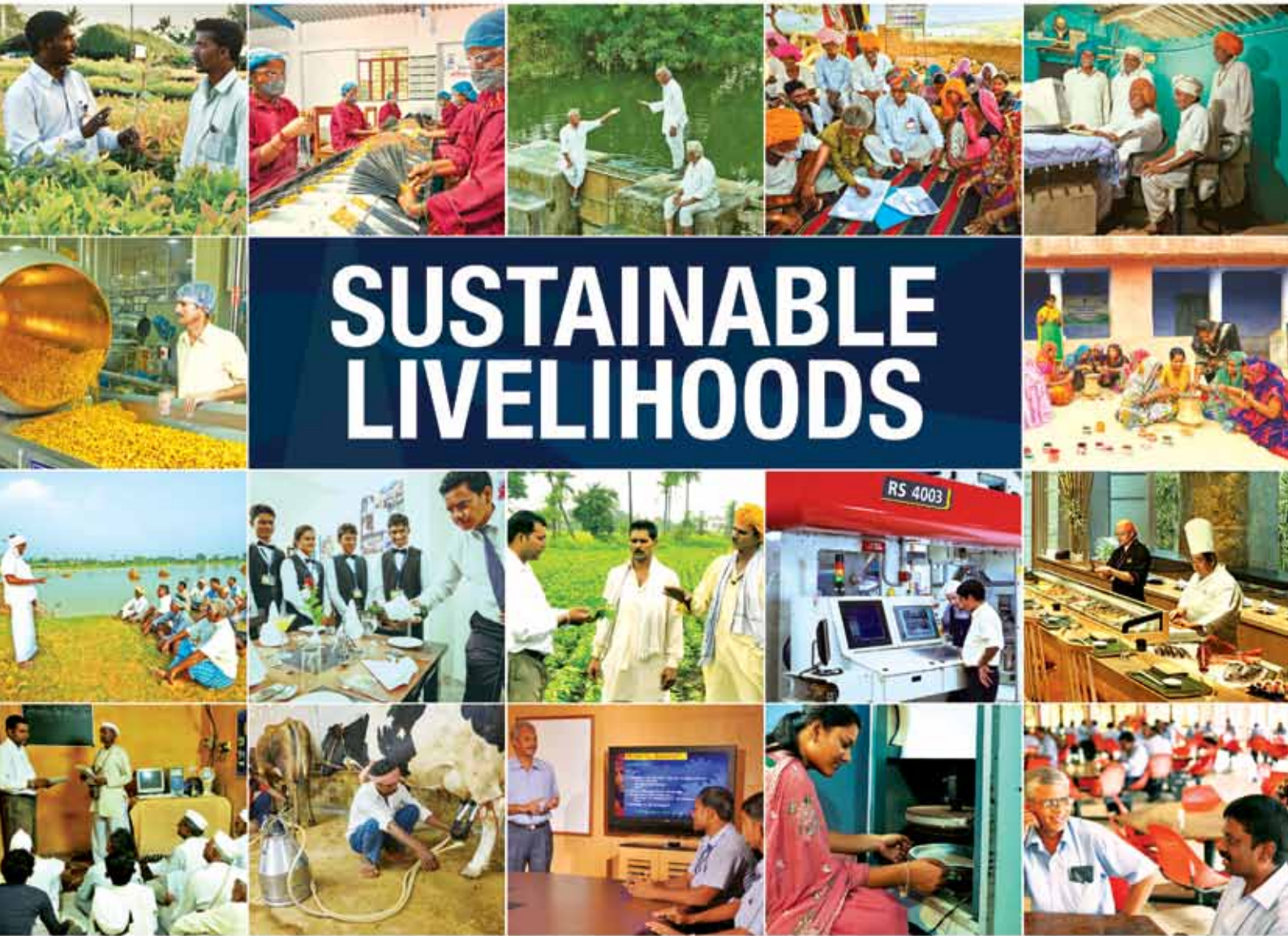




# SUSTAINABILITY REPORT 2015

## ITC LIMITED



**FOR ALL OUR TOMORROWS**

GRI - G4 COMPLIANT: IN ACCORDANCE - COMPREHENSIVE



ITC's Sustainability Report can be downloaded from [www.itcportal.com](http://www.itcportal.com)



ITC's Sustainability app can be downloaded from <http://www.itcportal.com/app/itc-apps.aspx>



Follow ITC on Twitter @ITCCorpCom



ITC Limited is an Organizational Stakeholder of GRI and supports GRI's mission to provide widely used standards on sustainability reporting.



