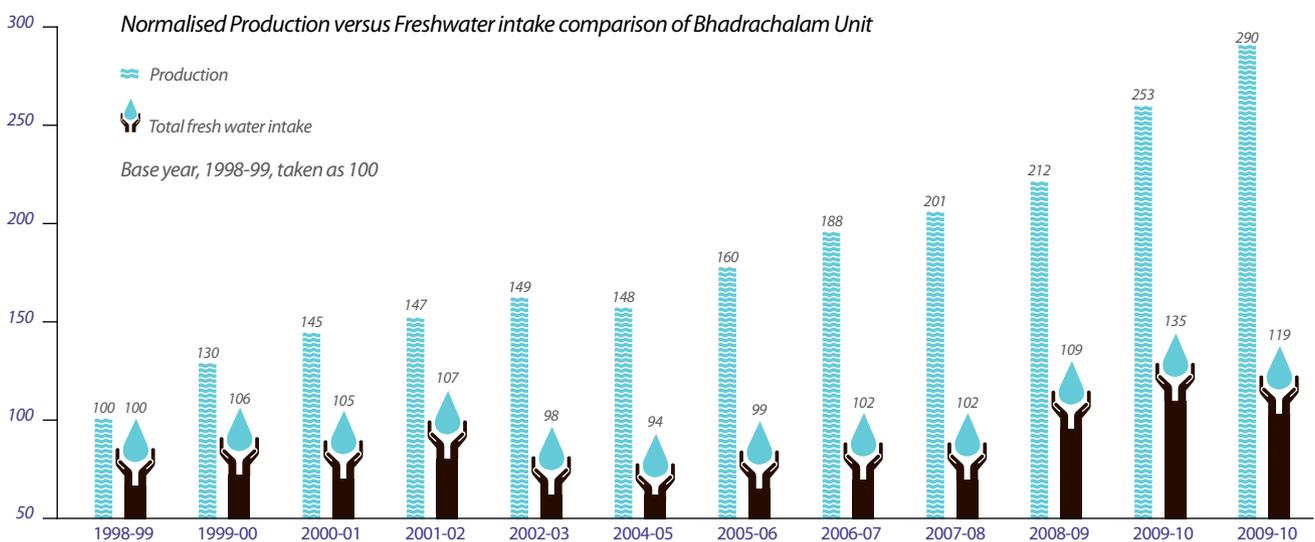
alone account for 91.9 %.

Bhadrachalam Unit

The largest integrated paper and paperboards mill in India accounted for 76.9% of the total freshwater intake in ITC. While the production volumes have increased close to three times between 1998-99 and 2009-2010, the fresh water intake of the mill has gone up by only 19% over the same period.

In 2009-2010, Bhadrachalam Unit's freshwater intake was 54.67 Kilolitre per tonne of product, a remarkable improvement of 24.3% over the last year (72.23 KL/ tonne in 2008-2009).

This is well ahead of the proposed benchmark standard of 63 KL/tonne, set by by National Productivity Council (NPC) 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).



54.8%

reduction in specific freshwater intake since 1998-1999 at the Tribeni unit

Tribeni Unit

The Tribeni mill, which manufactures specialty paper, which is a more water intensive process, has implemented various water conservation measures, resulting in more than 50% reduction in specific freshwater intake since 1998-1999.

Specific Freshwater Intake In Tribeni Mill (KL/Tonne)



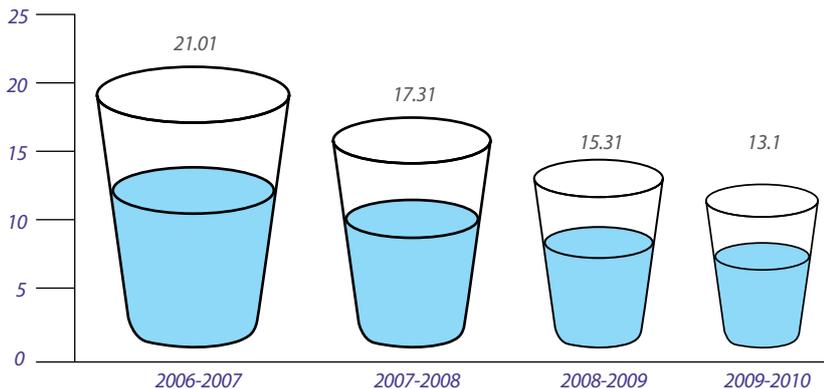
37.6%

reduction in specific freshwater intake 2006-2007 at Kovai unit

Kovai Unit

Consistent efforts in implementing water conservation initiatives have yielded positive results in the Kovai Unit. Kovai has achieved a substantial reduction of close to 38% in its specific freshwater intake over the 2006-2007 level, as illustrated below:

Specific fresh water intake - Kovai unit (KL/Tonne)



Reductions in specific fresh water intake at other units over 2008-2009 figures

40.6%

Snack food Product Unit of the Foods Business at Haridwar

20.2%

Anaparti Leaf Threshing plant

10.3%

Packaging and Printing unit at Tiruvottiyur

5.8%

ITC Hotels (over all)

This specific freshwater intake of 13.1 KL/tonne is better than the proposed benchmark standard of 19 KL/tonne by NPC, New Delhi in 2006, for this type of paper mill.

Other Units, which considerably reduced their specific fresh water intake over 2008-2009 figures were Snack Food Product Unit of the Foods Business at Haridwar – 40.6%; Anaparti Leaf Threshing plant – 20.2%; Packaging & Printing Unit at Tiruvottiyur – 10.3%; ITC Hotels Grand Central – 12.7%, ITC Hotel Maratha – 10.4% and Sheraton Hotels Chola – 16.6% & Rajputana – 11.9%.

In 2009-2010, the Cigarette business reported a specific freshwater intake of 4.3KL/Million Cigarettes equivalent. The increase of 3.2% in specific water consumption is due to the reduction in production volumes though it still remains comparable with international benchmarks.



Effluent Discharge



We are committed to achieving zero effluent discharge, by treating / recycling all the wastewater generated in our Units and by harvesting all rainwater incident on our properties

We are committed to achieving zero effluent discharge, by treating / recycling all the wastewater generated in our Units and by harvesting all rainwater incident on our properties. This endeavour not only reduces the freshwater intake, but also maximises ground water recharge and reduces the run off.

Many ITC Units have already achieved the goal of zero effluent discharge.

In 2009-2010, Cigarette factories

at Bengaluru & Saharanpur, Leaf Processing Plants at Anaparti & Chirala, the Packaging & Printing unit at Tiruvottiyur, Research Centres at Bengaluru & Rajahmundry, the Paperboards Unit at Bollaram and ITC Green Centre at Gurgaon recycled all their treated effluents within the Units.

All ITC Units, across its diverse businesses, maintain internal norms for treated effluents that are more stringent than statutory limits, to maximise reuse and recycling.

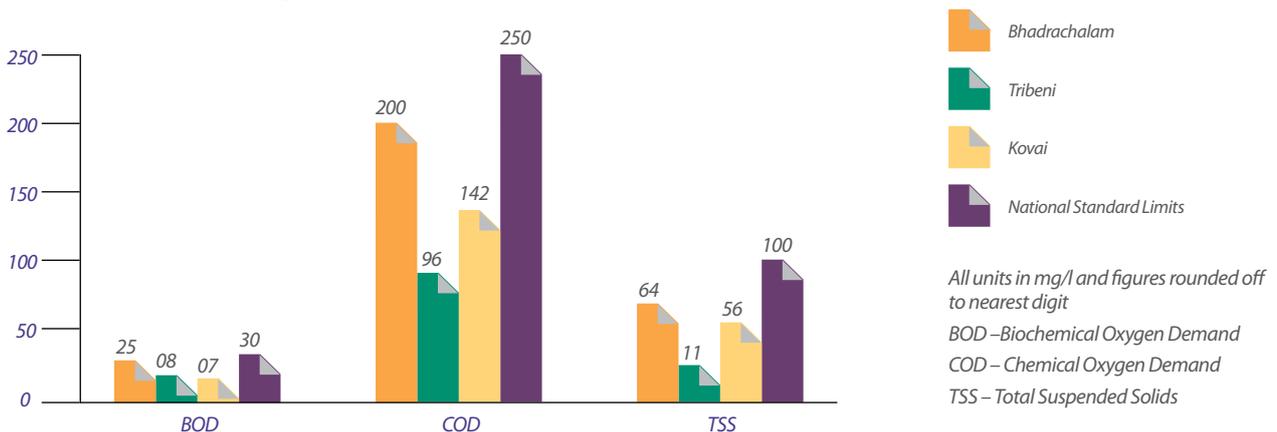


In addition, we have commenced with the use of environment friendly DEWATS wastewater techniques that are chemical free and require negligible energy inputs, through the Center for Science & Environment, Auroville. These are currently installed at our

SNPL Simra factory & housing colony in Nepal and in the new Cigarette factory at Pune. Among the ITC businesses, the Paperboards and Specialty Papers business faces the most serious challenges in effluent quality and

quantity. In 2009-2010, 97.4% of the total wastewater discharged in ITC was accounted for by the three paper & paperboard mills; Bhadrachalam, Tribeni and Kovai. The treated effluent quality is far better than the stipulated standards, as depicted below:

Effluent Quality: Annual Average (2009-2010) Paperboards and Specialty Papers business's Units





7.9%
reduction of specific wastewater at Tribeni unit over 2008-2009

These three units are also already well within the norms (100 m³/tonne) of specific treated effluent discharge, as defined by Corporate Responsibility for Environmental Protection (CREP), a voluntary charter by the Ministry of Environment & Forests and the Central Pollution Control Board.

19.5%
reduction in specific wastewater at Bhadrachalam unit over the last year

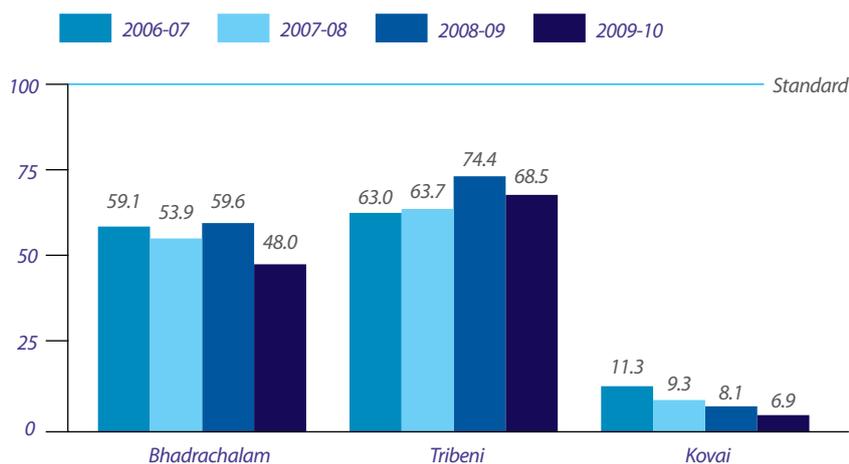
14.8%
reduction in specific wastewater at Kovai unit from the previous year

The National Productivity Council's (NPC) Report on "Proposed Standard for Pulp and Paper Industries in India" recommends a benchmark standard of 50 m³/tonne for the Integrated Pulp and Paper industry. The current level of 48.0 m³/tonne at Bhadrachalam is better than the above mentioned benchmark.

Similarly, the above Report suggests a benchmark standard of 15m³/Tonne for wastepaper based pulp and paper mills. The Kovai Unit, which belongs to this category, with treated effluent discharge of less than 7m³/tonne, has already surpassed this standard.

In the current year, the Adsorbable Organic Halides (AOX) (applicable only to our Bhadrachalam unit) level was a mere 0.0051 Kg per tonne of product (in 2008-09, it was 0.0074 Kg/tonne). The benchmarked performance of the Bhadrachalam unit, with respect to AOX levels, is illustrated below:

Specific treated effluent discharge in ITC PSPD (KL/Tonne)



*Average as per Comprehensive Industry Document for Large Scale Paper Mills, study conducted by Central Pulp and Paper Research Institute, 2007

CEPI (Confederation of European Paper Industries), Sustainability Report 2009

** World Bank Guideline for New Paper Mills

	AOX (Kg/Tonne)
Bhadrachalam Mill	0.0051
Indian Paper / Paperboards Mills*	0.46-0.8
European Paper Industries#	0.029
World Bank Standard**	0.2

Bhadrachalam Unit's AOX level performance



Enlarging Our Water Positive Footprint

The watershed projects, covering over 51,000 hectares of land, supports the water positive status of the Company for the 8th year in a row

The continued focus on rainwater harvesting in company premises as well as socially relevant watershed areas has enlarged our positive water footprint. In addition, wherever feasible, adequate provisions have been made to utilise the treated effluent for irrigation purposes. In 2009-2010, 84.8% of total treated effluent discharged has been utilised for irrigation.

As on March 31, 2010, the watershed projects, covering over 51,000 hectares of land, support the water positive status of the Company for the 8th year

in a row. The total rainwater harvesting potential, thus created by the Company, is over three times the net water consumption by its operations.

Since the amount of actual rainwater harvested is dependant on incident rainfall and also the pattern of rainfall, among other factors, this introduces several challenges, since our activities cover such a large geographical spread. We will continue to enhance our expertise and practices to ensure greater effectiveness in harvesting as well as reporting accuracy.

Water balance at ITC	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Fresh water intake	24.1	22.48	24.98	25.58	25.79	27.46	32.72	29.96
Treated effluents discharged	14.64	14.04	19.55	20.96	19.58	18.92	24.52	23.41
Percentage of treated effluent utilized for irrigation by nearby farming community	**	**	86.9	86.8	80.5	79.4	72.3	84.8
Net water consumption	9.49	8.44	5.43	4.62	6.21	8.54	8.2	6.55
RWH potential created within ITC units	0.24	0.39	0.34	0.61	0.47	0.42	0.5	0.42
RWH potential created through watershed projects (cumulative for that year)	12.5	15.67	16.52	18.99	23.12	25.42	19.43	20.18
Total RWH potential created (for the year)	12.74	16.06	16.86	19.60	23.59	25.84	19.93*	20.60*

All figures in Million KL, except percentage

* 'RWH potential' figures account for silt deposits in various watershed structures. The adjustments are based on actual sample measurements & the extent of silt deposit depends on the age & location of a structure

** Not available

ITC: Water positive-eighth year in a row

WASTE MANAGEMENT

FOR ALL OUR
TOMORROWS



- Resource conservation
- Segregation at source
- 100% recycling
- Creating a positive footprint



A direct outcome of increasing population, higher consumption levels and inadequate infrastructure has been the problem of waste management. Though often thought about as an urban phenomenon, this issue seriously threatens the quality of life throughout the country.

Mounds of unattended waste foraged by cattle and rag pickers are very much part of life across the country and is responsible for serious public health concerns besides other issues such as land and groundwater contamination.

In line with our commitment to reduce our environmental impact and create a positive environmental footprint,

we practice the following methods in waste management to achieve a positive waste recycling footprint.

Resource conservation

Reduce waste generation through constant monitoring of specific waste generation figures at all ITC units.

Segregation at source

All ITC units are required to ensure that wastes are segregated at source in line with the company-defined guidelines. This ensures maximum reuse/recycling of wastes, by ensuring for example, that paper waste is not contaminated with wet waste thus rendering it unrecoverable.

100% recycling

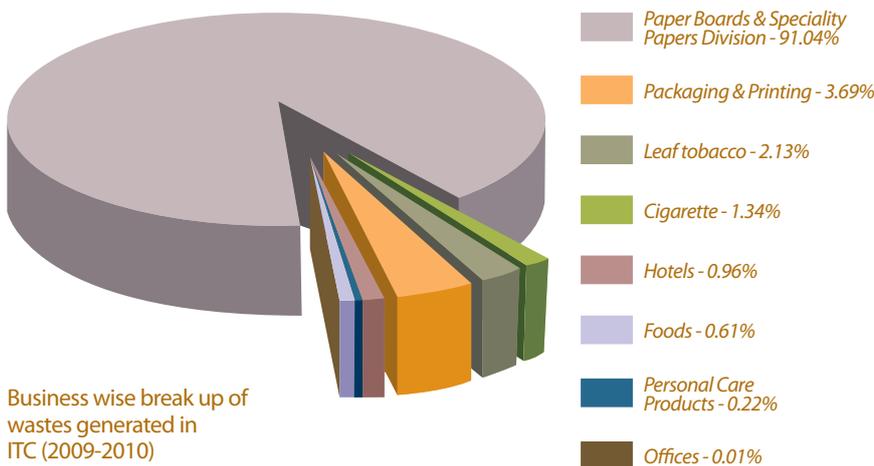
Each category of waste is individually addressed and tracked to ensure reuse wherever possible, and if not, recycled. This ensures that almost no wastes from our businesses land up in municipal or private landfills.

