

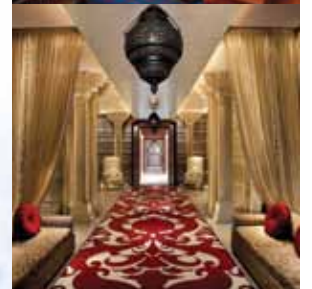


The only Company
in the world to
be **carbon, water
and solid waste
recycling positive**

More than
**40% of energy
consumption at
ITC is from
renewable sources**



**SUSTAINABILITY REPORT 2013
ITC LIMITED**



ITC Hotels -
**Greenest
Luxury Hotel Chain
in the world**



FOR ALL OUR TOMORROWS

Creating over
**5 million
sustainable
livelihoods**





Statement GRI Application Level Check

GRI hereby states that **ITC Limited** has presented its report "Sustainability Report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 4 July 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI globe logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because ITC Limited has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance

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ITC: An Exemplar In Triple Bottom Line Performance



ENVIRONMENT

WATER POSITIVE: 11 YEARS IN A ROW

CARBON POSITIVE: 8 CONSECUTIVE YEARS

**SOLID WASTE RECYCLING POSITIVE:
FOR THE LAST 6 YEARS**

**SOIL & MOISTURE CONSERVATION TO
1,16,000 HECTARES**

ITC's Watershed Development initiative brings precious water to more than 1,16,000 hectares of moisture-stressed areas

40% RENEWABLE ENERGY

More than 40% of ITC's total energy consumption is from renewable sources

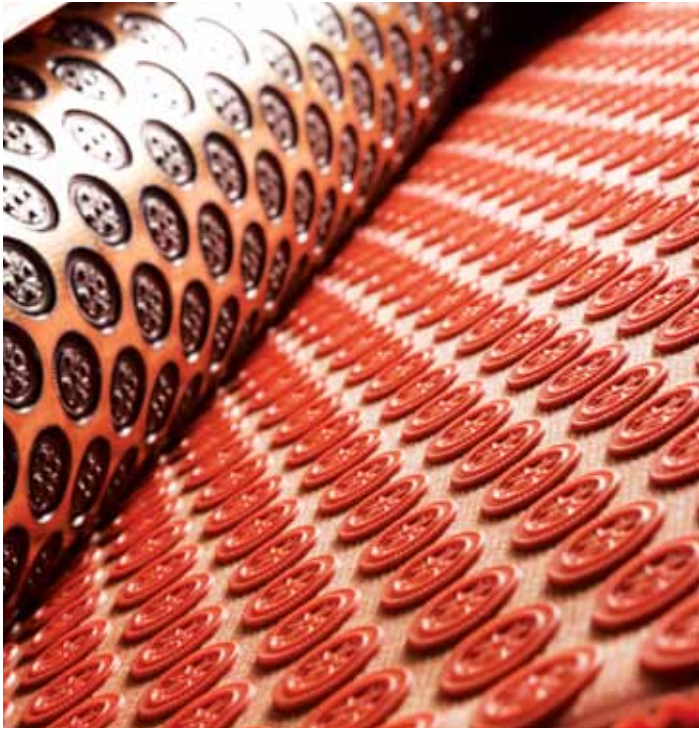
GREENEST LUXURY HOTEL CHAIN

All ITC's premium luxury Hotels are LEED Platinum certified

1,42,000 HECTARES GREENED

ITC's Social and Farm Forestry initiative has greened over 1,42,000 hectares





SOCIAL

CREATING 5 MILLION SUSTAINABLE LIVELIHOODS



CREATING COMMUNITY ASSETS

Strengthening the agri production base of nearly 4 lakh farmers

EDUCATING 3,00,000 CHILDREN

ITC's Primary Education initiative has educated over 3,00,000 children

EMPOWERING 4 MILLION FARMERS

ITC's globally acknowledged e-Choupal initiative is the world's largest rural digital infrastructure benefitting over 4 million farmers

40,000 SUSTAINABLE LIVELIHOODS FOR RURAL WOMEN

ITC's Women's Empowerment initiative has created nearly 40,000 sustainable livelihoods

ANIMAL HUSBANDRY SERVICES TO 8,00,000 MILCH ANIMALS

ITC's Livestock Development initiative has provided animal husbandry services for over 8,00,000 milch animals



ECONOMIC



**MARKET CAPITALISATION:
OVER \$ 45 BILLION**

TURNOVER: OVER \$ 7 BILLION

**26% COMPOUND ANNUAL GROWTH IN
TOTAL SHAREHOLDER RETURNS OVER
THE LAST 17 YEARS**

30,000 EMPLOYEES

ITC Group provides direct employment to more than 30,000 people

**POWERING GROWTH WITH MULTIPLE
BUSINESS DRIVERS**

Diversified multi-business conglomerate spanning FMCG, Hotels, Paperboards & Packaging, Agri Business and Information Technology

**POWERED BY THE VITALITY OF
WORLD-CLASS BRANDS**

ITC's Vision & Strategy

Chairman's Statement



I have great pleasure in presenting ITC's Sustainability Report 2013, a transparent and voluntary disclosure of the Company's Triple Bottom Line performance. It encapsulates ITC's abiding commitment and pro-active action in contributing meaningfully to India's pursuit of sustainable and inclusive development. ITC's multi-dimensional sustainability initiatives also support the global community's efforts in building a secure future for the generations to come.

This Report commemorates an important milestone as it is the 10th consecutive year of its publication. As in earlier years, this Report conforms to the stringent 'G3' guidelines of the Global Reporting Initiative (GRI) at the highest 'A+' level. It has also been independently assured by M/s. Ernst & Young Pvt Ltd.

I am happy to once again reiterate the Company's support to the principles underlying the United Nations Global Compact. It is a matter of great satisfaction that ITC's unique and inclusive business models together with its focussed social investments contribute significantly to the Millennium Development Goals enunciated by the United Nations.

In 2012, the Company was honoured with the World Business and Development Award at the historic Rio+20 United Nations Summit for its large-scale social and farm forestry programme

We have been deeply encouraged by the accolades received, in India and abroad, for the Company's exemplary performance in augmenting social and environmental wealth. For the second consecutive year, ITC was ranked first in the CSR category in the Nielsen Corporate Image

Monitor. In 2012, the Company was honoured with the World Business and Development Award at the historic Rio+20 United Nations Summit for its large-scale Social and Farm Forestry programme. This award is a tribute to the efforts of thousands of tribals and poor farmers in rural India, who have partnered

ITC in enriching the country's environmental capital while generating significant sustainable livelihood opportunities. These acknowledgements give us strength in pursuing a path less travelled to create growing societal value.

It also gives us humble pride that, as a company from a developing nation, ITC has been able to achieve the unique global distinction of being the only company in the world of comparable dimensions to be Carbon Positive (for 8 successive years), Water Positive (for 11 consecutive years) and Solid Waste Recycling Positive (for 6 years now). ITC's businesses and value chains support sustainable livelihoods for more than 5 million people, many of whom represent the weakest sections of society. For the last 17 years under my watch as Chairman, total shareholder returns have grown at a CAGR of over 26 %. This triple bottom line performance is a manifestation of ITC's abiding vision and commitment to create enduring value for its stakeholders.

GLOBAL CHALLENGES

Five years after the outbreak of the global financial crisis, the world economy continues to remain fragile. The recurring dips in growth and employment are a cause for concern despite all-out attempts to contain the Eurozone crisis and strengthen recovery in the United States. The cascading effect of the economic slowdown in the richer nations have left deep scars across the globe. Though developing countries managed to drive more than half of the global growth in 2012, their growth rate also plunged to new lows.

The continuing economic slowdown can have serious consequences on social stability including that arising out of increasing unemployment, mainly amongst the youth. The "Global Employment Trends 2013" Report of the ILO released recently presents an ominous picture. The number of unemployed worldwide will rise to 202 million in 2013 with nearly 10 million accumulating in the last 2 years alone. What is worse is that youth unemployment, estimated to reach over



75 million in 2014, is growing at a far higher rate. The crisis has dramatically diminished the labour market prospects for young people, as many experience long-term unemployment right from the start of their labour market entry, a situation that was never observed during earlier cyclical downturns, the ILO Report says. This can turn out to be a colossal waste of human resources with serious mismatch of education, skills and jobs; a generation losing out on valuable work experience and erosion of occupational skills while at the same time fuelling social unrest as disillusionment and frustrations rise. Austerity, forced upon by economic circumstances, as well low incomes and low demand will continue to put pressure on employment. Therefore, it is now mission critical to find innovative solutions for sustainable livelihood creation of a magnitude that can arrest and avert a potential social disaster.

These global challenges are further aggravated by the continued degradation of the world's environment. Scientists recently flagged yet another crisis alert when it was found that the carbon dioxide levels in the atmosphere had reached an average daily level higher than that measured for at least three million years. This can further accelerate global warming and changes in sea levels. The Arctic Region, the earth's dazzling white cap, is turning green.

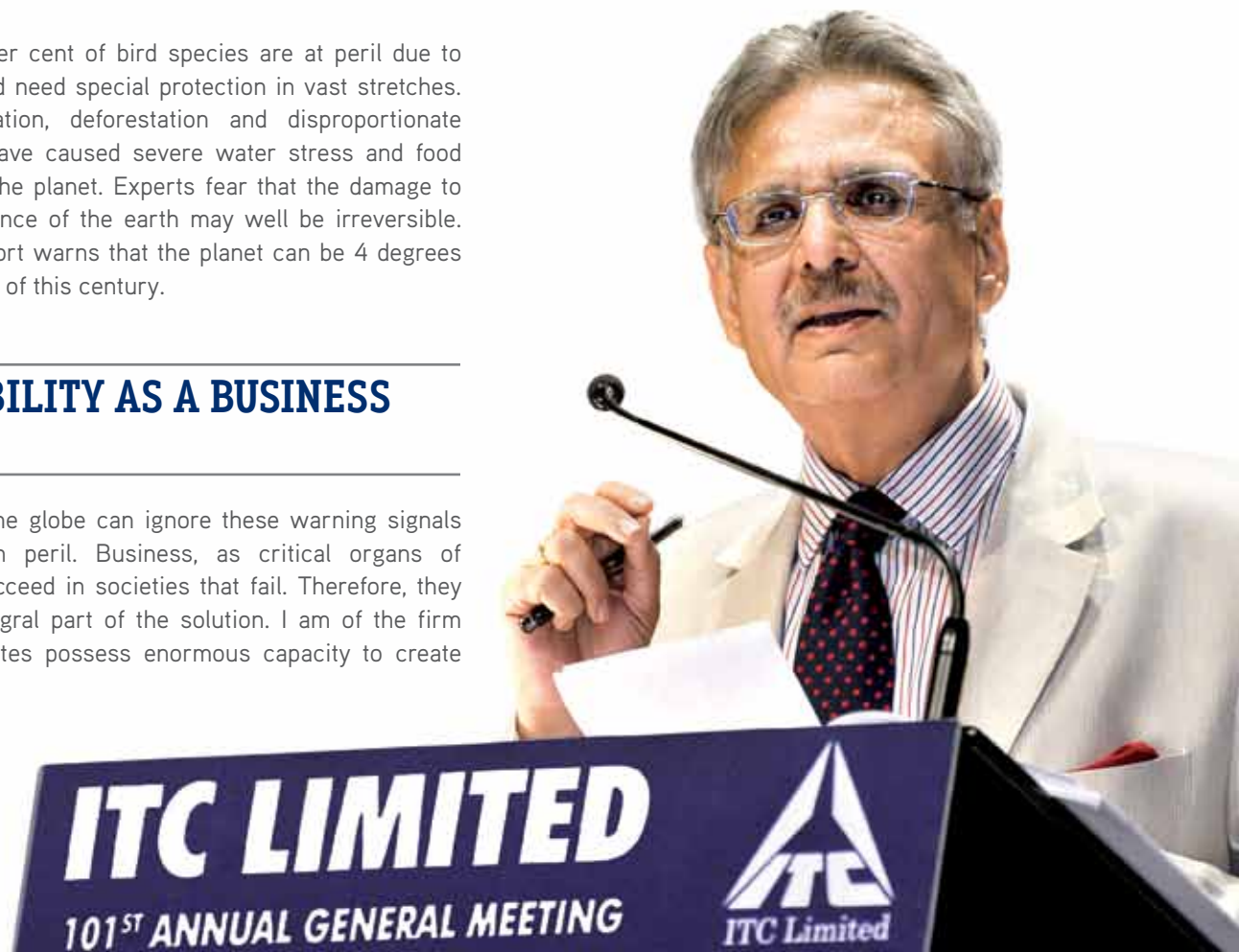
In Asia, upto 88 per cent of bird species are at peril due to climate change and need special protection in vast stretches. Rapid industrialisation, deforestation and disproportionate growth of cities have caused severe water stress and food insecurity across the planet. Experts fear that the damage to the ecological balance of the earth may well be irreversible. A World Bank Report warns that the planet can be 4 degrees warmer by the turn of this century.

SUSTAINABILITY AS A BUSINESS STRATEGY

Societies across the globe can ignore these warning signals only at their own peril. Business, as critical organs of society, cannot succeed in societies that fail. Therefore, they have to be an integral part of the solution. I am of the firm belief that corporates possess enormous capacity to create

transformational change through innovative business models that deliver significant societal value even as they generate economic wealth. Shareholder value creation ought to be a reward for societal value creation. Responsible corporates create societal value by serving their consumers through competitively superior value propositions, by preserving and replenishing the environment and by innovating strategies that maximise sustainable livelihood creation.

Traditionally, companies have participated in the task of creating societal value through philanthropic activities. This approach, though well intentioned, has its limitations. Confined to philanthropy, corporates tend to limit their CSR to only extending financial support to social projects. As a result, there is a disproportionate focus on outlays rather than on outcomes. In such an approach, the capacity to extend financial support far outweighs the transformational capacity of business to create larger societal value. Global research by renowned experts such as Prof. Michael Porter and Mark Kramer of Harvard have however established that societal value creation delivered through a strategic business context is more meaningful and scalable. Philanthropy, as noble as it is, is seen to be less effective than CSR that is linked to the context of business.



And that to my mind is the critical difference which can make business' social contribution more meaningful, scalable and sustainable. The focus of strategic CSR is on outcomes that enhance the business context and simultaneously add value to the social dimension. A focus on outcomes spurs proactive innovation to deliver meaningful social interventions optimising resources and capacities at hand.

ITC'S SUSTAINABILITY APPROACH AND ACTION

ITC's vision to serve larger national priorities is realised by this strategic approach of embedding sustainability in its core business models. Innovative strategies have been designed

Innovative strategies have been designed and implemented to create sustainable value chains linked to its businesses that encompass some of the most disadvantaged sections of society, especially those residing in rural India

and implemented to create sustainable value chains linked to its businesses that encompass some of the most disadvantaged sections of society, especially those residing in rural India. The vitality of ITC's winning brands drive the competitiveness of these value chains. At the same time, these

linkages provide unique sources of competitive advantage to the Company's businesses.

Take for example, ITC's atta (wheat flour) brand, Aashirvaad. The ITC e-Choupal system has co-created with farmers an efficient agri-value chain that enables identity-preserved procurement lending a unique source of competitive advantage to the Company's Foods businesses. Farmers gain from ITC's agri-extension services that impart know-how for increased productivity, efficient market linkages as well as from the growing market share of Aashirvaad. At the same time, ITC derives gains from an efficient supply of quality raw materials. The ITC e-Choupal has benefitted over 4 million farmers in 40,000 villages and significantly raised rural incomes.

Similarly, a wood-fibre value chain based on the Company's R&D driven clonal propagation programme and implemented through a Social & Farm Forestry initiative has provided 64 million person days of employment till date to poor tribals and

marginal farmers, created a green cover of more than 1,40,000 hectares and a competitive source of fibre for its Paper and Paperboards Business. Recently, an Agro-Forestry initiative has provided encouraging results through multiple cropping of trees and other agricultural crops, demonstrating that such innovative practices can address the "food or fibre" conflict by enabling areas of co-existence. This innovation has been able to release upto 75 % of land for agricultural crops in the pilot areas without compromising wood pulp production.

Another unique example of livelihood creation through competitive value chains is the Agarbatti (Incense Stick) Business. ITC has trained rural women to roll agarbattis, which are then sourced by the Company for its Mangaldeep brand, thereby empowering them with a stable source of livelihood. ITC's Women Empowerment programmes support livelihoods for over 40,000 rural women.

Recognising that water stress is a major crisis impacting agricultural production and livelihood of farmers, ITC's Integrated Watershed Development programme has enabled soil and moisture conservation covering 1,16,000 hectares providing precious water resources. As a result, farmers are able to get additional crops in areas that are mostly rainfed enhancing their incomes substantially. Given the success of these programmes, several State Governments and the National Bank for Agriculture and Rural Development (NABARD) have engaged with ITC on such watershed projects in a public-private-people partnership, multiplying livelihood opportunities as well as enhancing agri-productivity and rural incomes. These programmes together with the Social & Farm Forestry initiative also add to eco-restoration through rainwater harvesting, top soil conservation and large scale carbon sequestration.

In addition, ITC's Livestock Development programme augments off-farm rural livelihoods and has provided animal husbandry services to over 8,00,000 animals, increasing milk yields substantially. This has provided an impetus in supporting a dairy value chain through a corporate social responsibility initiative adding significant value across the chain.

The ITC Supplementary Education programme has reached out to over 3,00,000 rural children providing them additional support to benefit from a better education and help build a better future. These programmes, in the catchment areas of the Company's operations, are also supplemented with health awareness camps and sanitation projects. Therefore, ITC's wide array of social sector interventions have multiplicity of positive impact by not only creating market-linked opportunities



for poor rural households through enterprise development, especially among women, but also by enhancing employability through education and skills training. It is a matter of great satisfaction that ITC has been able to substantially scale up such programmes over the years transforming the rural communities into vibrant economic organisations and empowering them with enhanced incomes and livelihoods. This Report details some of these unique sustainability-embedded business models as well as other social development interventions.

It is also a matter of immense satisfaction that ITC has adopted the “CII Code of Conduct for Affirmative Action” that enjoins the Company to focus on initiatives in the areas of Employability, Entrepreneurship, Education and Employment. Whilst ITC is committed to employing youth from the disadvantaged communities, it is the Company’s belief that a more vital mission is to significantly enhance the talent pool of youth from these communities by equipping them with the necessary skills or qualifications to make them more employable in the formal sectors of the economy.

Reaffirming ITC’s support to the National Action Plan on Climate Change, as well as its strategic endeavour of pursuing a low carbon growth path, the Company has taken proactive steps to move beyond statutory compliance in environmental performance of all its units. Each unit is mandated to implement measures to continuously improve energy, water, emissions and effluent management. Best practices at units also include maximisation of rainwater harvesting, solid waste recycling and the use of external waste as raw material. The Company is steadily expanding its renewable energy portfolio. Today over 40% of its total energy consumption is from renewable sources, an important achievement considering the large manufacturing base of the company. ITC has been at the forefront of the green building movement in India. The ITC Green Centre in Gurgaon

ITC believes that its Vision, Values and Vitality have created a sustainable organisation that is future-ready with a growing contribution to creating large scale societal value

was re-certified in 2012 as the highest rated green building in the world with LEED Platinum certification. All ITC’s premium luxury hotels are today LEED Platinum rated making it the greenest luxury hotel chain in the world. ITC Grand Chola in Chennai

is the world’s largest LEED Platinum rated hotel in the ‘New Construction’ category. The Company is also gaining green certification for its production units, several of which are LEED Platinum rated factories.

BEING FUTURE READY

ITC believes that its Vision, Values and Vitality have created a sustainable organisation that is future-ready with a growing contribution to creating large scale societal value. ITC’s credo of “Let’s Put India First” underlines the philosophy of the organisation to put “Country before Corporation” and the “Institution before the Individual”. This vision to create larger societal capital is inspired by the Company’s strong values of Trusteeship, Transparency, Empowerment, Accountability and Ethical Corporate Citizenship, which are the cornerstones of its Corporate Governance philosophy.

We recognise that the Company’s capacity to create societal value will crucially depend on the continued robust growth of our businesses. ITC’s aspiration to be a strong engine of growth for the Indian economy is manifest in the strategy to create multiple drivers of growth that will make a substantial and ever growing contribution to its stakeholders and the nation. By investing in the creation of world-class brands, supported by extensive R & D shaped at the ITC Life Sciences and Technology Centre and by leveraging all its enterprise strengths, the Company will continue to offer competitive and superior value propositions to its customers. ITC’s world-class brands will ensure that larger value is created, captured and retained in the country for national development and growth.

This Sustainability Report with its continuing theme - “For All our Tomorrows” - embraces within its covers our inspiration and endeavours to create enduring value for a better, more sustainable and secure future. It is with this commitment that we move into the future to create new horizons of shared progress and prosperity.

Y C Deveshwar
Chairman, ITC Limited
May, 2013

Key Impacts, Risks And Opportunities: Sustainability Challenges

TAXATION AND REGULATION

HIGH RATES OF TAXATION ON CIGARETTES

- ▶ The construct of the tobacco industry in India is unique and is largely dominated by non-cigarette products which are not only cheaper but also revenue inefficient. With over 17% of the world population, India has a miniscule share of only 1.8% of global cigarette consumption. In fact, India's annual per capita consumption of cigarettes is amongst the lowest in the world. While cigarettes account for less than 15% of the overall tobacco consumption (by weight) in the country, they contribute about 75% of the total tax revenue from the tobacco sector accruing to the exchequer. On the contrary, other forms of tobacco are lightly taxed in India, and in some cases are even tax exempt, leading to a high degree of potential tax loss.
- ▶ The domestic cigarette industry is confronted with the challenges of discriminatory and punitive taxation coupled with a growing incidence of smuggling and illegal manufacture.
- ▶ These challenges were further compounded during the year by the steep increase of 22% in cigarette Excise Duty rates announced in the Union Budget 2012 and the arbitrary increases in Value Added Tax (VAT) on cigarettes by some States. The sharp increase in Excise Duty on cigarettes in the Union Budget 2013 will further exacerbate the problem of discriminatory and high taxation on cigarettes.
- ▶ Such arbitrary and exorbitant increases not only undermine the legal domestic cigarette industry and sub-optimize revenue potential from this sector but also fail to achieve the objective of tobacco control in the country.
- ▶ The policy of high and discriminatory central and state taxation on cigarettes has also led to the rapid growth of the illegal cigarettes segment. This segment has grown exponentially from 11 billion sticks in 2004 to 22 billion sticks in 2012, of which, 2 billion sticks have been added in the last year alone.
- ▶ The imposition of discriminatory and punitive VAT rates by some States provides an attractive tax arbitrage opportunity resulting in illegal inter-State diversion of stocks by criminal elements, thus depriving the State Governments of their legitimate revenue share.
- ▶ Various reports have highlighted the link between cigarette smuggling and organised criminal syndicates as well as terrorist organisations, which utilise the funds for anti-social and unlawful activities. If not reined in quickly, illegal cigarette trade has the potential of destroying the country's social fabric.





ITC'S INITIATIVES

- ▶ ITC will continue to engage with policy makers through industry associations for a balanced regulatory and fiscal framework for tobacco, equitable and harmonious VAT rates across States and implementation of a uniform GST rate.
- ▶ It has been ITC's strategic intent to create multiple drivers of growth by building a portfolio of world-class businesses, leveraging enterprise strengths such as consumer insights, innovative product development, brand building, state-of-the-art manufacturing, efficient supply chain and distribution infrastructure and sustained investments in R&D.

IMPACT ON LIVELIHOODS OF FARMERS

- ▶ Tobacco continues to be a viable and remunerative crop for farmers in the regions where this crop is grown, given the prevailing agro-climatic nature and soil conditions of these regions. It gives farmers an assured income and good institutional support is also available for this crop.
- ▶ The disproportionately high taxation on cigarettes fuels transborder smuggling, leading to a reduction in domestic demand and impacts the market price for the farm produce. This adversely impacts the livelihood of farmers in general and the dependent community in particular. Tobacco farmers are important constituents of the tobacco industry. Nearly two hundred thousand farmers depend on the tobacco crop.
- ▶ Given the high degree of dual consumption of tobacco in the country, a large differential in tax incidence between cigarettes and other tobacco products has rendered the demand for cigarettes highly price elastic and are driving consumers to shift to cheaper and revenue inefficient forms of tobacco leading to suboptimisation of revenue collections.
- ▶ To cite an example, due to the steep increase in excise duty (by 360%) on non-filter cigarettes during the Union Budget of 2008-09, non-filter cigarettes which accounted for nearly 30% of the cigarette industry, were virtually wiped out of the markets. This had an adverse impact on the demand for domestic tobacco. As a result of this steep hike in tax rates, tobacco that was being used in the manufacture of non-filter cigarettes witnessed a fall in prices (over 20%) during the 2010 market season, thereby hugely affecting the income of tobacco farmers.
- ▶ Increasing volumes of smuggled foreign cigarettes also result in the decline in demand for Indian tobacco since these cigarettes do not use tobacco grown by Indian farmers. On the other hand, illegal cigarettes produced in India use tobacco of dubious and inferior quality. Consequently, the proliferation of duty-evaded cigarettes leads to a drop in demand for high-quality Indian tobacco, thereby adversely impacting the income of farmers engaged in the cultivation of tobacco in the country.



CHALLENGES IMPACTING AGRICULTURE & AGRI BUSINESS

- ▶ Agriculture is the main source of livelihood in rural India, which is home to 75% of the nation's poor. Though it provides livelihoods to more than half of India's workforce, the sector contributes to less than one-fifth of the country's GDP. The per capita income of farmers is a fraction of the national average. Such low incomes are a result of a deteriorating natural resource base, disconnected value chains, fragmented landholdings, weak infrastructure, inadequate knowledge and multiple intermediaries. A majority of the farmers are trapped in a vicious cycle of low productivity and low investments.
- ▶ Though technological solutions can be found to address the challenges of low productivity, the critical problem lies in making the farmer capable of implementing them. Transfer of technology, including know how and information, customisation and capacity building are crucial in empowering the farmer to raise productivity and adopt sustainable agricultural practices. Given the complexity of geographical spread, diversity of crops and the large number of farmers involved in agriculture, innovative models of engagement are essential to ensure robust sustainable agricultural practices as well as avenues for livelihood creation.
- ▶ Such innovation need to address some of the inherent conflicts in the agricultural sector. Some of the conflicts that need to be resolved are as follows:
 - Food vs fuel/fibre/fodder: Competing land usage
 - Today's vs tomorrow's income: Building capacity to enhance risk appetite to invest for long-term benefits
 - Consumer vs farmer: Producing what the consumer demands vs consuming what the farmer produces
 - Market vs government: Well-meaning government interventions that may lead to market distortions
- ▶ In the modern context, the private sector can play a vital and complementary role in ensuring an increase in agricultural productivity. Investments by large agri businesses can ensure coordination of the availability of inputs, facilitation of finance for crops and capital investments and augmentation of resources. This will enable the delivery of customised extension services to improve productivity through technology, regenerate and enrich land fertility, enable better usage of scarce water resources and adopt best practices in crop management.
- ▶ Apart from the lack of fiscal incentives, sizeable investments are today unviable for large agri businesses due to constraints like non-implementation of the 'Model APMC' Act recommended by the Centre. The Act facilitates a direct interface between farmers and agri businesses and helps in reducing transaction costs. There is also a lack of cohesiveness in licenses required for agri





CHALLENGES IMPACTING AGRICULTURE & AGRI BUSINESS

input sales. For instance, each input like seeds, nutrients, and crop protection chemicals is governed by a separate Act, making it cumbersome especially for companies working across geographies.

- ▶ In addition, the Essential Commodities Act imposes an undue burden as it restricts volumes that agri businesses can buy or stock, besides transportation and exports, further affecting the viability of agri businesses. Similar limitations are also imposed by the Forward Contracts (Regulation) Act. While it is acknowledged that strong regulation is necessary to curb excessive speculation, the Act doesn't allow sufficient flexibility for genuine players and deprives them of critical risk management tools, such as options.
-
- ▶ ITC operates across the agri value chain of 13 crops and is present in 17 states with substantial investments in resource intensive models that entail heavy capital infrastructure. These agri value chains that have empowered over 4 million farmers have been severely constrained by such restrictive regulations that do not distinguish between genuine agri businesses and unscrupulous hoarders.
 - ▶ Policy reforms in the agriculture sector need to cognise for several conflicting needs mentioned above that impact the value chain from the farmer to consumer.
 - ▶ There is also need for an enabling policy framework that boosts the provision of rural infrastructure so that wastage can be eliminated and farmers can receive better returns.

ITC'S INITIATIVES

- ▶ ITC has empowered farmers and forged strong relationships with rural communities to enable sustainable sourcing solutions for over several decades. Recognising that poverty in rural India is primarily a result of the poor capacity of farmers in terms of lack of access to knowledge, information, price discovery, quality agricultural inputs and markets, the Company has devised unique business models for agri sourcing that not only support sustainable agriculture but also contribute to substantial livelihood creation for inclusive development. In addition, ITC's Social Investments Programmes, including integrated watershed development, support the adoption of sustainable agricultural practices.
- ▶ ITC's e-Choupal network, which leverages information technology to empower farmers, is a rich repertoire of agri-based interventions and not only addresses the core needs of farmers in terms of infrastructure, connectivity, price discovery and market access, but also provides a significant boost to farm productivity through extension services and research-based agri-inputs. Initiatives like the 'Choupal Pradarshan Khet' bring suitable agricultural best practices to farmers and have demonstrated significant productivity gains. These interventions have helped transform village communities into vibrant economic organisations by enhancing incomes and co-creating markets. ITC's e-Choupals serve 40,000 villages and 4 million farmers, making it the world's largest rural digital infrastructure.
- ▶ ITC will continue to engage with policy makers through industry associations, organisations and other appropriate forums for enabling a balanced and pragmatic policy framework that not only removes restrictive conditions on the efficient functioning of agri businesses but also facilitates the establishment of market-based institutions that can raise agricultural productivity and optimise transaction costs across the value chain.

CLIMATE CHANGE AND ENVIRONMENTAL DEGRADATION

- ▶ The race for unbridled economic growth has left a planet seriously depleted of environmental resources.
- ▶ The world's ecological footprint suggests that consumption of natural resources every year will be far more than the earth's capacity to regenerate.
- ▶ With increasing population, people will have access to limited resources which will be far less than what was available in 1950.
- ▶ India mirrors these environmental challenges. With over 17% of the world's population, India accounts for only 2.4% of the global land mass, 4% of the world's freshwater resources and 1% of the global forest resources.
- ▶ The impact of climate change is manifest in the changed weather patterns and increasing frequency of extreme weather conditions. This affects agricultural production and severely impacts the livelihoods of farmers. Given that several of ITC's businesses are dependent on agricultural inputs, climate change and global warming have important ramifications for the Company and some of its major stakeholders – the farmers and communities in rural India.
- ▶ The conservation and management of India's depleting water and other natural resources are very important as they directly impact the livelihood of over 75% of its population and 58% of its workforce, who are dependent on agriculture and related activities for their livelihood.
- ▶ India is on the edge of a serious water crisis with more than one-third of the districts reeling under severe water-stress and 99 districts officially deemed drought-prone.
- ▶ Largely consisting of resource-strapped small/marginal farmers, agricultural communities are almost invariably engaged in rain-fed agriculture and, therefore, most vulnerable to the adverse impacts of seasonality and environmental degradation
- ▶ India is also confronted with the challenge of waste management. A large amount of resources get dumped as garbage every year and end up in landfills. This not only leads to wastage of precious natural resources but also affects public health and hygiene.
- ▶ Energy security is today one of the biggest developmental challenges with 400 million people lacking reliable access to energy in India. Lack of investments as well as uncertainty of fossil fuel availability and pricing are other critical issues.
- ▶ The world over, mounting public pressure from civil society and other stakeholders will compel the implementation of stringent regulations on carbon emissions.
- ▶ It is clearly evident that the future competitiveness of companies will depend on their ability to adopt strategies for low carbon growth.
- ▶ Given the economic growth in the country, there has been a significant increase in the consumption of natural resources and an imperative need to ensure resource efficiency.