# Contents

## 04 Chairman's Statement

## 10 Organisational Profile

Supply Chain 24

Certifications, Honours and Awards 30

## 34 Stakeholder Engagement, Risks & Opportunities and Materiality Analysis

## 48 Report Profile, Scope and Boundary

## 54 Governance Structure

## 62 Category: Economic

Management Approach 64

Economic Performance 65

## 74 Category: Environment

Management Approach 76

Energy 78

Air Emissions 84

Water Management 96

Recycling and Waste Management 108

Raw Materials 116

Biodiversity 122



## 126 Category: Social

Labour Practices & Decent Work and Human Rights 128

Occupational Health and Safety 136

Social Investments – Mission Sunehra Kal 144

Product Responsibility 164



## 174 GRI Index

## 193 GRI-G4 Food Processing Sector Supplement (FPSS)



## 195 Alignment to BRR Principles

## 196 Annexures

Policies and Guidelines 196

Quantification Methodology: Energy and GHG Emissions 197

Memberships and Affiliations 198

## 200 Independent Assurance Statements

# Triple Bottom Line Performance

## ITC: Creating 6 Million Sustainable Livelihoods



### Environment

- Carbon Positive: 10 Consecutive years
- Water Positive: 13 years in a row
- Solid Waste Recycling Positive: for the last 8 years
- Soil & Moisture conservation to over 2,00,000 hectares  
ITC's Watershed Development Programme, designed to assist farmers in identified moisture-stressed areas, increased by an additional 63,492 hectares in 2014-15 taking the total area covered under the programme to over 2,12,200 hectares.
- Use of Renewable Energy  
Over 43% of ITC's total energy requirements was met from carbon neutral sources such as biomass, wind and solar.
- Greenest Luxury Hotel Chain  
All ITC's premium luxury Hotels are LEED® Platinum certified (certification is in progress for the super premium ITC Grand Bharat which opened recently).

- More than 1,95,000 hectares greened

Out of this, ITC's Social Forestry Programme cumulatively covers 69,421 hectares in 3,958 villages, impacting over 72,000 poor households.

- Well-being Out of Waste (WOW)

The 'Well-being Out of Waste' initiative inculcates the habit of source segregation and recycling. The initiative currently extends to Hyderabad, Chennai, Bengaluru, Coimbatore and some towns of Telangana.



### Economic

ITC has created multiple drivers of growth by developing a portfolio of world-class Indian businesses and brands.

Over the last nineteen years:

- Net Revenue grew at a compound rate of 15% annually
- Net Profit grew at 20.9% per annum
- Total Shareholder Returns (measured in terms of increase in market capitalisation and dividends) grew at a compound annual growth rate of 24.3%.



- Diversified multi-business conglomerate spanning FMCG, Hotels, Paperboards & Packaging, Agri Business and Information Technology
- Market capitalisation: \$ 40 billion
- Turnover: Nearly \$ 8 billion
- ITC Group provides direct employment to more than 32,000 people

## Social

ITC's Social Investments Programme is spread over 16 states covering 71 districts.

- **Primary Education Initiative: Benefitting 4,20,000 children**  
During 2014-15, a new initiative called the 'Read India Programme' reached out to 36,000 children. In addition, another 34,000 children were covered by Supplementary Learning Centres, taking the total number of children benefitted to 4,20,000.
- **ITC e-Choupal: Empowering 4 million farmers**  
ITC's globally acknowledged e-Choupal initiative is the world's largest rural digital infrastructure benefitting over 4 million farmers.

- **Over 45,000 sustainable livelihoods for rural women**  
These women were gainfully employed either through micro-enterprises or assisted with loans to pursue income generating activities.
- **Animal husbandry services for nearly 12,00,000 milch animals**  
The programme for genetic improvement of cattle through artificial insemination to produce high-yielding crossbred progenies is implemented through 256 Cattle Development Centres covering over 10,000 villages.
- **Afforestation programme generates nearly 90 million person-days of employment**
- **ITC's bio-diversity programme now covers 3,191 hectares**  
The objective is to protect native flora and fauna and providing other eco-system services.
- **ITC's Vocational Training programme - Training over 22,000 youth**  
This program played an active role in building and upgrading skills of marginalised youth to better meet the emerging needs of the job market.