Creating a positive environmental footprint

Increase consumption of externally generated wastepaper as a source of fibre. Besides the direct environmental benefits of lower power, water & chemical consumption compared to virgin fibre, this also brings about the additional public benefit of encouraging better waste management.



Resource Conservation



Business wise break up of wastes generated in ITC (2009-2010)

In 2009-2010, ITC Units generated 578,865 tonnes of wastes, most of it being generated by the Paperboards & Specialty Papers Division (91%). This 18.1% increase over the last year is due to higher production volumes [Paperboards & Specialty Papers Division (PSPD) up by 15.3%], increased pulp production (as replacement of imported pulp) and construction debris from renovation projects at different Units.

In 2009-2010, the Leaf Threshing business achieved significant

In 2009-2010, 99.6% of ITC's hazardous wastes generated were recycled and the balance 0.4% was disposed / stored in complete accordance with applicable statutes

reductions in specific waste generated, over the last year with the Anaparti Unit registering a reduction of 18.9% and the Chirala Unit, 10.9%.

Similarly, the Hotels business has reduced its specific waste from 12.38 Kg to 9.15 Kg per room night in 2009-2010, (an improvement of 26.1% over 2008-2009) and in the Paperboards and Specialty Papers business, the Tribeni and Bollaram Units have reduced specific waste by 8.8% and 2.5% respectively

over the previous year.

Classification of waste

Of the total wastes generated, only 4.4% by weight is hazardous in accordance with the Indian statutes. In 2009-2010, 99.6% of these hazardous wastes were recycled and the remaining 0.4% (91.8 tonnes) was disposed / stored in complete compliance with the applicable statutes as shown below:

Hazardous waste item	Quantity (tonnes)	Disposal
Sludge from effluent treatment plant of PSPD factories	24,914	To authorized agencies for making paperboards, trays, etc.
Empty containers of hazardous chemicals	330	Decontaminated and returned to original suppliers
Used oil	161	Recycled through authorized recyclers
Used batteries	46	Returned to Manufacturer
Spent solvents / ink sludge / adhesives / process waste	38	Recycled
	90	Incinerated/landfilled/stored within the Unit
Biomedical waste	1.8	Incinerated/ Autoclaved

26% 

reduction in waste generation per room night over 2008-2009 in the Hotels Business

8.9% & 2.5%

Reductions of specific waste by Tribeni and Bollaram Units over the previous year in Paperboards & Specialty Papers business 

All Units have established systems/ procedures to verify the authorisations /licenses of the hazardous waste recyclers and monitor the performance of third party recyclers in order to ensure that they are in compliance with legal regulations and norms. Corporate EHS verifies compliance standards in each of the ITC units, once a year.



Recycle And Reuse

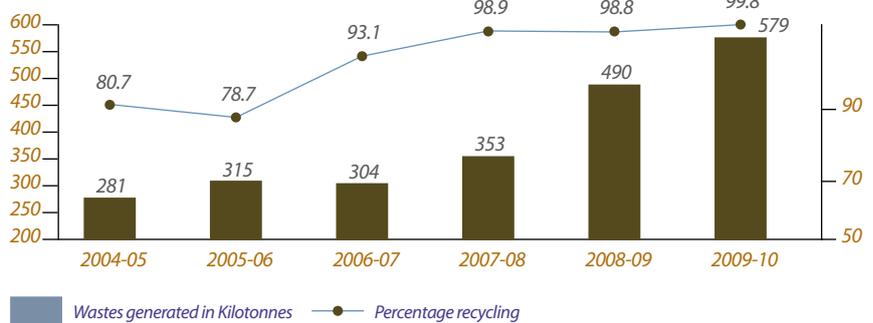
Wherever waste generation cannot be eliminated due to limitations on processes or technology, ITC businesses / Units are mandated to recycle all (100%) wastes which not only conserves precious natural resources and energy but also prevents wastes from reaching landfills, with all its attendant problems such as health hazards, increase in GHG emissions, soil and ground water contamination, etc.

Recycling also creates significant employment opportunities.

Waste Destination

The chart below depicts the final destinations of total wastes –

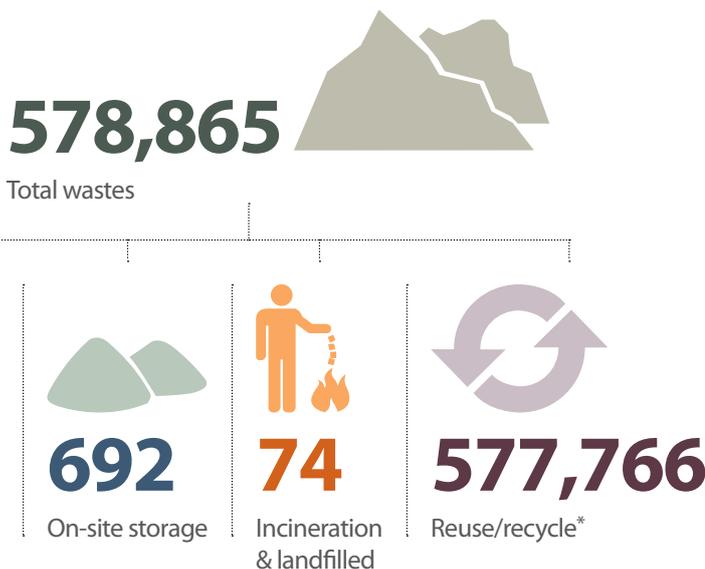
Progress on waste recycling



The percentage of waste recycled increased from 98.8% to 99.8% in 2009-10. Bhadrachalam, the largest integrated Paper & Paperboards and Specialty Papers mill in India,

generated 75% of ITC's total wastes and recycled more than 99% in 2009-10 – a noteworthy achievement. Bhadrachalam generated 1030 kg of waste per tonne of paper/paperboard in 2009-10; an increase of 5.9% over last year (973 kg/tonne in 2008-09), due to increased pulp production as a substitute for imported pulp and the change in the product mix over the previous year. However, this is better than the performance of all other integrated mills in India. According to the Centre for Science and Environment's Report "All About Paper", (2004), similar mills generated 1200 Kg. of solid waste per tonne of paper.

Total wastes and their destination (2009-10)



*Reuse/ Recycle includes 4446 tonnes of wastes composted All above Units in Tonnes

In 2009-10, ITC generated 245,820 tonnes of fly ash, (42.5% of total waste in ITC), which is 36.9% more than the previous year due to low-grade coal and significant growth in production volumes in the Paperboards and Specialty Papers business. Despite this increase, we have ensured 100% fly ash utilisation for brick making, road/embankment construction and as a raw material in cement factories.

Zero Waste Units

In line with our commitment to consolidate our waste recycling positive status, many of our Units have already achieved the goal of being a zero waste discharge Unit.

Cigarette factories at Bengaluru, Saharanpur, Munger & Kolkata, Leaf Threshing Unit at Anaparti, Paperboards and Specialty Papers Unit at Tribeni, the ITC Green Centre at Gurgaon, Surya Nepal's Cigarette factory at Simra and ITC Hotels - Maurya, Maratha, Grand Central, Windsor, Mughal, Kakatiya, and Sheraton Hotels New Delhi & Rajputana reused/ recycled almost the entire waste generated (more than 99%) out of their operations.

Wastes used as Raw Materials

Our Kovai Paperboards Unit, continued to use post-consumer wastepaper for the entire production and the Bhadrachalam Unit also utilised 27,778 tonnes of post consumer waste paper as raw material.

99.8% 
wastes generated within the Units are recycled

	2007-08	2008-09	2009-10
Total Waste (tonnes)	352,970	490,180	578,865
% Recycled	98.9 %	98.8%	99.8%
Un-recycled Waste (tonnes)	3706	5893	1099
External wastes used as raw materials (tonnes)	163,245	125,337	125,931
Waste recycling footprint (%)*	145	124	122

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

Creating Wealth Out of Waste (WOW)

ITC's WOW initiative not only creates awareness among the public about the advantages of the "Reduce-Reuse-Recycle" process, protecting the environment, improving civic amenities, public health and hygiene but also generates cost-effective raw materials for the paper, plastics, metal and glass industries.

To emphasise the importance of source segregation, ITC provides special bags to accumulate dry wastes like paper, plastic and metals and arranges periodic collection through outsourced agencies. The waste paper is used by ITC and the other materials are sold to recycling industries. Segregated dry waste can save almost 40 % of municipal garbage handling costs, which

can be utilised to improve civic amenities.

What started in a small way with households has now spread to schools, government offices, Corporates and other institutions.

In 2007, the WOW initiative with an average monthly collection of 100 MT, spread itself across South India and in 2009-10, 25,000 tonnes of waste was collected through this initiative.



ITC – Waste recycling positive – third year in a Row

AIR EMISSIONS

FOR ALL OUR
TOMORROWS



- Cleaner fuels
- Monitoring combustion efficiencies to achieve lower specific emissions
- Investments in state-of-the-art pollution control equipments

ITC continued to invest in reducing air emission levels by adopting cleaner technologies/ fuels, monitoring combustion efficiencies and investing in state-of-the-art pollution control equipment such as plasma filters, electrostatic precipitators, etc.

All our 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 our internal norms that are more stringent than regulatory requirements.

In 2009-2010, the total significant air emissions included 880 tonnes of Particulate matter (PM), 811 tonnes of NOx and 909 tonnes of SO₂ emissions. (In 2008-2009, PM: 837tonnes, NOx: 713 tonnes and SO₂:786 tonnes). The increase in the total emissions is mainly due to significant growth in production volumes in almost all Units in the following businesses; Paperboards and Specialty Papers: 15.3%, Packaging & Printing: 11.6%, Leaf Threshing: 6.6%, Foods: 5.2% in Biscuits & 7.4%

11.3%
improvement in specific emissions of NOx in the Leaf Threshing business over last year

17.9%
improvement in specific emissions of SO₂ in the Leaf Threshing business over last year

in Snackfood, Personal care: 142% in Soap & 20.6% in Shampoo/Cream productions.

The Particulate Matter emissions from Bhadrachalam were 1.54 Kg per BDMT (Bone-Dry Metric Tonne) of production, an improvement of 12% over last year (1.75 kg/BDMT in 2008-2009). As per the Report by the Centre for Science & Environment, large-scale Indian mills typically emit 3.8 kg/BDMT (Source: 'All About Paper - The life cycle of Indian Pulp and Paper Industry', Green Rating project, 2004).

In 2009-2010, the specific NOx emission in Bhadrachalam was better than the standards stipulated in European countries, as illustrated below:

Bhadrachalam	NOx (Kg/tonne)		
	2007-08	2008-09	2009-10
	0.43	0.69	0.60
Standards			
Sweden	1.2-2.4		
EU	1.0-1.8		
EU-BAT*	1.0-1.5		
Reported Values			
CEPI**	0.84		

Bhadrachalam	SO ₂ (Kg/tonne)		
	2007-08	2008-09	2009-10
	0.5	0.84	0.79
Standards			
Sweden	0.5-1.4		
EU	0.1-0.5		
EU-BAT*	0.2-0.4		
Reported Values			
CEPI**	0.29		

All our units monitor significant air emission parameters such as Particulate Matter (PM), Nitrogen Oxides (NOx) and Sulphur Dioxide (SO₂) on a regular basis

The Specific SO₂ emission levels of the Bhadrachalam Unit is comparable with international benchmarks and the Unit is working towards achieving these international standards.

In addition to the above parameters, the Bhadrachalam Unit also monitors Hydrogen Sulphide. The average measured value for the year 2009-2010 was 3.72 mg/ Nm³, considerably lower than the regulatory norm of 10 mg/ Nm³.

All other Units are also striving towards reducing specific emission levels.

The specific particulate emission in the leaf threshing business stands at 0.52 kg/tonne, marginally higher than last year (0.50 Kg/tonne in 2008-2009) due to the unavailability of high grade coal for power/steam generation.

Sources for the tables are –
1. Comprehensive Industry Document for Large Scale Pulp & Paper Mills, study done by CPPRI, published by CPCB, 2007
*EU-BAT:EU Norm Best Available technology
**CEPI Confederation of European Paper Industries, Sustainability Report 2009

The performance with respect to specific NOx and SO₂ emissions for the Leaf Threshing business is as below:

25%
improvement in specific emissions of NOx in Packaging and Printing business over 2008-2009

Specific Emission (Kg/Tonne)	2008-09	2009-10	Percentage improvement
NOx	0.71	0.63	11.3
SO ₂	0.56	0.46	17.9

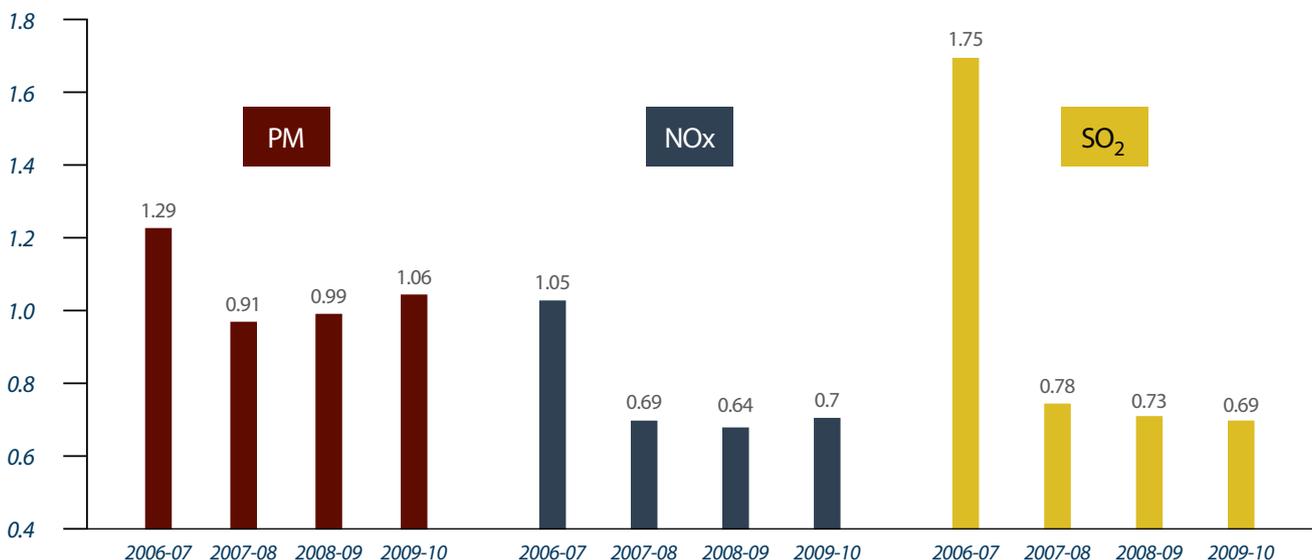
The packaging and printing business also substantially reduced their specific emission levels by adopting cleaner fuels.

80%
improvement in specific emissions of SO₂ in Packaging and Printing business over 2008-2009

Specific Emission (Kg/Tonne)	2008-09	2009-10	Percentage improvement
PM	0.24	0.21	12.5
NOx	0.04	0.03	25.0
SO ₂	0.35	0.07	80.0

The specific emission (PM & NOx) levels for the Cigarette business were slightly higher than the previous year, due to lower production volumes and higher dependence on internally generated electricity due to poor grid support.

Specific Emissions in Kg/Million Cigarettes eq. - Cigarette Business



Ozone Depleting Substances (ODS)

In accordance with the Government of India's ODS Rules, 2000, formulated to comply with the Montreal Protocol, 1987 which regulates/bans the use of ozone depleting substances internationally, ITC has developed and implemented a comprehensive plan for the phase out of ODS.

The salient features of ITC's Plan on ODS phase out are –

- All newly purchased equipment to be free of Chlorofluorocarbons (CFC), Halons and Methyl Chloroform (MCF).
- All units to monitor and reduce consumption of ODS.
- Replace all existing equipments using ODS well before the phase out stipulation.
- Recover all the ODS from the equipments being replaced for recycling or safe disposal.

In 2009-10, the total consumption of ODS by all our units was 188 Kg of CFC-11 equivalent.