ITC'S INITIATIVES

- ▶ ITC has adopted the following strategies for climate change mitigation:
 1. Identify and evaluate climate change risks for each business.
 2. Reduce the environmental impact of our processes, products and services and work towards creating a positive environmental footprint.
- ▶ Adopt a low-carbon growth path through reduction in specific energy consumption and enhancing use of renewable energy sources.
- ▶ 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 on site and off site at watershed catchments areas.
- ▶ Work towards minimising waste generation, maximising reuse & recycling and using external post-consumer waste as raw material in our units.
- ▶ Create sustainable livelihoods and promote sustainable agricultural practices.
- ▶ Life Cycle Assessment studies have been carried out for different products to understand the impact across the value chain. Resource efficiency is integrated into product and process design and is addressed in the creation of physical infrastructure, the operations phase, logistics and waste management.
- ▶ The adoption of these strategies has led to the following interventions:
 1. ITC has expanded its renewable energy portfolio with more than 41% of its energy consumption being met from renewable sources.
 2. As part of its low-carbon and green growth strategy, ITC has spearheaded the establishment of green buildings, which have set benchmarks in energy efficiency, water conservation and solid waste recycling. All ITC's super premium luxury hotels are LEED Platinum certified. The ITC Green Centre has been identified as the highest rated Platinum rated Green Building in the world by the US Green Building Council during its recertification in 2012. ITC's iconic property in Chennai, ITC Grand Chola, is now the largest LEED Platinum rated green hotel in the world.
 3. ITC's afforestation programme has greened over 1,42,000 hectares, which has led to large-scale carbon sequestration besides creating over 64 million person days of employment.
 4. ITC's watershed development programme provides soil and moisture conservation to over 1,16,000 hectares. This has enabled the Company retain its water positive status for 11 years in a row.
 5. ITC's Wealth Out of Waste programme promotes recycling and source segregation and creates awareness among all stakeholders on the benefits of the Reduce-Reuse-Recycle Approach. This initiative has enabled ITC's paperboards business to source and recycle post-consumer waste, thereby contributing to ITC's solid waste recycling status.

POVERTY AND SOCIAL INEQUITIES

- ▶ Nearly 700 million people living in rural India, with low adaptive capacities, have a direct and symbiotic dependence on climate-sensitive sectors (agriculture, forest and fisheries) and natural resources (water, bio-diversity, mangroves, coastal zones and grasslands) for their subsistence and livelihood. The limited options of alternative off-farm employment, combined with endemic poverty, continue to imperil the livelihood of millions of small and marginal farmers, mainly in the rain-fed agriculture regions. The production regime in rain-fed agriculture is inherently fragile and getting more so due to a number of factors:
 1. An estimated 147 million hectares suffer from various forms of land degradation due to water and erosion, stemming mainly from unstable use and inappropriate land management practices. Erosion rates are reported to be in the range of 5 to 20 tonnes/hectares.
 2. As many as 99 districts spread over 14 states were identified by the Central Water Commission as drought prone. Such areas are concentrated in the states of Rajasthan, Karnataka, Andhra Pradesh, Gujarat and Madhya Pradesh.
 3. Of the total water available for agriculture, groundwater alone accounts for 39% of the water used in agriculture. Yet the Central Ground Water Board reported that 1,565 blocks (one-third of the total) ranged from semi-critical to over-exploited groundwater status.
 4. Based on the current evidence, there is a compelling case to argue that these factors are likely to get exacerbated due to the changes wrought by climate change, leading to an increase in the frequency and intensity of droughts and floods. Climate change over the long-term will thus affect the rural economy in a number of ways – the majority of which would threaten food security for the most vulnerable people.

ITC'S INITIATIVES

- ▶ Recognising that business enterprises are the economic organs of society and draw on societal resources, ITC believes that a company's performance must be measured by its Triple Bottom Line contribution to building economic, societal and environmental capital. ITC is, therefore, committed to creating larger 'stakeholder value' by aligning its performance to such Triple Bottom Line objectives. As an Indian enterprise, the Company believes that this approach can unleash strong growth drivers to ensure inclusive and equitable development as well as long-term business sustainability and competitiveness.
- ▶ ITC has implemented an extensive social investments programme in geographies where it has strategic business interests and presence. To ensure long-term sustainability of these investments and to enable replication and scalability, these programmes have been aligned and integrated with the business value chains of the Company.
- ▶ The programmes strive to empower stakeholder communities to conserve and manage their natural resources, create sustainable on and off-farm livelihood sources and improve social infrastructure in order to support creation of sustainable livelihoods on a significant scale backed by an empowered stakeholder community.
- ▶ The scale and impact of these initiatives are reflected in the following:
 - ITC's e-Choupal network has empowered over 4 million farmers in 40,000 villages.
 - ITC's Social and Farm Forestry Programme has created over 64 million person days of employment for poor tribals and marginal farmers.
 - ITC's Watershed Development Programme covers over 1,16,000 hectares of moisture-stressed areas.
 - ITC's Livestock Development Programme has reached out to over 8,00,000 milch animals.
 - ITC's Women's Empowerment Programme has benefitted over 40,000 rural women.
 - ITC's Supplementary Education Programme has covered over 3,00,000 children.



SUPPLY CHAIN MANAGEMENT

- ▶ The engagement with our supply chain has expanded given the growth of our new consumer goods businesses and it will be important to integrate the Triple Bottom Line approach amongst the supply chain to ensure long-term competitiveness by adopting a balanced approach towards creation of livelihoods and economic viability of these Units.
- ▶ 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 necessity 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

- ▶ The Company's engagement with the supply chain is being extended in a structured and phased manner.
- ▶ ITC encourages its supply chain to comply with certifications, such as ISO 9001, ISO 14001 and OHSAS 18001, to strengthen their quality, environmental and occupational health & safety systems.
- ▶ ITC is developing its approach to address these aspects and we intend to cover our entire value chain with our sustainability initiatives in the next few years.

ADDRESSING ISSUES RELATED TO EMPLOYEE SAFETY

- ▶ Given India's favourable demographic dividend, it is evident that a large pool of India's youth is joining the workforce every year. It is critically important for an organisation to ensure the total safety of this valuable resource. While we are progressing steadily towards our target of zero accidents within our premises, we cognise that accidents outside the workplace are on the rise in India, given issues such as the steady proliferation of 2 wheelers on the roads, which are rendered unsafe due to poor conditions and inadequate infrastructure.

ITC'S INITIATIVES

- ▶ ITC has made significant investments over the years to ensure that all its business units provide a safe, hygienic and humane environment to its employees. To further strengthen efforts in this area, Safety Culture programmes are being institutionalised and behavioural architecture inputs are being used to rework and recalibrate EHS communication and training methodologies. Training on EHS is provided to all employees (including service providers' employees) and covers basic induction, job specific and refresher training.
- ▶ It has been observed over the years that the majority of road accidents have involved two wheelers and employees in the age group of 26-30 years. Accordingly a user interactive 2-wheeler road safety programme was developed and rolled out last year. Businesses were advised to ensure that all 2 wheeler using employees are trained and that there is a constant reinforcement of the message for exercising extreme care, while on the road. These efforts have resulted in a sharp reduction in road accidents. It will be ensured that coverage is completed across businesses and a similar programme on 4 wheeler safety is planned to be rolled out in 2013-14.

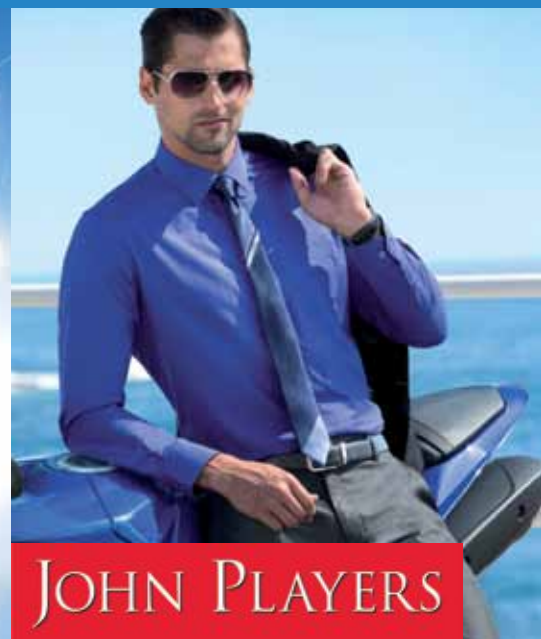


Organisational Profile

Powering Growth with Multiple Business Drivers

Creating World-Class Brands

Certification, Honours and Awards





ITC is one of India's leading private sector companies with a market capitalisation of US\$ 45 billion and a turnover of over US\$ 7 billion. With a diversified presence in Fast Moving Consumer Goods (FMCG), Hotels, Paperboards and Packaging, Agri Business and Information Technology businesses, ITC is widely acknowledged as one of India's most valuable business corporations.

Inspired by a vision to sub-serve larger national goals, ITC has crafted unique business models that integrate the creation of long-term shareholder value with the enhancement of societal and environmental capital. Over the last 17 years, ITC has aggressively pursued a policy of diversification, focusing on creating an array of vibrant world-class Indian brands across business segments that have demonstrated immense vitality in the global Indian marketplace. This has enabled ITC to unleash multiple drivers of growth for the Indian economy.

ITC aims at delivering societal development in the context of its businesses. It works in partnership with farmers and communities to implement large-scale social investments programmes that have enhanced incomes and improved the quality of life through the creation of sustainable livelihood opportunities. Through its businesses, ITC has helped generate more than 5 million livelihoods across value chains, touching the lives of many living at the margins in rural India.

ITC measures its performance by its triple bottom line contribution to building economic, social and environmental capital. Today, ITC is a global exemplar in sustainability. Its business-linked sustainability initiatives and social investments programmes, like the celebrated e-Choupal, Social & Farm Forestry initiatives, Watershed Development, Animal Husbandry and Women's Empowerment, have transformed rural India. It is the only enterprise in the world of comparable dimensions to be carbon-positive (8 years in a row), sequestering one and a half

times the amount of carbon it emits; water-positive (11 consecutive years), creating 2 times more rainwater harvesting potential than it consumes; and solid waste recycling positive (for the last 6 years). Over 40% of the total energy requirement of the Company is met from renewable sources, a testimony



to its commitment to adopting a low carbon growth path. All ITC's premium luxury hotels have the unique distinction of being LEED Platinum certified, making it the world's greenest luxury hotel chain.

ITC's achievements have been recognised worldwide. It has been rated among the World's Best Big Companies, Asia's 'Fab 50' and one of India's Most Valuable Companies by Business Today. It has been ranked as the world's 6th largest 'sustainable value creator' among consumer goods companies globally, according to a report by the Boston Consulting Group (BCG). ITC Chairman Mr Y C Deveshwar has been ranked the 7th Best Performing CEO in the world by the Harvard Business Review in its January-February edition 2013. Mr Deveshwar has also been conferred the Padma Bhushan, one of the country's highest civilian honours, for his leadership in transforming ITC into



ITC is a global exemplar in sustainability. Its business-linked sustainability initiatives and social investments programmes, like the celebrated e-Choupal, Social & Farm Forestry initiatives, Watershed Development, Animal Husbandry and Women's Empowerment, have transformed rural India



an organisation with a deep commitment to national priorities of sustainable and inclusive growth.

FAST MOVING CONSUMER GOODS

Keeping pace with the rapid growth of the FMCG industry in India, ITC has significantly scaled up its presence in the FMCG sector, particularly its newer businesses. Its impressive bouquet of offerings includes Branded Packaged Foods, Personal Care Products, Cigarettes, Lifestyle Retailing, Education and Stationery products, and Safety Matches and Incense Sticks (Agarbatti). Within a relatively short span of time, ITC has established several strong consumer brands in the Indian FMCG market.

ITC leverages its institutional strengths including focus on quality and innovation and differentiation, backed by deep consumer insights, world class R&D and an efficient and responsive supply chain, to consolidate its position as a leader in the FMCG industry in India.

BRANDED PACKAGED FOODS

ITC's Branded Packaged Foods Business is one of the fastest growing foods businesses in India. Backed by significant investments in product development, innovation and manufacturing technology, ITC's Foods portfolio includes staples, spices, biscuits, snack foods, instant noodles, confectionery and ready-to-eat meals. The success of this business is driven by the popularity of its seven brands - Aashirvaad, Sunfeast, Bingo!, Kitchens of India, mint-o, Candyman and Yippee!

Last year, several new and innovative products were added to the existing assortment of food products. New variants were introduced under the Sunfeast Dream Cream and Dark Fantasy Choco Fills range. In the snack food segment, ITC introduced an innovative offering called Tangles and Mad Angles Masti Chaat. ITC also introduced mint-o Ultra mintz in the confectionery category.





PERSONAL CARE PRODUCTS

ITC's youngest player in FMCG, the Personal Care Products Business continued to grow at an impressive pace. Its range of products under the Fama Di Wills, Vivel and Superia brands includes bodycare, haircare, skincare and fragrances. Essenza Di Wills, the premium range of fragrances and bath and body care items, is available exclusively at ITC's chain of Lifestyle Retailing stores, Wills Lifestyle. During the year, the Personal Care Products business fortified its skincare segment with the launch of Vivel Cell Renew, comprising of Body Lotion, Hand Crème and Moisturiser. The Fama Di Wills Aqua Pulse deodorant was also introduced in select markets.

ITC's Personal Care Products offer unique and superior value propositions to discerning consumers. This, along with sustained investment in R&D, world-class manufacturing processes and technology, has enabled the business to capture a significant share of the market in a short span of time, despite facing a high degree of competition, especially from established players.



CIGARETTES

ITC is the market leader for cigarettes in India, a position it has maintained over decades through its unwavering focus on innovation, quality, technology and sustainability.

LIFESTYLE RETAILING

ITC's Lifestyle Retailing Business has established a nationwide retailing presence through its Wills Lifestyle chain of exclusive specialty stores. Aiming to provide the best in high fashion and international trends, Wills Lifestyle offers discerning customers a tempting choice of Wills Classic work wear, Wills Sport relaxed wear, Wills Clublife evening wear and Wills Signature designer wear.

ITC's has also established John Players as a brand that offers a complete fashion wardrobe to the male youth of today.

Wills Lifestyle is available in 90 exclusive stores in 40 cities and across more than 500 'shop-in-shops' in leading departmental stores and multi-brand outlets. The presence



of 'John Players' was expanded to 350 flagship stores and 1,400 multi brand outlets and departmental stores.



WILLS LIFESTYLE

EDUCATION AND STATIONERY PRODUCTS

ITC is the leading and fastest growing player in the Indian stationery market. Powered by the success of the 'Classmate' brand, the business recorded robust sales growth during the year. 'Classmate', India's leading student notebook brand available at over 75,000 stationery retail outlets across the country, is sourced from small-scale manufacturers, who have continuously improved their delivery and quality capabilities. Paper and recycled board are sourced from ITC's Units, which use pulp sourced from renewable forestry.

The Business has established Paperkraft Premium Business Paper, as an environment-friendly multi-purpose paper. Its green credentials are supported, among other factors, by ITC's membership of the prestigious Global Forest & Trade Network.



In non-paper categories too, the Business has registered a strong growth driven by the popularity of 'Classmate' pens, pencils, mathematical instruments, erasers & sharpeners as well as art stationery.

INCENSE STICKS (AGARBATTIS)

ITC's agarbatti brand, Mangaldeep, is the second largest national brand in the industry. Over the years, the Business has witnessed growing consumer franchise with the introduction of several innovative offerings.

The Agarbatti Business continued to provide livelihood opportunities to over 14,000 rural people through small and medium scale entrepreneurs and NGOs and Self Help Groups across India, contributing to the Company's commitment to the Triple Bottom Line.

SAFETY MATCHES

ITC's Safety Matches Business retained its leadership position in the market, driven by the popularity of its brands across market segments.



HOTELS

Inspired by its credo of Responsible Luxury, ITC Hotels integrates world-class green practices with contemporary design elements to deliver the best of luxury in the greenest possible manner. ITC Hotels has pioneered several first-of-its-kind offerings, creating new benchmarks with the introduction of value based accommodation brands, branded cuisines and the 'eco-easy' model of hoteliering. Today, ITC Hotels is the "greenest luxury hotel chain in the world" with all its 10 premium luxury hotels being LEED Platinum certified. This year, the Business launched its new iconic property, the 600 key ITC Grand Chola in Chennai which is the world's largest LEED (Leadership in Energy and Environmental Design) Platinum-rated hotel in the 'New Construction' category.



ITC's Hotels Business maintained its position as one of the fastest growing hospitality chains in India, with more than 90 properties in over 70 locations. It operates under four distinct brands - 'ITC Hotels' for 'luxury',



'WelcomHotel' in the 'five star segment', 'Fortune' in the 'mid-market to upscale segment' and 'WelcomHeritage' in the 'heritage leisure segment.'





PAPERBOARDS, SPECIALTY PAPERS AND PACKAGING

PAPERBOARDS AND SPECIALTY PAPERS BUSINESS

ITC's Paperboards and Specialty Papers Business, India's largest, technologically advanced and most eco-friendly Paper

ITC's Paperboards and Paper Business is an icon of environmental stewardship. The Company established the country's first Elemental Chlorine Free fibre line and Ozone Bleaching technology. It is also the first company in the country to gain membership of the Global Forest & Trade Network (GFTN) of the World Wildlife Fund (WWF). Committed to developing a sustainable raw material base, ITC's pulpwood is largely sourced from renewable plantations under its Social and Farm Forestry Programme, which provides tribals and farmers livelihood opportunities



and Paperboards Business, caters to a wide spectrum of packaging, graphic, communication, writing, printing and specialty paper requirements through its 4 world-class manufacturing units, which are today FSC Chain of Custody certified. ITC is the first paper company in India to obtain the Forest Stewardship Council-Forest Management (FSC-FM) certification.

by helping them convert wastelands into commercial plantations.

ITC's initiative, 'Wealth Out of Waste' (WOW), promotes and facilitates waste paper recycling to help conserve scarce natural resources.



PACKAGING AND PRINTING BUSINESS

ITC is the largest value-added converter of paperboard packaging in India. It provides a variety of value-added packaging solutions for the food & beverage, personal care products, consumer goods industries and so on.

The Business has 3 packaging factories at Tiruvottiyur near Chennai, Munger in Bihar, and Haridwar. ITC offers a comprehensive product range in packaging backed by its packaging expertise over decades and cutting edge technology making it truly a 'one stop shop for Packaging'.



AGRI BUSINESS

ITC's Agri Business bears testimony to the Company's commitment to putting country





before corporation. Through its value chains, ITC has forged strong partnerships with farmers. Its pioneering initiatives in the agricultural sector have led to enhancement of farm productivity and empowerment of farmers.

Today, ITC is one of India's leading corporates in the agricultural sector. It owes its success to the unique rural digital infrastructure network it has set up and its deep understanding of agricultural practices. ITC's celebrated e-Choupal initiative is a perfect example of how private sector initiatives can complement state interventions to create significant value for the farmer.



INFORMATION TECHNOLOGY

ITC Infotech, the Company's wholly owned subsidiary, is one of the fastest growing mid-tier IT companies. It provides IT services and solutions to leading global customers across 140 countries in 5 continents.

ITC Infotech is focused on servicing the BFSI (Banking, Financial Services & Insurance), CPG&R (Consumer Packaged Goods & Retail), Life Sciences, Manufacturing & Engineering Services, THT (Travel, Hospitality and Transportation) and Media & Entertainment industries.



Certifications, Honours And Awards



ITC conferred the prestigious 'World Business and Development Award 2012' at the Rio+20 UN Summit for its Social and Farm Forestry Initiatives

ITC: MAJOR AWARDS OVER THE YEARS

- ▶ Chairman Y C Deveshwar was conferred the Padma Bhushan by the Government of India (2011).
- ▶ Chairman Y C Deveshwar was conferred the Global Leadership Award by the US India Business Council of the US Chamber of Commerce (2010).
- ▶ The FICCI Outstanding Vision Corporate Triple Impact Award, presented by the Prime Minister, Dr Manmohan Singh (2008).
- ▶ The FICCI Award for Outstanding Achievement in Rural and Community Development, presented by the then Finance Minister, Shri Pranab Mukherjee (2010).
- ▶ Chairman Y C Deveshwar received the Business Person of the Year Award from UK Trade & Investment (2006).
- ▶ Chairman Y C Deveshwar was awarded the SAM/SPG Sustainability Leadership Award in Zurich (2007).
- ▶ The National Award for Excellence in Corporate Governance from the Institute of Company Secretaries of India (2007).
- ▶ ITC was ranked 2nd among top Indian companies in the first of its kind Standard & Poor Environmental, Social and Corporate Governance ratings (2008).
- ▶ ITC ranked 2nd among top companies in India and 7th in Asia in the first of its kind Asian Sustainability Rating released by CSR Asia (2010).
- ▶ ITC became the first Indian Company to gain Membership with WWF-GFTN for Responsible Forestry (2010).
- ▶ ITC was ranked the world's 6th largest sustainable value creator among consumer goods companies according to a Report by Boston Consulting Group (2010).
- ▶ ITC won the top UNIDO Award at the International Conference on Sharing Innovative Agri Business Solutions at Cairo (2008).
- ▶ ITC was conferred the Corporate Social Responsibility Crown Award for Water Practices from UNESCO and Water Digest (2008).
- ▶ The Asian CSR Award for Environmental Excellence, given by the Asian Institute of Management (2007).
- ▶ ITC was the 1st Indian Company and 2nd in the world to win the Development Gateway Award for its trail-blazing e-Choupal initiative (2005).



- ▶ Inaugural World Business Award by UNDP for ITC's e-Choupal initiative (2004).
- ▶ ITC e-Choupal won the Stockholm Challenge Award (2006).
- ▶ ITC was rated amongst Asia-Pacific's 50 biggest listed companies in 'Asia Fab 50' by Forbes in 2010.
- ▶ All ITC's super premium luxury hotels accorded LEED Platinum status making ITC Hotels the 'Greenest Luxury Hotel Chain in the World'.
- ▶ ITC's Paperboards Units at Bhadrachalam, Bollaram, Kovai and Tribeni are FSC Chain of Custody certified.
- ▶ ITC's Unit in Bhadrachalam has been awarded the Forest Stewardship Council Forest Management certification by the Smart Wood Programme of the Rainforest Alliance.
- ▶ ITC won the World Business and Development Award at the historic Rio+20 UN Summit for its Social and Farm Forestry initiative.
- ▶ ITC has been presented the AIM Asian CSR Award by the Asian Forum on Corporate Social Responsibility (AFCSR), in recognition of its contribution to the creation of sustainable livelihoods and fostering economic growth in rural communities in India.
- ▶ ITC has won the prestigious 12th Businessworld FICCI CSR Award in the Large Enterprise category. The award recognises the most socially responsible Indian corporates in CSR.
- ▶ ITC bagged the Best Overall Corporate Social Responsibility Performance Award at the Institute of Public Enterprise (IPE) & Subir Raha Centre for Corporate Governance - CSR Awards 2012.

ITC: SELECT MAJOR AWARDS-2012-13

- ▶ ITC Chairman Mr Y C Deveshwar was conferred the Business Leader of the Year Award by the All India Management Association (AIMA).

Harvard Business Review ranked ITC Chairman Y C Deveshwar as the 7th Best Performing CEO in the World among "100 Best Performing CEOs in the World" published by the Harvard Business Review (HBR) in its January-February 2013 edition

- ▶ ITC was conferred Business Leader In FMCG at the NDTV Profit Business Leadership Awards 2012.
- ▶ ITC's Agri Business Division has won two awards at the fourth edition of the Rural Marketing Association of India Corporate Awards 2012. Mr S Sivakumar, Chief Executive of the Agri Business Division, was conferred the Special Inaugural Award for Leadership Role in Rural Marketing.
- ▶ ITC's Hotels Division was recognised as a 'Standout Winner' in Sustainability at the Global Vision Awards, Travel + Leisure, U.S.
- ▶ ITC's Corporate Communications Department received the ABCI (Association of Business Communication of India) Awards in 3 categories.
- ▶ ITC's Corporate Communications Department was the winner of the highest number of prizes at the 34th National Public Relations Society of India Awards with five first prizes in various categories.





- ▶ ITC's super premium luxury hotel ITC Grand Chola in Chennai secured a 5 Star GRIHA, the highest national rating for Green Buildings. The award was presented by the Hon'ble President of India, Shri Pranab Mukherjee.
- ▶ The National Tourism Awards recognised ITC Maurya for 'Best Facilities for Differently Aabled Guests' and ITC Gardenia for being the 'Best Eco Friendly Hotel'.
- ▶ ITC has bagged the Corporate Excellence Award, 2012, conferred by the Indian Institute of Material Management (IIMM), for its contribution to society and the Indian economy through excellence in Supply Chain Management (SCM).
- ▶ ITC was presented the CII Water Excellence Award 2012. The Packaging & Printing Factory, at Tiruvottiyur, Paperboards Units at Kovai and Bhadrachalam were presented the CII award for being the "Best Water Efficient Units". ITC's Watershed Development Programme received the award for "Excellent Water Management Initiative".
- ▶ ITC's Units at Bengaluru, Saharanpur, Kidderpore (Kolkata) and Pune have been conferred the coveted British Safety Council Sword of Honour Award.



- ▶ ITC's factories at Munger, Bengaluru, Saharanpur, Kolkata and Pune have received the prestigious Five Star rating from the British Safety Council for implementing and demonstrating benchmarked International standards on Occupational Health and Safety.
- ▶ ITC's Foods Unit at Haridwar received a Commendation Certificate from the Confederation of Indian Industry, in the Category - 'Large Food Businesses - Manufacturing' for the year 2012.
- ▶ ITC's WOW - Wealth Out of Waste Initiative won the CII Best Environmental Practices Awards 2012 in the categories of 'Most Useful Environmental Project 2012' and 'Innovative Environmental Project'.
- ▶ ITC's Paperboards Unit at Bollaram has won the Silver at the FICCI Safety Excellence Award in the Medium size industry category.
- ▶ ITC's Munger Unit has been recognised as an "Energy Efficient Unit" at the 13th CII National Awards for Excellence in Energy Management, 2012.
- ▶ The Packaging Factory and Warehouse Project, Haridwar has won the British Safety Council International Safety Award – 2012.
- ▶ ITC won the CIO Advisory's Top Green IT Enterprise Award and the Nasscom Best IT User Award in 2012.
- ▶ ITC's Classmate brand won the Gold Award at EEMAX 2012 for use of Digital Marketing in Event and Activation for ITC Classmate's Man of the Match campaign.
- ▶ ITC Grand Chola has won the Development of the Year Award in the Luxury and Upscale category, conferred by the Hotel Investment Forum India (HIFI) in 2013.
- ▶ ITC Sonar, Kolkata, won the "Best in Resource Efficiency" award at Wild Asia's



Responsible Tourism Awards, Singapore, 2012.

- ▶ ITC Mughal's Kaya Kalp –The Royal Spa received the Favourite Hotel Spa Award for the year 2012 at the Conde Nast Readers' Travel Award ceremony.
- ▶ ITC's branded cuisine restaurants - Bukhara & Dum Pukht, were the only Indian restaurants that were among the Miele Top 20 Asia's Best Restaurant Awards, Singapore.
- ▶ ITC's restaurant - Dum Pukht was recognised amongst 'Classic Restaurant of the World' by Conde Nast Traveller, U.K.
- ▶ ITC's signature cuisine restaurant - Bukhara awarded 'Restaurant of the Year' at the NDTV Lifestyle Awards in 2013.
- ▶ Bukhara, Dum Pukht, Kebabs & Kurries, Dakshin, Pan Asian, West View, EDO, Ottimo, Dublin - awarded 'Best in category' at the Times Food Awards held across the country in 2012.
- ▶ Fortune Hotels won the award for the "Best First Class Business Hotel Chain" at the Today's Traveller Awards Ceremony in 2012.

CERTIFICATIONS & AWARDS

▶ ISO 14001: Environment Management Systems

All manufacturing Units of ITC, all major hotels and the ITC Life Sciences & Technology Centre at Bengaluru hold this certification.

▶ OHSAS 18001: Occupational Health & Safety Management Systems

All manufacturing units of ITC have this certification.

▶ SA 8000: Social Accountability

Leaf processing plants at Chirala and Anaparti, Cigarette factory at Kolkata, Surya Nepal's Simra Unit, Packaging & Printing Unit at Tiruvottiyur and ITC Infotech Bengaluru Unit have this certification.

▶ Food Safety: ISO 22000/HACCP Food Safety Management System:

ITC Maurya, ITC Mughal, ITC Maratha, ITC Grand Central, ITC Sonar, IT Windsor, ITC Kakatiya, ITC Rajputana and WelcomHotel Sheraton New Delhi and My Fortune Chennai have this certification.

Foods Unit in Haridwar and Pune have also received this certification.

▶ LEED Platinum Rating by US Green Building Council – Existing Building category

ITC Maurya, ITC Windsor, ITC Maratha, ITC Grand Central, ITC Mughal, ITC Sonar, ITC Kakatiya and ITC Rajputana have this certification.

▶ LEED Platinum Rating by Indian Green Building Council – New Construction category

ITC Gardenia and ITC Grand Chola

▶ 5 Star GRIHA (Green Rating for Integrated Habitat Assessment) by Association for Development and Research of Sustainable Habitat (ADaRSH)

ITC Grand Chola

▶ Platinum rating by Indian Green Building Council (IGBC) - Green Factory Building

Cigarette Units at Saharanpur and Bengaluru



AWARDS

The following awards received during 2012-13 bear testimony to the highest EHS standards maintained in the various units of the Company and significant achievements made.

▶ **5 star rating in Health and Safety Management by British Safety Council**

Cigarette factory at Munger, Bengaluru, Saharanpur, Pune and Kolkata

▶ **Safety Innovation Award 2012 by Institution of Engineers (India)**

Cigarette Unit at Bengaluru

▶ **Excellent Energy Efficient Unit for the year 2012 by CII**

Paperboards and Specialty Paper Unit at Bhadrachalam

▶ **Energy Efficient Unit Award by CII National Energy Management Campaign 2012**

Cigarette factory at Munger

▶ **Certified for Forest Stewardship Council Chain of Custody (cardboard packaging, corrugated paper packaging, adhesive labels) by Rainforest Alliance**

Packaging and Printing Unit at Tiruvottiyur

▶ **Green Tech Safety Award by Green Tech Foundation**

Personal care Unit at Haridwar

▶ **Green Tech Silver Award in FMCG Sector by Green Tech Foundation**

Foods Unit at Haridwar

▶ **Green Tech Gold Award for Safety 2011-12 by Green Tech Foundation**

Welcomhotel Sheraton, New Delhi

▶ **First Pulp & Paper Unit to be certified as "GreenCo" by CII – Godrej Green Building Centre**

Paperboards and Specialty Papers Unit at Bhadrachalam

▶ **'Shreshtha Suraksha Puraskar' (Silver trophy & certificate) by National Safety Council of India**

Cigarette Unit at Munger

▶ **'Shreshtha Suraksha Puraskar' (Bronze trophy & certificate) by National Safety Council of India**

Packaging and Printing Unit at Munger

▶ **'Prashansa Patra' by National Safety Council of India**

Cigarette Unit at Kolkata

▶ **Greentech Silver Award in FMCG sector by Greentech Foundation**

Personal Care Unit at Haridwar

▶ **'Silver' FICCI Safety System Excellence – 2012 by FICCI**

Paperboards and Specialty Paper Unit at Bollaram

▶ **Greentech Environment Silver Award 2012 by Greentech Foundation, New Delhi**

Foods Unit at Haridwar

ITC Rajputana

Personal Care Products Unit at Haridwar

Packaging and Printing Unit at Munger

ITC's GHG inventory was assured to highest 'Reasonable level' by Lloyd's Register Quality Assurance Limited in line with ISO 14064 Standard, during the year



▶ **Sword of Honour Award by British Safety Council**

Cigarette factory at Bengaluru, Saharanpur, Kolkata and Pune

▶ **Second position in FICCI Water Award in Industrial Water Efficiency Category**

Cigarette factory at Bengaluru

▶ **Special Commendation for The Golden Peacock Occupational Health & Safety Award 2012 by Golden Peacock Awards Secretariat**

Cigarette factory at Saharanpur

▶ **CII National Award for Water Management 2012 (Within the Fence category) by CII**

Packaging and Printing unit at Tiruvottiyur

▶ **National Award for Excellence in Water Management 2012 by CII**

Paperboards and Specialty Papers Unit at Bhadrachalam

▶ **Best Water Efficient Unit by CII**

Paperboards and Specialty Papers Unit at Kovai

▶ **IPMA Environmental Award for Cleaner Technologies for the year 2012 by IPMA**

Paperboards and Specialty Papers Unit at Bhadrachalam

▶ **British Safety Council International Safety Award 2013 by British Safety Council**

Packaging and Printing unit at Munger

▶ **CII (ER) Energy Conservation Award (Third Position) by Confederation of Indian Industry**

Cigarette factory at Munger

▶ **CII SHE (Safety, Health & Environment) Award 2012-13 in the category of large scale companies in Eastern Region (First Position)**

Cigarette factory at Kolkata

Report Profile, Scope and Boundary

FOR ALL OUR
TOMORROWS





This 10th Sustainability Report covers the sustainability performance for the period from April 1, 2012 to March 31, 2013.

We report our performance on an annual basis and the last Sustainability Report was published in January 2013.

ITC is headquartered at Virginia House, 37JL Nehru Road, Kolkata, 700 071 (India). The contact point for any clarifications on the report or for requesting additional copies of this report is the Corporate Communications Department at the above address or e-mail: enduringvalue@itc.in.

This Report covers performance of all the Businesses and Units directly under ITC Limited and the 4 subsidiary companies where we have operational control. 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 GRI G3 guidelines. The relevant indicator and technical protocols have been followed for reporting on various indicators and there has been no significant change in the reporting scope or boundary limits over last year.