Figures in this section are as on June 2015. Figures in the rest of the Report pertain to the Financial year 2014-15.

# Chairman's Statement

**I** have great pleasure in presenting ITC's Sustainability Report 2015.

This is the 12th year of its publication. As in earlier years, this Report, prepared as a pro-active disclosure of ITC's Triple Bottom Line performance, is independently assured and based on the international guidelines recommended by the Global Reporting Initiative (GRI). It is a matter of great satisfaction that this Report once again conforms to the highest "In Accordance – Comprehensive" level of reporting prescribed in the latest G4 guidelines of GRI.

I am also happy to once again reaffirm ITC's commitment to the principles of the United Nation's Global Compact. It is indeed heartening that the Company's large-scale social investments continue to make a meaningful contribution to the country's progress towards achieving the UN Millennium Development Goals.

## A World in Peril

One of the most enduring images that shocked the world in 2015 was of the "boat people refugees" - thousands of men, women and children desperately fleeing poverty, persecution and conflict in a perilous journey across the Mediterranean to seek asylum in the European Continent. Equally of concern have been the recent events of extreme weather that continue to worsen with every passing year - be it the scorching heat wave in India that has already claimed more lives in any single year in the last decade or the continuing four-year drought in California that has demonstrated the vulnerability of people in even the world's richest nation.

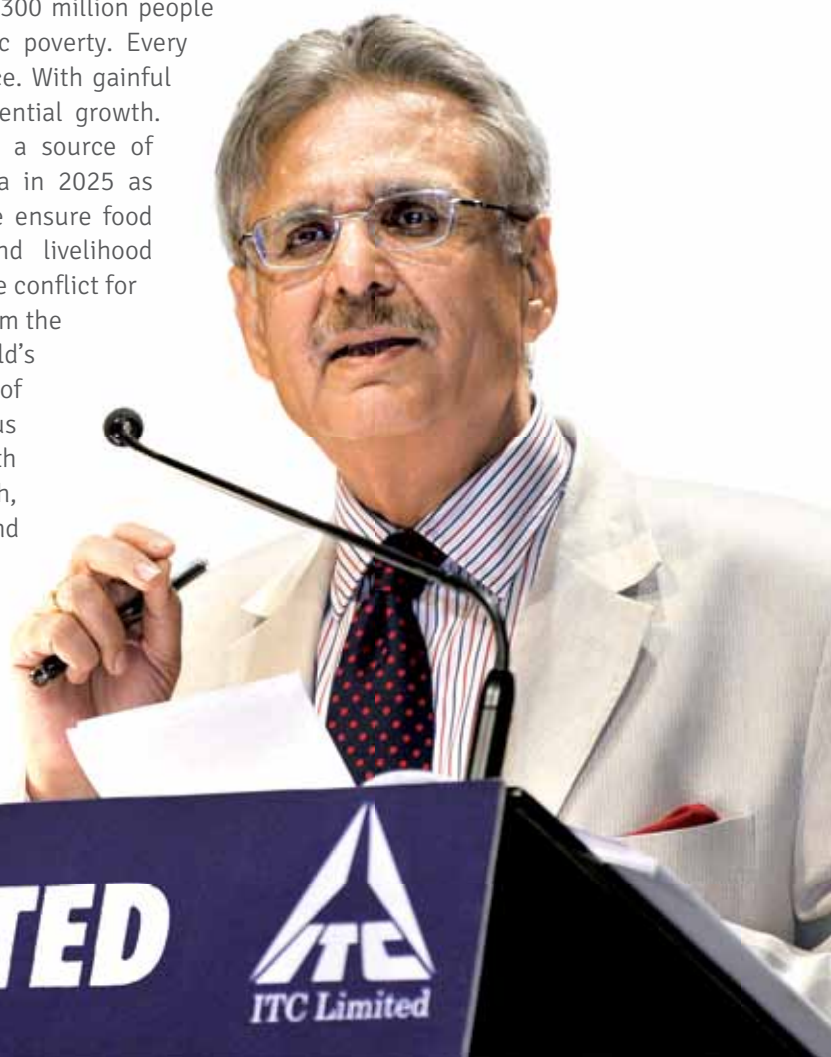


These are vignettes of a world in peril and of a deep-rooted global malaise that threatens the future of mankind.