Responsible Management of Chemicals, Oils and Fuels

All our Units manage chemicals, oils and fuels as per defined ITC norms, which take into account all statutory requirements and international best practices. These norms are adhered to, from the design stage and include measures to ensure leakage/spillage prevention, containment provisions, impervious flooring, leak detection systems and all the other requirements as per Material Safety Data Sheets (MSDS) for hazardous chemicals.

Safe work practices on handling & storage, procedures for leak detection & spill control and preventive maintenance have been instituted to avoid any incidence of uncontrolled spills or leakage. The effectiveness of these measures is checked on a regular basis.

We also continuously evaluate the feasibility of substituting hazardous chemicals with less or non-hazardous materials.

In 2009-2010, there was no significant spill of any chemicals, oils, fuels or hazardous wastes in any of our units.

Biodiversity

None of our units/operations is located in or adjacent to a biodiversity sensitive zone.

All new/expansion projects have been undertaken after due Environmental Impact Assessments (EIA) and stakeholder consultations, as applicable. Environmental Management Plans where required as per the EIA studies, are implemented along with projects.

Beyond Compliance

All our Units are committed to the implementation of state-of-the-art processes and technologies and achieving benchmarked performance.

Environment, Occupational Health & Safety management systems in our units conform to international standards such as ISO 14001/OHSAS 18001/HACCP etc. and are certified by accredited 3rd Party agencies.

Besides internal audits and other 3rd party audits Corporate EHS experts audit every unit at periodic intervals not exceeding 18 months, to ensure compliance to statutory norms and Corporate EHS requirements.

During 2009-2010, no violation of environmental laws/regulations was recorded at any ITC Unit.



Material Sustainability In ITC Businesses

Environmental Footprint of our products

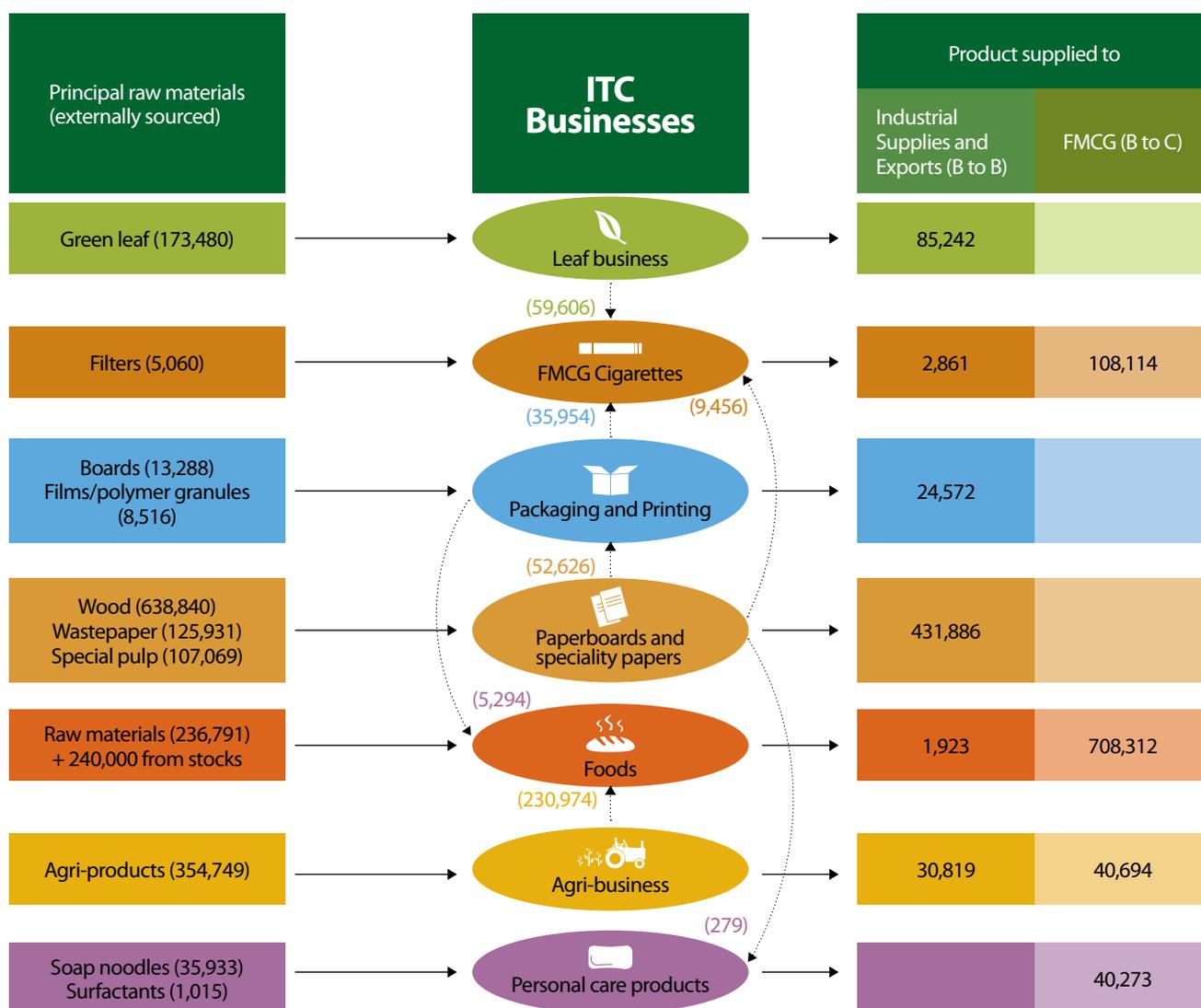
ITC products can be broadly classified into the following categories:

FMCG (B to C) products: Cigarettes, foods, personal care products, stationery, etc.

Industrial Supplies (B to B) and Exports: Paper, Paperboards and Packaging; Leaf tobacco, etc.

Services: Hotels and ITC Infotech.

Material flow in ITC



.....► Inter divisional usage

The diagram shows only principal raw materials, that are over 5% of the total raw materials in the respective businesses and all figures are in tonnes

The diagram on Pg 70 represents material flow (only principal raw materials that are over 5% of total raw materials in each business) of various businesses in ITC. The synergy through vertical and horizontal integration of our businesses, provides us with significant opportunities to reduce our environmental footprint through better material utilisation, waste recycling and optimising logistics.

In 2009-2010, over 88% of the total raw materials used were renewable

materials. In addition, we also used very substantial quantities of post-consumer wastepaper in our Paperboards and Specialty Papers business and this was sourced locally as well as internationally, details of which are already provided elsewhere in this Report.

Our initiatives on social and farm forestry plantations, watershed development in socially relevant areas, empowerment of marginal farmers through e-Choupals generate large-scale rural employment. Also these

measures coupled with technology upgradation, extensive R&D and waste minimisation & recycling through product and process innovations help us in ensuring material sustainability for our businesses.

We plan to carry out life cycle assessment of products/services to evaluate the environmental impacts at the various life cycle stages. This would help us in identifying opportunities for improving their environmental attributes.



Responsible Sourcing of Wood Fibre

Wood is the major source of fibre for the paper and paperboard industry. Availability of wood remains a major challenge and is a serious sustainability concern, especially in a country with severe natural resource crunch and acute income inequities.

Close to 50% of the total fibre requirements of ITC's Paperboards and Specialty Papers Division is met by the Bhadrachalam factory's pulping operations, another 23% comes from recycled fibre, processed at Kovai and Bhadrachalam and the balance is purchased pulp used at the Bhadrachalam and Tribeni units. 99.42% of fibre manufactured in Bhadrachalam is from wood grown under the social and farm forestry initiatives and the balance (0.58%) is sourced through Government and Forest Department wood auctions. Fibre for operations at the Kovai Unit is totally sourced from recycled waste. Efforts continue to enhance the quantity of fibre certified to FSC (Forest Stewardship Council) requirements. This is in line with the commitments made by the Company as part of the WWF GFTN membership. Internal

R & D efforts have resulted in high yielding, site specific, disease resistant eucalyptus and subabul clones and also extensive knowledge of plantation management practices. ITC distributed 66.59 million high quality saplings to farmers and planted 13,333 hectares during the year.

Apart from the obvious benefits of increasing the green cover, this initiative also directly contributes to in-situ moisture conservation, ground water recharge and significant reduction in topsoil losses due to wind and water erosion. As a result of the leaf litter from multi species plantations and the promotion of leguminous intercrops, depleted soils are constantly enriched.

ITC does not buy wood-based raw materials from unidentified sources. The Bhadrachalam and Kovai factories which are the only units in ITC with pulping facilities, ensure traceability of all the fibre used in the manufacturing process and are certified to FSC (Forest Stewardship Council) Chain-of-Custody standards.



**GLOBAL
FOREST
& TRADE
NETWORK**

Forest Stewardship Council Certification for Bhadrachalam and Kovai Units

Adding yet another milestone in its environmental journey, the integrated pulp, paper and paperboard manufacturing facility of ITC at Bhadrachalam, and its recycled Paperboards unit at Kovai have been awarded the Forest Stewardship Council (FSC) Chain of Custody certificate.



One of the most widely respected certifications for responsible fibre sourcing around the world, it provides a unique competitive edge to ITC's fine Papers and Paperboards in an increasingly environment conscious world.

The Forest Stewardship Council (FSC) is an independent, non-governmental, not-for-profit organisation established to promote the responsible management of the world's forests. FSC is a certification system that provides internationally recognized standard-setting, trademark assurance and accreditation services to companies, organisations, and communities interested in responsible forestry.

Chain of Custody (CoC) certificates for paper/paperboard manufacturers are awarded after stringent audits that seek to establish the traceability of the fibre being used. ITC's Paperboards and Specialty Papers Division will now be able to offer products with virgin pulp or post consumer recycled content, under the 'FSC Mixed' and 'FSC Recycled' labels to discerning consumers and will seek to increasingly bring a larger volume and range of products under credible certification.

ITC is the first Indian company to become a member of the WWF GFTN (World Wide Fund for Nature Global Forest and Trade Network) in July 2009.

SOCIAL PERFORMANCE



**LABOUR
PRACTICES**

HUMAN RIGHTS

**ITC'S COMMITMENT TO SUSTAINABLE
AND INCLUSIVE GROWTH**

**PRODUCT
RESPONSIBILITY**



LABOUR PRACTICES



FOR ALL OUR
TOMORROWS



- Supporting livelihoods for over 5 million people
- Integrated human resource policies
- Primary focus on occupational health and safety
- Towards zero accident
- Committed to community health programmes



Our human resource management systems and processes are committed to creating a responsive, customer-centric and market focused culture that enhances organisational capability and vitality. Our unique employee value propositions supported by our strong corporate equity enables sustained engagement in challenging times.

During 2009-2010 our full-time direct employees numbered over 26,200 of which nearly 2,279 employees in the Leaf Tobacco business were engaged on a seasonal basis due to the very nature of the business.

In addition, approximately 9000 employees of service providers were engaged in our operations during this period. Our significant operations are in India except for one Subsidiary Company in Nepal, which employed around 800 full time direct employees

and 500 employees of service providers.

The different value chains related to our businesses provided indirect employment to over 5 million people, whose livelihoods were substantially linked to their association with the Company. Indirect employment covers the supply and distribution network, agri-sourcing, social and farm forestry, e-Choupals, women's empowerment and micro-enterprises and livestock development.

Over 12,600 of our direct employees are members of various unions. Employees were aligned and involved in the implementation of significant investments in technology and process improvements aimed at enhancing productivity, quality and delivery effectiveness. The harmonious relations at all operating units is a reflection of the Company's belief in employee engagement focusing on a

collaborative approach and mutuality of interests.

Our remuneration philosophy recognizes performance and meritocracy, whilst being competitive and sustainable. This is reflected in the total employee cost of Rs.1003 crores during 2009-2010, which represents an 18.7% compounded annual growth over the last 3 years.

Providing livelihoods to over **5,000,000** people.

Total direct employment of over **26,000**

The unique value proposition and the integrated approach to managing human resources anchored on ITC's Group Philosophy and ITC's HR Philosophy enables attraction, retention and motivation of our employees. The attrition was 10% across all levels and about 2% at the senior management level.

Learning and development was given significant focus during the year, with over 96,000 person-days of formal training. In addition, substantial investments were also made on on-the-job learning supported by inputs from superiors and other colleagues.

Occupational Health & Safety

At ITC, primary importance is placed on the Occupational Health & Safety of employees (including that of service providers) and all visitors to our establishments. This is ensured through strict adherence to Corporate Environment, Health and Safety Guidelines incorporating best international standards and practices. All ITC establishments are audited by corporate resources and expert third party agencies on a periodic basis to verify compliance. These reports are reviewed at the Board level.

Towards Zero Accident

All our factories, hotels and large offices have established Environment, Health & Safety (EHS) Management systems with designated roles & responsibilities, competent EHS resources and safety infrastructure, which are under constant upgradation to comply with the best international standards. In addition, strong employee involvement is encouraged through participation in suggestion schemes, celebration of EHS events, etc.

A continual process of risk assessment has been institutionalized across businesses wherein risks are systematically identified and mitigation plans are implemented. All new projects and major renovation jobs are reviewed and vetted at the design stage

by EHS experts and engineering control measures are implemented along with the project. Pre commissioning audits are also conducted to ensure compliance to all EHS requirements prior to commissioning.

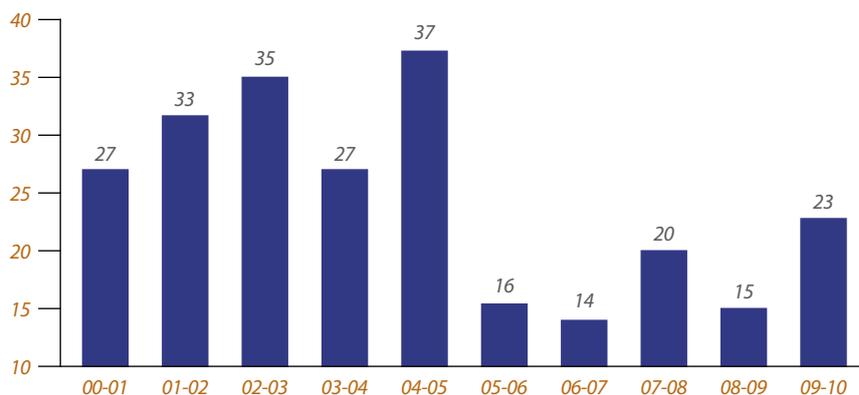
A comprehensive incidents / accidents reporting system has been established in all units. Any incident/accident undergoes detailed investigation for identifying root causes and corrective / preventive measures are initiated. The findings and recommendations are also discussed in the Safety Committee meetings to ensure complete management and employee participation.

In order to disseminate the learnings from accidents, the details of serious accidents along with the root cause analysis and the proposed corrective measures are communicated throughout the Company. Units are thereby equipped to initiate proactive measures to eliminate/ control similar situations.

Lost Time Accidents, Injury Rate and Lost Day Rate

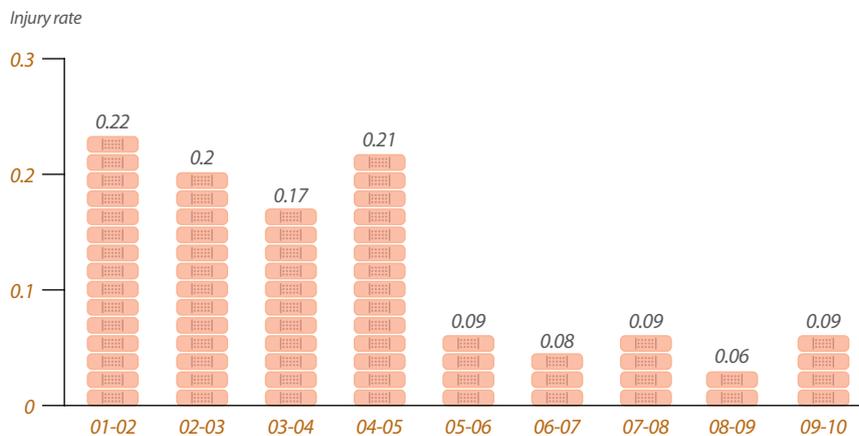
The number of Lost Time Accidents reported in 2009-2010 includes one unfortunate fatality at Anaparti Unit of the Leaf Threshing Business. While the forklift operator was removing a case, one case from an adjacent stack got

Lost time accidents (LTA)



LTA - an accident where the injured does not return to work in the next scheduled shift

Injury rate (IR)



IR - LTA per every 200,000 person-hours worked

At ITC, primary importance is placed on the Occupational Health & Safety of employees (including that of service providers) and all visitors to our establishments.

accidentally dislodged and fell on the deceased, who was standing near the forklift, directing the operation. He was immediately rushed to a local hospital, where he was declared dead on arrival.