This Report reflects material issues, which have significant economic, environmental and social impacts that can substantially influence 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. The details on stakeholder engagement are covered elsewhere in the Report.

Sustainability and sustainable development are integral to ITC's ethos and find expression in our commitment to enhancing the

Triple Bottom Line dimensions 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. In the current year, we have incorporated the main outsourced manufacturers from our Education and Stationery Products Business in the reporting.

The economic performance reported here is from the Company's Report & Accounts (R&A) 2013. The R&A 2013 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 environment & social sections is based on actual performance of the various businesses, factories, hotels and large offices of the Company and the Subsidiaries. Authenticity of these data and systems have been verified by M/s Ernst & Young as per the assurance statement provided, which forms a part of this Report.



Reporting Boundary



This Report covers the following Businesses and their corresponding Units:

FMCG

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

FMCG - OTHERS

Foods Units at Haridwar (Uttarakhand) & Pune (Maharashtra), Personal Care Products Units at Haridwar (Uttarakhand) & Manpura (Himachal Pradesh)

Education and Stationery Products – Outsourced Manufacturing Units of Note Books

HOTELS

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





AGRI BUSINESS

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

Centre, Bengaluru (Karnataka), ITC Green Centre, Gurgaon (Haryana), ITC Head Office, Kolkata (West Bengal)

PAPERBOARDS, PAPER & PACKAGING

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

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)

LIFESTYLE RETAILING & OTHERS

Units at Design & Tech. Centre, Manesar (Haryana), ITC Life Science & Technology

Bay Islands Hotels Limited

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



Governance, Commitments And Engagements

FOR ALL OUR
TOMORROWS



Effective management of multiple businesses through a three-tiered governance structure

Clearly defined roles and responsibilities

Robust and comprehensive framework of strategic planning and performance management

Building an institution of tomorrow





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 at 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 (DMC)

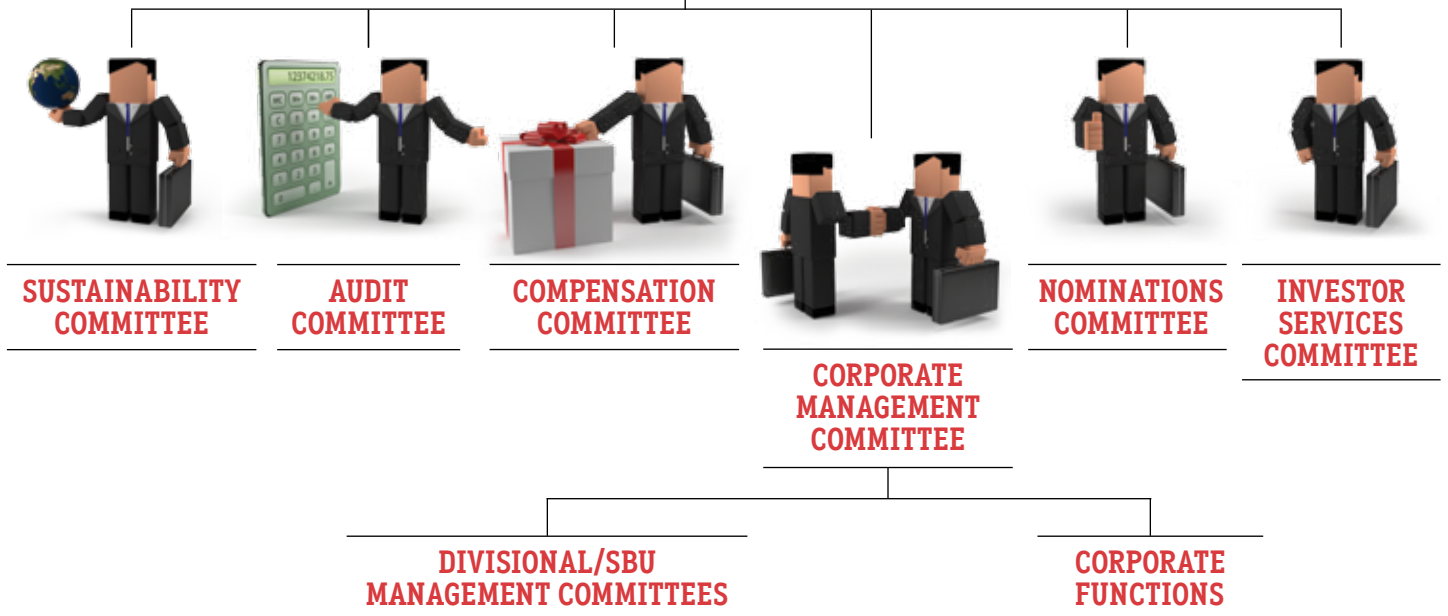
The role, powers and composition of the Board, Board Committees, CMC and DMC are available on the Company's corporate website.



Governance Structure



BOARD OF DIRECTORS



Divisional/SBU Management Committees, each headed by a Divisional/SBU Chief Executive

Businesses include:
 FMCG, Hotels, Paperboards, Specialty Papers & Packaging, Agri Business and Information Technology

Corporate Functions, each headed by a Head of Department

Corporate Functions include:
 Planning & Treasury, Accounting, Taxation, Risk Management, Legal, Secretarial, Internal Audit, EHS, Human Resources, Corporate Communications, Corporate Affairs, Research & Development, Central Projects Organisation and IT Support Services



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 the Company goals in accordance with the charter approved by the Board.

ITC has 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

The ITC Board is a balanced Board, comprising 4 Executive and 14 Non-Executive Directors (including 11 Independent Directors).

SELECTION OF DIRECTORS

ITC's Governance Policy requires 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 10 Non-Executive Directors, nine of whom are Independent Directors.

PERFORMANCE OF THE HIGHEST GOVERNANCE BODY

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



Our Corporate Governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them



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



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

COMPENSATION FOR MEMBERS OF THE HIGHEST GOVERNANCE BODY

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

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 at large; such confirmations are placed before the Board.

The Company has a code of conduct for prevention of insider trading in the securities of the Company. The ITC Code of Conduct for Prevention of Insider Trading, 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 the 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 establish and monitor the specific profiles including both strategic and operational risks. The process includes the prioritisation of risks, selection of appropriate mitigation strategies and periodic reviews of the progress on the management of 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-focussed 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 operation.

▶ A robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives, based on effective strategy implementation. The annual planning exercise requires all Businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. Businesses have confirmed that all relevant business risks have been identified, assessed, evaluated and appropriate mitigation systems have been 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.

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



OVERSIGHT, IMPLEMENTATION AND AUDIT OF ECONOMIC, ENVIRONMENTAL, SOCIAL AND RELATED POLICIES

The CMC approves the relevant Financial, Environmental, Occupational Health & Safety and Social Development 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. The EHS performance of all Units/Factories/Hotels is audited at least once annually to ensure conformity with 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 and major hotels are certified in accordance with ISO 14001. The Occupational Health & Safety Management Systems in all manufacturing Units are certified in accordance with OHSAS 18001.

The Investor Service Centre (ISC) of the Company is certified in accordance with ISO 9001:2008 and rated 'Level 5' (highest level). This stands testimony to the excellence achieved by ISC in providing quality investor services.

Internal Audit Services relating to Systems and Controls in all areas of operation in the Company are certified under ISO 9001:2008 and rated 'Level 5' (highest level).



The Investor Service Centre of the Company is certified in accordance with ISO 9001:2008 and rated 'Level 5' (highest level) by a third-party certifying agency





Stakeholder Engagement



ITC has adopted a multi-pronged, multi-stakeholder strategy for an inclusive approach to building partnerships in sustainable business practices. It has also put in place institutional mechanisms to facilitate strong partnerships with communities in its programmes such as Watershed Development, Social Forestry, Animal Husbandry Services and Women's Empowerment. These initiatives augment the natural resource base and create sustainable rural livelihoods.

ITC has systems and procedures to identify, prioritise and address the needs and concerns of all its key stakeholders across businesses and units. Its core stakeholders comprise:

SHAREHOLDERS

ITC believes that protection and enhancement of shareholder wealth is one of the Company's key responsibilities. The primary expectations of shareholders remain centred around continued profitability and growth, effective communications and investor servicing.

The Chairman addresses and provides clarifications to shareholders at least once a year at the Annual General Meeting in the presence of the Board. The Board encourages open dialogue with all shareholders, including individuals, corporates and investors.

Our corporate website www.itcportal.com provides comprehensive information and contains an exclusive section on

'Shareholder Value' which 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

Enduring and long-term customer relationships form the bedrock of ITC's businesses. Significant efforts are made to gain insights into customers' needs and aspirations and to seek consumer delight through ITC's high-quality and cost-competitive products and services.

Most of ITC's Businesses have various mechanisms to capture the needs and expectations of the customer, such as market surveys, personal contacts/visits, events, customer satisfaction surveys, joint development and improvement projects, key account management, multi-level interfaces at dealer-customer-end user, personalised lifestyle privilege programme, etc.

Robust Quality Assurance systems, supported by process innovations, adoption of green technology, lean management, six sigma and TPM, help to achieve benchmarks in the quality of products and services that can sustain and enhance customer delight. ITC also continues to invest significantly in R&D to develop newer products/variants.

EMPLOYEES

ITC recognises that the creation of a high-quality human resource team to drive the



As trustees of shareholders, we believe that it is our responsibility to protect and enhance their wealth

Each Business focusses on engaging with employees on a regular basis as well as based on specific requirements through communication meetings, workplace interactions, mentoring and suggestion schemes, employee/manager surveys and talent recognition programmes



businesses of tomorrow requires focus on providing personal development and growth, a work culture that ensures high levels of performance, provides world-class learning experiences and a caring & empowering work environment.

Our unique employee value proposition is backed by strong corporate equity enabled sustained engagement in challenging times. Each business focuses on engaging employees through communication meetings, mentoring, suggestion schemes, engagement surveys and talent recognition programmes.

ITC's remuneration philosophy recognises performance and meritocracy, whilst remaining competitive and sustainable. The Company fosters a culture that rewards performance, continuous learning, collaboration and capacity development across the organisation to be future-ready and meet head-on the challenges posed by ever changing market realities.

To address employee concerns, ITC units have a structured grievance redressal mechanism to enable all grievances to be resolved in a just and amicable manner. A grievance redressal committee, comprising representatives of both unionised employees and managers, has been instituted to address their concerns. ITC's unswerving belief in the mutuality of interests of key stakeholders, binds all employees to a shared vision and purpose. ITC's units engage with employee representatives and unions, thereby strengthening the collaborative spirit across all sections of employees.

FARMERS

Farmers are an important value chain partner for ITC and we continue to engage with them through a large gamut of interventions. A primary cause of rural poverty is the vicious cycle of low productivity, low income and low capacity to invest that continues to plague Indian farmers. Addressing the root cause of these challenges, ITC co-created the e-Choupal initiative with farmers to provide

information and knowhow on agricultural best practices, transmission of market signals, transparent discovery of prices, timely and relevant weather information, access to quality inputs, and most importantly, efficient market access. The ITC e-Choupals, managed by trained farmers (sanchalaks), helped the agricultural community access ready information in their local language. In addition, ITC worked closely with farmers to enhance agri productivity through demonstration farms and customised extension services, apart from creating physical infrastructure in the form of integrated rural services hubs. The ITC e-Choupal initiative has empowered over 4 million farmers in 40,000 villages, raising rural productivity and incomes.

Similarly, ITC works closely with farmers in its Social and Farm Forestry programme to provide a wide spectrum of extension services that impart knowledge and knowhow to farmers through dedicated farmer training programmes. In addition, farmers have been benefitted by the extensive R&D programme for clonal propagation which gives them high yielding quality saplings which are disease resistant, can grow in shorter time spans and in difficult terrains such as wastelands. This initiative has created over 64 million person-days of employment for farmers in the state of Andhra Pradesh.

SUPPLIERS

The Company's supplier (both national and international) engagements are supported by policies, processes and best practices that ensure that procurement activity is conducted in an open, transparent and non-discriminatory manner. Strong processes are in place to identify/develop and qualify vendors on the basis of supply assurance, innovation quotient, product quality and value for money considerations.

Formal competitive processes are established and documented discussions, recommendations and decisions underlay all procurement activity. Sole sourcing (to the extent possible) and retroactive



contracting are avoided. Contracts are tested for regulatory compliance and supplier deliverables cognise for environmental, health and safety legislation.

All businesses of the Company have modern facilities and use state of the art technologies to ensure benchmarked quality and value. Accordingly, the Company sources specialised production machinery from reputed international as well as Indian manufacturers – across large, medium and small scale sectors. Utility machinery such as boilers, generator sets, air-conditioning and refrigeration machinery and electrical & electronic systems are sourced largely from Indian or India based suppliers. Competent Indian contractors carry out construction and renovation of new manufacturing facilities, hotels, warehouses & offices. Nearly 90% of raw materials and 70% of spare parts and components have been locally procured during the year.

The Company actively encourages competency development among local vendors and its vendor base includes numerous medium and small scale enterprises that are close to its manufacturing locations. Where appropriate, vendors are provided technical support and managerial inputs to enable them to move in tandem with the Company's business plans. The Company also supports several vocational training initiatives in areas close to its operations. These have been effective in empowering youth with requisite skills and increased opportunities for entrepreneurial development. In addition, the Company has continued to set up sourcing centres in rural India for several of its product categories, both directly and in collaboration with various State agencies and NGOs to assist in the creation of sustainable livelihoods.

COMMUNITY

ITC's agri-businesses have forged a long and enduring partnership with rural communities. Their initiatives contribute to empowering these communities to conserve and manage

their natural resources, create sustainable on- and off-farm livelihoods and improve social infrastructure, especially in areas where it impacts women and children. ITC has put in place village-level institutional mechanisms which help transform rural communities into vibrant economic organisations and empower stakeholders with enhanced incomes and livelihoods.

A good example is ITC's Watershed Development programme which promotes local management of water resources by facilitating community-based participation in planning and executing watershed projects. Adopting a bottom-up participatory approach with disadvantaged sections as the primary target, ITC works with communities to mobilise them and form Water User Groups. These Groups are trained to carry out the entire spectrum of activities from planning to execution and maintenance of water harvesting structures. Groups are also trained to formulate regulations and fix water user charges, which go towards creating a fund used to maintain existing structures, build new ones and tap government schemes.

GOVERNMENT

ITC interacts through industry bodies and various other forums with Government/Regulatory Authorities on aspects relating to public policy frameworks. ITC, in partnership with CII, has supported the creation of a unique institution – The CII-ITC Centre of Excellence for Sustainable Development – to promote thought leadership, recognise sustainability champions and build awareness as well as capacity on issues related to sustainable development and inclusive growth.



To improve the quality and effectiveness of the interventions, we bring in professional/technical agencies to introduce appropriate technologies that complement traditional methods of farming, conserving water, soil and nutrients



Economic Performance

Progressive investments in multiple drivers of growth

Sustaining high quality top line and earnings growth

26% compound annual growth in total shareholder returns over the last 17 years

47 fold increase in market capitalisation from 1996







ITC posted another year of strong performance premised on its corporate strategy of creating multiple drivers of growth. This performance is even more encouraging when viewed against the backdrop of the extremely challenging business context in which it was achieved, namely, the continued economic slowdown, steep increase in taxes/duties on cigarettes, gestation costs relating to the new FMCG businesses and recent investments in the Paper, Paperboards and Packaging and Hotels businesses.

Gross Revenue for the year grew by 19.9% to ₹ 41,810 crores. Net Revenue at ₹ 29,606 crores grew by 19.4% primarily driven by a



20.4% 
Growth in Net Profits

19.9% 
Growth in Gross Revenue



The Company is presently the leading FMCG marketer in India, a trailblazer in ‘green hoteliering’ and the second largest Hotel chain in India, the clear market leader in the Indian Paperboard and Packaging industry and the country’s foremost Agri business player



₹ 2,60,000 Crores
Market Capitalisation

₹ 9.45 
Earnings per Share

26.4% growth in the non-cigarette FMCG businesses, as well as in Agri Business together with 13.4% growth in the Cigarettes Business. Profit Before Tax increased by 20.1% to ₹ 10,684 crores while Net profits at ₹ 7,418 crores registered a growth of 20.4%.

Earnings Per Share for the year stood at ₹ 9.45 (previous year ₹ 7.93), while Cash flows from Operations aggregated ₹ 9,596 crores compared to ₹ 8,334 crores in the previous year.

Continuing with its chosen strategy of creating multiple drivers of growth, the Company is presently the leading FMCG

marketer in India, a trailblazer in ‘green hoteliering’ and the second largest Hotel chain in India, the clear market leader in the Indian Paperboard and Packaging industry and the country’s foremost Agri business player. ITC’s wholly owned subsidiary, ITC Infotech India Limited, is one of India’s fast growing Information Technology companies in the mid-tier segment.

ITC is one of India’s most admired and valuable corporations with a market capitalisation of over ₹ 2,60,000 crores and has consistently featured amongst the top 10 private sector companies in terms of market capitalisation and profits over the last seventeen years.



the year with the Harvard Business Review acknowledging the Company's Chairman, Mr Y.C. Deveshwar – under whose stewardship this was achieved – as the 7th best performing CEO in the world.

For the year ended 31st March, 2013, ITC declared a Dividend of ₹ 5.25 per share (previous year ₹ 4.50 per share).

DIRECT ECONOMIC IMPACT

KEY ECONOMIC INDICATORS*	₹ Crores					
	2008-09	2009-10	2010-11	2011-12	2012-13	CAGR
Gross Revenue	23,059	26,200	30,528	34,872	41,810	16%
Net Revenue	15,612	18,153	21,168	24,798	29,606	17%
Exports	1,762	2,239	2,464	2,315	3,474	18%
Contribution to Government/ Exchequer	11,142	13,573	15,843	17,936	22,012	19%
Cost of Bought out Goods and Services	9,907	10,685	13,133	14,215	17,214	15%
Employee Benefits Expense	891	1,003	1,140	1,258	1,387	12%
Payments to Providers of Capital						
- Interest and Dividend	1,425	3,891	3,512	3,596	4,235	31%
- Retained Profits	1,634	-391	986	2,073	2,565	12%

*Detailed Financial Performance available at www.itcportal.com



REVENUE AND PROFIT BEFORE DEPRECIATION, INTEREST AND TAX (PBDIT)

Additionally, during such period, the Company's Gross Revenues and Net Profits recorded an impressive compound growth of 13.2% and 21.8% per annum respectively. Return on Capital Employed improved substantially from 28.4% to 45.7% while Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compound annual growth rate of over 26%, placing the Company amongst the foremost in the country in terms of efficiency of servicing financial capital.

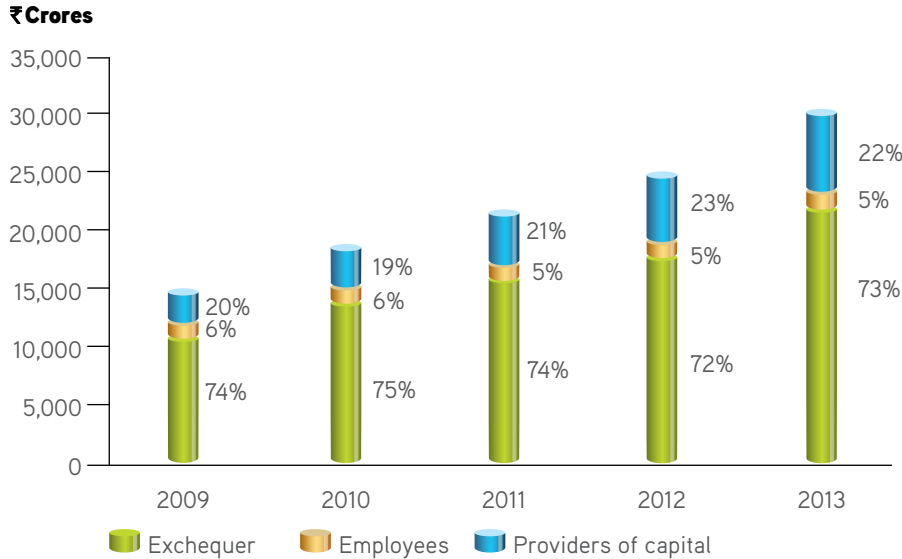
Such an impressive performance track record, delivered consistently over a long period of time, won global recognition during

YEAR	₹ Crores					
	2008-09	2009-10	2010-11	2011-12	2012-13	CAGR
Gross Revenue	23,059	26,200	30,528	34,872	41,810	16%
PBDIT	5,393	6,689	7,993	9,674	11,566	21%



ANALYSIS OF VALUE ADDED

Distribution of Value Added



FINANCIAL ASSISTANCE FROM GOVERNMENT

There is no significant financial assistance which the Company receives from the Government. In the states of Andhra Pradesh and Tamil Nadu, the State Government offers incentives such as deferment of sales tax for setting up new units or for modernisation/expansion/diversification of existing Units. In the current year, our Paperboards & Specialty Papers Division (PSPD) has received such assistance for the Bhadrachalam Unit in Andhra Pradesh (2013- ₹ 0.3 Crore, 2012- ₹ 1.8 Crores)

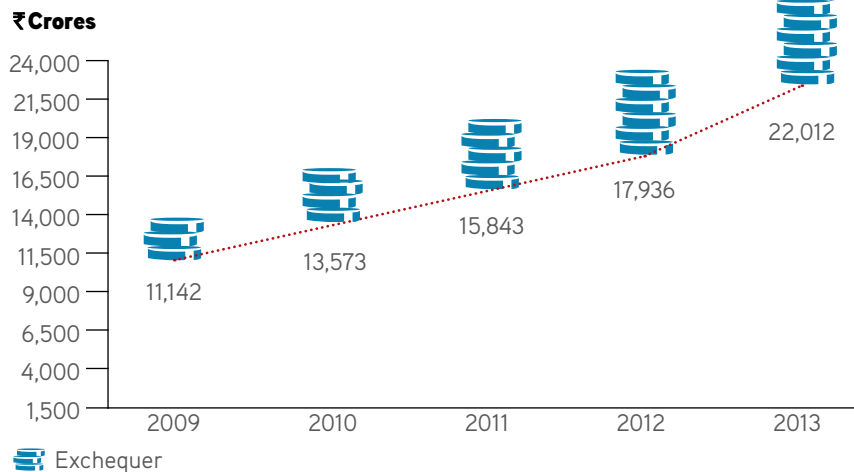
DIVIDEND PAYOUT

ITC is one of India's most admired and valuable corporations and has consistently featured, over the last seventeen years, amongst the top 10 private sector companies in terms of market capitalisation and profits and is amongst the most influential stocks in the Indian equity market. For the current year, it has declared a dividend of ₹ 5.25 per share of ₹ 1 each.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

The Company's contribution accounts for about 7.1% of the total excise revenue of the Government of India. In the area of income tax, the Company is the highest tax payer in eastern India and among the top tax payers nationally.

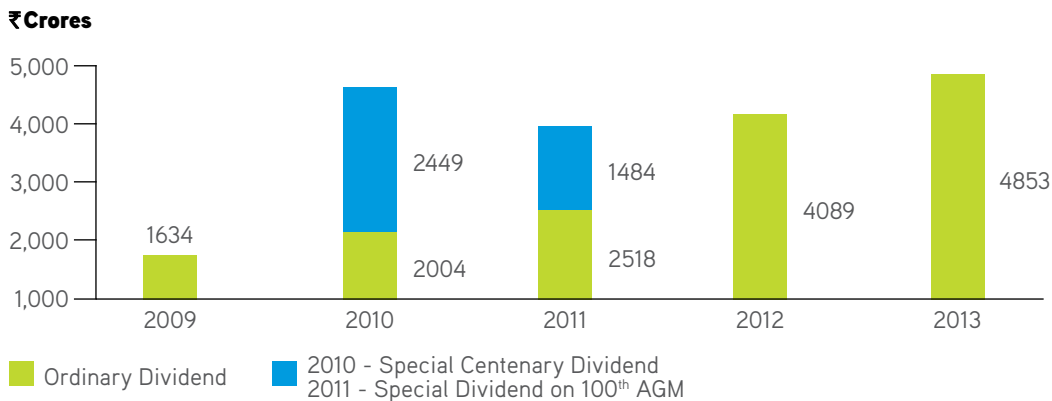
Contribution to Exchequer





While the Balance Sheet size of the Company has expanded at a compound rate of 15% over the previous five years to reach ₹ 34,017 crores as at 31st March 2013, returns on assets deployed have increased from about 25% to about 32% during the same period

Dividend Payout (Incl Dividend Distribution Tax)

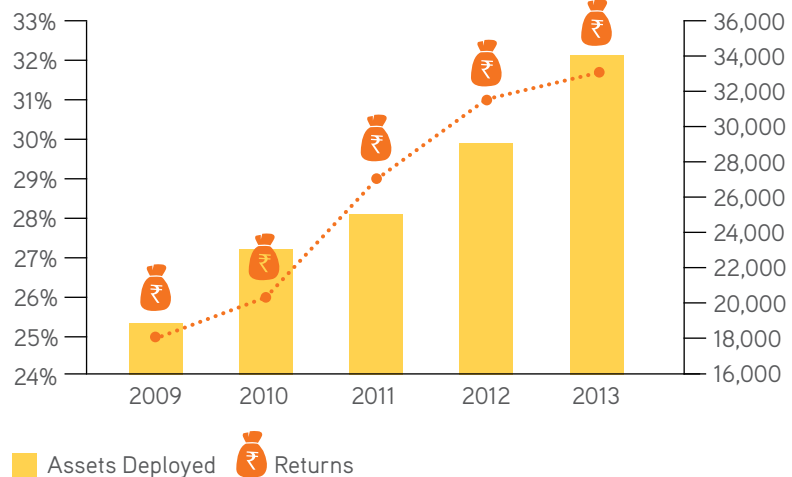


ASSETS DEPLOYED AND RETURNS

Despite the extremely challenging business environment during the year under review, ITC continued to make significant investments in the Indian economy across its business domains, even as it has been successful in generating progressively higher returns on the assets deployed. Thus, while the Balance Sheet size of the Company has expanded at a compound rate of 15% over the previous five years to reach ₹ 34,017 crores as at 31st March 2013, returns on assets deployed have increased from about 25% to about 32% during the same period.

₹ Crores

Returns (%)



LOCALLY BASED SUPPLIERS

The Company's suppliers, both local and international, constitute one of its important stakeholder groups. Supplier engagements are founded on a positive procurement culture supported by policies, processes and best practices to ensure that procurement activity is conducted in an open, transparent and non-discriminatory manner. Strong processes are in place to identify/develop and qualify vendors on the basis of supply assurance, innovation quotient, product quality and value for money considerations. Formal competitive

processes are established and documented discussions, recommendations and decisions underlay procurement activity.

All businesses of the Company have modern facilities and use state-of-the-art technologies to ensure benchmarked quality and value. Accordingly, the Company sources specialised production machinery from reputed international and Indian manufacturers – across large, medium and small scale sectors. Utility machinery such as boilers, generator sets, air-conditioning and refrigeration machinery and electrical & electronic systems are sourced largely from Indian or India-based suppliers. Competent

ITC Businesses have modern facilities and use state-of-the-art technologies to ensure benchmarked quality and value

Indian contractors carry out construction and renovation of new manufacturing facilities, hotels, warehouses & offices. Nearly 88% of raw materials and 70% of stores and spares have been locally procured during the year.

The Company actively encourages competency development among local vendors and its vendor base includes numerous medium and small scale enterprises that are proximate to its manufacturing locations. Where appropriate, vendors are provided technical support and managerial inputs to enable them to move in tandem with the Company's business plans. The Company also supports several vocational training initiatives in areas proximate to its operations. These have been effective in empowering youth with requisite skills and increased opportunities for entrepreneurial development. Further, the Company has continued to set up sourcing centres in rural India for several of its product categories, both directly and in collaboration with various State agencies and NGOs to assist in the creation of sustainable livelihoods.



ENGAGING TALENT, LOCAL HIRING AND SENIOR MANAGEMENT

ITC's human resource management systems and processes are designed to enhance employee engagement, organisational capability and vitality so as to ensure that each of the businesses is world class, positioned for competitive superiority and capable of achieving the ambitious growth plan of the Company.

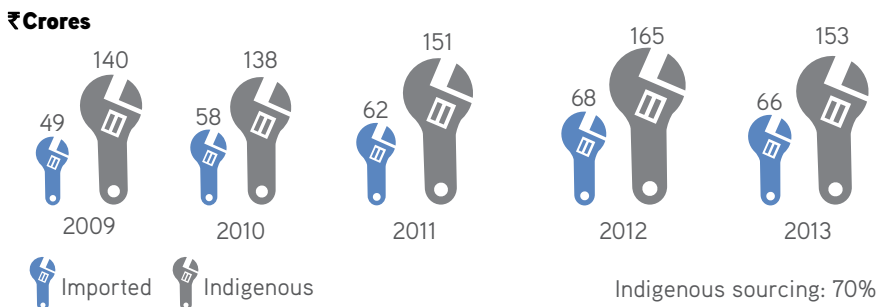
The Company has fostered a culture that rewards continuous learning, collaboration and capability development across the organisation to be future-ready and meet the challenges posed by ever-changing market realities.

It creates and nurtures workplace challenges that keep employees engaged, motivated and innovative. This talent has, through strong alignment with ITC's vision, successfully built

Raw Material Consumed



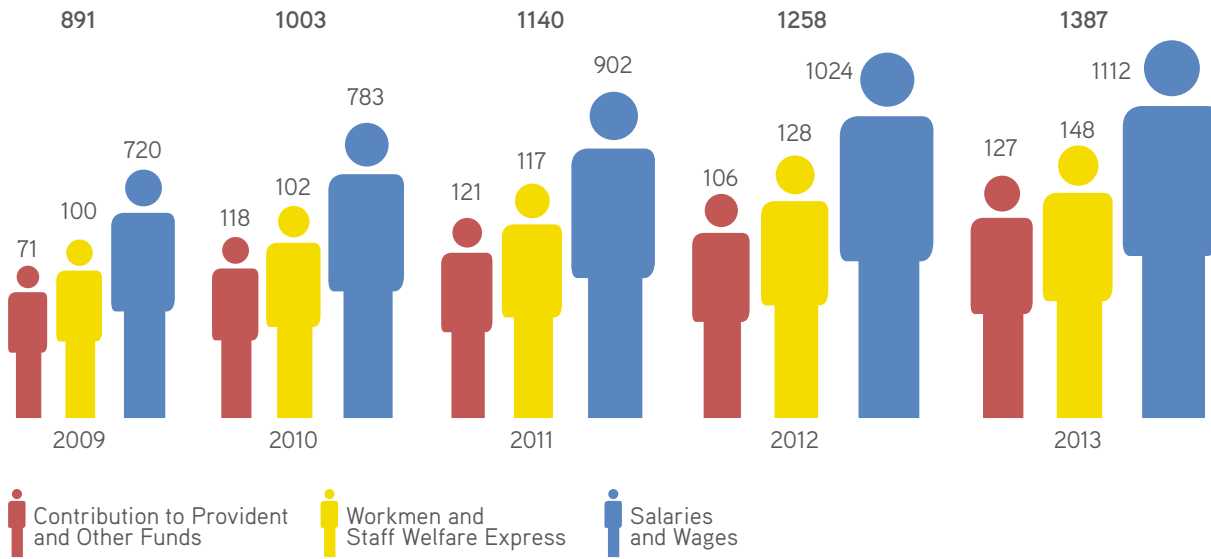
Stores and Spares Consumed





Employee Benefits

₹ Crores



and sustained its standing as one of India's most admired and valuable corporations despite unrelenting competitive pressures.

Unswerving belief in the mutuality of interests of key stakeholders binds all employees to a shared vision and purpose, thus providing it with the vital force for winning in the market place.

The Company encourages local employment in the workforce in manufacturing and hotels, depending on the availability of requisite skills.

Employees' Retirement Benefit Schemes include employee pension, provident fund and gratuity, which are administered through duly constituted and approved independent trusts.

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

The pension plans and other applicable employee benefits obligations are determined and funded in accordance with independent



Unswerving belief in the mutuality of interests of key stakeholders binds all employees to a shared vision and purpose, thus providing it with the vital force for winning in the marketplace

actuarial valuation. 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.



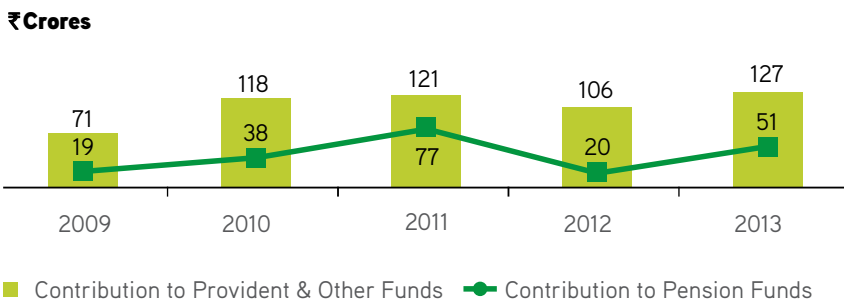
CORPORATE SOCIAL RESPONSIBILITY

CITIZEN FIRST

ITC's overarching aspiration to create large scale societal value while simultaneously deliver shareholder value is manifest in the Company's strategy to enhance the competitiveness of its value chains which encompass the disadvantaged sections of society.