For over a century, the world has witnessed remarkable progress. Man conquered space, eliminated dreaded diseases, and shrunk the globe into a borderless virtual society. World GDP expanded over 60-fold in the last 50 years. Yet, a grossly unequal world got created. Less than 1% of adults in the world own 44% of global wealth, while the bottom 70% own just 3% of the world's wealth. It is obvious that the economic model pursued by the world for decades failed to deliver growth with equity. The consequences are dangerous. Apart from widespread global poverty, an entire generation of 600 million youth today stare at a jobless future. The resultant frustration, disillusionment and despair not only fuel social unrest but make them vulnerable to the lure of crime and even terrorism. Unstable societies cannot foster sustainable economic growth. It negates the tremendous advancements made in science and technology miring the world in a state of constant conflict and uncertainty.

The race for material wealth creation over the last century also paid scant attention to the imperative need for environmental replenishment. Today, the world consumes natural resources at a rate that is one and a half times the earth's capacity to regenerate. At this pace, we will bequeath future generations a barren planet in less than 30 years from now. The spectre of climate change is no longer an issue of the future. It is here and now, posing the greatest threat to poor farming communities who are the most vulnerable to the vagaries of nature.

India's socio-economic challenges mirror the global conundrum. If at all, our problems are even more acute. Nearly 300 million people need critical support to move out of endemic poverty. Every year 12 million young people join the workforce. With gainful opportunities, they will be a source of exponential growth. Without adequate opportunities, they will be a source of explosive disaster. India is set to cross China in 2025 as the world's most populous nation. How do we ensure food security, water security, energy security and livelihood security for these teeming millions? How will the conflict for food, fuel, feed, forests and fibre be resolved from the scarce land resources? We have 17% of the world's population, but only 2.4% of arable land, 4% of water and 1% of forest resources. It is obvious that we need a new model of economic growth that will simultaneously fuel economic growth, create sustainable livelihoods and replenish and preserve the environment. And that is indeed a tall order.



ITC's businesses and value-chains generate sustainable livelihoods for around 6 million people, many of whom represent the weakest in society

## The Role of Business

No single section of society can enable such transformational change of epic proportions. A confluence of efforts is therefore required from all sections of society - be it Government, Business or other sections of Civil Society.

It is my strong belief that Business can play an immensely constructive and meaningful role. Businesses possess the innovative capability, creative capacity and entrepreneurial vitality to engender transformational change by harnessing these strengths to co-create much larger societal value. They are also present in the front-line of economic activity with numerous touch points in society, enabling a synergy of financial and managerial resources to deliver impactful solutions.

The seed of unleashing this transformative capacity for the larger good of society lies in defining a super-ordinate purpose of business. It is this fundamental belief that has helped shape ITC's Vision & Strategy in building a sustainable enterprise of tomorrow.

## ITC's Vision & Strategy

Close to two decades ago, when I assumed office as Chairman, the Company was confronted with formidable challenges. The early diversification efforts had either failed or were languishing, the businesses were not competitive enough in an emerging liberalised economic environment, and the Company's reputation was sullied by a public smear campaign triggered by a hostile takeover attempt. It was critically important to create a new future for the organisation by redefining a vision that could invigorate and inject new life to every sinew of the enterprise.

Inspired by the opportunity to serve larger national priorities, we articulated a super-ordinate Vision to make ITC a National Champion by not only repositioning the organisation for extreme competitiveness but by also making societal value creation the bedrock of our business strategy. We committed ourselves to abiding Values, with Trusteeship at its core, ensuring that we put Country before Corporation and the Institution before the Individual. The focus was on spurring innovative strategies that would enable us to make a growing contribution to building economic, environmental and social capital for the nation. It was our aspiration that this Triple Bottom Line approach would manifest not only in sustained wealth creation for all our stakeholders, but also in the simultaneous generation of sustainable livelihoods as well as augmentation of precious natural resources.

A multi-pronged strategy was put into play to enable a new dimension of growth that would be sustainable and inclusive. Leveraging enterprise strengths, and by matching internal competencies with the opportunities of an emerging economy, multiple drivers of growth were launched through a chosen portfolio of vibrant businesses. Relentless efforts were made to create world-class Indian brands that would help in capturing and retaining more value for the Indian economy. The vitality of such brands also serve as market anchors to enhance the competitiveness of the entire value chain, including that of farmers and rural communities.