Necessary corrective measures based on a detailed investigation have been implemented, in all Units having similar operations.

Lost day rate, defined as number of days lost due to accidents for every 200,000-person hours worked, for the year 2009-2010, was 28.4 (3.1 in 2008-2009).

This is due to the fatal accident in Anaparti Unit, as described, which resulted in a direct addition of 6000 lost man-days, as per applicable Indian Standards on accounting of lost man days.

Zero Accident Units

Many Units, through effective implementation of safety management systems and the adoption of state-of-art technologies, achieved the goal of "zero accident".

The following Units have achieved zero lost time accidents in 2009-2010:

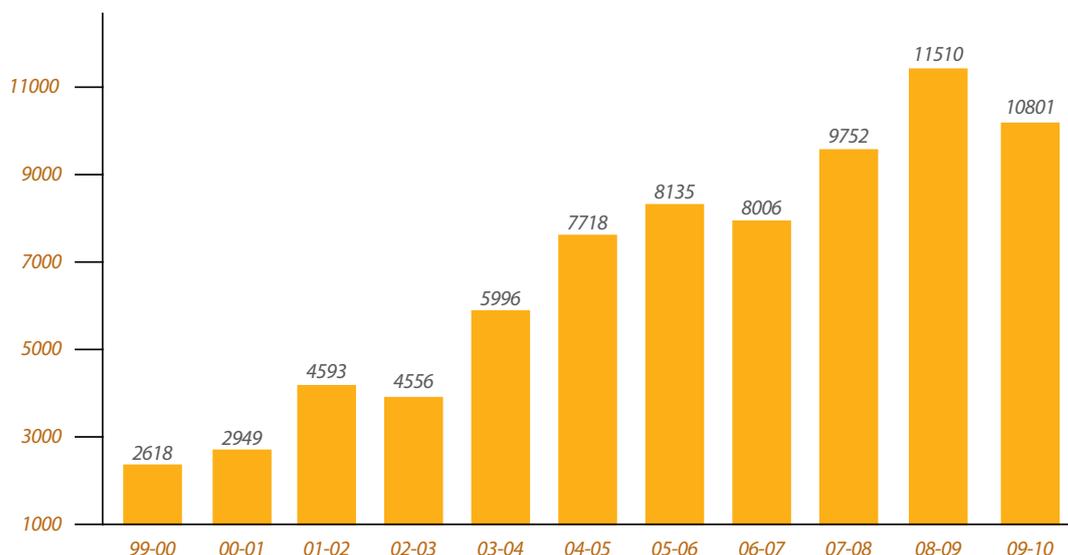
- Cigarette factories at Bengaluru, Munger & Kidderpore
- Leaf Threshing Unit, Chirala

- Packaging & Printing Units at Munger & Haridwar
- Personal Care Products Unit at Haridwar
- Research Centres at Bengaluru & Rajahmundry
- Lifestyle Retailing business's Master Facility at Gurgaon
- ITC Infotech's Bengaluru Office Complex
- ITC Green Centre, Gurgaon
- ITC Head Quarters, Kolkata
- ITC Hotels Maurya, Mughal, Maratha, Grand Central, Sonar, Windsor & Kakatiya
- Sheraton Hotels Chola, Rajputana and New Delhi
- Fortune Resort Bay Island Hotel, Port Blair

Occupational Health

A healthy workforce is an important constituent of our competitiveness and sustainability strategy. All Units maintain

Preventive medical examination



Number of employees undergone preventive medical examination



During 2009-2010 we conducted 120 HIV/AIDS awareness programmes for our employees and communities around our units. The interventions covered a total of 11,642 people of which 10,879 were our employees while the balance were members of the local community.

conducive work environments with excellent standards on hygiene, lighting, ventilation and effective controls on noise and dust. All the Units are provided with occupational health/first aid centres with adequate medical staff to monitor occupational health and provide immediate relief, as applicable when required. In addition, at least 2% of total employees in each Unit are trained to provide first aid.

HIV/AIDS

We remained committed to the various programmes and interventions introduced in response to the serious threat posed by HIV/AIDS. During 2009-2010 we conducted 120 awareness programmes for the employees and communities around our units. The interventions covered a total of 11,642 people of which 10,879 were our employees while the balance were members of the local community. In addition we also organised counseling sessions at various locations covering a total of 1,841 people, of which 1,719 were our employees.



Human Rights: Significant Investments

During 2009-2010, nearly 52 % of our total capex cash flow of Rs.1100 crores was incurred on machinery and technology, which were sourced from reputed global suppliers/vendors who follow internationally accepted norms and standards on Human Rights. Approximately Rs. 498 Crores were invested on new factories, hotels, modernisations.

All large contracts in ITC, for the construction of hotels, factories, and significant upgrades, included environment, health, safety and human rights' clauses covering decent place of work, and beyond compliance labour practices.

In 2009-2010, large projects such as the ITC Hotel Royal Gardenia, the Cigarette factory at Pune, the Personal Care products Unit at Manpura and the Food Technology Centre at Bengaluru, have been completed. Also, construction of the Leaf threshing plant at Mysore, the Master Facility of the Lifestyle Retailing business at Manesar and the ITC Hotels at Chennai and Kolkata are in progress. All these were managed and supervised by ITC managers, who also ensured proper implementation of Human Rights compliance. Systems have been established to ensure compliance of our Policies and Standards, through rigorous audits by Corporate Internal Audit and Corporate EHS.

Human Rights: Supply Chain

As a large and multi-product enterprise whose products are benchmarked nationally and internationally, we recognise our responsibility to

proactively encourage high levels of 'Human Rights' standards in our supply chain.

Our approach to managing human rights in the following distinct categories is described below:

- Our major businesses are vertically integrated across several Divisions that follow ITC policies.
- We procure inputs for the Company's agri-based businesses entirely from state controlled trading platforms and the open market.
- We position our managers at all significant 'outsourced' manufacturing facilities (cigarettes, personal care, branded apparels and packaged foods) to ensure high standards of product quality and adherence to ITC's guidelines on EHS and labour practices. Government officials also routinely inspect these units to ensure relevant labour and factory acts, which, inter alia, provide for the necessary EHS and labour practices standards.
- The execution of ITC's human rights policies is obligatory for all service providers operating within our establishments.

During 2009-2010, the total number of service providers was 4,445 of which 1,015 operated within the Company's premises and 3,430 worked off-site. 97% of contracts on-site and 99% of contracts off site, included important clauses on Human Rights, environment, health and safety. No contracts were cancelled during the year as a result of non-compliance with ITC's human rights clauses.

Prevention of Discrimination at the Work Place

During 2009-2010 no incident of discrimination in any of the ITC units was reported either to the concerned units or statutory authorities.

Freedom of Association

During 2009-2010 no incidents of violation of freedom of association were reported either to the concerned units or statutory authorities. Within ITC's operations, there are no areas where the right to exercise freedom of association and collective bargaining is at risk.

Prohibiting Child Labour and Preventing Forced Labour at Work Place

During 2009-2010 no incidents of child or forced labour were reported either to the concerned units or statutory authorities.

Diversity and Equal Opportunity

We believe that every individual brings a different and unique set of perspectives and capabilities to the team. A discrimination-free workplace for employees provides the environment in which diverse talents can bloom and be nurtured.

Governance Bodies and Diversity

Our approach to human resource is premised on the fundamental belief of fostering meritocracy in the organisation, which promotes diversity and offers equality of opportunity to all employees. We do not engage in or support direct or indirect discrimination in recruitment, compensation, access

Our approach to human resource is premised on the fundamental belief of fostering meritocracy in the organisation, which promotes diversity and offers equality of opportunity to all employees.

to training, promotion, termination or retirement based on caste, religion, disability, gender, age, race, colour, ancestry, marital status or affiliation with a political, religious, union organisation or minority group.

The Board of Directors at the apex, as trustees of shareholders and responsible for the strategic supervision of the Company, consists of 4 Executive Directors (including the Chairman) and 11 Non-Executive Directors as on March 31, 2010. The Non-Executive Directors come from different fields, thereby ensuring multi-dimensional perspectives in setting the strategic agenda.

The strategic management of the Company rests with the Corporate Management Committee comprising full time Executive Directors and seven members drawn from senior management representing diverse functions.

The executive management of each business is vested with the Divisional Management Committee (DMC), headed by the Chief Executive. The

DMC draws resources from different functions. Each DMC is responsible for and focused on the management of its assigned business.

Equal Remuneration

Our compensation philosophy does not differentiate on gender, caste or age. It is linked to responsibility levels and based on performance. We also ensure compliance with the Equal Remuneration Act which mandates every employer to pay equal remuneration to men and women employees for the same work or work of similar nature.





Prevention Of Corruption At Workplace

We believe that corporations like ours have a responsibility to set exemplary standards of ethical behavior, both within the organisation as well as in their external relationships. We believe that unethical behavior corrupts organisational culture and undermines shareholder value.

A booklet on ITC's Code of Conduct, which also contains the policies against corruption, is periodically circulated to all managers. In addition, it is posted on the corporate intranet sites and the ITC Portal. The Audit Committee of the Board met nine times during the year to review, inter alia, the adequacy and effectiveness of the internal controls and monitored implementations, including those relating to the strengthening of the company's risk management policies and systems.

Instances of fraud involving employees or business partners were cognized for

and suitable action was taken. ITC has zero tolerance approach to corruption, resulting in immediate termination of service.

Public Policy Advocacy

Our senior managers participated in a large number of industry fora to help contribute to debates on public policy issues related to our businesses. ITC has provided assistance to establish industry institutions – namely the Tobacco Institute of India and the CII – ITC Centre of Excellence for Sustainable Development – to promote public

debate and shape policies on important national and industry issues. The Tobacco Institute of India is a tobacco industry body, which helps support industry norms and Government policies and initiatives.

Compliance

All our businesses/divisions have systems and procedures to identify and comply with all relevant statutory requirements. There was no major non – compliance with laws or regulations by any of our businesses in 2009 – 2010.

ITC believes that unethical behaviour corrupts organisational culture and undermines stakeholder value. Therefore the corporate governance process must continuously reinforce and help actualise our belief in ethical corporate citizenship.



SOCIAL SECTOR INVESTMENTS: MISSION SUNEHRA KAL

"ITC no doubt occupies an extremely important position in our social and corporate life by providing livelihood opportunities to millions of people.

I hope that ITC will continue to go ahead and make more landmark contributions towards the development of the country."

- Somnath Chatterjee
Former Speaker, Lok Sabha



FOR ALL OUR TOMORROWS



- Sustainable and inclusive growth in alignment with the Millennium Development Goals and the National Action Plan on Climate Change
- Social Forestry programmes
- Education, Women Empowerment & Gender Equality
- Sustainable livelihood opportunities



ITC's Social investment initiatives are in line with the United Nation's Millenium Development goals:

- Eradicate Poverty and Hunger through Sustainable Livelihoods
- Promote Gender Equality and Empower Women
- Achieve Universal Education

2.64

lakh households benefited



1.5

million individuals directly impacted



66

projects, spread across 51 districts across India



Nearly 700 million people living in rural India, with low adaptive capacities, have a direct and symbiotic dependence on climate sensitive natural resources (such as water, bio-diversity, mangroves, coastal zones, grasslands) for their subsistence and livelihoods.

Limited options of alternative off-farm employment, combined with endemic poverty, continue to imperil the livelihood security of millions of small and marginal farmers, mainly in rain-fed agricultural regions.

The production regime in rain-fed agriculture is inherently fragile and is

now getting aggravated due to the impact of climate change, leading to an increase in the frequency and intensity of droughts and floods. Climate change can severely impact the rural economy in more ways than one, including a potential threat to food security for the most vulnerable sections.



Adaptation to Climate Change Impact through Diversification of Farming Systems



ITC's engagement in the social sector since 2000 has addressed these major challenges through interventions on two simultaneous fronts:

Diversification of Farming Systems

This strategy is aimed at climate change adaptation by broad-basing the farm-based livelihoods portfolio of the poor. Initiatives have been spearheaded in five major areas: e-Choupal, wasteland development, soil and moisture conservation, value-added crop rotation and animal husbandry programmes.

Expanding Off-farm Income Portfolios

This strategy aims to reduce the disproportionate dependence of rural households on land for supporting livelihoods with the help of two initiatives: economic empowerment of women and community development.

Coverage

Projects implemented during 2009-10 stood at 66, spread across 51 districts of Andhra Pradesh, Tamil Nadu, Karnataka, Kerala, Orissa, West Bengal, Bihar, Madhya Pradesh, Maharashtra,

Rajasthan and Uttar Pradesh. Together, these programmes reach out to more than 2.64 lakh households and over 1.5 million individuals, who are directly impacted by various programmes spread over 3787 villages.

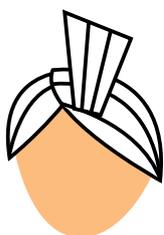
e-Choupal: A Path-breaking Tool that Knowledge-Enables the Farmer

The e-Choupal initiative revolutionised the Indian agricultural landscape by leveraging digital technology and customized extension services to empower farmers and raise rural incomes. By providing the power of Information and Digital Technology, small and marginal farmers are empowered with a host of services related to know-how, best practices, timely and relevant weather information, transparent discovery of prices and much more. The e-Choupal

Experiments like e-Choupal show the way forward in the application of modern science to the betterment of the life of the people. We need more such examples of entrepreneurial creativity

*- Dr. Manmohan Singh,
Prime Minister of India*

4 million farmers benefitted through ITC's e-Choupal initiative



40,000 villages reached by the e-Choupal digital infrastructure



network not only connects farmers to markets, but also allows for virtual integration of the supply chain, to create significant efficiencies in the traditional system.

A business concept embedded with social goals, e-Choupal has been designed to benefit farmers by enabling a virtuous cycle of higher productivity, higher incomes, enlarged capacity for farmer risk management and, thereby, larger investments to enable higher quality and productivity. Given the productivity challenges and the new threats emerging from global warming, ITC's e-Choupal is extensively engaging with farmers to promote sustainable agricultural practices through a dedicated initiative titled the 'Choupal Pradarshan Khet'. This customized extension service is aimed at bringing the benefits of agricultural best practices to small and marginal farmers.

ITC's e-Choupal network also serves as an effective rural marketing platform and, together with other channels established by ITC in rural markets, the network reaches remote villages in rural India. In recognition of the changing needs of rural India, new partnerships are being forged under the e-Choupal framework to help support micro-enterprises, as well as create new off-farm opportunities, through a recently created virtual rural employment platform available at "rozgarduniya.com". These innovations will continue to add value to the rural population as India takes the next leap into the future.

Wasteland Development: Social Forestry

The primary objective of the programme is to provide viable land-use options for degraded / marginal lands through the promotion of plantations, thus promoting sustainable livelihoods for poor farmers. The other positive spin-offs are groundwater recharge, soil conservation and carbon sequestration on a significant scale.



To ensure the commercial viability of these plantations, ITC's R&D Centre at Bhadrachalam developed site-specific clones that were high yielding and drought resistant.

The area covered under the forestry programme during 2009-10 was 13,333 hectares taking the total to 1,03,466 hectares. Of this, the area under social forestry during the year was 2,082 hectares. 933 hectares was felled by 1,174 beneficiaries during the year,

yielding 19,996 tonnes of debarked wood. The poor tribal farmers earned a gross income of Rs 3.60 crores at an average of Rs 31 thousand per farmer. The total village development corpus with the forest sanghas now stands at Rs 94 lakhs. To date, the Social Forestry programme has created sustainable livelihood opportunities for 19,376 poor households by transforming 16,442 hectares of land into productive plantations. In addition, it has augmented the raw material base for

	Cum to 2008-09	2009-10	Cum to Date
Coverage			
No of villages	454	26	480
No of beneficiaries	16,061	3,315	19,376
Plantation Area (Hectares)	14,360	2,082	16,442
Economic Impact			
Harvest Area (Hectares)	1,766	933	2,700
Income to Farmers (Rs. In Lakhs)	814	360	1,174
Village Development Fund	78	16	94



103,466

Hectares greened



11.74

Income for farmers in crores

The programme provides soil and moisture conservation to more than 51,000 hectares in some of the country's moisture-stressed districts

Activity	Unit	Cum to 2008-09	2009-10	Cum to Date
Coverage				
Area Treated	Hectares	22,349	5,952	28,301
Critical Irrigation Area	Hectares	21,492	1,501	22,993
Total Watershed Area	Hectares	43,841	7,454	51,294
Command Area				
Minor Structures	No	1,587	168	1,755
Major Structures	No	948	110	1,058
Total Structures	No	2,535	278	2,813



our paper business, contributed to carbon sequestration and has been registered for a CDM project, having a potential earning of 57,799 CER annually for 30 years.