In pursuance of the Company's policy on Corporate Social Responsibility (ITC's CSR Policy detailed in the Policies & Guidelines section of this Report), ITC has crafted innovative business models that create larger and enduring value by not only generating new sources of competitive advantage for its businesses, but also in the process augmenting natural capital and sustainable livelihoods for the nation.

Contribution to Provident and Other Funds





₹ Crores			
	2010-11	2011-12	2012-13
Corporate Social Responsibility spends*	45	62	82
Average Profit After Taxes for three immediately preceding Financial Years (FYs)	3,482	4,104	5,070
CSR spends as a % of Average Profit After Taxes for three immediately preceding FYs	1.29%	1.51%	1.62%

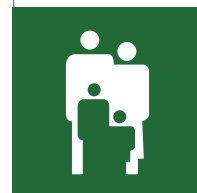
*The definition of CSR has been aligned with the activities specified in Schedule VII of the Companies Bill 2012. Previous years' figures have also been realigned to correspond with the current year's disclosures.

VARIOUS CSR ACTIVITIES

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

AREA	ACTIVITIES/INITIATIVES/PROGRAMMES
Eradication of hunger and poverty	Crop productivity improvement
	Livestock/Dairy development
	Creation of sustainable livelihoods for the poor
Promotion of Education	Promotion of Education
Promoting Gender Equality & Empowering Women	Promotion of women-based micro enterprises
Reducing child mortality & improving maternal health	Basic hygiene and sanitation improvement initiatives
Combating diseases	Health centres and camps
Ensuring Environmental Sustainability	Social and Farm Forestry
	Soil and Moisture Conservation
	Solid Waste Management
	Promotion of sustainable business practices
Employment enhancing vocational skills	Vocational/skills development
Social Business Initiatives	Farmer Knowledge empowerment through IT-enablement
Others	Promotion of Art and Culture

ITC has crafted innovative business models that create larger and enduring value by not only generating new sources of competitive advantage for its businesses, but also in the process augmenting natural capital and sustainable livelihoods for the nation



Creating Enduring Institutions



CII-ITC CENTRE OF EXCELLENCE FOR SUSTAINABLE DEVELOPMENT

The 'CII-ITC Centre of Excellence for Sustainable Development', set up by ITC jointly with the apex national chamber, Confederation of Indian Industry (CII) in 2006, continues its endeavours to promote sustainability amongst corporates across the country. During the year, the Centre trained and raised awareness of over 2,000 business managers on various sustainability issues. It has expanded its gamut of activities to meet the core objectives of creating awareness, promoting thought leadership and building capacity amongst Indian enterprises in their quest for sustainable growth and business solutions.

The 7th Sustainability Summit continued its legacy of bringing thought provoking leaders together to share the challenges, long term strategies and best practices for sustainable and inclusive development. It featured senior politicians, bureaucrats, best brains of Indian industry and MNCs around the globe. The Summit and Exhibition were attended by over 300 participants. The 'CII-ITC Sustainability



ITC-SRA is the world's first and only professionally managed modern Gurukul, blending modern day research methods with the purity of the age old Guru-Shishya tradition



Awards', instituted to recognise excellence in sustainability performance, have honoured a large number of leading Indian companies and provided encouragement to many others. The winners of the Awards 2012 were announced at an imposing function in Vigyan Bhawan, New Delhi on January 14, 2013, in front of an audience of 1,500 people. The occasion was graced by the Hon'ble President of India, Shri Pranab Mukherjee, as the Chief Guest.

The Centre is today playing a major role in engaging with policy makers to create an environment that encourages the adoption of sustainable business practices. It has been engaged with various stakeholders for advocacy on Clause 135 of the new Companies Bill 2012, which refers to the CSR activities of a company. The Centre is a consulting partner in several policy interventions such as Green Guidelines for Public Procurement, Low Carbon Expert Group of the Planning Commission, National Innovation Council, Ministry of Corporate Affairs on CSR Policy, National Awards for Prevention of Pollution, Rajiv Gandhi Environment Awards for Clean Technology and Technology and Finance Committee under the Montreal Protocol. It is also represented on the Board of the Central Pollution Control Board and other bodies.

ITC SANGEET RESEARCH ACADEMY

The ITC Sangeet Research Academy (ITC-SRA) is a true embodiment of sustained corporate commitment to a priceless national heritage. It is a unique institution recognised for being the finest repository of Hindustani Classical Music. With a commitment that has remained consistent for over 36 years, ITC-SRA is the world's first and only professionally managed modern Gurukul, blending modern day research methods with the purity of the age old Guru-Shishya tradition. ITC-SRA has a mission of preservation and propagation of Hindustani Classical Music. The Academy is currently engaged in carrying the message of Hindustani Classical Music across our country from the metros to rural India. Recent forays into neighbouring Bangladesh have brought home another dimension of the shared sub-continental heritage.

OTHER INFRASTRUCTURE INITIATIVES

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

Environmental Performance

Climate Change and Sustainable Development

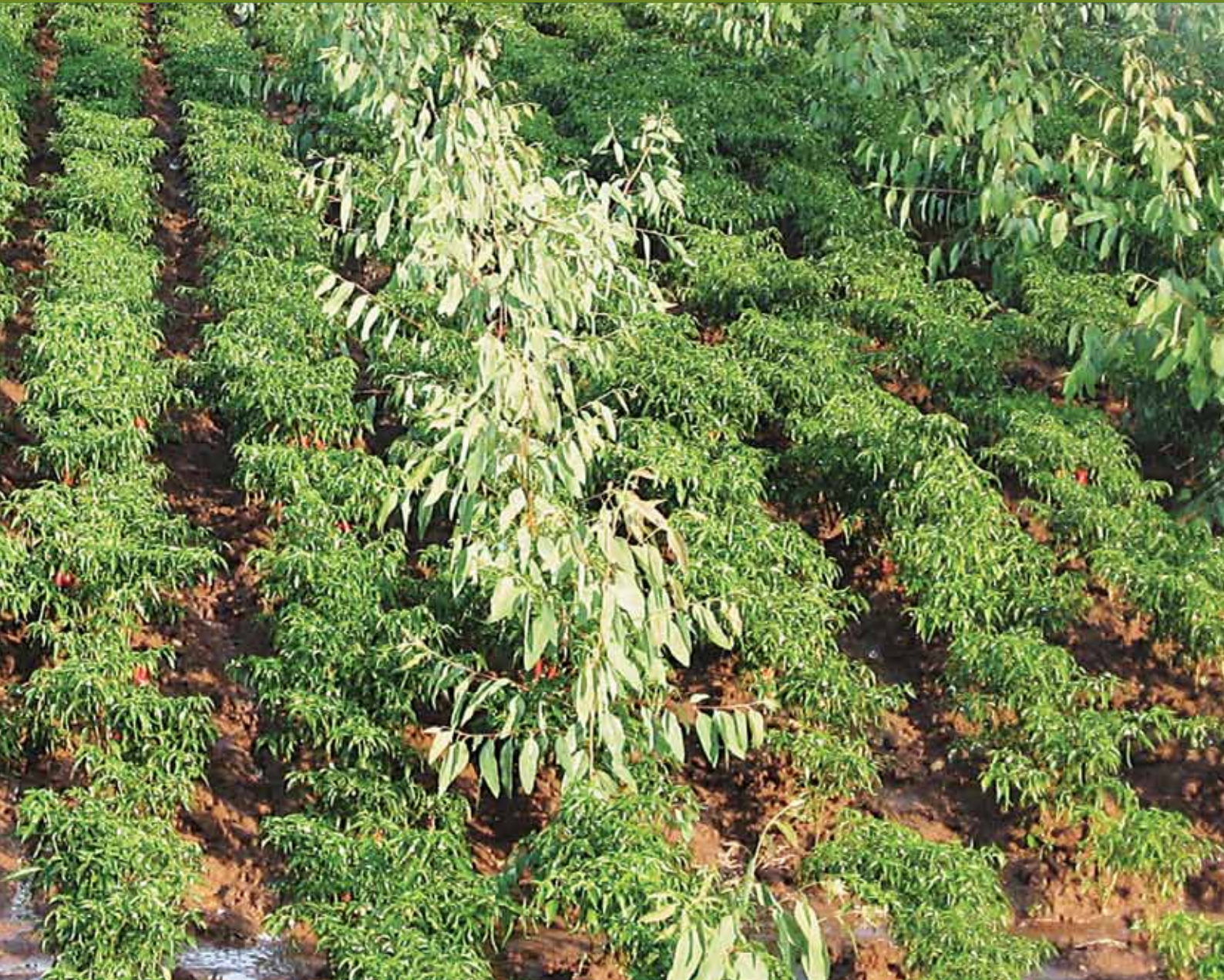
Water Management

Recycling and Waste Management

Significant Air Emissions

Material Sustainability in ITC's Businesses





Climate Change And Sustainable Development



FOR ALL OUR
TOMORROWS



- Alignment with the National Action Plan on Climate Change (NAPCC)
- Holistic Triple Bottom Line approach
- Reduction of specific energy consumption
- Reduction of specific freshwater intake
- Enhanced use of renewable energy
- Natural Resource Augmentation through afforestation and soil & moisture conservation programmes
- Establishment of green buildings
- Carbon Positive for the 8th year in a row

Economic progress and long-term business sustainability are today threatened by the real and adverse consequences of global warming and accelerated climate change. ITC has responded to the challenges emerging from the threat of global warming by aligning its corporate strategy with national priorities. Accordingly, in line with the National Action Plan on Climate Change (NAPCC), we have adopted strategies to address climate change-related impacts and developed appropriate mitigation and adaptation plans. Our unique approach has been to integrate these plans with our business strategies and not as separate activities.

- ▶ Adopting a low carbon growth path through reduction in specific energy consumption and enhanced use of renewable energy sources.
- ▶ Enlarging our carbon positive footprint through increased carbon sequestration by expanding forestry projects in wastelands.
- ▶ Reducing specific freshwater intake and augmenting rainwater harvesting activities both on-site and off-site at watershed catchment areas.
- ▶ Working towards minimising waste generation, maximising its reuse and recycling and using external post-consumer waste as raw material in our Units.

3. Creating sustainable livelihoods and promoting sustainable agricultural practices.

OUR STRATEGIES INCLUDE

1. Identifying and evaluating climate change risks for each business.
2. Reducing the environmental impact of our processes, products and services and working towards creating a positive environmental footprint.



In line with the National Action Plan on Climate Change (NAPCC), we have adopted strategies to address climate change-related impacts and developed mitigation and adaptation plans

Climate Change Risks



Our water conservation, watershed 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



ITC has carried out comprehensive studies to identify and evaluate the climate change risks for all its businesses. Based on its assessment, the Company has worked out individual strategies for mitigation and adaptation.

AGRICULTURE

Since ITC is largely dependent on agricultural inputs, possible disruption in agricultural patterns & yields is a significant potential risk. Apart from the direct impact of climate change, water availability is the single largest risk that we foresee. A decline in agricultural output due to changed weather patterns and higher temperatures not only impacts ITC's businesses but also threatens to push millions of marginal farmers over the brink, thus increasing the vulnerability of those who are dependent on agriculture for their livelihoods. ITC continues to pursue a Triple Bottom Line approach that contributes to the creation of economic, environmental and social capital.

Our water conservation, watershed 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 being provided to farmers through in-house extension services.



BUILT ENVIRONMENT

Our Businesses and Units are also exposed to the physical risks associated with the impact of climate change. We have reinforced protection of our assets in coastal areas in anticipation of increased severity of storms and cyclones, which are likely to occur. All new buildings are constructed with the requisite factors of safety and the existing buildings and infrastructure have been reinforced, wherever required. This initiative, which had been taken up in a phased manner, has since been completed.

Green Centre at Gurgaon, which, in 2004, was the largest LEED platinum-rated office space in the world. ITC's Hotels Business reaffirmed this commitment by formally adopting the 'Responsible Luxury' credo which is exemplified by the ITC Grand Chola, the 600-key luxury hotel in Chennai, rated as 5 Star GRIHA, the highest national rating for Green Buildings and as the World's Largest LEED Platinum Certified Hotel in the 'New Construction' category.



ITC has been a pioneer in the green buildings movement that commenced with the construction of the ITC Green Centre at Gurgaon, which has been recertified in 2012 as the highest rated green building in the world



ITC Grand Chola in Chennai is the World's Largest LEED Platinum rated Green Hotel

Disruption of road and rail traffic, caused by such extreme events, may also affect the output of individual Units. This has been addressed by appropriate contingency and insurance plans. Higher surface temperature (increased air conditioning costs) and disruption of water supply are other foreseen risks.

Establishment of green buildings is one of the relevant responses to these environmental challenges. ITC has been a pioneer in the green buildings movement that commenced with the construction of the ITC



Minimising Carbon Intensity And Adopting A Low Carbon Growth Path



This is directly attributable to the energy conservation projects implemented across the ITC Units and better capacity utilisation. Revisions in the computational methodology of energy consumption by using actual calorific values of fuels consumed (instead of default calorific values from IPCC*) together with increasing usage of renewable energy has resulted in reduction in the total primary energy computed. The computational changes were carried out as a process of standardisation for aligning with the ISO 14064:2006, the latest international standard specifying principles and requirements at the organisational level for quantification and reporting of greenhouse gas (GHG) emissions and removals, according to which ITC's GHG inventory has been assured to a 'reasonable level' by Llyod's Register Quality Assurance Limited.

* Intergovernmental Panel on Climate Change

ITC continues to enlarge its positive carbon footprint through enhanced energy conservation, use of renewable energy sources and the expansion of carbon sequestration through large-scale Social and Farm Forestry Programmes.

CONSUMPTION OF ENERGY

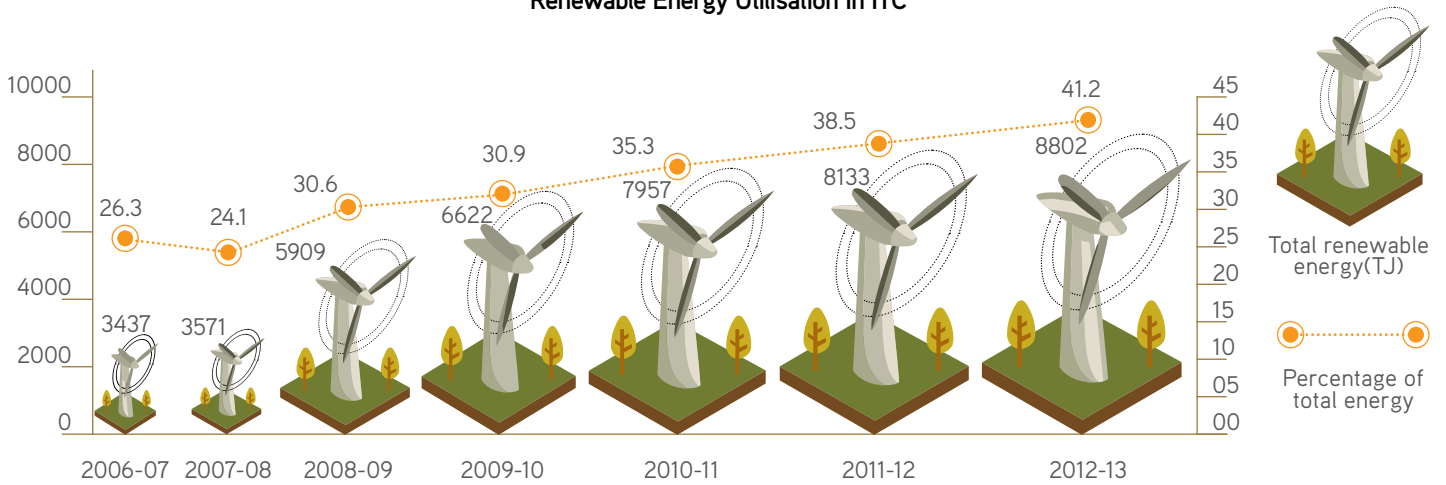
In 2012-13, ITC Units consumed 21,347 Terra Joules (TJ) of energy. Despite significant growth in almost all businesses, there has been only a slight increase of 1.0% in the total energy consumption as compared to previous year (21,130 TJ in 2011-12).

Sources Of Energy In ITC (2012-13)

11,895 TJ (55.7%)	Energy directly from fossil fuels
8,802 TJ (41.2%)	Energy from renewable sources
650 TJ (3.1%)	Energy purchased from state utilities (Electrical Energy)



Renewable Energy Utilisation In ITC



In 2012-13, 8,802 TJ of the total energy consumed was from renewable sources, which is an increase of 8.2% over the previous year (8,133 TJ in 2011-12). Improved utilisation of carbon neutral biofuels in the Paperboards and Specialty Papers Business and the generation from wind power projects in Maharashtra and Tamil Nadu (commissioned in 2011-12) for the full year, contributed to this increase in the share of renewable energy in ITC's total energy consumption.

RENEWABLE ENERGY SOURCES IN ITC COMPRISE THE FOLLOWING

- ▶ Black liquor waste from pulping process and waste wood biomass from chipping operations in the Bhadrachalam Unit of our Paperboards & Specialty Papers Business.
- ▶ Locally sourced chip/sawdust and de-oiled bran as boiler fuel in the Kovai Unit.
- ▶ Wind Energy farms for Packaging & Printing, Cigarettes, Hotels and Paperboards & Specialty Papers Businesses.



Improved utilisation of carbon neutral biofuels in the Paperboards and Specialty Papers Business and the full year operations of wind power projects in Maharashtra and Tamil Nadu contributed to increased utilisation of renewable energy

8.2% Increase of renewable energy utilisation over the previous year

41.2% Energy consumed from renewable sources



ENERGY CONSUMPTION WITHIN ITC ACROSS BUSINESSES (2012-13)



19232.0TJ
(90.1%)

Paper & Paperboards



298.3TJ
(1.4%)

Leaf Tobacco



530.4TJ
(2.5%)

Hotels



281.3TJ
(1.3%)

Packaging



478.9TJ
(2.2%)

Cigarettes



124.4TJ
(0.6%)

Others



401.4TJ
(1.9%)

Foods & Personal Care Products

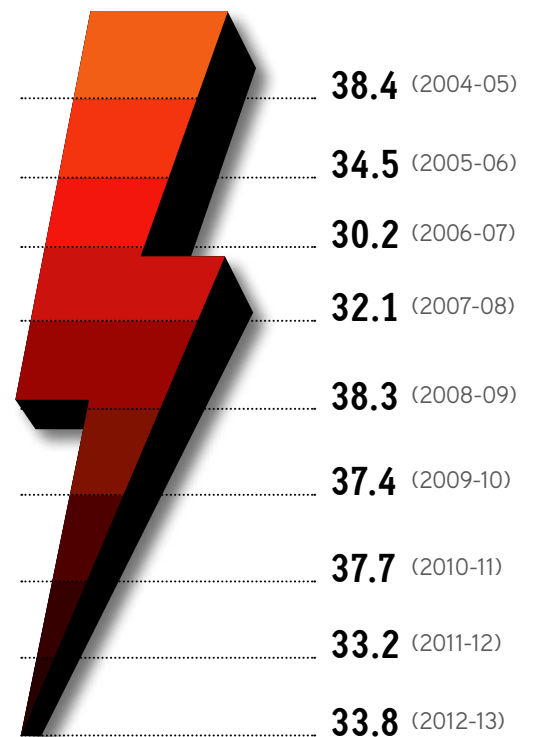
TJ - Terra Joules

* Others include Education & Stationery Products Business, ITC Infotech, ITC Life Sciences & Technology Centre and large offices

** Total Energy - 21,347TJ

accounted for 90.1% of the total energy consumption in ITC. ITC's Paperboards and Specialty Papers Business has been rated the most energy efficient in the Indian Paper and Paperboards sector, according to the Centre for Science and Environment, New

Specific Energy Consumption (GJ/Tonnes):
Bhadrachalam



PROGRESS IN REDUCTION OF SPECIFIC ENERGY CONSUMPTION IN ITC'S BUSINESSES

A focused approach on energy conservation through rigorous third party audits and implementation of the recommendations and better capacity utilisation resulted in substantial reduction in specific energy consumption.

In the Paperboards and Specialty Papers Business, the four factories, Bhadrachalam, Tribeni, Bollaram and Kovai, together

Delhi, (Challenge of the New Balance, CSE, 2010).

In 2012-13, the specific energy consumption (energy used per tonne of product) in the Unit at Bhadrachalam, which alone accounts for 76% of total energy consumption in ITC, has increased by 1.7% over the past year primarily due to the commissioning and stabilisation of a new Paper Machine. The Kovai Unit, which has increased the utilisation of electricity from its wind power plant, reduced the use of electricity generated from its coal, lignite & biomass based captive power plant and recorded a 18.4% reduction in primary energy consumption which together with energy conservation measures implemented





by the Unit resulted in a 21.0% reduction in specific energy consumption as compared to the previous year. The Tribeni Unit has also recorded a reduction of 33.2% in specific energy consumption which is primarily due to the change in methodology of computing primary energy consumption by using measured calorific values of coal consumed (different grades), instead of default calorific



value from IPCC as adopted during the previous years, together with energy conservation measures implemented by the Unit.

There has been a substantial improvement in the specific energy consumption at the Soap and Shampoo Units of the Personal Care Products Business at Manpura (as illustrated below) which is primarily due to improvement in capacity utilisation and implementation of energy conservation measures by the Unit.

BUSINESS	UNIT	PRODUCT	2011-12 (GJ/Tonnes)	2012-13 (GJ/Tonnes)	PERCENTAGE IMPROVEMENT
Personal Care	Manpura	Shampoo	115.18*	63.37*	45.0*
Personal Care	Manpura	Soap	1.30	0.83	36.3

*GJ/KL

Other Units, which performed well in improving specific energy consumption over the previous year, are:

ITC Maurya Hotel at New Delhi	10.7%
Snacks Unit at Pune	9.5%
ITC Gardenia Hotel at Bengaluru	8.9%
Cast coating Unit at Bollaram	7.1%
Packaging & printing Unit at Munger	6.9%
Cigarette Unit at Bengaluru	6.4%

Additional data on energy conservation measures implemented by ITC units are available at www.itcportal.com under Report and Accounts 2013.

ITC has registered several Clean Development Mechanism (CDM) projects with UNFCCC (United Nations Framework Convention on Climate Change) under the Kyoto Protocol.

In addition, ITC is well positioned to leverage other opportunities arising out of India-specific schemes such as Perform, Achieve and Trade (PAT) or Renewable Energy Certificates (RECs) promoted by the Government of India.

ITC's Paperboards and Specialty Papers Business has been rated as the most energy efficient in the Indian Paper and Paperboards Business sector, according to the Centre for Science and Environment, New Delhi in 2010



**Reduction in
Specific Energy**

Paperboards & Specialty
Papers Business

**21.0% &
33.2%**

**Reduction By
Paperboards Unit at
Kovai & Specialty
Papers Unit at
Tribeni**

Personal Care Products

45% & 36.3%

**Reduction by Units in
Manpura**



ENLARGING ITC'S CARBON POSITIVE FOOTPRINT

ITC has computed its GHG inventory, including Scope 1, 2 & 3 GHG emissions, biogenic emissions and GHG removals, in accordance with ISO 14064:2006, the latest international standard for quantification and reporting of greenhouse gas (GHG) emissions and removals at the organisational level, with reasonable assurance by Llyod's Register Quality Assurance Limited. This is a unique achievement considering the size, diversification and spread of the organisation.

In 2012-13, ITC's operations (manufacturing & freight) generated total GHG emissions (scope 1, 2 & 3) of 1,474,558 tonnes of CO₂ equivalent (1,563,526 tonnes in 2011-12). The reduction in GHG emissions is primarily a reflection of the energy efficiency measures taken, increased contribution of energy from renewable sources and revisions in the computation methodology by using actual calorific values of fuels consumed, (instead of default values from IPCC) which ITC has adopted as a process of standardisation in line with the ISO 14064:2006 standard. Change in the methodology of estimating GHG emissions from freight, based on emission factors derived for Indian conditions as per the report by the World Bank on road transport service efficiency study (India) – 2005, has also contributed to this reduction.

For 2012-13, CO₂ emissions from combustion of biomass were also computed and reported separately under the GHG inventory to meet ISO 14064:2006 and Carbon Disclosure Project (CDP) requirements. Thus, the total



**ITC -
A 'CARBON POSITIVE COMPANY'
8th YEAR IN A ROW**

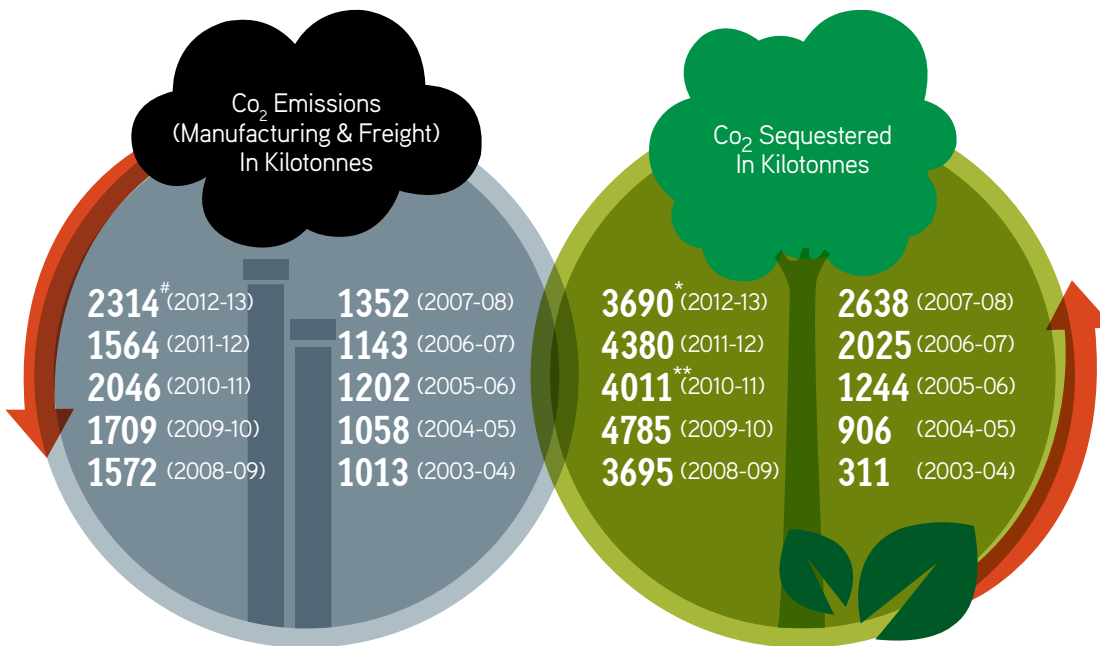


GHG emission (scope 1, 2 & 3) including biomass combustion stand at 2,313,527 tonnes of CO₂e.

ITC's GHG inventory for the year 2012-13 is given alongside.

Direct GHG Emissions (Scope 1)	1,150,203
CO ₂ Emissions from combustion of biomass	838,969
Energy Indirect GHG Emissions (Scope 2)	172,121
Other Indirect GHG Emissions (Scope 3)	152,234
GHG Removals from Social and Farm Forestry	3,689,853

Units in Tonnes



[#]Increase in CO₂ emissions in 2012-13 is primarily due to the revision in methodology of computing the CO₂ emissions in order to comply with ISO 14064:2006 requirements!

^{*}Dip in CO₂ sequestration in 2012-13 is primarily due to the revision in methodology of computing the CO₂ sequestration as indicated below¹ in order to comply with ISO 14064:2006 requirements.

^{**}Dip in CO₂ sequestration in 2010-11 caused by reduced productivity of Eucalyptus plantations due to infestation in some areas and lesser incremental addition of plantation area.

Above figures rounded off to the nearest digit

¹This includes all the 6 GHG emissions under the Kyoto Protocol namely carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluoro carbons (HFCs), perfluorocarbons (PFC) and sulphur hexafluoride (SF₆) and referred as CO₂e.

ITC's Social and Farm Forestry Initiatives have added more than 17,000 hectares of plantations during 2012-13. Total plantations, as on March 31, 2013, stand at over 1,42,000 hectares. The Social and Farm Forestry Initiatives have not only contributed to a sustainable source of raw material for the Paperboards Business, but has also helped sequester 3690 Kilotonnes of CO₂ in this year, thus consolidating ITC's status as a 'Carbon Positive Company' for the 8th year in a row. Though the area under the Social and Farm Forestry Programme has increased, there has been a reduction in CO₂ sequestration as compared to the previous year due to the revision in methodology of

computing CO₂ sequestration by taking into account the following factors:

1. Moisture content in the wood measured from standing crop instead of harvested wood at factory premise as done earlier.
2. Computation of plantation area by considering the actual spacing between planted rows in sample plots against a standardised spacing model adopted earlier.

The Social and Farm Forestry Programmes have also created 64.04 million person days of employment to date for small and marginal farmers.

Total plantations, as on March 31, 2013, stand at over 142,000 hectares



Water Management



FOR ALL OUR TOMORROWS



Ensuring lower specific freshwater intake through water conservation measures

Sustained efforts to ensure zero effluent discharge by treating and recycling waste water

Integrated Watershed Management Programmes and on-site rain water harvesting

Water Positive for 11 years in a row



Water remains a serious concern across the world. With climate change aggravating the problem of water availability, India is confronted with a difficult and turbulent future arising out of severe water stress.

Today, India's snow-fed rivers, such as the Ganga and Brahmaputra, are facing serious supply threats as a result of the glacial melt. Added to this, is the direct threat of reduced agricultural output due to disruption in monsoon patterns. Agriculture accounts for around 90% of the total water consumption in India. The challenges posed by water scarcity are aggravated by the huge inequalities in geographical distribution as well as by the short duration of the monsoons — wherein the entire rainfall happens over a brief period of around 12 weeks in a year.

Given these challenges, ITC is committed to conserve and manage this precious natural resource. ITC's approach to Water Management is as follows:

1. WATER CONSERVATION

Conducting water audits, benchmarking and implementation of best practices to achieve the lowest possible specific freshwater intake (water per unit of product/service).

2. ZERO EFFLUENT DISCHARGE

Treating and progressing towards achieving recycling of all wastewater within premises.

3. WATER POSITIVE FOOTPRINT

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

ITC's Watershed Projects, covering over 116,000 hectares of land, support the Water Positive status of the Company for the 11th year in a row



Water Conservation



Focused efforts of all Units to reduce intake by conducting water audits, benchmarking and adopting leading practices facilitated the reduction of specific freshwater intake (water required per unit of production)

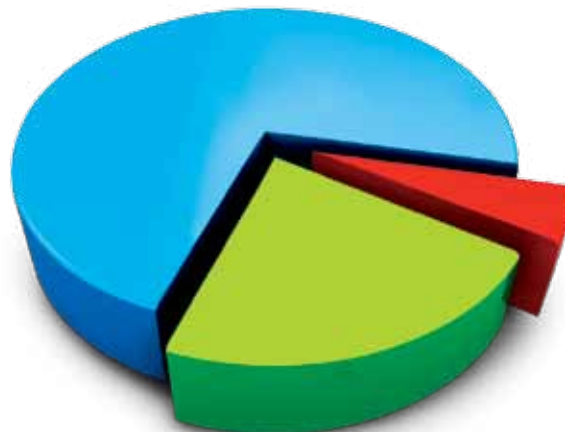
In 2012-13, ITC Units withdrew 32.15 million Kilolitres (KL) of freshwater, an increase of 10.76% over the previous year (29.02 million KL in 2011-12). The increase in total freshwater intake is primarily due to the inclusion of the total water withdrawn for supply to the ITC owned integrated townships in Bhadrachalam, Tribeni, Anaparti and Chirala, as well as significant growth in almost all businesses. Focused efforts of all Units to reduce intake by conducting water audits, benchmarking and adopting leading practices facilitated the reduction of specific freshwater intake (water required per unit of production) as illustrated in the following sections.

WATER SOURCES

Of the 32.15 million KL of fresh water withdrawn, 79.1% of water was sourced from rivers, 18.6% from ground water sources and only 2.3% from municipal and other water sources.

During the year, the Paperboards & Specialty Papers Units at Bhadrachalam, Kovai & Tribeni together accounted for 92.2% of the total fresh water withdrawal by ITC.