To ensure a positive environmental footprint, ITC adopted a low-carbon growth strategy which focusses on enhanced use of renewable energy sources as well as reduction in specific energy consumption. At the same time, the Company also invested in enlarging its positive footprint through increased carbon sequestration by expanding forestry projects in wastelands. Endeavours to reduce specific water consumption and augment rainwater harvesting activities both on site and off site at watershed catchment areas contributed to the imperative need to ensure water security. Focussed initiatives to minimise waste generation, maximise reuse & recycling and use external post-consumer waste as raw material in its units contributed to maximising and optimising resource efficiency.



To accomplish the goal of securing sustainable livelihoods, the Company's Social Investments Programme has identified three important stakeholder groups: (a) rural communities in the Company's operational areas which face enormous challenges in ensuring the sustainability of their farming systems; (b) communities residing in close proximity to our production units which require sustainable solutions to help generate additional income streams; and (c) Central and State governments, that encourage Public-Private-People Partnerships to demonstrate scalable and replicable models of development. Interventions have been appropriately designed to respond to the unique multi-dimensional development challenges of such communities in order to accomplish the overall goal of creating sustainable livelihoods. The footprint of ITC's CSR projects promoted under the Social Investments Programme is spread over 14 states covering 71 districts.

To guide ITC's proactive action for superior Triple Bottom Line Performance, a comprehensive set of Sustainability Policies has been adopted. A comprehensive CSR policy has also been crafted to define the framework for the Company's Social Investments Programme. The Board Committee on CSR and Sustainability reviews, monitors and provides strategic direction to the Company's CSR and sustainability practices. The Committee formulates, reviews and monitors the CSR Policy and recommends to the Board the annual CSR Plan of the Company in terms of the Companies Act, 2013. An internal Sustainability Compliance Review Committee has also been constituted to monitor and evaluate compliance with the Sustainability Policies of the Company.

Today, I draw immense satisfaction that the vision and strategy adopted to pursue sustainable and inclusive growth have enabled the Company to be a global exemplar in sustainability. ITC's businesses and value-chains generate sustainable livelihoods for around 6 million people, many of whom represent the weakest in society. Relentless pursuit of environmental excellence has also led ITC to be the only Company in the world of comparable dimensions to be carbon positive for 10 years now, water positive for 13 years in a row and solid waste recycling positive for the last 8 years.

## Creating Sustainable Livelihoods

The theme for this year's Sustainability Report – Creating Sustainable Livelihoods – highlights the Company's progress in contributing to this very important priority for developing countries like India. Over 65% of India's population is below 35 years of age, and therefore significantly large numbers will progressively enter the work-stream every year. Creation of sustainable livelihood opportunities is thus a crying priority. The Hon'ble Prime Minister has highlighted, on more than one occasion, the critical need to generate jobs across all sectors of the economy. The flagship schemes announced, such as Make in India, Skill India and Digital India, are all aligned to help create growing livelihood opportunities in the near future.

Over the years, ITC has made a far-reaching contribution to the national cause of livelihood creation, particularly in rural India. The Company's integrated rural development programme has helped create a vibrant rural eco-system empowering farmers, enriching the environment and raising rural incomes. These innovative interventions have reached meaningful scale given the core focus on empowerment and co-creation, development of institutional frameworks and capacity building at the grass-roots.

ITC's celebrated e-Choupal initiative, that empowers farmers by leveraging the power of the Internet as well as through a host of services related to know how, best practices, relevant weather information, transparent discovery of prices and many more, has till date empowered 4 million farmers in 40,000 villages.

The Company's Afforestation programme enables poor tribals and small farmers to transform private wastelands into green plantations. It has so far greened nearly 2,00,000 hectares and

Relentless pursuit of environmental excellence has also led ITC to be the only Company in the world of comparable dimensions to be carbon positive for 10 years now, water positive for 13 years in a row and solid waste recycling positive for the last 8 years

generated close to 90 million person days of employment. By 2017-18, ITC plans to augment this programme with an additional 92,000 hectares.

ITC's Integrated Watershed Development programme provides soil and moisture conservation to over 2,00,000 hectares and has generated over 4.7 million person days of employment benefitting more than 1,60,000 families. By 2017-18, the watershed development programme is projected to cover an additional 1,82,000 hectares.

The Company's Livestock Development programme has created off-farm livelihood options for over 4,60,000 cattle owners and has provided animal husbandry services to over 11,00,000 milch animals. This programme will extend services to an additional 6,30,000 milch animals by 2017-18.