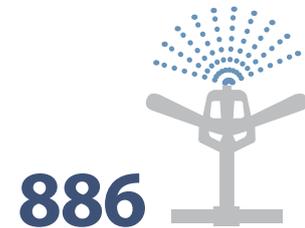
Soil & Moisture Conservation

It is essential to control soil erosion in rain-fed tracts in order to attain and maintain food security, sustainable forestry and agriculture. These are best addressed through the promotion of watershed management practices, which are effective means of recharging groundwater, improving soil fertility and enhancing productivity.

7,454 hectares was brought under soil and moisture conservation and 278 large and small water-harvesting structures were constructed during the year. These works created 4.83 lakh person-days of work for the landless and marginal farmers. As a result, the programme provides soil and moisture conservation to more than 51,000 hectares in some of the country's moisture-stressed districts. More than 2,800 water-harvesting structures not only provide life-saving irrigation to nearly 23,000 hectares, but have been the most significant contributors to the Company's water positive status. The target of reaching 50,000 hectares by 2010 was thus accomplished during the year.

These meaningful interventions in watershed development were further strengthened by several public-private partnerships that were formed successfully during the year. The total area under collaboration with NABARD in the states of Andhra Pradesh, Maharashtra, Rajasthan and Bihar stands at 34,000 hectares, to be covered over a period of five years. 49,000 hectares will be covered under the MoUs signed with the Governments of Maharashtra and Rajasthan. As a result of the MoUs signed during the year, the total area targeted for watershed development under various partnerships increased to 83,000 hectares.

Activity	Unit	Cum to 2008-09	2009-10	Cum to Date
Irrigation				
Group Irrigation	No	330	79	409
Sprinkler/Drip Irrigation	Nos	477		477
Demonstration Plots				
IPNM+Varietal demo	No	3,583	474	4,057
Vermicomposting	No	9,995	120	10,115
Nadep/Supercomposting	No	3,261	110	3,371
Beneficiary households	No	18,227	1,002	19,229
Local contribution (Rs)	Rs L	176	23	199



886

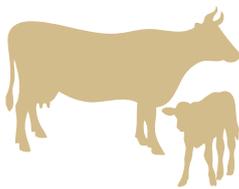
improved irrigation
Units have been
implemented to date

Integrated Agriculture Development

These interventions aim to improve farm productivity, and hence, incomes, by promoting a package of efficient farm practices and technologies that included provision of timely and quality agri-inputs through composting, varietal demonstrations and efficient management of water through group wells and sprinkler

systems. During 2009-2010, 79 group irrigation projects were implemented covering 184 hectares, 230 composting units were constructed and 474 demonstration plots were promoted. In addition, 205 hectares under Integrated Pest Management (IPM) spices and Medicinal Aromatic Plants (MAP) were promoted during the year. 1002 farmers were directly benefited under this programme.

40



Additional Cattle Development Centres were established during the year, taking the total to 161 CDCs

Activities	Cum to 2008-09	2009-10	Cum to Date
No of CDCs Breed Improvement	121	40	161
No of AIs	277,054	130,555	407,609
No of Crossbred Calves	68,352	35,881	104,233



Livestock Development

The Integrated Animal Husbandry Programme targets the second most important source of rural livelihoods through a threshold increase in yields of milch animals. The initiative assists small and landless households to upgrade livestock quality through cross-breeding by artificial insemination to boost milk

productivity by a factor of 6 to 9 times. 40 additional Cattle Development Centres (CDCs) were established during the year, taking the total to 161 CDCs. 1.31 lakh artificial inseminations (AIs) were performed. The year saw 36,000 live births. The total number of cross-bred calves born to date, as a result of this programme, stands at 1.04 lakhs. In a continuation of the trend established during 2006-2007, the average AIs, per

CDC, per month, improved this year too. This was largely possible because of the high performance registered by the financially viable CDCs, whose number is 51 (31% of the total), up from 18 CDCs last year. The programme covered 1.16 lakh households in 2645 villages during the year.

Economic Empowerment of Women

These projects aim to genderise development by creating sustainable income opportunities for women by mobilising them into self-help groups, promoting thrift and linking them to financial institutions for access to credit. A total of 1,035 SHGs were functional during the year, with a membership of more than 14,000 women handling a total micro-credit corpus of Rs 1.79 crores. In addition, the groups raised Rs 98 lakhs as loans from banks for various income generation activities during the year. 7,010 women were gainfully employed, either through micro-enterprises (1,641) or as self-employed (5,369), through income generation loans.

The total turnover of women-managed micro-enterprises during the year was Rs 2.2 crores, the bulk of which was accounted for by the sale of raw and scented agarbattis and petty business. These activities created 68,628 person-days of employment and a wage bill of Rs 25 lakhs for poor women.

Activity	Unit	Cum to 2008-09	2009-10	Cum to Date
Micro Credit Programme				
SHGs (cumulative)	No	1,023	1,035	1,035
Members (cumulative)	No	10,614	14,278	14,278
Savings (cum)	Rs. Lakhs	135	45	179
Livelihoods				
Self Employed	No	18,428	5,369	23,797
Micro enterprises	No	4,257	1,641	5,898
Credit				
Internal Loans	Rs. Lakhs	198	109	307
External Loans	Rs. Lakhs	300	98	398
Skills Training	No of women	1,877	595	2,472



2.2 crores 

total turnover of women managed micro-enterprises, the bulk of which was accounted for by the sale of raw and scented agarbattis and chikankari garments & petty business



Primary Education and Sanitation

The programme aims to increase employment opportunities through imparting skills and laying a solid foundation of education for children from poor families. The initiative primarily aims to maximise enrolment and minimise drop-outs through a variety of activities that enrich the process of learning (roaming laptop and libraries) and removes impediments to enrolment and learning, either by providing extra coaching or making government primary schools attractive (school infrastructure and supplementary learning centres). The primary education programme has, so far, covered over 2.29 lakh primary school goes. In addition, 577 government primary schools have been provided infrastructure support,

Activity	Unit	Cum to 2008-09	2009-10	Cum to Date
Supplementary Centres				
Schools	No	1,885	495	2,380
Students	No	1,83,457	45,415	2,28,872
School Infrastructure	No of Govt. school	339	184	577
Libraries	No	304		304
Roaming laptop	No of schools	196	64	260
Text/Exercise books	No of students	1,21,136	1,07,279	2,28,415

consisting of benches/chairs, compound walls/gates/roof, additional classrooms, teaching aids and sport kits. A total of 2,937 low-cost sanitary units have been constructed so far, with one-third of the costs being met by the beneficiaries.

2.29  lakh
primary school goes covered
by the programme



PRODUCT RESPONSIBILITY





Customer Safety - Our Prime Concern

Our uncompromising commitment in providing world-class products and services to satisfy customers on a consistent basis is supported by concern for the safety of our consumers/ customers.

All products in our Cigarettes business are internationally benchmarked and are supported by comprehensive research and testing facilities at the ITC Research & Development Centre, where laboratories conform to ISO/IEC 17025 and are certified by NABL (National Accreditation Board for Testing and Calibration). The use of proprietary software facilitates regular monitoring and review of stringent product specifications and raw materials. The manufacturing units have state-of-the-art facilities, cutting edge technology and international quality management systems, which are constantly reviewed and upgraded.

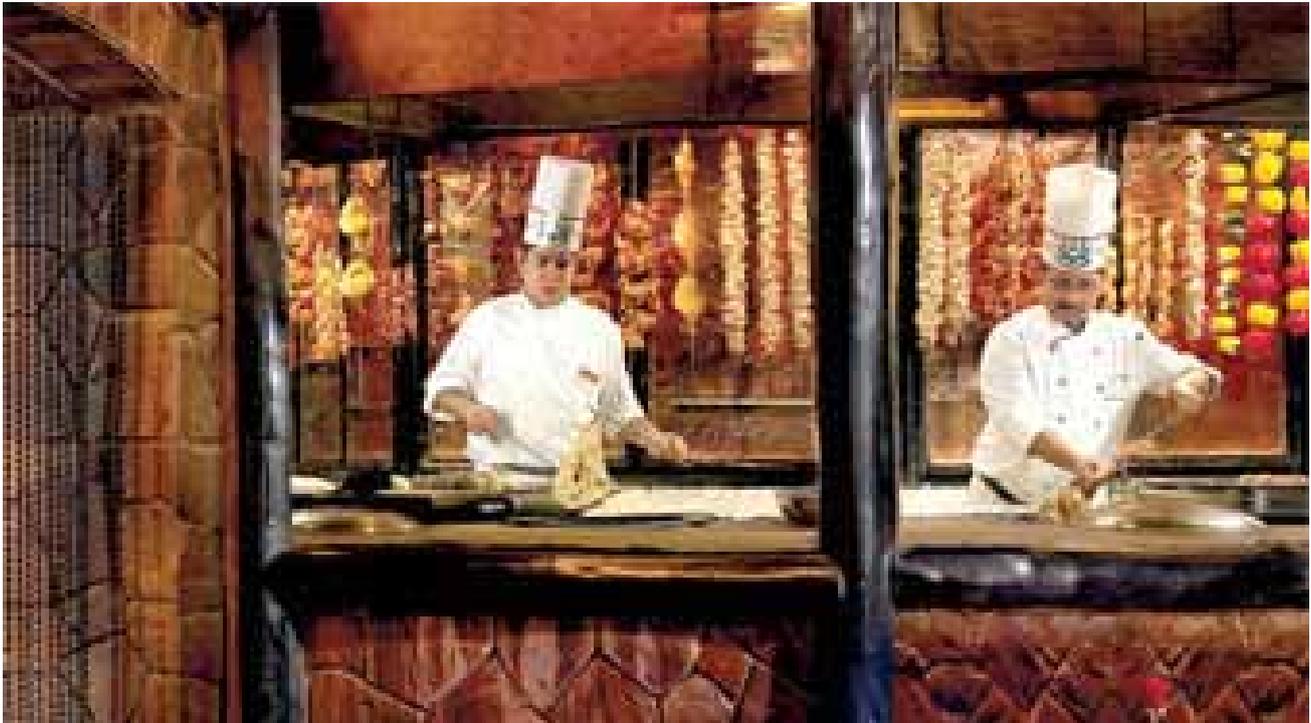
With the objective of preserving customer health and safety, the Foods business ensures adherence to highest levels of quality, safety and hygiene standards in manufacturing processes and in the supply chain. The business operates predominantly on a model of outsourced manufacturing. The quality performance of each manufacturer is monitored on a daily basis. 33 out of 37 manufacturing locations have already been Hazard Analysis and Critical Control Point (HACCP) certified and the remaining locations are progressing fast towards achieving this certification.

All the products in our Education & Stationery Products business use approved non-hazardous materials e.g.

ECF (Elemental Chlorine Free) paper, ink, dyes etc. Since the primary consumers of these products are children, stringent process quality control measures are in place to ensure safe products.

In our Agarbatti business IFRA (International Fragrance Resource Association, Geneva) approved chemicals are used in the fragrances for the manufacture of Mangaldeep Agarbattis. The laid down processes in





manufacturing are designed to ensure product safety and consistency.

In our Personal Care Products business, products have been created through extensive research and consumer engagement. The products have been developed in the state-of-the-art R&D centre in Bengaluru, by our team of highly skilled professionals over the last several years. The formulations use internationally recognised safe ingredients and are subjected to the highest standards of safety and performance. The manufacturing facilities adopt stringent hygiene standards, benchmarked manufacturing practices and robust quality systems.

In our Information Technology business quality of the software is assured through well-defined QMS following SEI – CMM framework and certified by ISO 9001-2000 IT guidelines. We ensure the security of the software by using standard software packages from reputed specialist organisations. Effective access control and asset management mechanisms are certified under ISO 27001 frameworks.

In our Hotels business, policies are in place to ensure the highest standards

of customer health, security and safety. Effective measures are taken to ensure that these policies are implemented and standards continually improved upon.

Our Paperboards & Specialty Papers business is the pioneering manufacturer of elemental chlorine free (ECF) pulp in India, which ensures the levels of dioxins and furans in the pulp to be less than 1 PPT (Parts Per Trillion). The global migration test is conducted periodically on all food grade paper and paperboards for compliance with the US FDA standards and to adhere to prescribed limits for presence of heavy metals. All manufacturing ingredients are procured from reputed international suppliers and must conform to US FDA standards as well as BFR recommendation No. 36. We ensure that the components of food allergens listed in EC directive 2003/89/EC, US FDA food allergen labelling and consumer protection are not used in any of the virgin grade boards and papers.

The Bollaram Unit, manufacturing food grade board for direct food contact, is 'third party' certified in accordance with BRC/IoP (British Retail Consortium/ Institute of Packaging) standards. Pira,

a renowned testing and consultancy firm, now certifies our 'Indobarr' and 'Cyber Propac' brands to be compliant with German BFR standards for Food Packaging.

In our Safety Matches business, all products conform to the specified standards as per BIS. In addition, all match sticks in our products are specially carborised to prevent after glow thereby enhancing consumer safety.

Our Packaging & Printing business uses only non-hazardous materials/ films and paperboards from either our own Paperboards & Specialty Papers business or other approved suppliers. The Chennai unit is the first in India to achieve IQRS (International Quality Rating System) Level 8 (Certified by DNV) and the Munger unit is progressing towards IQRS Level 7.

In the Agri Business products are sold or exported entirely as per customer specifications and requirements. Products in Choupal Saagars and Choupal Fresh are sourced from reputed companies as per statutory norms. In addition, fruits and vegetables in Choupal Fresh are sourced from farmers and mandis. Stringent process



control and quality inspection norms are in place to ensure the quality of all products.

In the Leaf Tobacco business the products are manufactured as per customer specifications. The customers in this business are large domestic and international Cigarette Manufacturers and Tobacco Merchants. We ensure that the specifications are meticulously complied with. Hygiene and Infestation Management Systems to control infestation are in place.

Our Agri Extension Services are designed to ensure Seed Integrity, Pesticide Residue Level monitoring and Non Tobacco Related Matter (NTRM) elimination to promote Product Hygiene standards. Several additional measures to eliminate NTRM across the value chain were implemented during the year.

Both Anaparti and Chirala GLTs have been certified to ISO 9001, IQRS Level 7 and other accredited third party certifications.

With a view to provide the highest standards of customer satisfaction,

health and safety in our Lifestyle Retailing business, prior to manufacture, inputs are tested for conformance in our in-house state-of-the-art R&D centre, accredited with NABL and certified to international standards. Product Quality is monitored through an internal rating system (PQRS) along with an external AQL norm followed internationally for apparel.

Product Information & Labelling

As an organisation which upholds and makes extraordinary efforts to ensure legitimacy, transparency and good governance, ITC's business operations strive to comply with every relevant law of the nation. Gradually increasing social pressure on tobacco often leads to public debates on its consumption. Stringent quality standards/systems are established to respond to queries/concerns and are made known to all stakeholders.

Our Cigarettes business complies fully with Standards of Weights and Measures Act (Packaged Commodities Rules), Central Excise Act and COTPA [Cigarettes and Other Tobacco Products (Prohibition of Advertisement and

Regulation of Trade and Commerce, Production Supply and Distribution) Act, 2003].

Our Foods business complies with all statutes including statutes on labelling and product information (e.g. Prevention of Food Adulteration Act, Standards of Weights & Measures Act, Food Products Order, Packaged Commodity Rules, etc.) relevant to packaged branded food products.

Our Education & Stationery Products and Agarbatti businesses comply with the requirements of Standards of Weights and Measures Act (including the Packaged Commodity Rules) and have built-in systems to ensure compliance, including review before the launch of a new category.

Our Information Technology business provides various Manuals & Release notes with proper labelling of software & services rendered to the customers.

In our Hotels business, brochures, in-room literature and the websites are used to provide relevant information regarding Rooms and Food & Beverages.

Our Personal Care Products business complies fully with the Standards of Weights and Measures Act (Packaged Commodities Rules), Drugs & Cosmetic Act, Bureau of Indian Standards and the applicable Trade Marks Law.