Sources Of Water In ITC (2012-13)



79.1%
Surface Water

18.6%
Ground Water

2.3%
Municipal & Others



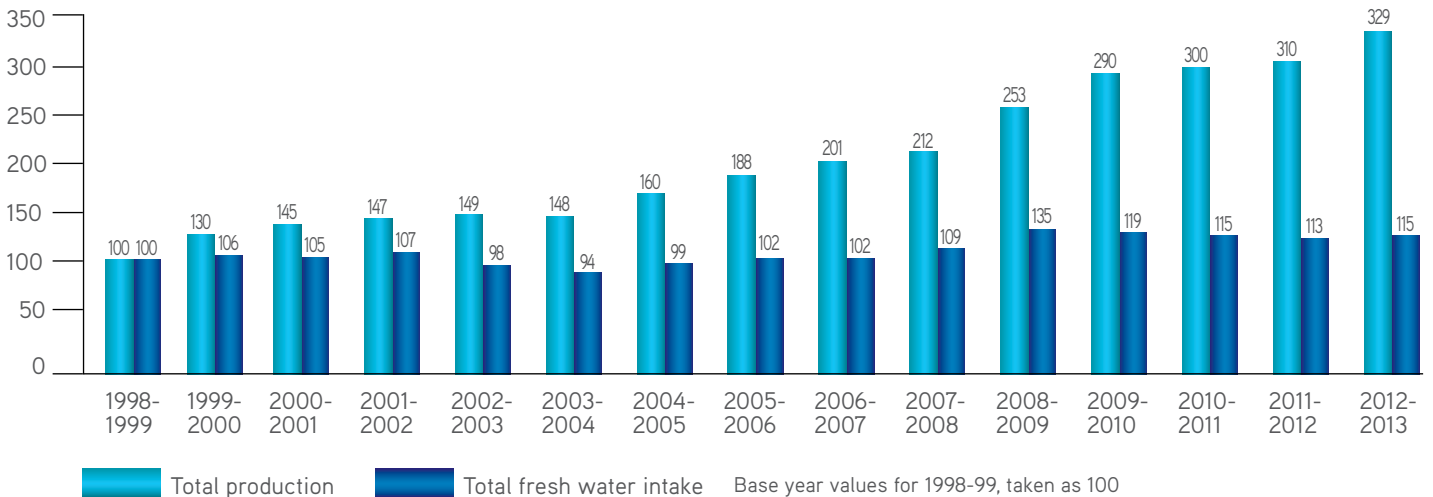
PAPERBOARDS UNIT AT BHADRACHALAM

India's largest integrated paper and paperboards mill accounted for 74.3% of the total fresh water intake in ITC. While the production volumes have increased by more than three times between 1998-99 and 2012-13, the fresh water intake of the mill has increased by only 15% during the same period.

In 2012-13, the Bhadrachalam Unit's freshwater intake was 46.4 Kilolitre per tonne of product, a significant reduction of 3.8% over last year's 48.2 KL/tonne as a result of various water conservation initiatives undertaken by the Unit. It is worth mentioning that this surpasses the proposed standard of 63 KL/tonne by the 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).

In 2012-13, the Bhadrachalam Unit's freshwater intake was 46.4 KL/tonne of product, a significant reduction of 3.8% over last year's 48.2 KL/tonne

Normalised Production Versus Fresh Water Intake Comparison Of Bhadrachalam Unit



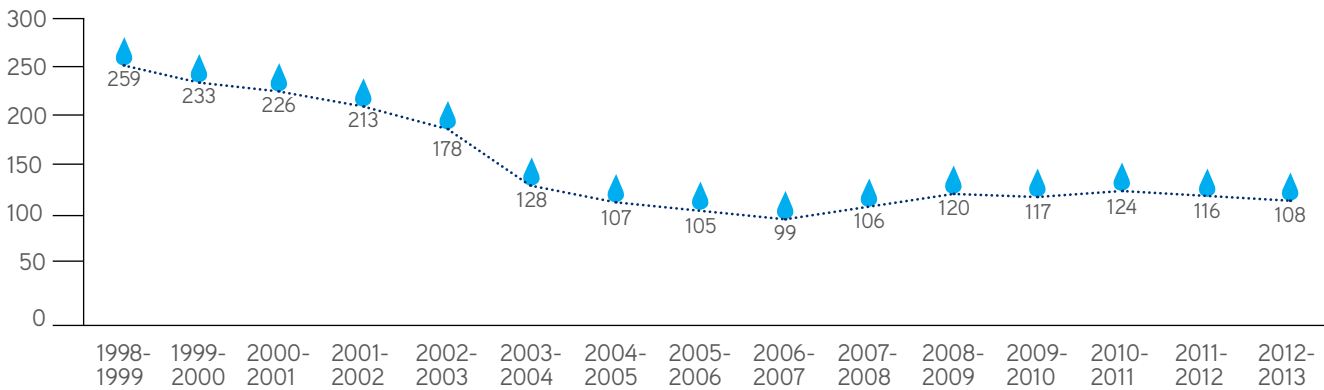
SPECIALTY PAPERS UNIT AT TRIBENI

The Tribeni Unit manufactures specialty paper, which entails a very water intensive process. The Unit has implemented various water conservation measures, resulting in 58.3% reduction of specific freshwater intake per tonne of product during the reporting period, in comparison to 1998-99 which is a very positive trend.



58.3% Reduction
in specific fresh water intake over 1998-99 in the Specialty Papers Unit at Tribeni

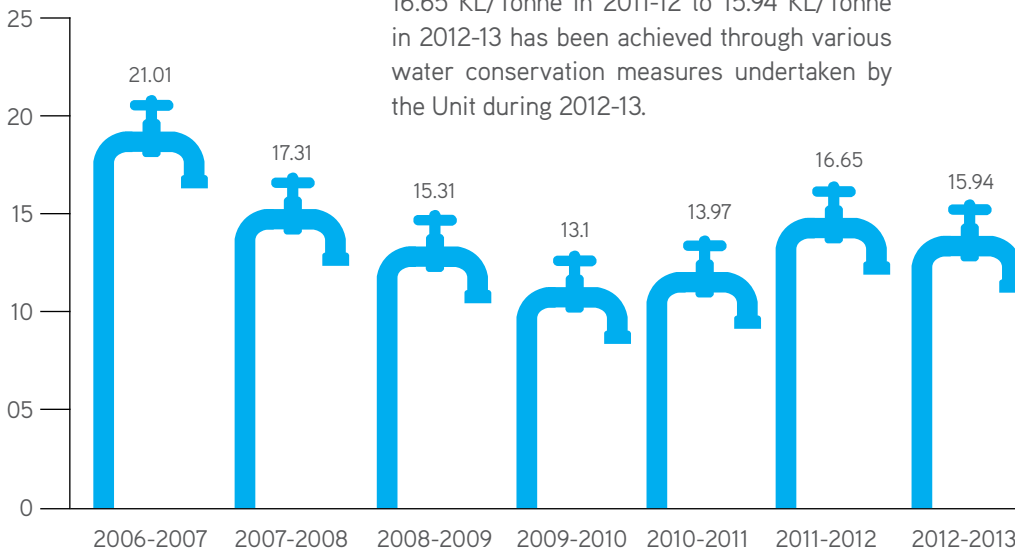
Specific Fresh Water Intake In Tribeni Mill (KL/Tonne)



PAPERBOARDS UNIT AT KOVAI

The specific freshwater intake (KL/Tonne) in the Kovai Unit was 24.1% lower than the specific fresh water intake during 2006-07. The reduction in specific fresh water intake from 16.65 KL/Tonne in 2011-12 to 15.94 KL/Tonne in 2012-13 has been achieved through various water conservation measures undertaken by the Unit during 2012-13.

Specific Fresh Water Intake In Kovai (KL/Tonne)





This specific freshwater intake of 15.94 KL/Tonne surpasses the proposed standard of 19 KL/Tonne set by NPC in New Delhi in 2006 for this category of paper mills. The other Units which have achieved significant reduction in their specific fresh water intake

over last year, as a result of various water conservation initiatives undertaken during 2012-13 as well as increased capacity utilisation, are illustrated below:

BUSINESS	UNIT	PRODUCT	UNIT OF MEASUREMENT	2011-12	2012-13	% IMPROVEMENT
Paperboards and Specialty Papers	Bollaram	Cast Coating	Litre/Kg	0.67	0.47	30.1
Foods	Pune	Snacks	Litre/Kg	6.76	5.07	24.9
Tobacco	Surya Nepal Private Limited Unit at Simra, Nepal	Cigarettes	KL/Million Cigarettes Equivalent	12.30	9.44	23.3
Personal Care Products	Manpura	Shampoo	Litre/Litre	117.80	92.25	21.7
Tobacco	Munger	Cigarettes	KL/Million Cigarettes Equivalent	5.36	4.39	18.0
Foods	Haridwar	Snacks	Litre/Kg	4.37	3.60	17.6
Tobacco	Kolkata	Cigarettes	KL/Million Cigarettes Equivalent	2.31	1.92	16.8

The specific freshwater intake of 15.94 KL/Tonne for the Kovai Unit surpasses the proposed standard of 19 KL/Tonne set by NPC in New Delhi in 2006 for this category of paper mills



ITC's Paperboards & Specialty Papers Unit at Bollaram and Foods Unit at Pune have achieved substantial savings in specific freshwater intake

Effluent Discharge



Paperboards and Specialty Papers Business Units at Kovai and Bollaram, Packaging & Printing Unit at Tiruvottiyur, Personal Care Products Business Unit at Manpura, Cigarette Factories at Bengaluru, Saharanpur & Pune, Leaf Processing Units at Anaparti & Chirala, ITC Life Sciences & Technology Centre at Bengaluru & Research Centre at Rajahmundry, and ITC Green Centre at Gurgaon have achieved the goal of zero effluent discharge

ITC is committed to achieving zero effluent discharge through treating and recycling of all wastewater and harvesting of rainwater on its properties. This not only reduces fresh water intake but also maximises groundwater recharge, reduces run off etc.

Many ITC Units have already achieved the goal of zero effluent discharge. These include: Paperboards and Specialty Papers Business Units at Kovai and Bollaram, Packaging & Printing Unit at Tiruvottiyur, Personal Care Products Business Unit at Manpura, Cigarette Factories at Bengaluru, Saharanpur & Pune, Leaf Processing Units at Anaparti & Chirala, ITC Life Sciences & Technology Centre at Bengaluru & Research Centre at Rajahmundry, and ITC Green Centre at Gurgaon.

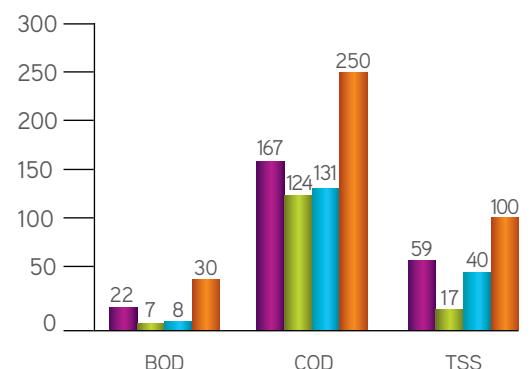
Across different ITC businesses, appropriate effluent treatment technologies are employed depending on the nature of effluent. These include technologies such as MBBR (Moving Bed Biofilm Reactor), MBR (Membrane Bioreactor), etc. In addition, DEWATS (Decentralised Waste Water Treatment System) has also been used in some of our manufacturing units and residential colonies.

Apart from meeting the effluent norms set by the regulatory bodies, all our Units are in compliance with defined internal norms, more stringent than the statutory limits to maximise reuse and recycling.

In 2012-13, of the total treated effluent discharged (22.89 million KL), 71.87% was utilised by nearby communities for irrigation purposes. 26.98% was discharged into rivers and the balance was discharged to dedicated municipal outlets.

In 2012-13, the two Paperboards & Specialty Papers Units at Bhadrachalam and Tribeni accounted for 98.29% of total wastewater discharged outside the Unit premises in ITC. The quality of the treated effluent from the Paperboards and Specialty Papers Units is far better than the stipulated standards, as depicted in the graph below.

Treated Effluent Quality: Annual Average (2012-2013) - ITC Paperboards & Specialty Papers Units



■ Bhadrachalam
 ■ Tribeni
■ Kovai
 ■ National Standard Limits

BOD Biochemical Oxygen Demand
COD Chemical Oxygen Demand
TSS Total Suspended Solids

All units in mg/l and figures rounded off to nearest digit

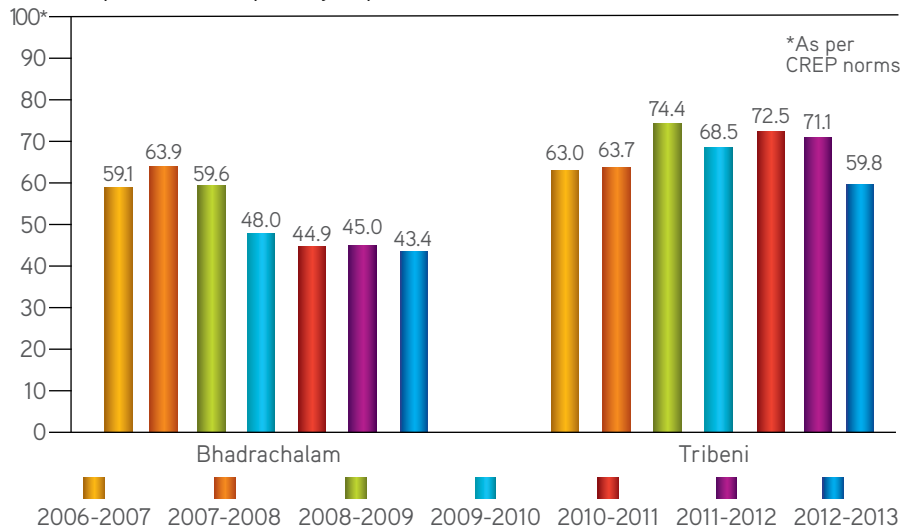


The Bhadrachalam and Tribeni Units are also well within the norms of 100 KL/Tonne of product, prescribed by the Corporate Responsibility for Environmental Protection (CREP), a voluntary charter by the Ministry of Environment & Forests and Central Pollution Control Board for large pulp and paper manufacturing units with respect to specific treated effluent discharge.

The National Productivity Council (NPC)'s Report on 'Proposed Standard for Pulp and Paper Industries in India' recommends a benchmark standard of 50 KL/Tonne of specific treated effluent discharge for the integrated pulp and paper industry, which is applicable to our Unit at Bhadrachalam. The current level of 43.4 KL/Tonne at Bhadrachalam is again better than the proposed NPC benchmark.

Similarly, the NPC Report suggests a benchmark standard of 15 m³/Tonne for wastepaper-based pulp and paper mills. ITC's Unit at Kovai, which falls under the wastepaper-based pulp and paper mills category achieved zero discharge of treated effluent this year, fully meeting the intent of this standard.

**Specific Treated Effluent Discharge:
In ITC Paperboards & Specialty Papers Units (KL/Tonne)**

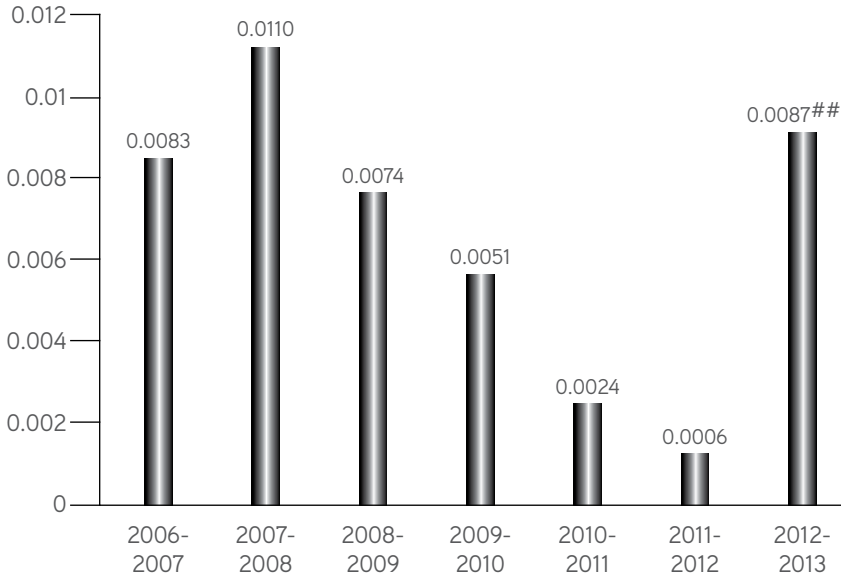


ITC's Units at Bhadrachalam and Tribeni are already well within norms (100 KL/Tonne) of specific treated effluent discharge, as defined by Corporate Responsibility for Environmental Protection (CREP), a voluntary charter by the Ministry of Environment & Forests and Central Pollution Control Board

In the current year, the Absorbable Organic Halides (AOX), level (applicable only to the Unit at Bhadrachalam) was 0.0087 Kg/Tonne

of product, which is well within national and international benchmark figures as depicted below:

Specific AOX Levels In Bhadrachalam Unit (Kg/Tonne)



National and international benchmark standards for specific AOX Levels in Kg/Tonne

	Units in Kg/Tonne
Indian Paper/Paperboard mills*	0.46-0.8
European Paper Industries#	0.029
World Bank Standard**	0.25

* 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 2011

** World Bank Guideline for New Paper Mills (2007)

Increased bleached pulp production (which is the main source for AOX in the process) in 2012-13 as compared to that in 2011-12 together with a reduction in pulp-mill water consumption has resulted in increased concentration of AOX in the effluent.

In the current year, the Absorbable Organic Halides (AOX), level (applicable only to the Bhadrachalam Unit) was a mere 0.0087 Kg/tonne of product, which is well within national and international benchmarks



**ITC-
WATER
POSITIVE FOR
11 CONSECUTIVE
YEARS**





Enlarging A Water Positive Footprint

The continued focus on rainwater harvesting both in the Company premises and in the catchment areas of the Company's Agri-Business operations has enlarged our water positive footprint.

As on March 31, 2013, ITC's Watershed Development Projects, covering over

116,000 hectares of land, support the Water Positive status of the Company for the 11th year in a row. The total rainwater harvesting potential created by the Company so far is over two times the net water consumption by our operations.



WATER BALANCE AT ITC	2002 -03	2003 -04	2004 -05	2005 -06	2006 -07	2007 -08	2008 -09	2009 -10	2010 -11	2011 -12	2012 -13
Fresh water intake	24.10	22.48	24.98	25.58	25.79	27.46	32.72	29.96	29.36	29.02	32.15
Treated effluents discharged	14.64	14.04	19.55	20.96	19.58	18.92	24.52	23.41	22.21	22.80	22.89
Percentage of treated effluent utilised for irrigation by nearby community	**	**	86.90	86.80	80.50	79.40	72.30	84.80	60.70	68.50	71.87
Net water consumption	9.49	8.44	5.43	4.62	6.21	8.54	8.20	6.55	7.15	6.22	9.26
RWH potential created within ITC units	0.24	0.39	0.34	0.61	0.47	0.42	0.50	0.42	0.92	0.67	0.67
RWH potential created through watershed projects (cumulative for that year)	12.50	15.67	16.52	18.99	23.12	25.42	19.43	20.18	18.97	20.38	20.8
Total RWH potential created (for the year)	12.74	16.06	16.86	19.60	23.59	25.84	19.93*	20.60*	19.89*	21.05*	21.47*

* '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 All figures in Million KL, except percentage

Recycling And Waste Management



FOR ALL OUR
TOMORROWS



Resource conservation
100% recycling
Use of post-consumer
waste as raw material



In alignment with ITC's commitment to reduce its environmental impact and create a positive environmental footprint, we have implemented several measures in waste management



The issue of waste management has assumed critical importance for the country today, given its ever-increasing population, higher consumption levels and inadequate infrastructure.

Often considered to be only an urban phenomenon, inadequate waste management seriously threatens the quality of life throughout the country.

Across the country, heaps of unattended waste, foraged by cattle and rag-pickers alike, have become an integral part of today's life. This is responsible for a number of serious public health concerns, in addition to crucial issues like land and groundwater contamination.

In alignment with ITC's commitment to reduce its environmental impact and create a positive environmental footprint, we have implemented the following measures in waste management:

1. RESOURCE CONSERVATION

Reduce waste generation through constant monitoring of specific waste generation data at all ITC Units.

2. SEGREGATION AT SOURCE

All ITC Units are required to ensure that wastes are segregated at source in accordance with Company-defined guidelines. This ensures maximum reuse/recycling of waste. For example, it is ensured that paper waste is not contaminated with wet waste, which would render it unrecoverable.

3. TOWARDS 100% RECYCLING

Each category of waste is individually addressed and tracked to ensure that it can be reused, if possible, and if not, recycled. This ensures that almost no waste from our businesses lands up in municipal or private landfills.

4. CREATING A POSITIVE ENVIRONMENTAL FOOTPRINT

Increase consumption of externally generated wastepaper as a source of fibre instead of virgin fibre. Apart from the direct environmental benefits of reduced consumption of power, water and chemicals, this also brings about the additional public benefit of encouraging better waste management.

Resource Conservation



Specific waste generation reduction over the previous year at Personal Care Units

45.4%

at Manpura (Shampoo) Unit

34.7%

at Manpura (Soap) Unit

27.8%

at Haridwar (Soap) Unit






There has been a substantial reduction in the specific waste generation at the Personal Care Products Business Units at Manpura and Haridwar

In 2012-13, ITC Units, generated 6,82,405 tonnes of waste. This 2.8% increase over last year in the total waste generated is due to higher production volumes in almost all businesses. However, most of the business Units have achieved reduction in specific waste generation (waste generated per unit of production).

Most of the waste was generated by our Paperboards & Specialty Papers Division (90.8%). The Bhadrachalam Unit, which accounts for 77.7% of total waste generated in ITC, has reduced specific waste generation to 1,111 kg per tonne of paper/paperboard in 2012-13 from 1,127 kg/tonne in 2011-12. According to the Centre for Science and Environment Report, 'All About Paper' (2004), similar mills generated around 1,200 kg of solid waste per tonne of paper produced.

There has been a substantial reduction in specific waste generation at the Soap Units of the Personal Care Products Business Units at Manpura & Haridwar and Snacks Units of the Foods Business at Haridwar & Pune (as illustrated in the table below), which

has been achieved due to the improved capacity utilisation and initiatives on yield improvement in the Units. Other Units, with significant reduction in specific waste generation in 2012-13, are as listed below:

-  **24.6%**
Paperboards & Specialty Paper Unit at Kovai
-  **23.6%**
WelcomHotel Sheraton New Delhi
-  **19.9%**
Packaging and Printing Business at Haridwar
-  **19.4%**
ITC Maurya
-  **14.9%**
ITC Kakatiya

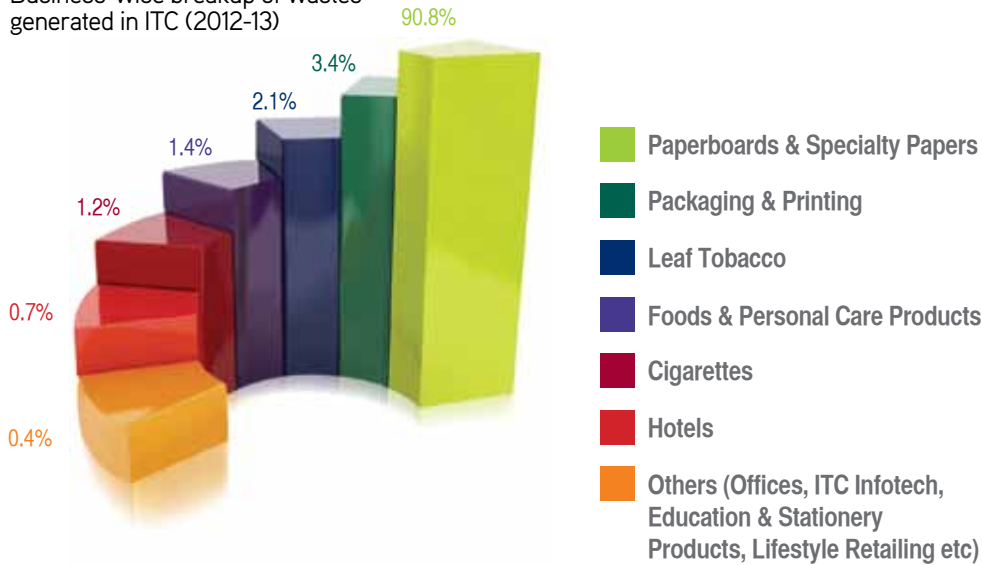
The significant reduction in specific waste generation in the Kovai Unit is due to the reduction of flyash generation brought about by replacing lignite with biomass residues as fuel and increased utilisation of wind power, while the above mentioned Hotels and the Packaging and Printing Unit at Haridwar have achieved this reduction by implementing process improvements.

BUSINESS	UNIT	PRODUCT	2011-12 (Kg/tonne)	2012-13 (Kg/tonne)	% IMPROVEMENT OVER LAST YEAR
Personal Care	Manpura	Shampoo	168.9*	92.1*	45.4
Personal Care	Manpura	Soap	32.0	20.9	34.7
Personal Care	Haridwar	Soap	52.4	37.8	27.8
Food	Haridwar	Snacks	141.2	101.2	28.3
Food	Pune	Snacks	150.8	131.3	12.9

* Unit is Kg/kl



Business-wise breakup of wastes generated in ITC (2012-13)



In 2012-13, 99% of hazardous waste was recycled and the balance 1% disposed/stored in accordance with applicable statutes

SEGREGATION OF WASTE

Of the total waste generated, only 2.9% by weight is hazardous waste as per the relevant Indian statutes. In 2012-13, 99% of this hazardous waste was recycled as detailed below and the balance 1% disposed/stored in accordance with applicable statutes.

All Units have established systems/procedures to verify the authorisation/licenses of the hazardous waste recyclers in order to ensure that they are in compliance with legal regulations and norms. Corporate EHS verifies compliance in each of the units, at an interval not exceeding 18 months.



HAZARDOUS WASTE ITEM	QUANTITY (TONNES)	DISPOSAL
Sludge from effluent treatment plant of Paperboards and Specialty Papers factories	18,814	To authorised agencies
	35	Authorised Landfill
Empty containers of hazardous chemicals	392	Decontaminated and returned to original suppliers
	5	In-house storage
Used oil/waste contaminated with oil/oil soaked cotton waste	90	To authorised recyclers
	8	Incinerated/In-house storage
Used batteries	5	In-house storage
	108	Returned to original suppliers
Spent solvents/ink/ink sludge/adhesives/Process waste/ Chemical sludge/ Sludge from fuel tanks	87	Recycled
	179	Incinerated or sent to authorised landfills/stored within the Unit
Biomedical waste	2	Incinerated/Autoclaved
E - Waste	50	Recycled
	7	In-house storage

Towards 100% Recycling



99.80%
of waste was recycled
in 2012-13

Total waste and its destination (2012-13)



6,82,405
Total Waste



102
On Site Storage



1,174
Incineration and Landfill



6,81,129
Reused/Recycled

Reuse/Recycle includes 10,224 tonnes of wastes composted. All above Units are in Tonnes.

Since generation of waste cannot be completely eliminated due to limitations in processes or technology, all ITC Businesses/Units are mandated to ensure recycling of entire (100%) waste generated. This not only conserves precious natural resources and energy but also prevents waste from reaching landfills, with all its attendant problems like health hazards, increase in GHG emissions, soil and ground water contamination, etc.

In addition, Recycling also creates significant employment opportunities for the marginalised sections of society.

WASTE DESTINATION

We have ensured recycling of 99.8% of the total waste generated in all the ITC Business Units.

It is noteworthy that ITC's Unit at Bhadrachalam, which is India's largest

integrated Paper & Paperboards mill, recycled 99.9% of its waste in 2012-13.

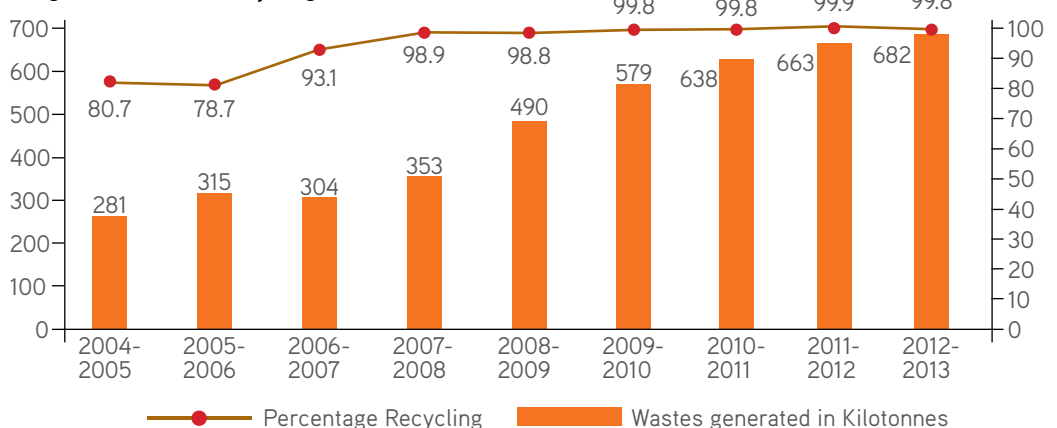
In 2012-13, ITC generated 2,87,950 tonnes of fly ash, (42% of total waste in ITC), 100% of which has been utilised for brick making and cement manufacturing.

In line with our commitment to consolidate our waste recycling positive status, many of our Units, have already achieved total recycling of waste generated out of their operations.

The following Units reused/recycled the entire waste (more than 99%) generated from their operations:

Cigarette factories at Munger, Bengaluru, Saharanpur, Kolkata and Pune, Paperboards & Specialty Papers Units at Bhadrachalam and Tribeni, Personal Care Business Units at Haridwar, Foods Business Units at Haridwar (Snacks) and Pune, Packaging & Printing Business Unit at Tiruvottiyur, Leaf Threshing Business Unit at Anaparti, Research Centre at

Progress On Waste Recycling





Rajamundry, ITC Green Centre at Gurgaon, Surya Nepal's Cigarette factory at Simra, and ITC Hotels - ITC Maurya, ITC Maratha, ITC Grand Central, ITC Windsor, ITC Mughal, ITC Gardenia, ITC Kakatiya, ITC Sonar, My Fortune Chennai, ITC Rajputana and Sheraton New Delhi.

WASTE USED AS RAW MATERIALS

As depicted above, the high degree of recycling achieved across ITC's Units together with the use of post consumer waste by the Paperboards and Specialty Papers Units at Kovai and Bhadrachalam create yet another positive environmental footprint.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total waste generated (tonnes)	3,52,970	4,90,180	5,78,865	6,38,405	6,63,796	6,82,405
Waste recycled (tonnes)	3,49,264	4,84,287	5,77,766	6,37,452	6,62,978	6,81,129
% Recycled	98.90%	98.80%	99.80%	99.80%	99.90%	99.80%
Un-recycled waste (tonnes)	3,706	5,893	1,099	953	818	1,276
External wastes used as raw materials (tonnes)	1,63,245	1,25,337	1,25,931	1,19,002	1,15,414	1,18,462
Waste recycling footprint (%)*	145	124	122	119	117	117

* 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 people about the advantages of the "Reduce-Reuse-Recycle" process to protect the environment, and improve civic amenities, public

health and hygiene but also generates cost-effective raw materials for the paper, plastics, metal and glass industries.

What started in a small way in households has now spread to schools, government offices, Corporates and other institutions. The WOW initiative which commenced in 2007 with an average monthly collection of 100 tonnes, has spread across South India and 26,731 tonnes of waste was collected through this initiative in 2012-13.



ITC - SOLID WASTE RECYCLING POSITIVE FOR 6 YEARS IN A ROW

Significant Air Emissions

FOR ALL OUR
TOMORROWS



Cleaner fuels

**Monitoring combustion efficiencies
to achieve lower specific emissions**

**Investments in state-of-the-art
pollution control equipment**



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

All our Units monitor significant air emission parameters, such as Particulate Matter (PM), Nitrogen Oxides (NO_x) and Sulphur Dioxide (SO₂) on a regular basis to ensure compliance with internal norms that are more stringent than regulatory requirements.

In 2012-13, the total significant air emissions included 690 tonnes of PM, 649 tonnes of NO_x and 790 tonnes of SO₂ emission (in 2011-12, PM: 701, NO_x: 732 and SO₂: 841 tonnes). The decrease in the total emissions over last year is due to the reduced use of internally generated energy from fossil fuels in ITC and increased energy utilisation from ITC owned wind farms.

In 2012-13, PM emission from Bhadrachalam was 0.96 kg per BDMT (Bone-Dry Metric Tonne) of production, an improvement of 4.1% over the previous year (1.00 kg/BDMT in 2011-12). 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 2012-13, the specific NO_x 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	2010-11	2011-12	2012-13
	0.43	0.69	0.60	0.58	0.46	0.35
Standards						
Sweden	1.2-2.4					
EU	1.0-1.8					
EU-BAT*	1.0-1.5					
Reported Values						
CEPI**	0.85					

Sources –

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
2. ** CEPI – Confederation of European paper Industries, Sustainability Report 2011

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

The Bhadrachalam Unit is also progressing towards achieving international standards on specific SO₂ emission levels, as given below:

Bhadrachalam	SO ₂ (Kg/tonne)					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	0.5	0.84	0.79	0.74	0.61	0.53
Standards						
Sweden	0.5-1.4					
EU	0.1-0.5					
EU-BAT*	0.2-0.4					
Reported Values						
CEPI**	0.24					

Sources –

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
2. ** CEPI – Confederation of European paper Industries, Sustainability Report 2011



In addition to the above parameters, our Paperboards Unit at Bhadrachalam also monitors Hydrogen Sulphide. The average measured value for the year 2012-13 was 2.34 mg/Nm³, which was much lower than the regulatory norm of 10mg/Nm³.