The Women's Empowerment programme has created sustainable livelihood opportunities for over 43,000 women so far, with plans to include 25,000 more women in the programme by 2017-18.

The Primary Education programme aims at increasing enrolments, minimising drop-outs, and providing infrastructural support to government schools. It has benefitted nearly 4,00,000 rural children, helping them to build a better future. By 2017-18, this programme is envisaged to reach out to an additional 1,45,000 children.

ITC's Vocational Training programme equips youth with necessary skills and makes them more employable in the formal sectors of the economy. The programme has benefitted over 19,000 youths so far. In the next 3 years, another 33,000 youths will be covered under this programme.

Improving the quality of life of rural households, ITC's Health & Sanitation initiative in alignment with the Government's 'Swacch Bharat' campaign, has constructed over 8,000 family toilets. The Company plans to construct 8,250 more toilets by the close of FY 2018.

By adopting a 360 degree approach to enriching rural eco-systems, ITC has put in place long term drivers that will contribute meaningfully to the national priority of employment generation and sustainable growth.

## Environmental Stewardship

Climate change is undoubtedly one of the most daunting challenges confronting society today. While ITC's large scale initiatives in afforestation, sustainable agricultural practices and watershed development have helped in making rural communities in our catchment areas more secure, the Company has also pursued an extensive low carbon strategy in its operations. This is manifest in our efforts to continuously enhance energy efficiency and conservation as well as invest in cleaner and renewable energy sources. Today, more than 43% of the Company's total energy consumption is from renewable sources. Several ITC Hotels and manufacturing facilities are powered by renewable energy. It is our aspiration to increase the share of renewable energy to 50% by 2020. Pioneering the movement for 'green buildings', several of the Company's properties are now LEED® certified. All premium luxury hotels of ITC have earned the LEED® (Leadership in Energy and Environmental Design) Platinum certification making ITC Hotels the "greenest luxury hotel chain" in the world. The ITC Grand Chola is the world's largest LEED® Platinum certified green hotel and enjoys a 5 Star GRIHA rating, the highest national rating for green buildings. The ITC Green Centre in Gurgaon is the highest rated green building in the world. The ITC Green Centre in Manesar has earned the LEED® Platinum certification, as well as the BEE 5 Star rating from the Government of India.

ITC continuously strives to improve processes and systems to minimise its environmental impact as far as possible, create a work environment that is safe, healthy, productive and fair

Today, more than 43% of the Company's total energy consumption is from renewable sources. Several ITC Hotels and manufacturing facilities are powered by renewable energy. It is our aspiration to increase the share of renewable energy to 50% by 2020



for its employees and proactively engages with its suppliers and partners to maximise value for all stakeholders.

Recognising the need for collective action to shape a shared future that is more sustainable and inclusive, ITC has partnered the Confederation of Indian Industry to set up a Centre of Excellence for Sustainable Development to help build the enterprises of tomorrow. The Centre champions the adoption of sustainability practices by raising awareness, building capacity, enabling thought leadership and recognising excellence.

## Being Future Ready with Responsible Competitiveness

While ITC has achieved significant milestones in its sustainability journey, the road ahead will continue to be challenging. For companies like ours, deeply rooted in India's soil, we recognise the need to play a much larger role in creating growing societal value for the country given the colossal socio-economic challenges. Therefore, it is not only crucial to build extreme competitiveness in an increasingly global Indian market, but to also ensure that growth strategies foster sustainable growth. Unfortunately, we compete in a market where many have not adopted a broader canvas of contributing to larger societal goals, but are largely focussed on the narrow pursuit of financial competitiveness alone. Therefore, our commitment to building Responsible Competitiveness entails a far larger mobilisation of resources, organisational energy and creativity. Regrettably, markets, as they are structured today, do not prize companies that create larger societal value but continue to predominantly reward financial value creation alone. A paradigm change will take place only when consumers, investors, and civil society make an enlightened choice in favour of products and services of sustainable companies. This will unleash strong market drivers to support corporates that innovate to deliver larger sustainable and inclusive value. Preferential government policy and incentives in favour of such companies will lend even further support to companies that subserve larger national priorities.

ITC's aspiration to be a National Champion is manifest in its Vision and Values as well as in the Vitality of its human capital, dedicated to building an exemplary enterprise for the country. We recognise that the Company's capacity to create societal value will crucially depend on the continued robust growth of its businesses. Towards this, significant investments have been made to create superior intellectual capital through a world-class ITC Life Sciences and Technology Centre; in brick and mortar industrial infrastructure; in iconic hotels; in world-class Indian brands; in talent management and in an efficient marketing and distribution network that will together lend renewed strength to the Company in the years to come.