Our Paperboards & Specialty Papers business issues Quality Assurance Certificates for the consignments on request from customers. The information about the product, covering relevant technical parameters agreed with the customers, is documented in the product specimen sheet. The label on each pack bears the product name, substance (gsm), size, weight & batch/reference number for effective traceability.

In our Packaging & Printing business, we barcode all packages. Internal quality procedures follow norms/specifications agreed with the customers.

Products in our Agri business are primarily sold on a B2B basis and are labelled to meet customer requirements on quality, shipping marks or importing country labelling requirements. Where required we provide phytosanitary certificates, surveyor quality and quantity reports, Chamber of Commerce certificates, etc. We comply with all statutory requirements for exports. Products sold through Choupal Saagars and Choupal Fresh are labelled as per statutory requirements.

In the Leaf Tobacco business all the products are labelled in accordance with customer specifications. Labels normally contain information about the Grade, Crop Year, Weight, Lot No., Date and the Location at which the product is packaged and in certain cases, the destination and details of the customer. The bar code label on the packed product ensures 'Product Traceability' in the tobacco supply chain from Farm to the Customer.

All products, in our Lifestyle Retailing business conform with the Standards of Weights and Measures Act. Additionally, we also provide product information including attributes and salient features like fabric, styling, finishing, wash-care and benefits.

Our Safety Matches business complies fully with the requirements of the Standards of Weights and Measures Act (Packaging Commodity Rules). In addition, information is provided on the packaging regarding the safe usage of the product.

Marketing Communications

Our businesses have systems in place to ensure that we comply with all the statutes, codes and voluntary standards as stated. These are regularly audited to provide assurance.

In our Cigarettes business we ensure that all laws related to marketing such as The Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce,

Production, Supply and Distribution) Act 2003 and any State Government laws on advertising/promotion are strictly followed and the compliance is monitored on a regular basis. We also have an internal code on marketing that apart from incorporating all relevant laws, also includes all the requirements under The Advertising Standards Council of India's (ASCI) code of conduct. The internal code ensures that all communication follows relevant aspects of legislations and ASCI's Code. Review of this compliance is a continuous process for all marketing activities.

All products and services are in conformity with applicable laws and standards. In addition, we have a dedicated consumer response cell in order to answer any queries on the product.

The Foods, Personal Care Products, Agarbatti and Lifestyle Retailing businesses voluntarily follow the ASCI (Advertising Standards Council of India) Code for all marketing communications. Each product/campaign is vetted for compliance.

All communications in our Education & Stationery Products business in the form of Advertising, Promotion and Sponsorship adhere to voluntary and legal codes of conduct.

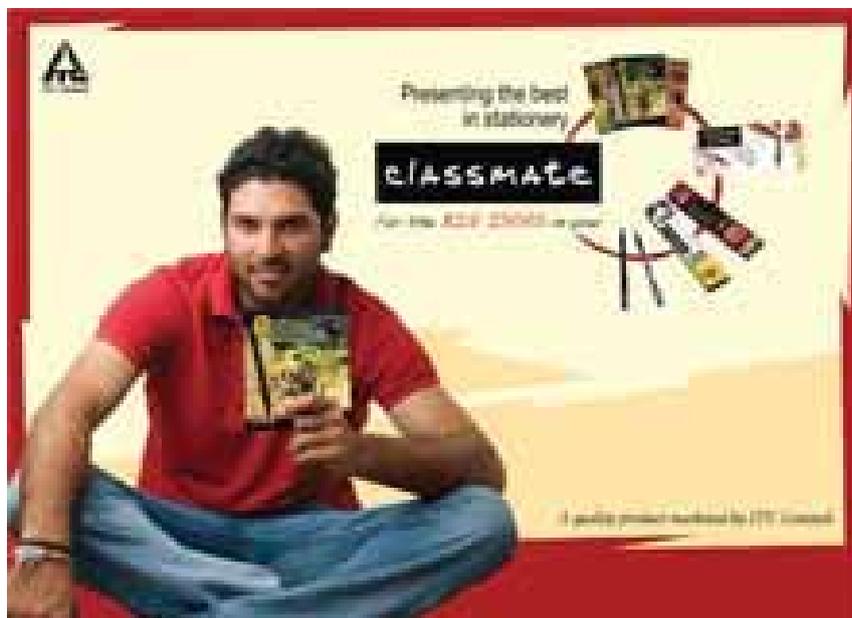
In our Hotel business marketing communication is governed by Self Regulation and guided by Indian Society of Advertisers (ISA) Rules and guidelines.

Our Agri business has adopted a voluntary code for advertising and communication duly approved by the Divisional Management Committee. All external communication is also vetted by the divisional Legal resource.

All Communication in our Safety Matches business in the form of Advertising and Promotional Material adheres to voluntary and legal codes of conduct.

Compliance concerning provision and use of product and services

All our businesses/divisions have well-established systems, procedures and review mechanisms to identify and comply with the laws and regulations concerning our products and services. We continued to comply with all applicable statutes during 2009-2010.



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	Stakeholder Engagement		
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4.15	Basis for identification and selection of Stakeholders	"	30
4.16	Approaches to stakeholder engagement, including frequency of engagement	"	30
4.17	Key topics and concerns and how the organisation has responded to those	"	30
Economic			
	Disclosure on Management Approach	Actions Taken to Implement Principles 1, 4, 6 and 7	103
	Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	*	34
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Actions Taken to Implement Principle 7	45
EC3	Coverage of the organisation's defined benefit plan obligations	*	39
EC4	Significant financial assistance received from government	*	37
	Market Presence		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	*	39

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Remarks
EC7	Procedure for local hiring, and proportion of senior management hired from the local community at locations of significant operation	Actions Taken and Outcomes from Implementing Principle 6	37
	Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	*	40
Environmental			
Disclosure on Management Approach		Actions Taken to Implement Principles 7, 8 and 9	103
	Materials		
EN1	Materials used by weight or volume	Outcomes from Implementing Principle 8	70
EN2	Percentage of materials used that are recycled input materials	Outcomes from Implementing Principles 8 and 9	70
	Energy		
EN3	Direct energy consumption by primary energy source	Outcomes from Implementing Principle 8	48
EN4	Indirect energy consumption by primary source	"	48
EN5	Energy saved due to conservation and efficiency improvement	Outcomes from Implementing Principles 8 and 9	49
	Water		
EN8	Total water withdrawal by source	Outcomes from Implementing Principle 8	54
EN10	Percentage and total volume of water recycled and reused	Outcomes from Implementing Principles 8 and 9	54
	Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Outcomes from Implementing Principle 8	69
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	"	69
	Emissions, Effluents and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	Outcomes from Implementing Principle 8	51
EN17	Other relevant indirect greenhouse gas emissions by weight	"	51
EN19	Emissions of ozone-depleting substances by weight	"	69
EN20	NOx, SOx and other significant air emissions by type and weight	"	67
EN21	Total water discharge by quality and destination	"	56
EN22	Total weight of waste by type and disposal method	"	61
EN23	Total number and volume of significant spills	"	69
	Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact	Actions Taken to Implement Principles 7, 8 and 9	71
	Mitigation		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Outcomes from Implementing Principles 8 and 9	71
	Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Outcomes from Implementing Principle 8	69

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Remarks
Social			
Labour Practices and Decent Work			
Disclosure on Management Approach		Actions Taken to Implement Principles 1, 3 and 6	104
Employment			
LA1	Total workforce by employment type, employment contract, and region	*	77
LA2	Total number and rate of employee turnover by age group, gender and region	Outcomes from Implementing Principle 6	77
Labour/Management Relations			
LA4	Percentage of employees covered by collective bargaining agreements	Outcomes from Implementing Principles 1 and 3	77
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Outcomes from Implementing Principle 3	77, 108
Occupational Health & Safety			
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	Outcomes from Implementing Principle 1	78
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	Actions Taken to Implement Principle 1	80
Training & Education			
LA10	Average hours of training per year per employee, by employee category	*	77
Diversity and Equal Opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Outcomes from Implementing Principles 1 and 6	81
LA14	Ratio of basic salary of men to women by employee category	"	82
Human Rights			
Disclosure on Management Approach		Actions Taken to Implement Principles 1, 2, 3, 4, 5 and 6	105
Investment and Procurement Practices			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Outcomes from Implementing Principles 1, 2, 3, 4, 5, and 6	81
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Actions Taken and Outcomes from Implementing Principles 1, 2, 3, 4, 5, and 6	81
Non-Discrimination			
HR4	Total number of incidents of discrimination and actions taken	Actions Taken and Outcomes from Implementing Principles 1, 2 and 6	81
Freedom of Association and Collective Bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Actions Taken to Implement Principles 1, 2 and 3	81
Child Labour			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Actions Taken to Implement Principles 1, 2 and 5	81

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Remarks
	Forced and Compulsory Labour		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Actions Taken to Implement Principles 1, 2 and 4	81
Society			
Disclosure on Management Approach		Actions Taken to Implement Principles 10	105
	Community		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	*	84
	Corruption		
SO2	Percentage and total number of business units analysed for risks related to corruption	Outcomes from Implementing Principle 10	83
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures		83
SO4	Actions taken in response to incidents of corruption	Actions Taken to Implement Principle 10	83
	Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying	Actions Taken to Implement Principles 1-10	83
	Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	*	83
Product Responsibility			
Disclosure on Management Approach		Actions Taken to Implement Principles 1 and 8	106
	Customer Health and Safety		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Actions Taken and Outcomes from Implementing Principle 1	93
	Products and Services labelling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Actions Taken and Outcomes from Implementing Principle 8	95
	Marketing Communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	*	96
	Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	*	96

* There is no COP requirement

ANNEXURES



Management Approach

Economic Performance

Policy - The Company's commitment in the area of economic performance is encapsulated in its Vision statement, which is 'to 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'. ITC's Mission is 'to enhance the wealth generating capability of the enterprise in a globalising environment delivering superior and sustainable stakeholder value'.

The Company's strategy is to ensure that each of its businesses is world-class and internationally competitive in the Indian global market in the first instance and progressively in the offshore global markets.

ITC, as a premier 'Indian' enterprise, consciously exercises the strategic choice of contributing to and securing the competitiveness of the entire value chain of which it is a part. This philosophy has shaped the Company's approach to business into 'a commitment beyond the market'.

Goals and Performance - At the enterprise level the Company's goals include -

Sustaining 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 2010 (available on www.itcportal.com) for a detailed discussion on the Company's market standing in each of the business segments.

Context - Please refer to the 'Report of the Directors and Management Discussion and Analysis' section of the Report and Accounts 2010 for a detailed discussion on the business environment, opportunities, key challenges, etc. pertaining to each of the Company's businesses (available on www.itcportal.com).

Environmental Performance

ITC strives to maximise natural resources usage efficiencies across its operations and also endeavors to create positive environmental externalities. This is achieved by appropriate mechanisms such as framing requisite policies, systems that verify compliance and a work environment that fosters innovation.

Focus areas - The Company focuses on the following aspects in its drive to continuously improve environmental performance.

Moving beyond Statutory compliance – with respect to emissions, effluents and waste.

A low carbon growth path – reduce specific energy consumption, increase contribution from renewable energy sources and increase carbon sequestration.

Maximise water usage efficiencies and rainwater harvesting

Minimise waste generation, achieve 100% waste recycling and use external waste as raw material, where possible.

Responsibility - It is the overall responsibility of the Divisional/Strategic Business Unit (SBU) Chief Executives, through the members of their Divisional Management Committees, General Managers and Unit Heads, to ensure implementation of Policies and Corporate Standards on Environmental Performance, including institution of various committees and designating specific responsibilities.

The Corporate EHS Department is responsible for reviewing and updating Corporate Standards on Environmental issues, verifying compliance and providing guidance and support as required.

Management - Quantified targets and objectives are defined for each business unit, to ensure progress on all applicable environmental aspects, progress against which is reviewed through annual Corporate and 3rd party audits. Performance of each business unit is reviewed at the Central Management Committee level, which is the apex management body for the organization.

Awards - The large number of awards and certifications listed in this Report are a testimony to ITC's commitment and progress towards creating positive environmental externalities.

Context - ITC businesses have internalised good environmental practices and no instances of statutory infringements have been recorded

across all businesses. Progress has also been recorded on key aspects such as reduction in net carbon intensity (increase in turnover and profits and further increase in sequestration over emissions), increase in rainwater harvesting potential created and improved waste recycling.

ITC will endeavor to extend these learning's down the supply chain where we believe that significant opportunity to influence and change, exists.

ITC understands that it is exposed to risks related to climate change. Protection of our assets in coastal areas has been reinforced in anticipation of increased severity of storms and cyclones, which may occur. Disruption in road and rail traffic by such extreme events may also affect individual unit's output, which has been taken care of by appropriate contingency and insurance plans. Higher surface temperatures (increased air conditioning costs) and disruption in water supplies are other anticipated risks. ITC has started a conscious movement towards green buildings by construction of the ITC Green Centre at Gurgaon which in 2004 was the largest platinum rated LEED certified building in the world. All new construction by ITC now incorporate validated green attributes and efforts are underway to have existing buildings and factories also meet validated green norms.

Our Agri-Businesses accounts for a significant part of our turnover and these can be affected by disruptions in rainfall patterns as are anticipated due to climate change. The impact will be felt not only by the agri commodity business but several other businesses like Cigarettes, Foods, Paperboards, which are critically dependent on agri-supply chains for raw material. Accordingly the impact will be across a significant part of the supply chain.

Of all the approaches that address the complex inter-relationships between natural resources and their impact on agricultural productivity, the integrated

watershed development approach has emerged as the most successful strategy. ITC has adopted this approach as the basis of its own model. Reflecting its commitment to the triple bottom line, ITC's model converges its social and environmental goals with the demands of its supply chains.

Labour Practices and Decent Work Environment

Policy - ITC is committed to employee engagement that upholds individual dignity and respects human rights. ITC's employment practices are premised on attracting and retaining talent based only on merit. Its capability development agenda ensures the deepening and enhancement of skills of all its employees through customised training and development inputs. All ITC employees operate in a work environment that is benchmarked internationally for the quality of its safety and health standards.

Responsibility - It is the overall responsibility of the Divisional Chief Executives, through the members of their Divisional Management Committees, Human Resources and EHS Functions, to ensure that employment and EHS practices in all units are in accordance with the policy outlined above and to ensure total compliance with all statutory provisions governing labour practices and decent work. Specific responsibilities are assigned to different individuals based on the roles being performed by them.

The Corporate Human Resources and EHS functions are responsible for reviewing and updating standards and guidelines on labour and EHS policies, employment practices, and for providing guidance and support to all concerned.

Management - The Company leadership 'walking the talk' and a relentless focus on implementing the policy underline the Company's approach to employment practices and creating a decent work environment.

The Human Resources and EHS functions of each business are the primary custodians of ITC's labour and EHS policies and employment practices, the implementation of which is reviewed periodically at the unit and the divisional levels. The Corporate Human Resources and EHS functions provide specialist services to assist in the implementation and monitoring of the same. The multi-layered and multi-dimensional audit framework of the Company also helps in monitoring compliance with laid down policies and statutory regulations.

Training & Awareness - The policy is shared with employees and potential employees through training programmes, communication sessions, the Company portal, intranet sites and pre-placement presentations. Managers from HR, EHS and Engineering departments are provided regular training for effective implementation of these policies.

Monitoring & Follow-up - The HR and EHS resources of the Divisions regularly monitor progress to ensure proper implementation of these policies, while the Unit Heads and the Divisional Management Committees follow-up periodically to ensure full compliance. The Corporate EHS Department undertakes regular audits of the units.

Objectives - The primary objective is to nurture a culture of meritocracy amongst a committed and enthusiastic workforce from diverse backgrounds. In the pursuit of this objective, the following goals have been set for the next five years -

All ITC's units, which are already 'beyond compliance' in all areas related to labour practices, will continue to be so.

Ensure that the Company's record of attraction and retention of talent is superior to other companies in the comparative sample.

Enable employees to perform to their fullest potential to add value to the enterprise, nation and themselves.

Enhance the Company's employee value proposition so that ITC retains its position as an employer of choice.

Endeavor to eliminate accidents and injuries both onsite and offsite.

Awards - A number of awards for excellence in Human Resources and EHS management and practices bear testimony to ITC's commitment to Human Resource Development and EHS and to best-in-class employment practices.

Context - High standards of employment and EHS practices enhance the Company's performance, help in the attraction and retention of quality talent, and enhance the equity of the Company as a responsible employer.