All other Units are also making concerted efforts to reduce specific emission levels. Significant reduction in specific emission levels in some of the Units in ITC along with the improvement over the previous year as depicted below has been achieved primarily through use of better quality fuels as well as increased utilisation of wind energy.

OZONE DEPLETING SUBSTANCES (ODS)

ITC had developed and implemented an ODS phase out plan 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.

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 the existing equipment using ODS well before the phase out stipulation.
- ▶ Recover all the ODS from the equipment being replaced for recycling or safe disposal.

In 2012-13, the total consumption of ODS by all our Units was 200.5 kg of CFC-11 equivalent.

BUSINESS UNIT	LOCATION	% IMPROVEMENT IN SPECIFIC EMISSION OF		
		PM	NO _x	SO ₂
Leaf Threshing	Anarpati	13.5	28.8	30.9
Cigarettes	Bengaluru	10.9	51.6	46.6
Personal Care-Soap Unit	Haridwar	39.7	40.7	42.7
Paperboards and Specialty Papers	Tribeni	42.5	16.4	17.3



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 taken into consideration right from the design stage and include measures for leakage/spillage prevention, containment provisions, impervious flooring, leak detection system as well as all requirements as per Material Safety Data Sheets (MSDS) for hazardous chemicals. Safe work practices on handling and storage, procedures for leak detection and 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 2012-13, there was no significant spill of any chemical, oil, fuel or hazardous waste in any of our Units.

BIODIVERSITY

Our Units/operations do not have any significant impact on biodiversity.

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

State-of-the-art processes and technologies implemented in all our Units ensure benchmarked performance across ITC.

Environment, Occupational Health & Safety management systems in our Units conform to the best international standards, such as ISO 14001/OHSAS 18001/HACCP etc and are certified by accredited third party agencies.

Apart from third 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.

There were no fines or monetary sanctions for non-compliance with environmental laws/regulations in any ITC Unit during 2012-13.



**In 2012-13,
there was no
significant spill
of any chemical,
oil, fuel or
hazardous
waste in any of
our Units**

Material Sustainability In ITC's Businesses

In 2012-13, ITC consumed over 24,00,000 tonnes of externally sourced raw materials, out of which close to 97% of raw materials are agri based products grown on long standing farm land or low productivity wastelands

All ITC Units continue to pursue efficient use of raw materials through extensive R&D and waste elimination/reduction through process management. In addition, all Businesses are focused on sustainable sourcing of raw materials to ensure their long-term availability at fair market prices.

A large proportion of raw materials used in ITC businesses are agricultural produce. Our Social and Farm Forestry models, watershed management programmes, empowering the marginal farmers through e-Choupals (described elsewhere in this report), etc have helped us progress towards raw material sustainability in ITC Businesses. In 2012-13, ITC consumed over 24,00,000 tonnes of externally sourced raw materials, out of which close to 97% are agri based products grown on long standing farm land or low productivity wastelands.

ENVIRONMENTAL FOOTPRINT OF OUR PRODUCTS

ITC products can be broadly classified into the following categories:

1. FMCG (B TO C) PRODUCTS

Cigarettes, Foods, Personal Care Products

2. INDUSTRIAL SUPPLIES AND EXPORTS

Paper; Paperboards; Packaging; Leaf Tobacco; etc

3. SERVICES

Hotels and ITC Infotech

Since ITC is vertically integrated to a large extent, it provides opportunities for successive value addition, within the system for several categories of products such as paperboards for packaging. This integration provides the Company unique opportunities to establish synergy thereby minimising environmental impact through optimum utilisation of raw materials, recycling/reuse of wastes and optimum logistics and transportation. This synergy, significantly, reduces the environmental footprint of ITC products and services.

We have completed studies on life cycle assessment of different products. Based on the learnings that have emanated, we plan to carry out more such studies of products/services to evaluate the environmental impacts at the various life cycle stages and thereby identify opportunities for improving their environmental attributes.



RESPONSIBLE SOURCING OF WOOD FIBRE

Wood is a major source of fibre for the paper and paperboards industry. Availability of wood remains a critical challenge and is a serious sustainability concern, especially in a country with limited natural resources and acute income inequities.

Approximately 52% of the total fibre requirements of ITC's Paperboards and Specialty Papers Division is met by the Organisation's Social and Farm Forestry projects, another 21% comes from recycled fibre, processed

at Kovai and Bhadrachalam and the balance 27% is imported pulp used at Bhadrachalam and Tribeni Units. 100% of virgin fibre manufactured in Bhadrachalam is from wood sourced from our Social and Farm Forestry initiatives whereas the fibre used at the Kovai Unit is from recycled fibre ensuring that 100% of wood and recycled fibre used by ITC's Paperboards and Specialty Papers Business are of known and legal origin.

Apart from the obvious benefits of increasing the green cover, plantation on degradable wastelands under the Social Forestry programme also directly contributes to in-situ moisture conservation, ground water recharge and significant reduction in topsoil losses caused by wind and water erosion. In addition, as a result

of the leaf litter from multi-species plantations and the promotion of leguminous intercrops, depleted soils are constantly enriched. These efforts are supported by internal R&D (which has produced high yielding, site specific, disease resistant eucalyptus and subabul clones) together with extensive knowledge of plantation management practices. ITC distributed around 110 million high quality saplings to farmers and increased the area covered by Social and Farm Forestry to over 17,000 hectares during the year.



**GLOBAL
FOREST
& TRADE
NETWORK**





The Agro-forestry programme was kicked off in the month of April, 2010 and so far 2427 hectares of land has been covered under this model

ITC'S NEW INITIATIVE ON SUSTAINABLE AGRO-FORESTRY FOR WOOD AND FOOD SECURITY

A new concept named as "Agro-forestry Model" has been evolved after a series of experimental trials with different planting geometries. Under this model, pulpwood trees are planted in rows leaving a wide gap of 8 m between rows to allow maximum sunlight for growing food crops. The primary advantage of this model is that every year, the farmer can cultivate food crops and also harvest the trees after 4 years interval. The food crop facilitates an additional annual income for the farmers and in case of the food crop loss due to drought, flood, pest, diseases, etc the income from the tree harvest would hedge the risk for the farmers. It is noteworthy that the land allocation to forestry in such models is only 25% and the remaining 75% land is available

for agriculture crop. This programme was kicked off in the month of April, 2010 and so far 2,427 hectares of land has been covered under the Agro-forestry model.

FOREST STEWARDSHIP COUNCIL CERTIFICATIONS

Further consolidating ITC's Triple Bottom Line performance, the four units of ITC's Paperboards and Specialty Papers Division i.e Bhadrachalam, Bollaram, Kovai and Tribeni, received the prestigious 'FSC Chain of Custody' Certification from 2009 onwards and have been maintaining it.

The FSC (Forest Stewardship Council) is an independent, non-governmental; not-for-profit organisation established to promote the responsible management of the world's



forests and is recognised as the gold standard in wood certification for ethical and legal sourcing. The FSC is represented in more than 107 countries around the world, and is the most widely accepted and respected amongst forest product certification schemes.

FSC endorsement implies that an organisation complies with its principles and criteria in the different areas of its functioning. ITC's Paperboards & Specialty Papers Division can now supply FSC certified paper/paperboards from all its four Units with the FSC certification of 'FSC Mixed' or 'FSC Recycled'. The FSC logo on products enables customers to buy our products with confidence knowing that the products/packaging are from legal, sustainable and well managed sources.

The FSC certification for ITC's Paperboards and Specialty Papers Units exemplifies the organisation's continued commitment to

sustainable business practices and to the building of an inclusive and secure future for both its stake holders and the larger society.

In continuation of its commitment to expand its scope, the organisation also got about 8,028 hectares of plantations owned by more than 9,000 small and marginal farmers certified for FSC – Forest Management with ITC as Group Manager. This ensures more supply of FSC certified wood to its operations thereby giving options of reaching more certified material to the market. This certification brings better environmental practices and improves social benefits to the community around the Khammam district of Andhra Pradesh where the farm plots are located. ITC is planning to bring in more areas under the above group certification in the future.



Social Performance

Labour Practices and Decent Work
Social Investments - Mission Sunehra Kal
Product Responsibility





Labour Practices And Decent Work

FOR ALL OUR
TOMORROWS



Supporting livelihoods for over
5 million people

Building a future-ready talent bank

Strong focus on occupational health
and safety

Progressing towards zero accidents



STAKEHOLDER ENGAGEMENT

EMPLOYEES

ITC's strategic agenda of enhancing competitiveness and creating engines for profitable and sustainable growth has been powered by developing and nurturing quality talent and blending proven skills and capabilities drawn from each of its businesses. Each business focuses on engaging employees through communication meetings, mentoring, suggestion schemes, engagement surveys and talent recognition programmes.

ITC has succeeded in attracting and retaining quality talent through various initiatives that focus on enhancing personal development and growth, an empowering work culture that facilitates high levels of engagement and

performance and an enabling professional work environment.

ITC's robust strategy of organisation and empowering work culture constitute the framework for enhanced corporate vitality. ITC has made significant investments in developing talent across the organisational spectrum – from frontline managers to business leaders, all geared to galvanise the Company to enhance its capability and agility, manage change proactively, stay ahead of competition and win in the market.

Organisational vitality and competitiveness have been enhanced through various initiatives aimed at:

- ▶ Creating an environment where employees are inspired, engaged and aligned with the Company's Vision, Mission and Core Values.
- ▶ Fostering a climate of innovation and continuous learning.
- ▶ Developing leaders from a diverse pool of talented and passionate individuals.



Our Talent Management strategy is focused on building a 'future-ready' talent bank in the organisation to ensure a pipeline of high quality managerial talent, specialists and business leadership

ENGAGING TALENT

Our Talent Management strategy is focused on building a 'future-ready' talent bank in the organisation to ensure a pipeline of high quality managerial talent, specialists and business leaders. This is premised on attracting, developing and retaining high-quality talent. ITC's talent brand "Building winning businesses. Building business leaders. Creating value for India.", reflects its commitment to nurture world-class talent whilst providing them the opportunity to develop as leaders and make a contribution to a larger purpose. Our talent engagement approach is focussed on:

- ▶ Attracting and nurturing quality talent supported by significant investments in

learning and development; a culture of empowerment, care and concern supported by systems and processes that encourage engagement and involvement.

- ▶ Creating a responsive, stakeholder-centric and market-focused culture that enhances organisational capability and vitality.

BUILDING BUSINESS LEADERS

We recruit quality talent from premier campuses across the country through an objective and robust selection process. New entrants are assigned to various businesses of the Company and are deployed across the country. Our strategy of organisation is based



on the principle of distributed leadership in order to unleash the entrepreneurial energies of our human resources. The strategy of organisation and its on-going emphasis on developing and supporting distributed leadership have ensured that each of our Company's businesses are managed by a team of competent, passionate and inspiring leaders.

focused culture that enhances organisational capability and vitality.

During 2012-13, our full-time direct employees numbered over 31,000 of which 2,202 employees were engaged on a seasonal basis (in the Leaf Tobacco business due to the very nature of this business). Of the total number of employees 3,043 were women.

SUPPORTING COMMUNITIES: GENERATING EMPLOYMENT, ENHANCING EMPLOYABILITY

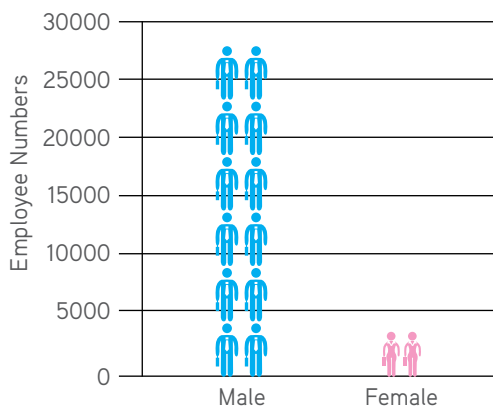
We encourage local employment in our manufacturing Units and hotels, depending on the availability of requisite skills. In some of our Units, we also partner with local Industrial Training Institutes to provide vital inputs to the management of these institutions. A large number of youth are also provided apprentice training opportunities in our manufacturing Units.

The different value chains related to our businesses provide indirect employment to over 5 million people, whose livelihoods are substantially linked to their association with the Company. Our supply and distribution and agri-sourcing network as well as initiatives under Social and Farm Forestry, e-Choupals, Women's Empowerment and micro-enterprises and Livestock Development provide indirect employment to millions.

HUMAN RESOURCES AT ITC

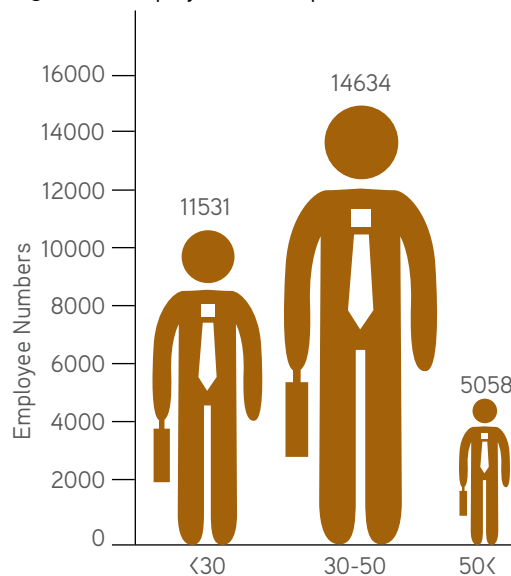
Our human resource management systems and processes aim at creating a responsive, empowering, customer-centric and market

Gender-Wise Employee Break up



The various service providers engaged by the Company during the period employed approximately 15,000 persons.

Age-Wise Employee Break up



The harmonious relations at all operating Units are a reflection of the Company's approach to employee engagement focusing on a collaborative approach and mutuality of interests

Over 13,000 of our direct employees are members of various unions. Employees are involved in the implementation of best in class technology and process improvements aimed at enhancing productivity, quality and delivery effectiveness.

The harmonious relations at all operating Units are a reflection of the Company's approach to employee engagement focusing on a collaborative approach and mutuality of interests. There were no industrial disputes in ITC Units, nor did the Company lose any working days on account of the same during 2012-13.

ATTRITION

ITC's unique employee value proposition and the integrated approach to managing human resources enabled attraction, retention and motivation of employees. The overall attrition across management and non-management employees for 2012-13 was 12%.

LEARNING AND DEVELOPMENT

ITC's Learning and Development initiatives are geared to 'Build ITC's talent and leadership pipeline to power our engines of growth and enhance organisational capability to compete, win in the market place and create enduring value for our stakeholders.' The Capability Development Agenda flows from ITC's Mission, ITC's Strategic Agenda, the 3-Horizon Growth Strategy and ITC's Vision.

Learning and Development initiatives offered during 2012-13 were aligned with this agenda. The on-going core programmes were revitalised to reflect the emerging capability requirements. In addition to core programmes, customised programmes were also offered to address the needs expressed by businesses, aimed at building specific capabilities at various levels of the organisation.





Planning for initiatives in this area begins much before the commencement of the year and flows from the various Business Plans and capability requirements emerging thereof. Business HR teams work closely with the Corporate HR team in implementing the initiatives for Learning and Development. Employee training at the factory level is undertaken after assessment of skill gaps or after evaluation of emergent technology or skill needs. The process is proactive and well-structured.

In 2012-13, more than 1,42,000 person-days of formal training were organised for employees at various levels. In addition, on-the-job learning opportunities were provided to a cross-section of employees supported by inputs from peers and superiors.

Learning & Development (Average per employee for each employee category)



Occupational Health And Safety

ITC gives special emphasis to the Occupational Health & Safety interests of its employees (including that of service providers) and all visitors to its establishments. This is ensured through adherence to Corporate Environment, Health & Safety Guidelines, which incorporates best international standards and practices. Corporate resources and expert third party agencies audit all ITC establishments on a periodic basis in order to verify compliance. The EHS performance of all ITC Units is reviewed periodically at the Corporate Management Committee level.

TOWARDS ZERO ACCIDENT

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

The process of risk assessment has been institutionalised across Businesses wherein risks are systematically identified and mitigation plans implemented. All new projects and major renovation jobs are reviewed and vetted at the design stage by Corporate EHS experts and engineering control measures are implemented at the project stage itself. Pre commissioning audits are also conducted to ensure compliance with all EHS requirements.

A comprehensive incident/accident reporting system has been established in all Units. These incidents/accidents undergo a thorough investigation for identifying root causes and accordingly, corrective/preventive measures are initiated. The findings and recommendations are also discussed in the Safety Committee meetings to ensure complete management and employee buy in. In order to disseminate the learnings from accidents, details of serious accidents, along with the root cause analysis and proposed corrective measures are communicated across the Company. This enables Units to take proactive action in eliminating/controlling similar situations.

Based on the root-cause analyses of accidents over the years, the approach to safety has been redefined with the focus now on fostering a culture of safety and use of behavioural architecture techniques. This is being enabled by the creation of an organisation wide culture of safety, involving individual ownership and integrating with business processes which also support a “One Unit-One team” approach. Such a shared ownership not only ensures accountability but also provides the opportunity for optimisation in safety hardware costs.

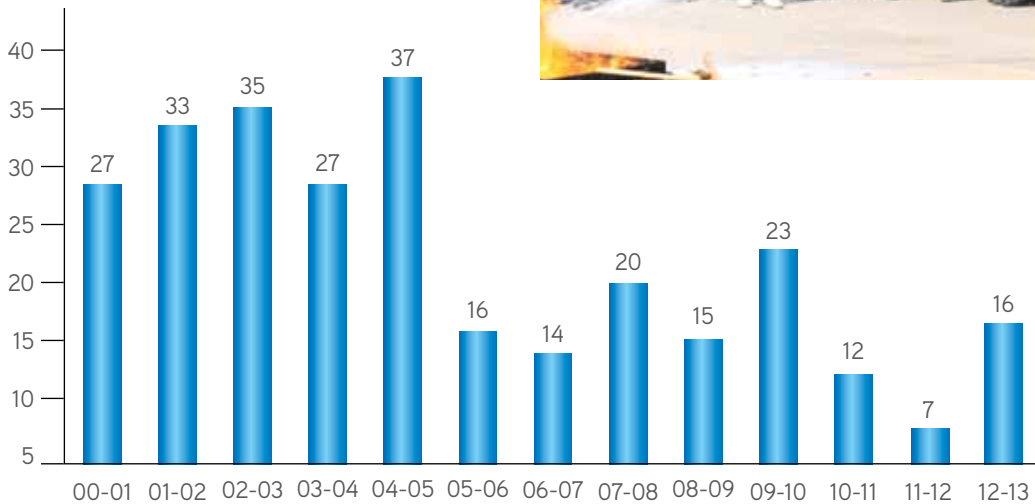
The safety management system is being tuned to ensure that training and other communications are relevant and that local socio-economic context are factored in to make the transition from “awareness developed” to “changed behaviour”. This approach which combines empowerment and ownership with targeted interventions and strict accountability should help us in achieving our goal of “Zero Accidents”.



ON-SITE SAFETY PERFORMANCE

In ITC, Lost Time Accident (LTA) is defined as an accident where the injured is not able to come back to work for the next scheduled shift. This definition is more stringent than the 'Reportable Accident' as per the Factories Act, 1948, which is defined as an accident where an injured person is unable to resume duty within 48 hours after the accident.

Lost Time Accidents (LTA)



In 2012-13, the number of on-site Lost Time Accidents (LTA) of own employees was 16 (against 7 in 2011-2012), as detailed above. Detailed investigation and analyses of accidents helped us better understand the challenges being faced by our new business units presently under the process of stabilisation. As mentioned earlier, besides the strong engineering approach, safety culture programmes are being institutionalised and behavioural architecture inputs are being used to rework and recalibrate our approach.

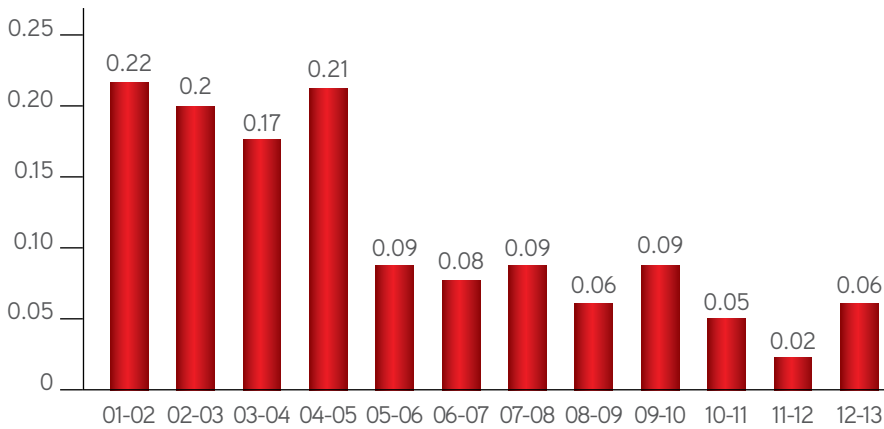
Lost day rate, defined as the number of days lost due to accidents for every 2,00,000 person hours, for the year 2012-13 was 1.88 (25.3 in 2011-12), owing to having had no fatal accident on-site.



Injury rate, defined as the frequency of injuries in relation to total time worked, in 2012-13 was 0.06 as compared to 0.02 in 2011-12, primarily because of the challenges being faced by the new businesses.

ITC's Paperboards and Specialty Papers Business Unit at Bhadrachalam, the country's largest integrated pulp and paper mill, faces specific challenges due to scale and growth of business. Despite this fact, the on-site injury rate (own employees) for Bhadrachalam has come down from 0.07 in 2011-12 to 0.04 in 2012-13. In addition to the effective implementation of engineering controls, the recently initiated behaviour safety programme has significantly contributed in achieving this performance

Injury Rate (IR)



OFF-SITE ACCIDENTS OF OWN EMPLOYEES

In line with our goal to achieve “zero accidents” across our operations, we have started putting in place adequate systems to ensure safety of our own employees working off-site. In ITC, off-site is defined as places other than on-site while on official duty, including commuting to and from residence to the place of work. In order to identify suitable management interventions, detailed investigation of all off-site accidents over the years has been carried out. These analyses reveal that the majority of road accidents have involved two wheelers and employees in the age group of 26-30 years. Accordingly, a user interactive 2-wheeler road safety programme was developed and rolled out in 2011-12. Businesses were advised to ensure that all 2 wheeler using employees are trained and that there is a constant reinforcement of the message for exercising extreme care, while on the road. These efforts have resulted in a sharp reduction in road accidents.

It will be ensured that coverage across all businesses is completed and a similar programme on the 4 wheeler safety is being planned in 2013-14.

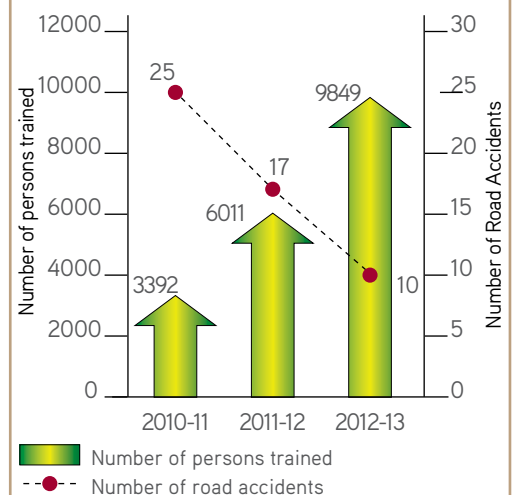
There was one very unfortunate off-site fatal accident in which a manager died in a 4 wheeler road accident while he was on an official tour during the year 2012-13.

ZERO ACCIDENT UNITS

The following Units at ITC attained the goal of ‘zero accidents’ (on-site for own employees) in 2012-13 through effective implementation of safety management systems and adoption of state-of-the-art technologies:

- ▶ Cigarette factories at Kolkata and Pune
- ▶ Leaf Threshing Units at Anaparti & Chirala
- ▶ Packaging & Printing Units at Haridwar & Munger
- ▶ Paperboards and Specialty Papers Units at Bollaram & Kovai
- ▶ Foods Unit at Haridwar
- ▶ Personal Care Products Units at Haridwar & Manpura
- ▶ Research Centre at Rajahmundry
- ▶ ITC Infotech’s Bengaluru office complex
- ▶ ITC Green Centre, Gurgaon
- ▶ ITC Headquarters, Kolkata
- ▶ ITC Maurya, ITC Grand Central, ITC Kakatiya, ITC Rajputana, ITC Maratha, ITC Mughal, ITC Sonar, ITC Windsor & ITC Gardenia
- ▶ My Fortune & WelcomHotel Sheraton New Delhi
- ▶ Fortune Resort Bay Island Hotel, Port Blair
- ▶ Surya Nepal’s Unit at Simra

2 Wheeler Rider Safety Training (Cumulative) Vs Road Accidents Trend





EMPLOYEES OF SERVICE PROVIDERS

All vendors and service providers within ITC premises are required to follow procedures detailed under ITC's Corporate EHS Guidelines. All new resources of service providers, undergo adequate general as well as job-specific training. Regular briefing and tool box talk has been made an integral part of ITC's safety management system to continuously update all employees of service providers on safe work procedures.

This year onwards we have started reporting on the safety performance of our service providers within ITC premises. Total onsite lost time accidents for service providers' employees for the year was 16. This is inclusive of an unfortunate fatal accident reported from the Paperboards and Specialty Papers Unit at Bhadrachalam wherein a transport service provider's employee was hit by a truck.

OCCUPATIONAL HEALTH

A healthy workforce is an important contributor to our competitiveness and sustainability. All Units maintain a conducive work environment, meeting Indian/International standards on hygiene, lighting, ventilation and effective controls on noise and dust.

All Units are provided with occupational health centres with adequate medical staff to monitor occupational health and provide immediate relief, when required. In addition, at least 2% of total employees in each Unit are trained to provide first aid.

Identified medical examinations are done for various categories of employees based on age-groups as well as exposure to occupational hazards. These medical examinations take place annually/ once in 3 or 5 years as applicable.

Accordingly in 2012-13, 10,112 employees underwent preventive medical examinations and there were no occupation related illnesses reported from Units.

HIV/AIDS

We remained committed to do our best in response to the serious threat posed by HIV/AIDS. During 2012-13, we conducted 146 awareness programmes for the employees and communities around our Units. The interventions covered a total of 10,282 people of which 6,017 were our employees while the remaining were members of the local community. In addition we also organised counselling sessions at various locations covering a total of 4,727 people, of which 3,552 were our employees.



Human Rights

Significant Investments

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

During 2012-13, nearly ₹ 1,361 Crores of our total capex cash flow of ₹ 2,141 crores was incurred on machinery and technology, sourced from reputed global suppliers/vendors who follow internationally accepted norms and standards on Human Rights. Approximately ₹ 654 Crores were invested on new factories, hotels and 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.

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 compliance with relevant labour and factory regulations, 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 2012-13, the total number of service providers was 6,981 of which 1,426 operated within the Company's premises and 5,555 worked off-site. 87% of contracts on-site and 87% 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 2012-13, no incident of discrimination in any of the ITC units was reported either to the concerned units or statutory authorities.

FREEDOM OF ASSOCIATION

During 2012-13, 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 2012-13, no incidents of child or forced labour were reported either to the concerned units or statutory authorities.



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 compensation philosophy does not differentiate on gender, caste or age. It is linked to responsibility levels and is based on performance

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 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 14 Non-Executive Directors as on March 31, 2013. 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 6 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 is 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 behaviour, both within the organisation as well as in our external relationships. We believe that unethical behaviour 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 employees. 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 cognised for and suitable action was taken. ITC has a 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. We continued to comply with all applicable statutes during 2012-13.

**All our Businesses/
Divisions have
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Social Investments - Mission Sunehra Kal

FOR ALL OUR
TOMORROWS



Strengthening rural livelihoods through:

- ▶ ITC e-Choupal
- ▶ Wasteland Development through Social Forestry
- ▶ Soil & Moisture Conservation Programmes
- ▶ Livestock Development Initiatives

Building skills and social infrastructure through:

- ▶ Primary Education, Health & Sanitation
- ▶ Women's Empowerment & Gender Equality



In pursuit of the Company's commitment to the Triple Bottom Line, ITC's Social Investments Programme continues to be driven by the needs and concerns of two important stakeholders:

▶ The rural communities with whom ITC's Agri Businesses have forged a long and enduring partnership through its crop development and procurement activities. These households operate in rain-fed conditions in some of the most moisture-stressed regions of the country.

▶ The communities residing in close proximity of our production units, who are constrained from enjoying a better quality of life due to poor social infrastructure especially in the areas of education and health.

ITC is ideally positioned to respond to these challenges, given its overarching aim of empowering its stakeholder communities by promoting sustainable livelihoods through the strategic integration of the social investments programme with its business value chains. Such a commitment calls for a response at two levels:

STAKEHOLDERS	STRATEGIC INTERVENTIONS	DESIRED OUTCOME
<p>On Farm:</p> <p>Enhancing two of the most important productive assets of rural communities – land and livestock</p>	<ul style="list-style-type: none"> ▶ Boosting agricultural production by empowering rural communities to conserve, augment and manage their environmental capital through sustainable agricultural practices ▶ Boosting milk production through dairy development to enable farmers address crop failure risks and diversify rural income portfolios 	<ul style="list-style-type: none"> ▶ Increase biomass cover to 33% of the total geographic area ▶ Progress to the category of safe ground water zone ▶ All arable land under crop cover for two seasons ▶ Dairy activity to contribute 50% of the village GDP
<p>Off Farm:</p> <p>The future of smallholders may not depend on farming alone but rely on measures that stimulate rural non-farm sectors and create more employment opportunities</p>	<ul style="list-style-type: none"> ▶ Promoting a gender-centric economic empowerment programme by supporting income generation interventions, based on the Company's value chains ▶ Ensuring a rapid and sustained expansion of social opportunities by focusing on critical human development indices to enable our stakeholders seize opportunities offered by functioning labour markets 	<ul style="list-style-type: none"> ▶ Every Below Poverty Line (BPL) woman to have access to credit and/or supplementary income ▶ Every child to have access to school and learning ▶ No open defecation ▶ Every house to have access to potable drinking water ▶ Unemployed youth to be made employable



The transparency and effectiveness of the ITC e-Choupal system has led to the enhancement of rural incomes, whilst ensuring sustainable agri-sourcing for ITC's businesses



ITC e-CHOUPAL

Recognising the various challenges faced by the farmer and leveraging ITC's consumer facing businesses, ITC e-Choupal was designed to provide a 360-degree intervention to trigger a virtuous cycle of higher farm productivity, higher income, enlarged capacity for farmer risk management, and thereby larger investments to enable higher quality and productivity. In a pioneering move, the power of Information Technology and the Internet was utilised to empower small and marginal farmers by setting up Internet kiosks, which made available a host of services related to know how, best practices, timely and relevant weather information, transparent discovery of prices and others. The kiosks were managed by trained farmers (sanchalaks) who helped the agricultural community access ready information in their local language. The e-Choupal network also provides customised extension services and training through Choupal Pradarshan Khets (demonstration farms). Farmers have also been empowered with the establishment of integrated rural services hubs called Choupal Sagaars. The transparency and effectiveness of the ITC e-Choupal system has led to the enhancement of rural incomes, whilst ensuring sustainable agri-sourcing for ITC's businesses. By providing know how and connecting farmers to markets, the e-Choupal enabled a virtual integration of the supply chain and eliminated wasteful intermediation and multiple handling, which led to significant reduction in transaction costs apart from expanding markets and enhancing rural incomes. This initiative has

benefitted over 4 million farmers in 40,000 villages.