This Sustainability Report is once again a dedication of our pledge to contribute to a secure, sustainable and inclusive future. I would like to thank all our stakeholders for their support and encouragement in making this a meaningful journey towards a promising tomorrow.



**Y C Deveshwar**  
Chairman, ITC Limited  
June, 2015

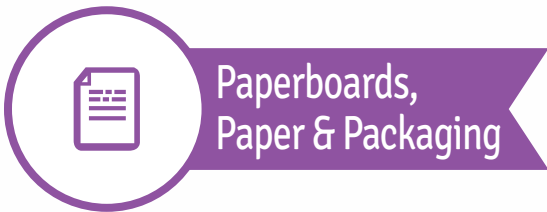
For companies like ours, deeply rooted in India's soil, we recognise the need to play a much larger role in creating growing societal value for the country given the colossal socio-economic challenges

# Organisational Profile





## ITC's Businesses





## Creating Enduring Value

ITC Limited is one of India's most valuable and admired corporations. Inspired by an abiding vision to sub-serve larger national priorities, ITC has pursued innovative strategies to synergise the creation of long-term shareholder value with the continuous enhancement of societal and environmental capital.



### Creating Multiple Drivers of Growth

With a turnover of nearly \$ 8 billion and a market capitalisation of \$ 42 billion, ITC's aspiration to create enduring value for the Nation and its stakeholders is manifest in its robust and diversified portfolio of traditional and greenfield businesses. The competitiveness of ITC's diverse businesses rest on the strong foundations of institutional strengths derived from its deep consumer insights, cutting-edge Research & Development, differentiated product development capacity, brand-building capability, world-class manufacturing infrastructure, extensive rural linkages, efficient trade marketing and distribution network and dedicated human resources. ITC's ability to leverage internal synergies residing across its diverse businesses lends a unique source of competitive advantage to its products and services. Today ITC is the country's leading FMCG marketer, the clear market leader in the Indian Paperboard and Packaging industry, a globally acknowledged pioneer in farmer empowerment through its wide-reaching Agri Business, the second largest Hotel Chain in India and a trailblazer in 'green hoteliering'. ITC Infotech, a wholly-owned subsidiary, is one of India's fast-growing IT companies in the mid-tier segment. This portfolio of rapidly growing businesses considerably enhances ITC's capacity to generate growing value for the country.



### Creating World-Class Brands that Capture Value for India

ITC believes that it is of paramount importance to build and nurture world-class Indian brands which help create, capture and retain larger value for the Indian economy, in addition to generating sustainable livelihoods. A successful brand is a badge of honour for the country it belongs to, and a sustained source of wealth creation.

Leveraging the Company's core competencies, institutional strengths and internal synergies, the new FMCG businesses comprising Branded Packaged Foods, Personal Care Products, Lifestyle Retailing, Education & Stationery Products and Matches and Agarbattis have gained significant market standing over the years. This phenomenal growth has been rated by a Nielsen Report to be the fastest among the consumer goods companies operating in India. Within a relatively short span of time, ITC has established vital brands, many of which are today market leaders in their segments, or have garnered a significant share of consumer franchise. ITC's bouquet of brands includes 'Aashirvaad', 'Sunfeast Dark Fantasy', 'Sunfeast Dream Cream', 'Sunfeast Delishus', 'Sunfeast Mom's Magic', 'Sunfeast Yumfills', 'Sunfeast Bounce', 'Bingo!', 'Yumitos', 'YiPPeel', 'Candyman', 'mint-o', 'B Natural', 'GumOn' and 'Kitchens of India' in the Branded Packaged Foods space; 'Classmate' and 'Paperkraft' in Education & Stationery products market; 'Essenza Di Wills', 'Fiama Di Wills', 'Engage', 'Vivel' and 'Superia' in the Personal Care products segment; 'Wills Lifestyle' and 'John Players' in the Lifestyle Retailing Business; 'Mangaldeep' in Agarbattis and 'Aim' in Matches, amongst others.