Human Rights

Policy - ITC is committed to conducting business in a manner that reflects its high ethical standards. It expects its employees and business partners to subscribe and adhere to this philosophy, which honours all local laws and upholds the spirit of human rights as enshrined in existing international standards such as the Universal Declaration and the Fundamental Human Rights Conventions of the ILO. The Corporate Management Committee of the Company has approved policies covering crucial human rights areas. ITC's Human Rights policies extend to all its operating sites.

Responsibility - It is the overall responsibility of the Divisional Chief Executives, through the members of their Divisional Management Committees, General Managers and Unit Heads, to ensure implementation of these policies on human rights, including designating individuals for specific responsibilities with respect to their Division.

Corporate Human Resources is

responsible for reviewing and updating standards on social policies, and for providing guidance and support to all concerned.

Management - The Human Rights policies approved by the CMC provide guidelines for the implementation of these policies and their periodic review. Corporate HR provides specialist services to assist in implementation and monitoring.

Training & Awareness - Employees are provided with training on the Company's Human Rights policies at Induction Programmes. The policies are available on the Company's website and intranet portals.

Monitoring & Follow-up - The HR resources of the Divisions ensure periodic follow-up to ensure implementation. The Internal Audit function of the Company is charged with the responsibility of ensuring compliance.

Objective - The Company's primary objectives in the area of Human Rights performance and the goals for the next five years are to ensure that -

All ITC's operational units are and will remain fully compliant with the Company's Human Rights policies, premised on a zero tolerance guiding principle towards such violations.

All investment decisions will integrate Human Rights considerations into the decision-making process.

All ITC's business partners will follow and adhere to the Human Rights policies that the Company upholds.

Context - High standards on Human Rights enhance the Company's reputation and build its brand equity, thus helping it achieve the goal of operational excellence. It gives ITC's business partners, customers and other strategic stakeholders the confidence of dealing with a value-driven Company. It is a crucial value proposition that is offered to potential employees to attract and retain talent and motivate

employees to give their best.

Society

Policy - As a large Indian enterprise, ITC is uniquely positioned to contribute to public policy, which it does through active participation in a number of fora. Its size also enables it to influence the process of development and contribute to sustainable growth in the areas in which it operates, thereby helping to transform the lives of a large number of people and communities. ITC's objective of making a positive contribution to the society where it operates is served by aligning its own operations with interventions and initiatives aimed at creating sustainable livelihoods through farm and non-farm based activities.

Striding a wider canvas in the interest of the nation, ITC is committed to ensuring the preservation of India's unique cultural heritage through various initiatives to promote, encourage and keep cultural traditions alive.

With such a diverse and critical social agenda, all ITC employees have the obligation to display high levels of integrity and ethical behavior.

Responsibility - It is the overall responsibility of the Corporate Management Committee to ensure that its investments in the social sector are an integral part of the Company's corporate strategy. Division-level initiatives respond to local needs and are monitored by the Divisional Management Committees and implemented through their local units in conjunction with the Corporate Human Resources Department.

The Corporate Management Committee and the Divisional Management Committees are responsible for reviewing and updating Corporate Standards on social and cultural development, and updating standards and guidelines for work in these areas as well as for providing guidance and support to all concerned.

Management - The Corporate Management Committee is the primary custodian of ITC's social initiatives. Implementation is reviewed periodically at the Unit, Divisional and the CMC levels. A dedicated team in the Corporate Human Resources Department provides specialist services to assist in implementation and monitoring of projects. The Units are responsible for responding to specific needs spelt out by local communities and implementation is monitored by the Divisional Management Committees. In discharging social responsibility projects, all applicable rules and regulations are complied with.

Training & Awareness - Employees engaged in social development initiatives are given regular training both to enhance their domain knowledge and improve management skills. Society is made aware of these projects and programmes through the circulation of a brochure called 'Transforming Lives and Landscapes'.

Monitoring & Follow-up - Regular monitoring and followup is undertaken by Corporate Human Resources. External accounting firms undertake quarterly financial audits. External audit firms and the Internal Audit function of the Company carry out system audits regularly.

Objective - The primary focus of ITC's Social Development Initiatives is to create sustainable sources of farm and off-farm livelihoods and to improve the social infrastructure especially in areas where it impacts women and children.

In pursuit of these objectives, the following goals have been set for the next five years -

Bring atleast 100,000 hectares under soil and moisture conservation practices.

Transform atleast 150,000 hectares of wastelands into productive and revenue-generating assets for the poor.

Create atleast 25,000 women entrepreneurs with a sustainable source

of supplementary incomes.

Improve the genetic stock of atleast 500,000 cattle through artificial insemination practices.

Provide supplementary education support services to atleast 300,000 children.

In its endeavor to preserve India's cultural and artistic heritage, ITC will also continue to ensure that its initiatives in the areas of preservation and promotion of Indian music, art and theatre are strengthened.

Context - A high level of community involvement creates long term enduring partnerships that contribute to creating a stable environment for its operations. ITC's commitment that extends beyond the market enhances the Company's credibility in the minds of stakeholders and policy makers. ITC's focus on Social Development and on preserving India's heritage is also a key element of its employee value proposition which helps in the attraction and retention of quality talent.

Responsibility for Products and Services

Management Approach - ITC ensures that all products and services offered to the consumer are in full compliance with all applicable national standards and aspires to achieve best in class international standards on environmental impacts, health and safety. Measures such as migration from solvent based inks to water based inks in the Packaging and Printing Business and replacing chlorine bleaching process with ozone bleaching in the Paperboards & Specialty Papers Business allows us, for example, to offer complete food grade packaging solutions, while having hotels, factories and offices comply with Green Building Standards and the National Building Code allows us to offer a green and safe environment for all our customers and employees. ITC continues its efforts on these aspects to achieve continual improvements in standards.

Product and Service Labeling - All ITC products and services are in complete compliance with relevant statutory requirements addressing these issues. An elaborate system of checks and measures are in place to ensure that no violations occur.

Compliance - All ITC businesses have well-established systems and procedures to ensure compliance with statutory and internal requirements, concerning issues such as Customer Health & Safety, Product & Service labeling, marketing communications and Customer privacy. International Quality Rating System (IQRS) for Business Excellence, which rates key processes against international benchmarks, has already been introduced in a number of businesses. In addition, various other quality improvement tools such as 'Six Sigma' initiatives have been integrated with the Quality Management Systems, to further strengthen compliance. In addition there is a rigorous system of internal audits to ensure compliance.

Goals & Performance - ITC continuously endeavors to provide its consumers products and services that are benchmarked to international quality standards. Individual business performance on 'Product Responsibility' is described elsewhere in the Report.

Context - All ITC products and services aspire to be best in class for their respective categories. These aspirations are backed by extensive R&D efforts spearheaded by the in-house R&D resources. Aspects influencing Health & Safety are factored in at the product / service design stage. ITC anticipates that social pressures towards responsible use of tobacco will increase and ITC remains fully committed to support this concern. The growing trend towards voluntary disclosures points to an era of increasingly well informed consumers, which we think will create additional opportunities for products & services with authenticated sustainability attributes.



Policies And Guidelines

Vision, Mission and Core Values

ITC's 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.

ITC's 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 values for all its stakeholders.

Trusteeship

As professional managers, we are conscious that ITC has been given to us in 'trust' by all our stakeholders. We will actualise stakeholder value and interest on a long-term sustainable basis.

Customer Focus

We are always customer-focused and will deliver what the customer needs in terms of value, quality and satisfaction.

Respect for People

We are result oriented, setting high performance standards for ourselves as individuals and teams. We will simultaneously respect and value people and uphold humanness and human dignity.

We acknowledge that every individual brings different perspectives and capabilities to the team and that a strong team is founded on a variety of perspectives.

We want individuals to dream, value differences, create and experiment in pursuit of opportunities and achieve leadership through teamwork.

Excellence

We do what is right, do it well and win. We will strive for excellence in whatever we do.

Innovation

We will constantly pursue newer and better processes, products, services and management practices.

Nation Orientation

We are aware of our responsibility to generate economic value for the Nation. In pursuit of our goals, we will make no compromise in complying with applicable laws and regulations at all levels.

Corporate Governance Policy

ITC defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth-generating capacity. Since large corporations employ a vast quantum of societal resources, ITC believes that the governance process should ensure that these resources are utilised in a manner that meets stakeholders' aspirations and societal expectations. This belief is reflected in the Company's deep commitment to

contribute to the 'Triple Bottom Line', namely, the development, nurture and regeneration of the nation's economic, social and environmental capital.

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

- Management must have the executive freedom to drive the enterprise forward without undue restraints; and
- This freedom of management should be exercised within a framework of effective accountability.

ITC believes that any meaningful policy on Corporate Governance must empower the executive management of the Company. At the same time, Governance must create a mechanism of checks and balances to ensure that the decision-making powers vested in the executive management are used with care and responsibility to meet stakeholders' aspirations and societal expectations.

From this definition and core principles of Corporate Governance emerge the cornerstones of ITC's governance philosophy, namely, trusteeship, transparency, empowerment & accountability, control and ethical corporate citizenship. ITC believes that the practice of each of these creates the right corporate culture that fulfils the true purpose of Corporate Governance.

The Policy Document that sets out the structure, policies and practices of governance is available on the Company's corporate website www.

itcportal.com under the section 'Our Values'.

ITC Code of Conduct

The ITC Code of Conduct, as adopted by the Board of Directors, is applicable to Directors, senior management and employees of the Company. This Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct. The Code covers ITC's commitment to sustainable development, concern for occupational health, safety and environment, a gender friendly workplace, transparency and auditability, legal compliance, and the philosophy of leading by personal example. Any instance of non-adherence to the Code or any other observed unethical behaviour on the part of those covered under the Code is to be brought to the attention of the immediate reporting authority, who, in turn, should report the same to the Head of Corporate Human Resources. The Code is available on the Company's corporate website.

ITC Code of Conduct for Prevention of Insider Trading

ITC has a Code of Conduct for Prevention of Insider Trading ('ITC Code') in the securities of the Company. The ITC Code, inter alia, prohibits purchase/sale of securities of the Company by directors and employees while in possession of unpublished price sensitive information in relation to the Company. The ITC Code is available on the Company's corporate website.

ITC's EHS Policy

ITC's mission is to sustain and enhance the wealth-generating capacity of its portfolio of businesses in a progressively globalising environment. As one of India's premier corporations employing a vast quantum of societal resources, ITC seeks to fulfil a larger role by enlarging its contribution to the society of which it is a part. The trusteeship role related to social and

environmental resources, aligned to the pursuit of economic objectives, is the cornerstone of ITC's Environment, Health and Safety philosophy. ITC's EHS philosophy cognises for the twin needs of conservation and creation of productive resources.

In the multi-business context of ITC, Corporate Strategies are designed to create enduring value for the nation and the shareholder, through leadership in each business and the attainment of world-class competitive capabilities across the value chain. The objective of leadership extends to all facets of business operations including Environment, Health and Safety.

ITC is, therefore, committed to conducting its operations with due regard for the environment, and providing a safe and healthy workplace for each employee. Various international and national awards and accreditations stand testimony to ITC's commitment to EHS. Such external recognition further reinforces the need to direct the collective endeavour of the Company's employees at all levels towards sustaining and continuously improving standards of Environment, Health and Safety in a bid to attain and exceed benchmarked standards, whether regulatory or otherwise.

In particular, it is ITC's EHS policy

To contribute to sustainable development through the establishment and implementation of environment standards that are scientifically tested and meet the requirement of relevant laws, regulations and codes of practice.

- To take account of environment, occupational health and safety in planning and decision-making.
- To provide appropriate training and disseminate information to enable all employees to accept individual responsibility for Environment, Health and Safety, implement best practices, and work in partnership to create a culture of continuous improvement.

- To instil a sense of duty in every employee towards personal safety, as well as that of others who may be affected by the employee's actions.

- To provide and maintain facilities, equipment, operations and working conditions which are safe for employees, visitors and contractors at the Company's premises.

- To ensure safe handling, storage, use and disposal of all substances and materials that are classified as hazardous to health and environment.

- To reduce waste, conserve energy, and promote recycling of materials wherever possible.

- To institute and implement a system of regular EHS audit in order to assure compliance with laid down policy, benchmarked standards, and requirements of laws, regulations and applicable codes of practice.

- To proactively share information with business partners towards inculcating world-class EHS standards across the value chain of which ITC is a part.

All employees of ITC are expected to adhere to and comply with the EHS Policy and Corporate Standards on EHS.

ITC's EHS Policy extends to all sites of the Company. It will be the overall responsibility of the Divisional/SBU Chief Executives, through the members of their Divisional Management Committees, General Managers and Unit Heads, to ensure implementation of this Policy and Corporate Standards on EHS, including formation of various committees and designating individuals for specific responsibilities in respect of their Division/SBU.

The Corporate EHS Department is responsible for reviewing and updating Corporate Standards on EHS, and for providing guidance and support to all concerned.

Significant Changes

Policy - All major changes in operations, involving work processes, manning norms and other productivity linked issues are implemented after discussions with the employees and the recognised unions at each location.

Implementation - Business plans are shared with employees at all units through a series of communication meetings, and through the intranet portals. Unionised employees at the concerned units are informed of all major changes well in advance through their representatives.

The responsibility for the implementation of the policy rests with the Unit's Human Resources Department in the case of unionised employees and with the concerned Divisional Management Committees for other employees.

The employees are given enough time to consider the implications of change and an opportunity to discuss their apprehensions, if any, with the management. The Policy is actualised through consultative meetings with representatives of employees, culminating in joint minutes/agreements.

Monitoring & Auditing - Compliance with the Policy is regularly monitored by the Unit Head.

Policy on HIV/AIDS

Policy - The Company's policy on HIV/AIDS with regard to its employees will, at a minimum, comply with all relevant Central and State legislations and the Company will implement all policies and directives of the Government regarding HIV/AIDS whenever issued.

The Company will provide to all its employees sensitive, accurate and the latest information about risk reduction strategies in their personal lives, with the objective of reducing the stigma of HIV/AIDS, encouraging safe behaviour and improving understanding of

treatment. The Company is committed to providing a safe and healthy workplace to all its employees. It is the Company's objective that employees will have access to health services to prevent and manage HIV/AIDS.

The Company will not discriminate against any employee infected by HIV/AIDS with regard to promotions, training and other privileges and benefits as applicable to all employees. All HIV positive employees will be allowed to continue to work in their jobs unless (a) medical conditions interfere with the specific job being done, in which case reasonable alternative working arrangements will be made; or (b) the employee is incapacitated to perform his/her duties and is declared medically unfit by a medical doctor, in which case the employee will be assisted to rehabilitate himself/herself outside the Company.

The Company will not make pre-employment HIV/AIDS screening mandatory as part of its fitness-to-work assessment. Screening of this kind refers to direct methods (HIV testing), indirect methods (assessment of risk behaviour), and questions about HIV tests already taken. HIV/AIDS test will not be part of the annual health check-up unless specifically requested for by an employee.

Voluntary testing for HIV/AIDS, when requested for by the employee, will be carried out by private or community health services and not at the workplace. There will be no obligation on the part of the employees to inform the Company about their clinical status in relation to HIV/AIDS. Information on clinical diagnosis of an employees' status in terms of his/her HIV/AIDS status, if advised to the Company, will be kept strictly confidential.

Implementation - This policy is publicly available throughout the Company and clearly communicated to all employees in a manner in which it can be understood through induction programmes, policy manuals and

intranet portals.

The responsibility for the implementation of the policy rests with the Unit Human Resources Departments. A report is provided to the Divisional Head on such programmes.

Monitoring & Auditing - Compliance with the Policy is regularly monitored by the Unit Head.

Human Rights Consideration in Significant Investments

Policy - ITC's commitment to human rights extends to all its significant investment decisions in order to ensure integration of statutory compliance, environmental, occupational health and safety, human rights and progressive labour policies into business decision-making processes.

Implementation - The custodian of this policy is the Divisional Chief Executive/SBU Head of the concerned business.

Monitoring & Audit - The Internal Audit function of ITC conducts periodic checks to ensure that such clauses form part of investment contracts signed during the audit period.

Human Rights Consideration Across the Supply Chain

Policy - ITC endeavours to ensure that all its service providers/vendors incorporate high standards of human rights, safety, health, labour practices and environment in their operations as practiced by the Company.

Implementation - The responsibility for implementation of this policy rests with the Divisional Chief Executive/SBU Head of the concerned business.