SOCIAL INVESTMENTS PROGRAMME - COVERAGE

The projects promoted under the Social Investments programme increased from 101 in 2011-12 to 107 during the reporting period. These projects are spread across 10 states covering 60 districts. The interventions reach out to more than 6 lakh households in more than 6,500 villages. Of the total projects currently being implemented, 76% are targeted at the Company's rural stakeholder households, while the balance 24% addresses stakeholders residing around our factories. The Social Investments programme is spread across the states of Andhra Pradesh, Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

ANIMAL HUSBANDRY AND DAIRY DEVELOPMENT

The programme for genetic improvement of cattle through artificial insemination to produce high-yielding crossbred progenies has been given special emphasis because it reaches out to the most impoverished and has the potential to enable them live with social and economic dignity. Ten new Cattle Development Centres (CDCs) were established during the year, taking the

ACTIVITY	2011-12	2012-13	CUM TO 2012-13
CDC Centres (No)	83	10	303
Breed Improvement			
No of Ais (lakhs)	2.32	2.75	10.82
No of Pregnancies (lakhs)	1.02	1.30	4.84
No of Calving (lakhs)	0.67	0.89	3.08
Vaccination & Health (lakhs)	1.04	0.72	4.89

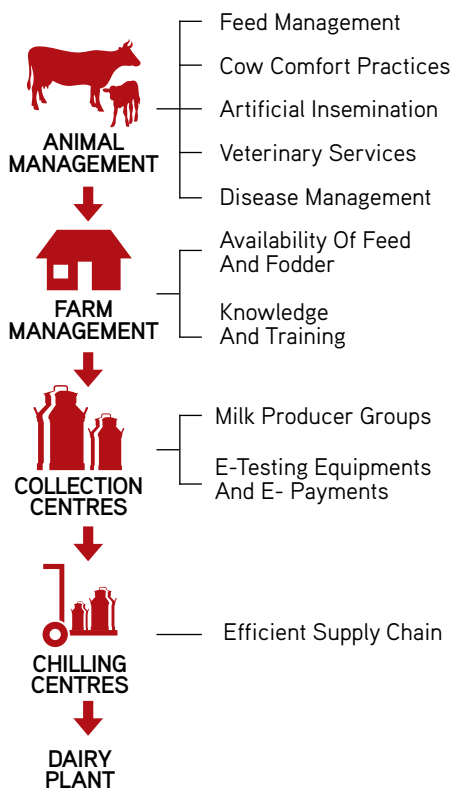
total to 303 centres covering nearly 5,000 villages, that facilitated 2.75 lakh artificial inseminations during the year.

Taking the next step in the development of a viable livestock economy, ITC focused on dairy development in Munger this year. Some of the key highlights include:

1. PROJECT GOMUKH

A pilot project was launched in Munger to cater to the need for veterinary services and provide comprehensive techno-management support to dairy farmers.

Integrated Dairy Management Programme



experts. A call centre was set up to enable farmers register their requests. The success of this pilot is evident from the rapid growth in all services that are being offered.

Project Gomukh aims at creating centres of excellence in clusters of villages (hubs) by providing customised end-to-end solutions for dairy farms and milch animals. The overarching objective of the project is to increase milk productivity and improve the quality of milk, thereby increasing farm incomes significantly. These will be achieved through an integrated package of services that includes:

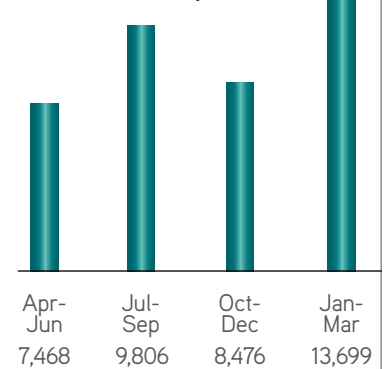
- ▶ Best-in-class animal and calf management practices
- ▶ Hygienic milking and milk handling
- ▶ Efficient feeding process
- ▶ Cow comfort practices
- ▶ Veterinary and preventive health care services
- ▶ Efficient green fodder and manure management



2. MILK PROCUREMENT

A total of 87 MPGs with over 2,843 members were functional during the year for the promotion of improved yields and higher procurement. The average daily procurement in Munger was 9,862 kg per day with a peak of over 17,000 kg.

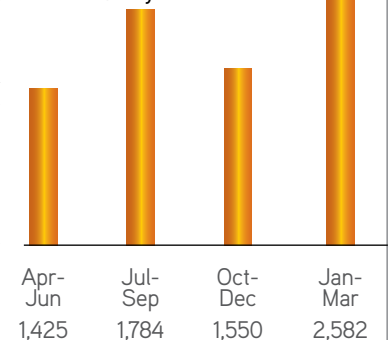
Average Daily Procurement, 2012-13 (litres/day)



3. OTHER LOCATIONS

Dairy development in Saharanpur commenced during the year. Two hubs have been set up for initiating activities. A call centre was established in December for providing artificial insemination and extension services. Comprehensive milk mapping studies have been completed at two other locations to enable planning for the expansion of dairy-led CSR.

Average Number Of Farmers/Day



The implementation of this project started in August 2012 with the establishment of a Pashudhan Sewa Kendra (PSK) to provide integrated animal husbandry services. PSK delivers a comprehensive package of extension services, such as veterinary care, breeding, supply of balanced concentrate of cattle feed and feed supplements, fodder propagation and training to dairy farmers through

WASTELAND DEVELOPMENT- SOCIAL FORESTRY

ACTIVITY	2011-12	2012-13	CUM TO 2012-13
Coverage			
No of new vilages	776	396	1,717
No of new beneficiaries	5,319	10,102	39,843
Plantation Area			
Pulpwood (Ha)	3,847	8,554	31,956
Energy (Ha)	528	699	1,493
Saplings Planted (Lakhs)	317	821	2,049
Agro-forestry Area (Ha)	330	493	822

ACTIVITY	2011-12	2012-13
Area (Ha)	945	756
Farmers (No)	988	813
Volume Supplied To PSPD (Ton)	28,451	28,137
Total Income (₹ Lakh)	625	772.89
Repayment To Committee/NGO	7	5.60
Earnings/Household	63,242	95,067
Earnings/Hectare	66,147	102,247

The Social Forestry Programme to promote pulpwood plantations in Andhra Pradesh and energy security in Karnataka cumulatively covers a total of 33,448 hectares in 1,717 vilages, impacting nearly 40,000 poor households

The Social Forestry Programme to promote pulpwood plantations in Andhra Pradesh and energy security in Karnataka cumulatively covers a total of 33,448 hectares in 1,717 vilages, impacting nearly 40,000 poor households. These initiatives not only increase the biomass cover, but also have a salutary effect on agricultural production by preventing soil erosion, and recharging groundwater. They also meet the energy and fodder needs of households and become a sustainable base of raw material for our paper business. Energy plantations were promoted in four districts of Karnataka – Chamrajnagar, Mysore, Hassan and Mandya. Considering that this is a new project area, it was encouraging to note a 32% increase over the previous year to 699 hectares in 2012-13. Agro-forestry, which had been introduced last year, has witnessed a nearly 50% increase in area, both in the case of pulpwood and in energy – from 330 hectares to 493 hectares.

The total area harvested by the end of the year was 756 hectares, yielding 28,137 tonnes of raw material, all of which was supplied to ITC’s Paperboards and Specialty Papers Division (PSPD). The earnings per hectare and per household saw dramatic increases during the year as a result of a steep hike in the price of raw material and an increase in productivity per hectare, a rising trend, which was noted in the last financial year.



50%  increase in area under Agro-forestry

Bio-diversity conservation has been incorporated as an integral part of the Social Forestry Programme, which aims at in situ conservation of the local flora by protecting and improving production conditions in selected plots.



SOIL AND MOISTURE CONSERVATION

The Soil and Moisture Conservation programme, designed to assist farmers in identified moisture-stressed districts, increased by another 26,637 hectares. Altogether 470 water harvesting structures

were constructed during 2012-13. The total area covered under the watershed programme cumulatively crossed the 1,00,000 mark to reach 1,16,127 hectares.

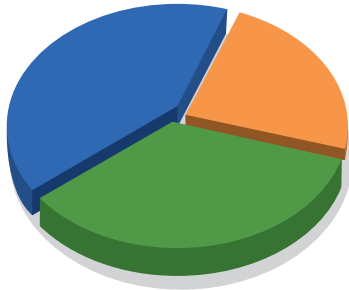
Most of the watershed programmes are now being implemented in partnership with either NABARD or various state governments. The highlights of the partnership programmes are:

ACTIVITY	2011-12	2012-13	CUM TO 2012-13
Water Harvesting			
Minor Structures (No)	224	236	2,443
Major Structures (No)	218	234	1,698
Total Structures	442	470	4,141
Watershed Area			
Area Treated (Ha)	18,231	21,261	78,661
Critical Irrigation Area (Ha)	6,761	5,375	37,466
Total Watershed Area	24,992	26,637	116,127
Direct Beneficiaries (No)	23,433	19,271	107,968
Empl Mandays (Lakhs)	7.67	9.21	35.24

1,16,127
hectares
covered under
the Watershed
Development
Programme



Proportionate PPP & NABARD share (%)



IWDP/IWMP 23% ■
 NABARD 30% ■
 MGNREGA 47% ■

► An MoU was signed between the Government of Rajasthan, ITC Limited, and the Project Implementing Agencies (NGOs) in August, 2012, for the joint implementation of the Integrated Watershed Management Programme. The MoU covers 12,974 hectares in the districts of Bundi, Jhalawar and Pratapgarh in the e-Choupal catchment areas. With this, the total area to be brought under soil and moisture conservation through Public-Private Partnership (PPP) projects has increased to over 1.44 lakh hectares.

► Work on the PPP projects with the state governments has been progressing well. By the close of the financial year, the PPP projects cumulatively covered over 25,174 hectares (25% of the 5-year target) in the three states, where government programmes are being implemented.



PROGRAMME	PERFORMANCE (Hectares)		
	TARGET	ACTUALS	ACHIEVEMENT %
NABARD	43,450	20,328	47%
MGNREGA/IWMP/IWDP			
Madhya Pradesh	15,039	1,606	11%
Maharashtra	42,971	15,081	35%
Rajasthan	43,117	8,488	20%
Total	144,577	45,502	31%

The total area to be brought under soil and moisture conservation through Public-Private Partnership (PPP) projects has increased to over 1.44 lakh hectares

► Under the NABARD partnership projects, more than 20,000 hectares have been covered to date, contributing 47% of the total target.

► In line with the focus on building the capacities of the Panchayati Raj Institutions (PRI), training programmes were organised for Gram Panchayat members, Gramsevak and VDC members in the PPP project districts in areas such as MGNREGS, PRIs and the roles and responsibilities of the different stakeholders.

IMPROVED AGRICULTURAL PRACTICES

In line with our objective to give a major thrust to creating a sustainable agricultural base, the year saw a significant increase in all the major interventions compared to the previous year: the number of Farmer Field Schools (FFS) increased from 37 to 162, the number of farmers covered (5,129) and the demonstration plots (4,733) grew almost



ACTIVITY	2011-12	2012-13	CUM TO 2012-13
Minor Irrigation			
Group Irrigation (No)	42	-	497
Sprinklers (No)	121	34	804
Wel Recharge	61	12	73
Sustainable Agriculture			
IPNM/Varietal Demo (No of plots)	1,668	4,733	11,648
IPNM/Varietal Demo (Area-Ha)	834	1,417	2,932
Compost Units (No)	139	503	14,446
Farmer Field Schools (No)	37	125	162
Farmer Field Students (No)	918	4,211	5,129
Agri Business Centres			
No of ABCs (No)	6	18	51
Farmers Serviced (No)	3,833	3,211	11,211
Value of Inputs (₹ Lakhs)	31	86	154

three-fold and the compost units (503) nearly tripled during the year. Eighteen new Agri Business Centres (ABC) were set up during the year, taking the total to 51,

to provide extension services to farmers. These centres provided agri inputs worth ₹ 85.61 lakh to nearly 3,211 farmers.



162

Farmer Field Schools (FFS) increased from 37

18

New Agri Business Centres (ABC) were formed during the year

4,733

Demonstration plots grew almost three-folds and the compost units (503) nearly tripled during the year



Building Skills And Social Infrastructure Around Our Factories



For the households around our units, the challenge is to provide the necessary social infrastructure to enable a decent quality of life. Thus, these projects aim at creating sustainable livelihoods through community development for our second group of stakeholders - communities in the command areas of our factories.

WOMEN'S EMPOWERMENT

The Women's Empowerment Programme covered over 18,700 women through 1,557 self-help groups (SHG) with a total savings of ₹ 340 lakh. Cumulatively, more than 40,000 women were gainfully employed either through micro-enterprises or assisted with loans to pursue income-generating activities.



AGARBATTI PRODUCTION & SALES

	2010-11	2011-12	2012-13
Raw Agarbatti			
Production (Tonnes)	195	336	834
Sales (₹ Lakhs)	81	177	355
Employment (No)		2299	3292
Scenting			
Despatch (Million Sticks)	235	294	367
Sales (₹ Lakhs)	213	314	445
Employment (No)		42	48

Agarbatti production was given a fillip during the year with the introduction of pedal machines, which helped in increasing production and, therefore, incomes for women. Production of raw agarbatti was 834 tonnes during the year. Altogether 1,326 pedal machines were operational in the states of Bihar, Uttar Pradesh, Tamil Nadu, Rajasthan, Andhra Pradesh, Madhya Pradesh and Maharashtra to create livelihoods for women in the rural areas. The women-owned and managed scenting unit dispatched a total of 367 million sticks with a turnover of ₹ 4.45 crore.



Over 40,000 new students were covered through the Supplementary Learning Centres and Anganwadis

PRIMARY EDUCATION AND HEALTH AND SANITATION

A strong foundation in primary education and skill building for the children of the community is a step towards ensuring improvement in the HDI indices for the community as a whole. Our primary education initiative with its focus on minimising drop-outs and ensuring that every child is in school and learning well aims at enriching the process of learning. It also enhances the learning environment by providing infrastructural support to government schools.

Over 40,000 new students were covered through the Supplementary Learning Centres and Anganwadis. Of these, 264 children were mainstreamed into formal schools. This year, 627 youth were covered by the skill development initiative.

To improve the health and sanitation conditions in villages around the Bhadrachalam, Kovai and Chirala Units, 352 toilets were constructed. These toilets are constructed in a radius of 10 km of the factory. These activities were undertaken on a cost sharing basis.

ACTIVITY	2011-12	2012-13	CUM TO 2012-13
Primary Education			
Govt. Schools Infra Support (No)	177	46	964
Children Covered (Lakhs)	0.19	0.40	3.06
Vocational Training			
No. Of Students (New)	919	627	3,872
Placements (No of students)	209	681	918
Health & Sanitation			
Sanitary Toilets (No)	275	352	3,847
Health Camps (No)	334	20	358



Product Responsibility



FOR ALL OUR TOMORROWS



Customer Safety: Our Primary Concern

ITC's steadfast commitment to providing world-class products and services to its customers is rooted in its concern for the safety of its customers.

Most of our products 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 assurance systems, which are supported by EHS management systems that are in turn aligned with International Standards like ISO 14001 and OHSAS 18001 and are third-party certified.

With each business having its established

systems to deliver on the organisation's commitment to provide world-class products and services to its customers, the following examples provide a flavour of how it is achieved by the different businesses under the ITC umbrella.

Education & Stationery Products Business uses only approved non-hazardous materials, like ECF (Elemental Chlorine Free) paper, ink, dyes etc. Since the primary consumers of these products are children, stringent processes and quality control measures are in place to ensure that their safety is not compromised.

Personal Care Products Business has a team of highly skilled professionals that have created quality products following extensive research

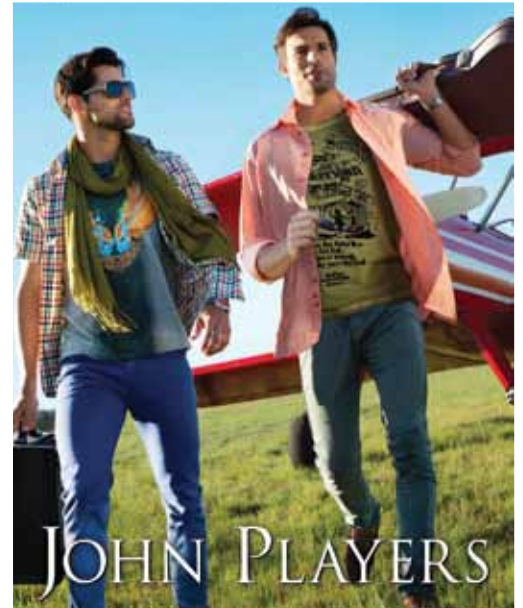


at its state-of-the-art R&D centre as well as consumer engagement at the newly established Consumer Interaction Centre, both located in Bengaluru. The formulations use internationally recognised safe ingredients and meet the highest standards of safety and performance and the manufacturing facilities adopt stringent hygiene standards, benchmarked manufacturing practices and robust quality assurance systems.

Agarbatti Business uses chemicals approved by IFRA (International Fragrance Resource Association, Geneva) to prepare fragrances which are required in the manufacture of Mangaldeep agarbattis with manufacturing processes designed to ensure product safety and consistency. All products conform to the Bureau of Indian Standards IS 2653.

Lifestyle Retailing Business has introduced rigorous process measures through certifications and audits across the entire manufacturing chain. All raw materials and garment styles are tested at the in-house lab for post usage experience and conformance to quality standards. The quality standards and product specifications are periodically validated by international testing agencies. Product quality is monitored through an internal rating system (PQRS) along with the external Acceptable Quality Level (AQL) norm that is followed internationally in apparel businesses.

Foods Business operates predominantly on a model of outsourced manufacturing and the quality performance of each manufacturer is monitored on a daily basis. A total of 47



All products in our Education & Stationery Products Business use approved non-hazardous materials, like ECF (Elemental Chlorine Free) paper, ink, dyes, etc



contract manufacturing units for the Foods Business are HACCP certified and the remaining 9 Units are progressing towards achieving this certification. ITC is working closely with its supply chain partners not only to ensure better EHS performance but to also extend its sustainability practices to them. Product Shelf-life declared on the products are determined after careful and independently validated studies in a multitude of environments to align with the Indian market context.

Cigarettes Business meets its commitment to provide world-class products that satisfy



its consumers consistently by having state-of-the-art manufacturing facilities, cutting-edge technology and international quality management systems, which are constantly reviewed and upgraded. The Business uses proprietary software to regularly monitor and review stringent product specifications of all raw materials. New product creation in the Business involves consideration of global developments and is supported by comprehensive research and testing facilities at the ITC Life Sciences & Technology Centre, where laboratories conform to ISO/IEC 17025 standards and are certified by NABL.

Leaf Tobacco Business makes use of agri extension services that have been

14001 and SA 8000 certified with the new GLT plant in Mysore also in an advanced stage of obtaining certification for its Quality, Environment, Occupational Health & Safety and Social Accountability management systems.

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



designed to ensure seed integrity, pesticide residue levels monitor and eliminate Non Tobacco Related Matter (NTRM) to meet product hygiene standards. ITC's Green Leaf Threshing (GLT) plants at Anaparti and Chirala are ISO 9001, OHSAS 18001, ISO

manufacturing ingredients are procured from reputed suppliers and conform to US FDA and equivalent standards. We ensure that the components of food allergens listed in the EC directive 2003/89/ EC and the US FDA Act 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. Smithers 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.

Packaging & Printing Business uses only safe/approved materials/films and paperboards from either our own Paperboards & Specialty Papers Business or other approved suppliers. The Tiruvottiyur unit is the first in India to achieve IQRS (International Quality Rating System) Level 8 (Certified by DNV), followed by the unit in Munger.

ITC's Hotels Business has put in place policies 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.

In our **Information Technology Business**, quality of the software is assured through well-defined QMS following SEI - CMMi

framework and certified to ISO 9001- 2000 IT guidelines. Effective access control and asset management mechanisms are certified under ISO 27001 frameworks.

PRODUCT INFORMATION AND LABELLING

As an organisation that upholds and makes extraordinary efforts to ensure transparency and good governance, ITC's business operations are committed to complying with every relevant law of the nation. The Company has established stringent quality standards and systems to respond to queries and concerns and have made these known to all stakeholders.

Our Consumer Goods Businesses, including branded packaged foods, personal care products, lifestyle retailing, safety matches and others, comply fully with the Legal Metrology Act. For products marketed by our businesses, we have made transparent and honest disclosures to enable the customer to



exercise his freedom to consume them in a responsible manner.

ITC's Foods Business, Personal Care Products Business, Lifestyle Retailing and others are fully compliant with the Legal Metrology Act and all Regulations made and notified thereunder.

ITC's Cigarettes Business is fully compliant with all applicable laws and regulations concerning Product Labeling. All cigarette packs carry the statutory health warnings as mandated by law.

Our Branded Packaged Foods Business is fully compliant with the Food Safety and Standards Act

Apart from the Legal Metrology Act, the Personal Care Products Business also complies fully with the rules of the Drugs & Cosmetics Act.

In the Agri Business Division, all products are primarily sold on a B2B basis and are labelled to meet customer requirements on quality, shipping marks or importing country labelling requirements. If required, ITC also provides phytosanitary certificates, surveyor quality and quantity reports, Chamber of Commerce certificates, etc. The Company complies with all statutory requirements for exports.

In the Leaf Tobacco Business, all products are labelled in accordance with customer specifications. Every package has a unique identity (label with a bar code) right from the time of purchase of raw material (from farmers) till it is packed and shipped out.

The Leaf Tobacco Business and the Foods Business ensure 'Product Traceability' in the supply chain from farm to the customer.

The Foods Business is also fully compliant with the Food Safety and Standards Act, Legal Metrology Act and all Regulations made and notified thereunder. The Business has established systems to ensure that product development, trials, introduction, modification and extension take place within the statutory ambit. These systems are continuously reviewed.

Our Paperboards & Specialty Papers Business and Packaging and Printing Business comply with all product labelling requirements and follow internal quality procedures as per agreed customer specifications.

The Education & Stationery Products Business complies with all statutes on labelling and product information. For the products marketed by our business, we have disclosed all necessary information.



MARKETING COMMUNICATIONS

ITC has established standard operating procedures to ensure that all marketing and advertising communication is responsible, done in accordance with the voluntary and legal codes of conduct adopted by each Business and complies with all applicable statutes. In addition, several of our businesses including consumer goods businesses such as Branded Packaged Foods, Personal Care Products, Lifestyle Retailing, Education and Stationery Products, Cigarettes, Agarbattis and Safety Matches have established a dedicated consumer response cell in order to respond to queries on products.

All marketing communication for our businesses is subject to stringent internal checks by the legal department and the



internal audit department. All product related external marketing communication is vetted by the legal department while all non-product related advertisements are approved by the Divisional Management Committees of the relevant businesses.

The Consumer Goods businesses adhere to voluntary and legal codes of conduct and voluntarily follow the ASCI (Advertising Standards Council of India) Code for all marketing communications.

We ensure that all advertisements and promotions are fair and transparent, not misleading in terms of claims and representations and not offensive to the generally accepted standards of public decency. Each product/campaign is vetted for compliance. All claims made are substantiated by ITC's internal Quality Assurance team.



Marketing communication for the leaf tobacco business is limited to interfaces with the customers and not the final consumers and is largely in the form of crop and market reports given that unmanufactured leaf tobacco is an intermediate product. In the Leaf Tobacco Business, the customers are large domestic, multi-national manufacturers, small to medium sized regional manufacturers and tobacco merchants. Unmanufactured leaf tobacco is sourced, processed and delivered as per the specifications of the customers. The Business has in place systems to ensure adherence to customer specifications. These systems are reviewed periodically for continuous improvement.

The Business addresses customer concerns through a robust redressal mechanism and all queries/concerns are supported by a Corrective and Preventive action (CAPA) report, which are also shared with the customer.

The Agri Business organises regular engagements with customers across the organisational hierarchy. It also has in place systems to address specific customer complaints/grievances.

Marketing communication for the Hotels Business is self regulated and also governed by all applicable laws, regulations and norms, including ASCI rules and guidelines. The Hotels Business also has a comprehensive policy for customer complaints and redressal that includes prompt response to the guest, detailed investigation and resolution of guest complaints. The policy covers customer feedback received from all sources, including Electronic Guest Comment cards, letters and social media.

COMPLIANCE CONCERNING PROVISION AND USE OF PRODUCTS 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 2012-13.

STUDY ART WORK

100 Inspiring Ideas

Funk. Soul style.

Presenting notebooks from Classmate

- Innovative binding ensures a truly Lay Flat experience
- Funky designs as distinct as you

CLASSMATE Notebook

classmate BECAUSE YOU ARE ONE OF A KIND

Scan with your smartphone & join us on facebook/classmate

GRI Indicators - Index

GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP# ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
STRATEGY AND ANALYSIS				
1.1	Statement from the most senior decision-maker of the organisation: relevance of sustainability to the organisation and its strategy	Statement of Continuing Support	04	●
1.2	Description of key impacts, risks and opportunities	Statement of Continuing Support	08	●
ORGANISATIONAL PROFILE				
*				
2.1	Name of the organisation		18	●
2.2	Primary brands, products and services		18	●
2.3	Operational structure of the organisation		18	●
2.4	Location of organisation's headquarters		33	●
2.5	Number of countries where the organisation operates		33	●
2.6	Nature of ownership and legal form		18	●
2.7	Markets served		18	●
2.8	Scale of the reporting organisation		18-25, 48, 99	⊖
			Quantities of products/services are not reported in line with regulatory requirements in India	
2.9	Significant changes during the reporting period regarding the size, structure and ownership		33	●

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported



GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
2.10	Awards received in the reporting period		26	●
REPORT PARAMETERS				
REPORT PROFILE				
3.1	Reporting Period		33	●
3.2	Date of most recent previous Report		33	●
3.3	Reporting Cycle		33	●
3.4	Contact Point for questions regarding the Report or its contents		33	●
REPORT SCOPE AND BOUNDARY				
3.5	Process for defining Report content		33, 43-45	●
3.6	Boundary of the Report		34	●
3.7	Specific limitations on the scope or boundary of the Report		33	●
3.8	Basis for reporting on joint ventures, subsidiaries, leased/outsourced operations and other entities		33	●
3.9	Data measurement techniques and bases of calculations including assumptions and techniques		33	●
3.10	Explanation of the effect of any re-instatement of information provided in the earlier Reports		33	●
3.11	Significant changes from previous reporting period		33	●
3.12	GRI Content index		128	●
3.13	Assurance		164	●

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GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
GOVERNANCE, COMMITMENTS AND ENGAGEMENT				
GOVERNANCE		ACTION TAKEN TO IMPLEMENT PRINCIPLES 1-10		
4.1	Governance structure of the organisation	Action taken to implement principles 1-10	37	●
4.2	The Chair of the highest Governance body	Action taken to implement principles 1-10	39	●
4.3	Independent and/or non-executive members	Action taken to implement principles 1-10	39	●
4.4	Mechanisms for shareholders and employees to provide recommendations	Action taken to implement principles 1-10	41	●
4.5	Linkage between compensation for members of highest governance body and the organisation's performance	Action taken to implement principles 1-10	40	●
4.6	Process for the highest governance body to ensure conflicts of interest are avoided	Action taken to implement principles 1-10	40	●
4.7	Qualifications and expertise of the members of the highest governance body	Action taken to implement principles 1-10	39	●
4.8	Statements of mission or values, codes of conduct and principles	Action taken to implement principles 1-10	151	●
4.9	Procedures of the highest governance body for overseeing the management of economic, environmental, and social performance	Action taken to implement principles 1-10	42	●
4.10	Processes for evaluating the highest governance body's own performance	Action taken to implement principles 1-10	39	●

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported

GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
COMMITMENTS TO EXTERNAL INITIATIVES				
4.11	The precautionary approach or principle	Action taken to implement principle 7	41	●
4.12	Externally developed economic, environmental, and social charters, principles	Action taken to implement principles 1-10	04	●
4.13	Memberships in associations	Action taken to implement principles 1-10	162	●
STAKEHOLDER ENGAGEMENT				
4.14	List of stakeholder groups	Sharing the COP with the Company's Stakeholders	43	●
4.15	Basis for identification and selection of Stakeholders	Sharing the COP with the Company's Stakeholders	43	●
4.16	Approaches to stakeholder engagement, including frequency of engagement	Sharing the COP with the Company's Stakeholders	43	●
4.17	Key topics and concerns and how the organisation has responded to those key topics and concerns	Sharing the COP with the Company's Stakeholders	43-45	●
ECONOMIC				
DISCLOSURE ON MANAGEMENT APPROACH		ACTION TAKEN TO IMPLEMENT PRINCIPLES 1,4,6 & 7	144	●
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	*	48	●
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Action taken to implement principle 7	62	●
EC3	Coverage of the organisation's defined benefit plan obligations	*	53	●

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported

GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
EC4	Significant financial assistance received from government	*	50	●
MARKET PRESENCE				
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	*	51	●
EC7	Procedure for local hiring and proportion of senior management hired from the local community at locations of significant operation	Action taken and Outcomes from Implementing Principle 6	52	●
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	*	56	●
ENVIRONMENTAL				
DISCLOSURE ON MANAGEMENT APPROACH		ACTION TAKEN TO IMPLEMENT PRINCIPLES 7,8 & 9	144-146	⊖
			Transport is not identified as a separate aspect. The emissions are covered under Scope 3 which is progressively expanded. Traffic management forms part of the local management plan of each Business Unit. Where necessary third-party expert studies are carried out to arrive at acceptable solutions	
MATERIALS				
EN1	Materials used by weight or volume	Outcomes from Implementing Principle 8	90	●
EN2	Percentage of materials used that are recycled input materials	Outcomes from Implementing Principles 8 & 9	90	●
ENERGY				
EN3	Direct energy consumption by primary energy source	Outcomes from Implementing Principle 8	64	●

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported



GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
EN4	Indirect energy consumption by primary source	Outcomes from implementing principle 8	64	●
EN5	Energy saved due to conservation and efficiency improvement	Outcomes from implementing principles 8 & 9	66	●
EN6	Initiative to provide energy-efficient or renewable energy-based products and services, and reduction in energy requirements as a result of these initiatives	Actions taken to implement principles 8 & 9	66	●
EN7	Initiative to reduce indirect energy consumption and reductions achieved	Actions taken to implement principles 8 & 9	66	●
WATER				
EN8	Total water withdrawal by source	Outcomes from implementing principle 8	72	●
EN10	Percentage and total volume of water recycled and reused	Outcomes from implementing principles 8 & 9	76	●
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	89	●
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Outcomes from implementing principle 8	89	●
EMISSIONS, EFFLUENTS AND WASTE				
EN16	Total direct and indirect greenhouse gas emissions by weight	Outcomes from implementing principle 8	68	●
EN17	Other relevant indirect greenhouse gas emissions by weight	Outcomes from implementing principle 8	68	●

* There is no COP requirement ● Fully Reported ◐ Partially Reported ○ Not Reported

GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Actions taken and outcomes from implementing principles 7, 8 & 9	68	●
EN19	Emissions of ozone-depleting substances by weight	Outcomes from implementing principle 8	88	●
EN20	NOx, SOx and other significant air emissions by type and weight	Outcomes from implementing principle 8	87	●
EN21	Total water discharge by quality and destination	Outcomes from implementing principle 8	76	●
EN22	Total weight of waste by type and disposal method	Outcomes from implementing principle 8	82	●
EN23	Total number and volume of significant spills	Outcomes from implementing principle 8	89	●
PRODUCT & SERVICES				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Actions taken to implement principles 7, 8 and 9	90	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Outcomes from implementing principles 8 and 9	90	⊖
			We are making efforts to address this issue and we will be in a situation to report on this aspect by 2015	
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	89	●
SOCIAL				
LABOUR PRACTICES AND DECENT WORK DISCLOSURE ON MANAGEMENT APPROACH		ACTION TAKEN TO IMPLEMENT PRINCIPLES 1,3 & 6	146-147	●
EMPLOYMENT				
LA1	Total workforce by employment type, employment contract and region	*	99	●
LA2	Total number and rate of employee turnover by age group, gender and region	*	100	⊖
			We have embarked on the improvement of data reporting systems/procedures which will enable us to report on this in the year 2014	

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported



GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
LABOUR/MANAGEMENT RELATIONS				
LA4	Percentage of employees covered by collective bargaining agreements	Outcomes from implementing principles 1 and 3	99	●
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Outcomes from implementing principle 3	154	●
OCCUPATIONAL HEALTH & SAFETY				
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Outcomes from implementing principle 1	102	●
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	105	●
TRAINING & EDUCATION				
LA10	Average hours of training per year per employee, by employee category	*	100	●
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	108	●
LA14	Ratio of basic salary of men to women by employee category	Outcomes from implementing principles 1 and 6	108	●

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported

GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
HUMAN RIGHTS				
DISCLOSURE ON MANAGEMENT APPROACH		ACTION TAKEN TO IMPLEMENT PRINCIPLES 1,2,3,4,5 & 6	147	⊖
			Security is part of a Unit's management responsibility, which in turn is bound by Company policies, the compliance to which is internally audited	
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	106	●
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	107	●
NON-DISCRIMINATION				
HR4	Total number of incidents of discrimination and actions taken	Outcomes from implementing principles 1,2, and 6	107	●
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	107	●
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	107	●

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported



GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
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	107	●
SOCIETY				
DISCLOSURE ON MANAGEMENT APPROACH		ACTIONS TAKEN TO IMPLEMENT PRINCIPLE 10	148	●
			We comply with all applicable statutes, which cover all aspects of anti-competitive behaviour. These are audited by internal audit teams for compliance	
COMMUNITY				
S01	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	*	111	●
CORRUPTION				
S02	Percentage and total number of business units analysed for risks related to corruption	Outcomes from implementing principle 10	109	●
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures		109	●
S04	Actions taken in response to incidents of corruption	Actions taken to implement principle 10	109	●
PUBLIC POLICY				
S05	Public policy positions and participation in public policy development and lobbying	Actions taken to implement principles 1 - 10	109	●

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported

GRI - G3 INDICATORS	GRI - G3 INDICATOR DESCRIPTION	UNGC COP ELEMENT	PAGE/LEVEL OF REPORTING AND EXPLANATION	
COMPLIANCE				
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	*	109	●
PRODUCT RESPONSIBILITY				
DISCLOSURE ON MANAGEMENT APPROACH	ACTIONS TAKEN TO IMPLEMENT PRINCIPLES 1 AND 8	149	●	
			Systems and procedures are in place for the Businesses, where the aspect of customer privacy is material such as ITC Infotech and ITC Hotels. Compliance to written policies on this aspect is audited regularly	
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	90, 121	⊖
			We have initiated life cycle assessment studies for certain product categories to enable us to report in 2015	
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	124	●
MARKETING COMMUNICATIONS				
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	*	126	●

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported



COMPLIANCE

PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	*	127	●
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GRI-G3: FOOD PROCESSING SECTOR SUPPLEMENT (FPSS)

GRI - G3 FPSS INDICATORS	GRI - G3 FPSS INDICATOR DESCRIPTION	PAGE/LEVEL OF REPORTING AND EXPLANATION
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SOURCING

DISCLOSURE ON MANAGEMENT APPROACH		152, 156	⊖
		As per our current policy, we do not use Genetically Modified Organisms (GMOs)	
FP1	Percentage of purchased volume from suppliers compliant with Company's sourcing policy		○
		We are implementing an integrated sustainability data management system to collate such data all across the business and should be able to report on this aspect by 2014	
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	156	⊖
		We are implementing an integrated sustainability data management system to collate such data all across the business and should be able to report on this aspect by 2014	

LABOUR PRACTICES AND DECENT WORK

FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	100	●
FP4	Nature, scope and effectiveness of any programmes and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	156	⊖
		Foods Business is undertaking initiatives to introduce new products with additional nutrients/fortify existing products. The Biscuits category will introduce fortified Glucose Biscuits by the early months of 2014	

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported

PRODUCT RESPONSIBILITY

PR2	Total number of incidents of non-compliance with regulatory and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Attributes of products and services that can have health and safety impacts over its life cycle are addressed by technical/ quality standards, which are manifested in procurement, manufacturing and service protocols. While customer complaints received are logged across product/ service categories, we are not aware of any methodology that can correlate quality issues to non-compliance with regulatory/ voluntary codes concerning health and safety impacts		○
FP5	Percentage of production volume manufactured in sites certified by an independent third-party according to internationally recognised food safety management system standards		122	●
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars	Eliminate trans fats in all packaged food products by 2016. Snacks products with lowered sodium content are in the final stages of testing and are expected to be launched in 2013-14	157	⊖
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fibre, vitamins, minerals, phytochemicals or functional food additives	Biscuits category to come out with fortified glucose biscuits by January 2014	157	⊖
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	We are developing an approach in this regard and should be able to report on this aspect by 2015	157, 158	⊖

ANIMAL WELFARE

Not applicable as none of our businesses are involved in activities related to animal welfare

* There is no COP requirement ● Fully Reported ⊖ Partially Reported ○ Not Reported



National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business

PRINCIPLE	NATIONAL VOLUNTARY GUIDELINES ON SOCIAL, ENVIRONMENTAL AND ECONOMIC RESPONSIBILITIES OF BUSINESS	COVERAGE IN SECTION OF SUSTAINABILITY REPORT 2013	PAGE NUMBER
1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	Governance, Commitments and Engagements	37
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	<p>'Sustainable Sourcing and Replenishment of Resources covered in the following sub-sections:</p> <ul style="list-style-type: none"> ▶ Material Sustainability in ITC's Businesses 90 ▶ Wasteland Development - Social Forestry; Soil and Moisture Conservation under "Social Investments - Mission Sunehra Kal" 110 <p>Sustainable Manufacturing of Products covered in the following sub-sections:</p> <ul style="list-style-type: none"> ▶ Minimising Carbon Intensity And Adopting A Low Carbon Growth Path under "Climate Change and Sustainable Development" 60 ▶ Water Conservation under Water Management 70 ▶ Resource Conservation; Towards 100% Recycling under "Recycling and Waste Management" 80 	

PRINCIPLE	NATIONAL VOLUNTARY GUIDELINES ON SOCIAL, ENVIRONMENTAL AND ECONOMIC RESPONSIBILITIES OF BUSINESS	COVERAGE IN SECTION OF SUSTAINABILITY REPORT 2013	PAGE NUMBER
		<p>Sustainable Products covered in the following sub-section:</p> <ul style="list-style-type: none"> ▶ Product Responsibility 	120
		<p>Sustainable Use of Service covered in the following sub-section:</p> <ul style="list-style-type: none"> ▶ Built Environment under “Climate Change and Sustainable Development” 	60
3	Businesses should promote the wellbeing of all employees	Labour Practices and Decent Work	96
4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized	<p>‘Mechanism of engaging and consulting with the stakeholders covered in the following section:</p> <ul style="list-style-type: none"> ▶ Stakeholder Engagement under “Governance, Commitments and Engagements” <p>Responsiveness to all stakeholders including those who are marginalized, covered in the following section:</p> <ul style="list-style-type: none"> ▶ “Labour Practices and Decent Work” ▶ “Social Investments - Mission Sunehra Kal” ▶ “Building Skills And Social Infrastructure Around Our Factories” 	43
5	Businesses should respect and promote human rights	Human Rights: Significant Investments	106



PRINCIPLE	NATIONAL VOLUNTARY GUIDELINES ON SOCIAL, ENVIRONMENTAL AND ECONOMIC RESPONSIBILITIES OF BUSINESS	COVERAGE IN SECTION OF SUSTAINABILITY REPORT 2013	PAGE NUMBER
6	Business should respect, protect, and make efforts to restore the environment	<p>‘Sustainable Consumption of Resources in Manufacturing of Products covered in the following sub-sections:</p> <ul style="list-style-type: none"> ▶ Minimising Carbon Intensity And Adopting A Low Carbon Growth Path; Built Environment under “Climate Change and Sustainable Development” ▶ Water Conservation under Water Management ▶ Resource Conservation; Towards 100% Recycling under “Recycling and Waste Management” <p>Efforts to restore environment covered in the following sub-sections:</p> <ul style="list-style-type: none"> ▶ Wasteland Development - Social Forestry; Soil and Moisture Conservation under “Social Investments - Mission Sunehra Kal” 	<p>64</p> <p>70</p> <p>80</p> <p>110</p>
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	<p>‘Responsible engagement in influencing public and regulatory policy covered in the following section:</p> <ul style="list-style-type: none"> ▶ Creating Enduring Institutions: CII-ITC CENTRE OF EXCELLENCE FOR SUSTAINABLE DEVELOPMENT under “Economic Performance” ▶ PUBLIC POLICY ADVOCACY under “Prevention Of Corruption At Workplace” <p>Platforms for engagement in influencing public and regulatory policy covered in the following section:</p> <ul style="list-style-type: none"> ▶ “Memberships and Affiliations” 	<p>56</p> <p>109</p> <p>162</p>

PRINCIPLE	NATIONAL VOLUNTARY GUIDELINES ON SOCIAL, ENVIRONMENTAL AND ECONOMIC RESPONSIBILITIES OF BUSINESS	COVERAGE IN SECTION OF SUSTAINABILITY REPORT 2013	PAGE NUMBER
8	Businesses should support inclusive growth and equitable development	<p>‘Philosophy and expenditure towards social responsibility covered in the following section:</p> <ul style="list-style-type: none"> ▶ Corporate Social Responsibility under “Economic Performance” <p>Details of social responsibility initiatives covered in the following section:</p> <ul style="list-style-type: none"> ▶ “Social Investments - Mission Sunehra Kal” ▶ “Building Skills And Social Infrastructure Around Our Factories” 	<p>54</p> <p>110</p> <p>118</p>
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner	<p>‘Mechanism of engagement with stakeholders covered in the following section:</p> <ul style="list-style-type: none"> ▶ Stakeholder Engagement under “Governance, Commitments and Engagements” <p>Responsible value provision to customers and consumers covered in the following section:</p> <ul style="list-style-type: none"> ▶ Customer Safety: Our Prime Concern under “Product Responsibility” 	<p>43</p> <p>120</p>



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 2013 (available on www.itcportal.com) for a detailed discussion on the Company's market standing in each of the business segments, as well as the business environment, opportunities, key challenges, etc. pertaining to each of the Company's businesses (available on www.itcportal.com).

ENVIRONMENTAL PERFORMANCE

ITC strives to maximise natural resources usage efficiencies across its operations and also endeavours 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 third party audits. Performance of each business unit is reviewed at the Central Management Committee level, which is the apex management body for the organisation.

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 with further increase in renewable energy contribution and sequestration of emissions), increase in rainwater harvesting potential, reduced specific water consumption created and improved waste recycling.

ITC will endeavour to extend these learnings 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 premium luxury hotels of ITC are LEED Platinum certified, making it the greenest hotel chain in the world. All new construction by ITC now incorporates 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.

Endeavour to eliminate accidents and injuries both on-site and off-site.

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 at least 2,50,000 hectares under soil and moisture conservation practices.
- ▶ Transform at least 2,00,000 hectares of wastelands into productive and revenue-generating assets for the poor.
- ▶ Create at least 50,000 women entrepreneurs with a sustainable source of supplementary incomes.
- ▶ Improve the genetic stock of at least 12,00,000 cattle through artificial insemination practices.

- ▶ Provide supplementary education support services to at least 5,00,000 children.

In its endeavour 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 International Safety Standards 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 endeavours 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-focussed, 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-focussed 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 fulfills 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'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 SOCIAL INVESTMENTS/ CORPORATE SOCIAL RESPONSIBILITY (CSR)

PHILOSOPHY

Inspired by a vision to serve a larger national purpose and abide with the strong value of Trusteeship, ITC has crafted innovative business models to create larger societal capital while simultaneously delivering long term shareholder value. This overarching aspiration to create meaningful societal value is manifest in ITC's strategy to enhance the competitiveness of value chains of which it is a part. It is therefore a conscious strategy to design and implement Social Investments/CSR programmes in the context of ITC's businesses, by enriching value chains that encompass the most disadvantaged sections

of society, especially those residing in rural India, through economic empowerment based on grass-roots capacity building.

Recognising that business enterprises are economic organs of society and draw on societal resources, it is ITC's belief that a company's performance must be measured by its Triple Bottom Line contribution to building economic, social and environmental capital. ITC is therefore committed to creating larger 'stakeholder value' by aligning its performance to these Triple Bottom Line objectives. As an Indian enterprise, ITC believes that this approach can unleash strong drivers of growth to make it more inclusive and equitable for even the most marginalised sections of society, through the creation of sustainable livelihoods, and to ensure long-term business sustainability and competitiveness.

PREAMBLE

It is the Company's intent to make a positive difference to society. It recognises that it cannot do it all; so that if there are choices to be made, bias will be towards doing fewer projects with greater impact and focusing initiatives on communities in which the Company lives and operates.

POLICY

It is ITC's policy:

- ▶ To pursue a corporate strategy that enables realisation of the twin goals of shareholder value enhancement and societal value creation in a mutually reinforcing and synergistic manner.
- ▶ To align and integrate Social Investments/CSR programmes with the business value chains of the Company and make them outcome oriented. To support creation of on- and off-farm sustainable livelihood sources thereby empowering stakeholder communities to conserve and manage their resources.
- ▶ To implement Social Investments/CSR programmes primarily in the economic

vicinity of the Company's operations with a view to ensuring the long term sustainability of such interventions.

- ▶ To contribute to sustainable development in areas of strategic interest through initiatives designed in a manner that addresses the challenges faced by the Indian society especially in rural India.
- ▶ To collaborate with communities and institutions to contribute to the national mission of eradicating poverty and hunger, especially in rural areas, through agricultural research and knowledge sharing, superior farm and agri-extension practices, soil and moisture conservation and watershed management, conservation and development of forest resources, empowering women economically, supplementing primary education and participating in rural capacity building programmes and such other initiatives.
- ▶ To align the Company's operations with the national objective of inclusive growth and employment generation by leveraging the Company's diversified portfolio, manufacturing bases, supply chains and distribution channels, to infuse an appropriate mix of capital and technology to further social business initiatives such as e-choupal, animal husbandry, agarbatti rolling etc. and support organisations/institutions engaged in building linkages with local, regional and urban communities and markets.
- ▶ To sustain and continuously improve standards of Environment, Health and Safety through the collective endeavour of the Company and its employees at all levels towards attaining world class standards and support other programmes and initiatives, internal or external, for the prevention of illness and combating of diseases as may be considered appropriate from time to time.
- ▶ To encourage the development of human capital of the Nation by expanding human capabilities through skills development, vocational training etc. and promote excellence in identified cultural fields.

IMPLEMENTATION

- ▶ The plans will be formulated in line with the strategic direction provided by the Board Committee on Sustainability.
- ▶ The programmes will, where appropriate, be developed in consultation with direct stakeholders in order to ensure a bottom-up planning approach. ITC will also endeavour to create multi-stakeholder partnerships with NGOs, governments etc. for a larger development impact.
- ▶ The Corporate Management Committee (CMC) and Divisional Chief Executives may, from time to time, suggest additional areas of social intervention in line with the overall objectives of the Company and its Divisions.
- ▶ The programmes may be implemented directly by the Company under the supervision of the Management Committee for Social Investments/Divisional Management Committees (DMCs), or through Trusts, Foundations etc.
- ▶ The Strategy of Organisation for addressing the various dimensions of CSR will be reviewed from time to time and cleared with the CMC.

MONITORING & AUDITING

The Board, through its Committee on Sustainability and the CMC, is the primary custodian of ITC's Social Investments/CSR programme. The CMC is responsible for its overall implementation, monitoring and review. Regular performance reviews are undertaken by the Management Committee for Social Investments/DMCs together with the Social Investments team of Corporate Human Resources (CHR) and other stakeholder functions.

Measures to monitor and assess progress include the following:

- ▶ To pursue a corporate strategy that enables realisation of the twin goals of shareholder value enhancement and societal value creation in a mutually reinforcing and synergistic manner.



- ▶ Monthly report-backs of expenditure against budgets and review thereof (including where applicable progress review against milestones) in accordance with applicable processes under Corporate Governance, in instances of one time expenditure and in respect of activities executed by the Company and its Divisions.
- ▶ Quarterly and annual reports on impact indicators provided by the project implementing partners supplemented by:
- ▶ Quarterly and annual audits by accounting firms appointed by the Company to monitor financial performance and a systems audit to ensure that laid down procedures are followed. Financial and systems audits of selected projects by ITC's Internal Audit.
- ▶ Impact analysis of mature projects (more than 3 years old) by third parties.
- ▶ follow a strict code for making product functional claims,
- ▶ follow the highest standards in nutrition labelling and reporting,
- ▶ follow responsible marketing and consumer communications practices,
- ▶ create and sustain R&D focus in development of new products and processes,
- ▶ follow the highest standards of hygiene and manufacturing practices in all delivery formats,
- ▶ collaborate with experts and institutions
- ▶ ensure widespread accessibility to healthy products through appropriate pricing and wide distribution.

ITC FOOD PRODUCTS POLICY

It is ITC's policy that its food products should provide nutritious, tasty, hygienic and convenient options to the consuming public.

ITC will offer food products across multiple categories, price points, delivery formats and segments as dictated by the needs of the consumer.

ITC's portfolio of food products will be continuously improved and modified to -

- ▶ offer new products that meet the aspiration of the changing consumer,
- ▶ offer food products with affordable and appropriate nutrition,
- ▶ offer food products with micronutrient fortification,
- ▶ drive reduction of sodium, sugar and fat in Products,
- ▶ offer trans-fat free products,
- ▶ offer functional food products with focus on India specific metabolic disorders,
- ▶ To offer new products that meet the aspiration of the changing consumer.
- ▶ As the aspiration of the consumer changes, new products will be developed and launched to meet the taste, nutrition and convenience expectations of future consumers.
- ▶ To offer products with affordable and appropriate nutrition.
- ▶ Recommendations of the National Institute of Nutrition (NIN), India, will be referred to, to assess nutritional appropriateness of ITC's food products. Efforts will be made to offer products with appropriate nutrient density for mass consumption, including catering to the needs of those sections of the society who are economically disadvantaged.
- ▶ To offer products with micro-nutrient fortification.

POLICY FRAMEWORK AND STRATEGIES

As with all laws, ITC's Food products will adhere to all legal and regulatory requirements as prescribed from time to time.

ITC's food products will be suitably fortified with micro-nutrients (iron, calcium, zinc, iodine, folic acid, other vitamins and minerals) wherever feasible. ITC's R&D will continue to carry out suitable research programmes to make fortified nutrients more biologically available and functional.

- ▶ To drive reduction of sodium, sugar and fat in products

ITC's R&D will endeavour to find solutions aimed at reducing fat, sugar and sodium ("FSS") in food products, without impacting the taste profile of the product. In addition to scientific solutions, ITC will also adopt the Adaptation Methodology to reduce these ingredients in a gradual manner. Guidelines will be made and tangible targets will be set for the new product development teams to reduce the above ingredients in the new products. ITC will endeavour to introduce such Reduced FSS products in the market by year 2013.

- ▶ To offer Trans Fat Free Products

To disclose added trans-fats, if any, in all food products. To work towards not using any hydrogenated oil in all food products by the year 2015.

- ▶ To offer functional food products with focus on India-specific metabolic disorders

ITC, with well-researched functional ingredients, will endeavour to make functional food products suitable for consumption by Indians who suffer from metabolic disorders. ITC will release such functional products to the consumer, only after fully understanding the mechanism of action of the functional ingredients at the molecular level. Integrative biology approaches will be employed to study these ingredients' efficacy.

- ▶ To follow a strict code for making product functional claims

ITC will conduct clinical trials in India by using Indian subjects to study the efficacy

of its functional foods. Experts' opinion will be taken to design the clinical studies and suitable statistical methods will be employed to interpret the clinical study data. Indian Council of Medical Research (ICMR) guidelines will be referred to and followed in all clinical studies. Functional claims will be made only after statistical significance is observed.

- ▶ To follow the highest standards in nutrition labelling and reporting

ITC's packaged food products' labelling will be comprehensive with good clarity on the contents of all macro and micro-nutrients. The nutrient content will be compared with the NIN recommended Daily Value (DV) and the percentage in the product will be reported.

- ▶ To follow responsible marketing and consumer communication practices

Apart from complying with all local laws and regulations, advertisements of ITC's food products will also adhere to the ASCI Code. All product communication to the consumer will appropriately represent the products. Internal audits will be done on marketing practices and, if needed, corrective action will be taken. Efforts will be made to promote nutritious foods and educate the rural consumer in food hygiene.

- ▶ To create and sustain R&D focus in development of new products and processes

ITC's R&D organisation is structured to research exploratory subjects and applied research subjects. ITC's R&D infrastructure is of international standards, and has been certified with ISO 14001-2004 for EHS and ISO 17025 NABL for analytical processes. There are more than 100 scientists conducting R&D on several food related platforms. ITC will continuously strive to contemporise its R&D infrastructure to meet changing nutrition needs.

- ▶ To follow the highest standards of hygiene and manufacturing practices in all delivery formats



ITC Hotels R&D endeavours to practice GHP & GMP (Good Hygiene Practices & Good Manufacturing Practices) along with ISO 22000 food safety management system implementation with PAS 220 relevant applications. ITC hotels will stringently follow all applicable regulatory requirements, with particular focus on risk minimisation and elimination.

- ▶ To collaborate with experts and institutions

ITC believes in collaborating with outside experts to upgrade the knowledge of its personnel with a view to guiding the food business in developing products with balanced nutrition and functional ingredients. ITC will continue to collaborate with national and international institutions for scientific research and specific projects. ITC believes in using an Open Innovation policy in developing its R&D for food products.

- ▶ To ensure widespread accessibility of healthy products through pricing and distribution

ITC will ensure the widest accessibility to its healthy food products through ensuring national geographic distribution across both urban and rural centres, using its FMCG distribution infrastructure and its e-choupal related rural distribution reach. ITC will also ensure accessibility across demographics through adopting a portfolio approach across all relevant price segments.

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 & AUDITING

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 & AUDITING

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 & AUDITING

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 & AUDITING

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 & AUDITING

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.

e-WASTE MANAGEMENT

OBJECTIVE

ITC's achievements across all three dimensions of the 'Triple Bottom Line' - economic, social and environmental is well known and recognised 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.

ITC's approach on e-waste is to comply fully with Government of India's directives as enunciated in the e-Waste (Management and Handling) Rules 2011. An internal audit process by Corporate EHS ensures compliance.



Memberships And Affiliations – 2013

- ▶ Agricultural & Processed Foods Export Development Authority
- ▶ All India Food Processors Association
- ▶ All India Management Association
- ▶ Andhra Chamber of Commerce
- ▶ Asian Packaging Federation
- ▶ Associated Chambers of Commerce & Industry
- ▶ Associated Chambers of Commerce and Industry of Uttar Pradesh
- ▶ 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
- ▶ Ecotourism Society of India
- ▶ Employers' Association of Northern India
- ▶ Experience India Society
- ▶ Export Inspection Council 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 Indian Export Organisations
- ▶ 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 Beauty and Hygiene Association
- ▶ Indian Chamber of Commerce Calcutta
- ▶ Indian Chamber of Commerce and Industry, Coimbatore
- ▶ Indian Coffee Trade Association
- ▶ Indian Confectionery Manufacturers Association

- ▶ India Convention Promotion Bureau
- ▶ Indian Green Building Council
- ▶ 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 Pulp & Paper Technical Association
- ▶ Indian Tobacco Association
- ▶ Indian Wind Power Association
- ▶ Indo American Chamber of Commerce
- ▶ Indo Australian Chamber of Commerce
- ▶ Indo German Chamber of Commerce
- ▶ Industrial Waste Management Association
- ▶ Institute of Directors
- ▶ International Chamber of Commerce
- ▶ International Life Science Institute
- ▶ International Packaging Group
- ▶ Karnataka Planters Association
- ▶ Kerala Management Association
- ▶ Leatherhead Food International, UK
- ▶ Madras Chamber of Commerce & Industry
- ▶ Madras Management Association
- ▶ Madras Printers and Lithographers Association
- ▶ Maharashtra Economic Development Council
- ▶ Mahratta Chamber of Commerce, Industry & Agriculture
- ▶ Marine Products Export Development Authority
- ▶ Multi Commodity Exchange of India Limited
- ▶ Nag - Vidarbha Chamber of Commerce
- ▶ National Council of Applied Economic Research
- ▶ National Safety Council
- ▶ Oil Technologists' Association of India
- ▶ Pacific Asia Travel Association
- ▶ Paper Film and Foil Converters Association
- ▶ PHD Chamber of Commerce and Industry
- ▶ Protein Food and Nutrition Development Association of India
- ▶ Ranjangaon Industries Association
- ▶ Retailers Association of India
- ▶ Seafood Exporters Association of India
- ▶ Snack Foods Association
- ▶ Society for Urban Regeneration of Gurgaon
- ▶ Solvent Extractors Association of India
- ▶ Soyabean Processors Association of India
- ▶ Tamil Nadu Electricity Consumers Association
- ▶ The All India Association of Industries
- ▶ The Bengal Chamber of Commerce & Industry
- ▶ The Central Organisation for Oil Industry and Trade
- ▶ The Clothing Manufacturers Association Of India
- ▶ The Energy and Research Institute
- ▶ The Food Safety and Standards Authority of India
- ▶ The Indian Society of Advertisers
- ▶ The United Planters' Association of Southern India
- ▶ The Utkal Chamber of Commerce & Industry
- ▶ The Visakhapatnam Chamber of Commerce & Industry
- ▶ Travel Agents Association of India
- ▶ US Food and Drug Administration
- ▶ Western UP Chamber of Commerce & Industry
- ▶ World Travel & Tourism Council India Initiative
- ▶ World Wide Fund - Global Forest and Trade Network



Independent Assurance Statements

The Management and Board of Directors
ITC Limited
Virginia House
Kolkata 700071
India

INDEPENDENT ASSURANCE STATEMENT

Ernst & Young LLP (EY) was retained by ITC Limited (the “Company”) to provide an independent assurance on its Sustainability Report 2013 (the “Report”), limited to the social and environmental information therein. The Company’s management is responsible for the content of the report, and its presentation. EY’s responsibility is to provide assurance on the report content, as described in the scope of assurance. Our responsibility in performing our assurance activities is to the management of the Company only, and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation.

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 reasonable 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 was limited to review of information pertaining to environment and social performance for the period of 1st April 2012 to 31st March 2013, in 9 selected representative units from various businesses of the Company and Head office, Kolkata, which are material to the Company’s triple bottomline performance. These 9 selected units are:

- ▶ ITD (Tobacco Division) - Kolkata (West Bengal) & Pune (Maharashtra)
- ▶ FBD (Foods Division) - Pune (Maharashtra)
- ▶ Hotels - ITC Windsor, Bengaluru (Karnataka)
- ▶ PPB (Packaging and Printing Business) - Tiruvottiyur, Chennai (Tamil Nadu)
- ▶ PSPD (Paperboards and Specialty Papers Division) - Bhadrachalam (Andhra Pradesh) & Tribeni (West Bengal)

- ▶ ILTD (Leaf Tobacco Division) - Anaparti (Andhra Pradesh)
- ▶ PCPB (Personal Care Products Business) - Manpura, Himachal Pradesh

EY's multidisciplinary team of professionals visited the Company's above manufacturing units and the head office in order to review and verify the data and information presented in the report, on core and additional G3 indicators listed below:

- ▶ EN 1: Materials used by weight or volume
- ▶ EN 3: Direct energy consumption by primary energy source
- ▶ EN 4: Indirect energy consumption by primary source
- ▶ EN 8: Total water withdrawal by source
- ▶ EN 16: Total direct and indirect greenhouse gas emissions by weight
- ▶ EN 19: Emissions of ozone-depleting substances by weight
- ▶ EN 20: NOX, SOX and other significant air emissions by type and weight
- ▶ EN 21: Total water discharge by quality and destination
- ▶ EN 22: Total weight of waste by type and disposal method
- ▶ LA 1: Total workforce by employment type, employment contract, and region
- ▶ LA 4: Percentage of employees covered by collective bargaining agreements
- ▶ LA 7: Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region
- ▶ LA 10: Average hours of training per year per employee by employee category
- ▶ HR 1: Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening
- ▶ SO 1: Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting

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 to:

- ▶ Review of consistency of data/information within the report as well as between the report and source;
- ▶ Verification of the transcription of data internally verified by the Company ;



- ▶ 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 the reliability of the information, assessing related controls and their operating effectiveness;
- ▶ Review of the Company's plans, policies and practices, pertaining to their social, environmental and sustainable development.

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 (1st April 2012 to 31st March 2013);
- ▶ The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects;
- ▶ Data and information on economic and financial performance of the Company.

CONCLUSION

On the basis of our procedures aimed at obtaining reasonable assurance, we conclude that in our opinion:

The Company has presented, in a reasonably balanced, accurate, complete and transparent manner, the information on Environmental and Social parameters pertaining to the GRI indicators on material consumption, energy, water consumption and discharge, GHG emissions, wastes, safety performance and social programmes.

OBSERVATIONS

The Company continued to demonstrate its commitment to the key sustainability issues through its actions on carbon sequestration, waste recycling, creating rainwater harvesting potential, and creating sustainable livelihoods. The carbon positive status has been achieved through implementation of multiple energy efficiency improvement initiatives, increased share of renewables in the overall energy consumption mix and sequestration of CO₂ through social and farm forestry projects. The water positive status is based on reduction of specific water consumption and rainwater harvesting potential from structures created. The solid waste recycling positive status of the Company is based on recycling of waste generated within its premises and recycling of waste recovered from external parties. During our review, we noted that the Company has a structured sustainability data capturing system, and, as an improvement measure, is taking up initiatives to further strengthen its robustness, reporting protocols and review mechanisms.

Ernst & Young LLP

Sudipta Das
Partner
5th June, 2013
Kolkata



**Assurance Statement related to the GHG Inventory for Financial Year 2012-13
of ITC Limited, Virginia House, 37 J L Nehru Road, Kolkata 700 071, INDIA**

Terms of Engagement

This Assurance Statement has been prepared for ITC Limited.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by ITC Limited to assure its greenhouse gas (GHG) emissions inventory for the financial year from 1st April 2012 to 31st March 2013 (hereafter referred to as the "GHG Inventory"). The GHG Inventory relates to direct GHG emissions, energy indirect GHG emissions and other indirect GHG emissions (from the transport of raw materials, finished goods and waste), direct GHG emissions from the combustion of biomass, and GHG removals from social and farm forestry, as summarised in Table 1 below.

Management Responsibility

ITC Limited's management was responsible for preparing the GHG Inventory and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the GHG Inventory in accordance with our contract with ITC Limited.

Ultimately, the GHG Inventory has been approved by, and remains the responsibility of ITC Limited.

LRQA's Approach

LRQA's verification has been conducted in accordance with ISO14064-3:2006 *Specification with guidance for validation and verification of greenhouse gas assertions* to provide reasonable assurance that the GHG Inventory of ITC Limited has been prepared in conformance with ISO14064-1:2006 *Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals*.

To form our conclusions the assurance was undertaken as a sampling exercise and covered the following activities:

- Conducted site visits of the following facilities:
 1. Corporate Office, Kolkata (West Bengal)
 2. Paperboards and Specialty Papers units at Bhadrachalam (Andhra Pradesh), Kovai (Tamil Nadu) and Tribeni (West Bengal);
 3. Packaging and Printing Unit at Haridwar (Uttarakhand);
 4. Fast Moving Consumer Goods (FMCG) units that include Cigarette units at Bengaluru (Karnataka) & Saharanpur (Uttar Pradesh), Foods unit at Haridwar (Uttarakhand), Personal Care Products unit at Haridwar (Uttarakhand);
 5. Agri Business Unit at Chirala (Andhra Pradesh);
 6. Hotels - ITC Maurya (New Delhi), ITC Windsor (Bengaluru) and ITC Gardenia (Bengaluru); and
 7. ITC R&D Centre at Bengaluru (Karnataka)
- Interviewed key personnel responsible for the management of GHG emissions data and information and for the preparation of the GHG Inventory at the above sites;
- Reviewed processes for the management of GHG emissions and removals data and information included in the GHG Inventory;
- Sampled datasets and traced data back to raw sources for the financial year 01 April 2012 to 31 March 2013 as part of audit trails; and



- Verified the historical GHG emissions and GHG removals data and information for the financial year 01 April 2012 to 31 March 2013 included in the GHG Inventory, made available at ITC Corporate and individual businesses / units visited.

Level of Assurance and Materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a reasonable level of assurance and at the materiality of the professional judgment of the verifier.

LRQA's Opinion

Based on LRQA's approach, GHG emissions and removals as presented in the GHG Inventory and summarised in Table 1 below are materially correct and have been prepared in conformance with ISO 14064-1:2006.

LRQA's Recommendations

ITC Limited should consider the following improvements with respect of GHG emissions and GHG removals:

- GHG emissions – improve implementation of measures related to the quality control of activity data monitoring and collection system, as defined in ITC Limited's Integrated Sustainability Data Management System (ISDMS), through regular reviews of data inputs to the system and internal audits to strengthen GHG data management within each businesses / unit;
- GHG removals – improve implementation of measures related to the quality control of activity data monitoring for the total area of plantation and moisture contents of the standing crop; data collection for productivity determination and regular reviews and internal audits of the collected data and calculation of removals.

Signed

Dated: 26 April 2013

Prabodha C Acharya

On behalf of Lloyd's Register Quality Assurance Ltd.,
Unit 63 & 64, 6th Floor, Level 5, Kalpataru Square,
Kondivita Lane, Off Andheri-Kurla Road,
Andheri (East), Mumbai – 400 059, INDIA

LRQA Reference: MUM 6017367



Table 1: GHG Emissions Inventory as reported by ITC Limited for the financial year 2012-13

Scope (as defined within ISO 14064-1:2006)	Financial year 01 April 2012–31 March 2013
Direct GHG Emissions	1,150,203
Energy Indirect GHG Emissions	172,121
Other Indirect GHG Emissions	152,234
Direct Emissions from combustion of biomass	838,969
GHG Removals from social and farm forestry	3,689,853
Data is presented in tonnes of CO ₂ equivalent except for the GHG emissions from combustion of biomass which is CO ₂ only.	

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Due to the inherent limitations in any internal control it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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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

For any feedback/suggestions write to us at enduringvalue@itc.in

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ITC is the only company in the world of comparable dimensions to be carbon positive, water positive and solid waste recycling positive. ITC's businesses and value chains support over 5 million livelihoods.