Monitoring & Audit - The Internal Audit function of ITC conducts periodic audits to ensure that such clauses form part of the investment contracts signed during the audit period.

Prevention of Discrimination at Workplace

Policy - ITC's approach to its human resources is premised on the fundamental belief of fostering meritocracy in the organisation, which promotes diversity and offers equality of opportunity to all employees. ITC does not engage in or support direct or indirect discrimination in recruitment, compensation, access to training, promotion, termination or retirement based on caste, religion, disability, gender, age, race, colour, ancestry, marital status or affiliation with a political, religious, or union organisation or a minority group.

Implementation - The policy is communicated to all employees through induction programmes, policy manuals and intranet portals. The custodian of this policy is the Divisional Chief Executive or the SBU Head of each business.

The speedy resolution of formal complaints is premised on the freedom of employees to approach higher officials in case the issue is not settled at the level of his/her immediate superior. The salient features of the issue and steps taken towards its resolution are minuted. For the unionised employees, compliance with the policy is ensured through a robust grievance handling procedure and the presence of a union that is expected to bring violations to the notice of the unit HR Head.

Monitoring & Auditing - The accountability for the application of this policy rests with the Unit Head who reviews anti-discriminatory complaints annually or on a case-by-case basis. The HR department of the Division/SBU reports annually on incidents of discrimination, if any, to the SBU Head or the Divisional Chief Executive. Corporate Human Resources conducts non-discrimination reviews annually on a sample basis with Unit Heads and through on-site assessments.

Freedom of Association

Policy - ITC respects the employees' right to organise themselves into interest groups, independent from supervision by the management. In keeping with the spirit of this policy, employees are not discriminated against for exercising this right.

Implementation - The policy is communicated to all employees through induction programmes, policy manuals and intranet portals. The custodian of this policy is the HR Head of each operational unit who reports directly to the Unit Head on such issues. The employees are informed of these rights by the unions who solicit their support to represent them formally before the management.

Monitoring & Audit - Each ITC Unit has appropriate systems to ensure compliance with the Policy and statutory provisions, including means for filing of grievances, collective bargaining agreements and minutes of worker meetings. The HR department of the concerned unit submits annual reports to the functional head in cases of identified incidents of violation of freedom of association and collective bargaining. Divisional and Corporate HR regularly monitor compliance with the Policy. Corporate HR compiles these on a half-yearly basis and reports to the Corporate Management Committee.

Prohibition of Child and Forced Labour

Policy - ITC does not employ any person below the age of eighteen years at the workplace. ITC prohibits the use of forced or compulsory labour at all its units. No employee is made to work against his/her will or work as bonded/forced labour, or subject to corporal punishment or coercion of any type related to work.

Implementation - This policy is publicly available throughout the Company and clearly communicated to all employees in a manner in which it can be understood through

induction programmes, policy manuals and intranet portals. The workers are informed of these rights by the trade unions active at each unit.

The implementation of the policy is the responsibility of the Unit's HR Department and the security staff who do not permit minors to enter the factory as workers.

Employment contracts and other records, documenting all relevant details of the employees, including age, are maintained at all units and are open to verification by any authorised personnel or relevant statutory body.

The unit provides an annual report on all reported, if any, incidents of child or forced labour to the functional head.

Monitoring & Audit - Corporate Internal Audit and EHS departments undertake audit and assessment annually. Corporate Human Resources undertakes random checks of records annually.

Prevention of Corruption at Workplace

Policy - All employees of ITC have the obligation to conduct themselves in an honest and ethical manner and act in the best interest of the Company at all times. They are expected to demonstrate exemplary personal conduct. All employees of ITC must avoid situations in which their personal interest could conflict with the interest of the Company. Conflict, if any, must be disclosed to the higher management for guidance and action. All employees must ensure that their actions in the conduct of business are totally transparent.

Implementation - The strong corporate governance process of the Company creates the environment for the formulation of robust internal systems and procedures in a structured manner for the conduct of the Company's business. An effective policy for prevention of corruption is actualised through appropriate policies, systems

and processes such as the delegated authority structure as per Corporate Governance policies, segregation of duties, tiered approval mechanisms, the involvement of more than one manager in key decisions and maintenance of supporting records.

All ITC managers are provided with adequate training inputs to be aware of the systems and procedures and to ensure compliance.

The custodian of this policy is the Corporate Management Committee, the Divisional Chief Executives/SBU Heads and Heads of departments. A core responsibility of the DMCs is to put in place appropriate control and risk management mechanisms to ensure that businesses are conducted as per the Governance Policy and the Company's Code of Professional Conduct. The Divisional Chief Executives/SBU Heads provide confirmation of compliance with the laid down systems and procedures.

Monitoring & Audit - The Company remains committed to ensuring an effective internal control environment that provides assurance on potential risks. ITC's well-established and robust internal audit processes continuously monitor the adequacy and effectiveness of the internal control environment across the Company. Weaknesses or noncompliance, if any, are identified during the audit process for rectification, thereby providing crucial inputs for continuous improvements in the systems and procedures. Significant issues, if any, are brought to the notice of the Audit Committee together with the progress made for resolution. Confirmations given by the businesses to the Board are independently verified by Internal Audit as per the directions of the Audit Committee.

IT E-waste Management

Objective

ITC's achievements across all three dimensions of the "Triple Bottom Line" - economic, social and environmental is well known and recognized globally. Being a pioneer in environmentally sustainable operations (e.g Carbon and Water positive , Solid Waste Recycling positive), we need to meet demanding standards of responsible waste management in all aspects of our operations.

With pervasive use of electrical and electronic equipments in our daily operations, disposal of obsolete equipments is increasingly posing a threat to our environment . There is therefore a need to handle such disposals - referred to as E-Waste - in a responsible manner in line with emerging global best practices and standards.

IT E-Waste is a subset of E-Waste and covers the following IT equipment:

IT E-Waste Policy

The lifecycle of all IT assets spanning from acquisition to disposal shall be managed in a manner which conforms to sound environmental norms as detailed in the IT E-Waste guidelines. This includes :

- Preferential dealing with IT vendors having sound E-Waste management processes
- Extending the useful life of IT assets to postpone/ minimise generation of E-Waste
- Responsible disposal processes conforming to regulatory requirements and best practices

For detailed E-Waste management guidelines, please visit www.itcportal.com.

Category	Items
Computers	Server/Desktop computer (CPU, Monitor, Keyboard and Mouse), Laptop, Notebook, Dumb terminal, etc or similar items
Printer and Accessories	Printer, Scanner, Printer Cartridge, Toner etc or similar items
Network equipment	Routers, Switches, Patch panel, Modem, Converter, VSAT equipments, etc or similar items
IT Accessories	TV Tuner box, Floppy, CD and DVD, Pen Drive, External Hard Disk, External CD/DVD writer, DAT Drive, Speaker, Laptop Battery, Hand held Device, VC equipment, Data Cartridge, etc or similar items
IT Accessories	Power cable, Data cable, UPS, Electrical items etc or similar items



Memberships & Affiliations

- † Agricultural & Processed Foods Export Development Authority
- † All India Food Processors Association
- † All India Management Association
- † All India Rice Exporters Association
- † All India Spices Exporters Forum
- † Andhra Pradesh Chamber of Commerce & Industry
- † Apparel Export Promotion Council
- † Asian Packaging Federation
- † Associated Chambers of Commerce & Industry
- † Associated Chambers of Commerce U.P.
- † Bangalore Chamber of Industry and Commerce
- † Bangalore Management Association
- † Bihar Chamber of Commerce
- † Bihar Industries Association
- † Bihar State Productivity Council
- † Bombay Chamber of Commerce and Industry
- † Bombay Management Association
- † Bureau of Indian Standards
- † Chhattisgarh Chamber of Commerce & Industries
- † Central Food Technology Research Institute
- † Chemicals & Plastics Export Council of India
- † Coal Consumers Association
- † Cochin Chamber of Commerce & Industry
- † Coffee Board
- † Coffee Exporters Association
- † Coimbatore Management Association
- † Coimbatore Productivity Council
- † Confederation of Indian Industry
- † Eastern India Shippers Association
- † Ecotourism Society of India
- † Federation of Andhra Pradesh Chambers of Commerce and Industry
- † Federation of Biscuits Manufacturers Association of India
- † Federation of Hotels & Restaurants Association of India
- † Federation of India Export Organisation
- † Federation of Indian Chambers of Commerce and Industry
- † Federation of Industries and Commerce of North Eastern Region
- † Federation of Jharkhand Chambers of Commerce & Industry
- † Federation of Karnataka Chambers of Commerce & Industry
- † Federation of Madhya Pradesh Chambers of Commerce & Industry
- † Gujarat Chamber of Commerce & Industry
- † Guwahati Management Association
- † Hotel Association of India
- † International Market Assessment India Limited
- † Indian Association of Tour Operators
- † Indian Chamber of Commerce
- † Indian Chamber of Commerce and Industry, Coimbatore
- † Indian Coffee Trade Association
- † Indian Confectionery Manufacturers Association
- † Indian Industries Association
- † Indian Institute of Packaging
- † Indian Merchants Chamber
- † Indian Oil & Produce Exporters Association
- † Indian Paper Manufacturers Association
- † Indian Printing Packaging and Allied Machinery Manufacturers Association
- † Indian Spices & Foodstuff Exporters Association
- † Indian Society of Advertising
- † Indian Soap & Toiletries Makers' Association
- † Indian Tobacco Association
- † Indo American Chamber of Commerce
- † Indo Australian Chamber of Commerce



- † Indo German Chamber of Commerce
- † Institute of Directors
- † International Chamber of Commerce
- † International Life Science Institute
- † International Packaging Group
- † Kerala Management Association
- † Leatherhead Food International, UK
- † Madras Chamber of Commerce & Industry
- † Madras Management Association
- † Madras Printers and Lithographers Association
- † Maharashtra Chamber of Commerce, Industry & Agriculture
- † Marine Products Export Development Authority
- † Multi Commodity Exchange of India Limited
- † National Council of Applied Economic Research
- † National Safety Council
- † Pacific Asia Travel Association
- † Paper Film and Foil Converters Association
- † PHD Chamber of Commerce and Industry
- † Protein Food and Nutrition Development Association of India
- † Retailers Association of India
- † Seafood Exporters Association of India
- † Snack Foods Association
- † Solvent Extractors Association of India
- † Soyabean Processors Association of India
- † Spice Board
- † Tamil Nadu Electricity Consumers Association
- † The Bengal Chamber of Commerce & Industry
- † The Central Organisation for Oil Industry and Trade
- † The Utkal Chamber of Commerce & Industry
- † The Visakhapatnam Chamber of Commerce & Industry
- † Travel Agents Association of India
- † West Bengal State Productivity Council
- † Western UP Chamber of Commerce & Industry
- † World Travel & Tourism Council India Initiative

Independent Assurance Statement

Ernst & Young Pvt. Ltd. (EY) was retained by ITC Limited (the "Company") to provide an independent assurance on its Sustainability Report 2010 (the "Report"), limited to the social and environmental information therein. ITC's management is responsible for the content of the report, identification of the key issues, engagement with stakeholders and its presentation. EY's responsibility is to provide assurance on the report content, as described in the scope of assurance.

Assurance Standard

The assurance engagement was planned and performed in accordance with International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Our evidence-gathering procedures have been designed to obtain a limited level of assurance (as set out in ISAE 3000) on which we base our conclusions.

Scope of Assurance and Methodology

The scope of our work for this assurance is limited to review of information pertaining to environment and social performance for the period of 1st April 2009 to 31st March 2010, in 8 selected representative units from various businesses of the Company, which are material to the Company's triple bottomline performance, as below:

- Hotels Division - ITC Mughal, Agra; ITC Sonar, Kolkata
- Paperboards and Specialty Papers Division - Bhadrachalam
- ITD (Tobacco Division) - Saharanpur
- ILTD (Leaf Tobacco Division) - Chirala
- Packaging & Printing Business - Haridwar
- Foods Division - Haridwar
- Personal Care Products Division - Haridwar

EY's multidisciplinary team of professionals visited the Company's above manufacturing units in order to gain assurance on the data and information presented in the report, on core G3 indicators listed below;

- EN 1: Raw material consumption
- EN 3: Direct energy consumption
- EN 4: Indirect energy consumption
- EN 8: Total water withdrawal
- EN 16: Total direct and indirect GHG emissions by weight
- EN 20: SO_x, NO_x and other significant air emissions by type and weight

- EN 21: Quantity and quality of water discharged by destination
- EN 22: Total weight of waste by type and disposal method
- LA 1: Total workforce
- LA 4: Unionised employees
- LA 7: Safety performance (Fatality, reportable injury and man-days lost)
- LA 10: Training manhours per employee category
- SO 1: Nature scope and effectiveness of programs that assess the impact of business on community
- PR 3: Product labeling
- PR 6: Adherence to codes and voluntary guidelines for marketing

The nature and scope of our work was based on our professional judgment and we have performed procedures deemed necessary to provide a basis for our conclusions. The approach to the assurance exercise included interaction with key personnel to identify the processes in place to capture sustainability performance data and information as per GRI 2006 (GRI-G3) guidelines. The team conducted review and verification of data collection process, measurement methodology and general review of the logic of inclusion/omission of necessary information/data, limited to:

- Review of major anomaly within the report as well as between the report and source data/information;
- Verification of the data and information reported at the manufacturing units and corporate office;
- Execution of audit trail of selected data streams and information to determine the level of accuracy in collection, transcription and aggregation processes followed;
- Review of Company's plans, policies and practices, so as to be able to make comments on the completeness of reporting and degree to which EY believes the report provides a fair and honest representation of the Company's activities.

Limitations of our engagement

The assurance scope excludes:

- Aspects of the Report other than those mentioned above;
- Data and information outside the defined reporting period (1 April 2009 to 31 March 2010);
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention;
- Data and information on economic and financial performance of the Company, which are from the Company's audited financial records.

Conclusions

On the basis of our scope of assurance and methodology, nothing has come to our attention that would cause us not to believe that the Report presents in a fairly balanced and complete manner the material aspects of the sustainability performance of the Company.

Other Observations

The Company has used GRI-G3 Guidelines and relevant protocols. The systems and procedures applied by the Company for collection, collation and interpretation of non-financial data on environment and social performance, for reporting purpose, are reliable.

The initiatives on carbon sequestration, waste recycling and creating rainwater harvesting potential demonstrate the Company's commitment on these key sustainability issues. The Company's carbon positive status is based on improvements in specific energy consumption, increasing share of energy from renewable resources and sequestration of CO2 emissions through social and farm forestry initiatives. The water-positive status is based on reduction of specific water consumption and creation of the rainwater harvesting structures with an evaluated rainwater harvesting potential. Waste recycling positive status of the company is by recycling of wastes generated out of their operations and external wastes used as raw material. We observed significant initiatives on sustainability management across the business Units visited .

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 organisation.

Ernst & Young Private Limited

(Sudipta Das)

Partner

17th September, 2010

Kolkata, India

Application Level

A+

Standard Disclosure

G3 Profile Disclosures

G3 Management Approach Disclosures

G3 Performance Indicators & Sectors Supplement Performance Indicators

Output

Output

Output

Reported on
1.1 - 1.2
2.1 - 2.10
3.1 - 3.13
4.1 - 4.17

Management Approach disclosed for each Indicator category

Responded on each core G3 indicator with due regard to Materiality Principle by either -
a) reporting on the indicator, or
b) explaining the reason for its omission

Report Externally Assured by Ernst & Young

100 Years. 1 Mission. India First.

For a 100 years now, ITC has pursued its aspirations by putting the Nation First. Inspired by a larger national purpose to create sustainable livelihoods, we have created innovative business models that enrich the lives of millions of Indians every day.

- ITC's e-Choupal empowers 4 million farmers in 40,000 villages
- Our value chains support 5 million livelihoods
- 46 million person days of employment generated by greening over 1,00,000 hectares
- ITC's watershed programme brings precious water to irrigate over 50,000 hectares
- Over 20,000 rural women entrepreneurs created
- Supplementary education programme has reached out to 2,00,000 children
- Animal husbandry services to nearly 4,00,000 animals, supplementing non-farm livelihoods
- Nearly one-third of energy consumed is from renewable sources

The only company in the world to be carbon positive, water positive and waste recycling positive

ITC: Putting Country before Corporation—Always.

Let's Put India First



100 Inspiring Years

1910-2010

For more information, please visit: www.itcportal.com