## Building Natural and Social Capital

ITC's Vision of sustainable and inclusive growth has led to the adoption of a Triple Bottom Line approach that simultaneously builds economic, social and environmental capital. Its Social Investment Programmes including Social Forestry, Soil & Moisture Conservation, Sustainable Agriculture, Livestock Development, Biodiversity, Women Empowerment, Education, Skilling & Vocational Training and Health & Sanitation have had a transformational impact on rural India. These Programmes strive to empower stakeholder communities to conserve, manage and augment their natural resources, create sustainable on and off-farm livelihood sources and improve social infrastructure in rural areas. Through its businesses and associated value chains, ITC has supported the generation of around 6 million livelihoods, touching the lives of many living at the margins in rural India.

In line with its commitment to environmental goals, ITC has constantly strived to reduce the impact of its businesses, processes, products, and services and create a positive footprint. ITC has adopted a low-carbon growth strategy through reduction in specific energy consumption and enhancing use of renewable energy sources. At the same time it seeks to enlarge its positive footprint through increased carbon sequestration by expanding forestry projects in wastelands. 43.1% of the total energy requirement of the Company is today met from renewable sources, a testimony to its commitment to a low carbon growth path. ITC also endeavours to reduce specific water consumption and augment rainwater harvesting activities both on site and off site at watershed catchment areas, as well as minimise waste generation, maximise reuse & recycling and use external post-consumer waste as raw material in its units.



## Achievements

ITC has received national and global recognition for its multi-faceted achievements. It has been ranked as 'India's Most Admired Company' in a survey conducted by Fortune India magazine and Hay Group. ITC has also been rated as the world's 8th largest 'sustainable value creator' among consumer goods companies globally, according to a report by the Boston Consulting Group (BCG). As a testimony to its exemplary Triple Bottom Line performance, ITC has also been presented the World Business and Development Award at the historic Rio+20 UN Summit for its Social and Farm Forestry initiative. ITC Chairman Mr Y C Deveshwar has been ranked the 7<sup>th</sup> 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 an organisation with a deep commitment to national priorities of sustainable and inclusive growth.

## ITC's Businesses

### Fast Moving Consumer Goods

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





## Branded Packaged Foods

ITC's Branded Packaged Foods business is one of the fastest growing foods businesses in India. A spread of delectable offerings in Staples, Snacks & Meals, Confections and Beverages is available under 8 popular brands - 'Aashirvaad', 'Sunfeast', 'Bingo!', 'YiPpee!', 'Kitchens of India', 'mint-o', 'B Natural', 'Candyman' and 'GumOn'. In line with the Company's strategic objective of being the leader in the premium segment, ITC Foods offers an array of top-end products like Aashirvaad Select, Aashirvaad Atta with Multigrains and Aashirvaad Atta with Methi; Sunfeast Dark Fantasy Choco Fills and

Sunfeast Dark Fantasy Choco Meltz; Sunfeast Delishus Nuts & Raisins and Sunfeast Delishus Nut Biscotti biscuits. Adding to this bouquet, the business launched the health biscuit, Sunfeast Farmlite in two variants (Almonds and Raisins), and a new range of cookies, Sunfeast Mom's Magic (Rich Butter and Cashew & Almonds). To further its presence in the premium segment, it also entered the cakes category with the launch of the delicious Yumfills Whoopie Pie. The Business forayed into the Juices segment during the year with its new range under the B Natural brand and the gums segment with the GumOn brand.





Keeping pace with the rapid growth of the FMCG industry in India, ITC has significantly scaled up its presence in this segment



## Personal Care Products

Specially crafted for Indian preferences, ITC's personal care products portfolio offers a range of internationally benchmarked grooming and personal wash products. Anchored on extensive consumer and market research based product development, ITC's personal care brands 'Essenza Di Wills', 'Fiama Di Wills', 'Engage', 'Vivel', 'Cell Renew' and 'Superia' offer products with relevant, differentiated benefits to the discerning consumer. Essenza Di Wills has been created to encapsulate the essence of fine living through an exclusive, internationally developed range of fine fragrances and grooming products. Fiama Di Wills offers a range of shower gels, gel bars and skin care

products exquisitely created to give gentle and effective care for timeless youthfulness. Engage's proposition of 'playful chemistry' is represented in its increasingly popular portfolio of colognes and deodorants. Vivel offers a wide range of bath care products designed to cater to the specific skincare needs of the Indian consumer. It is enriched with Vitamin E and rich nourishing ingredients to fulfil its promise of soft glowing skin. Shower to Shower medicated powder protects from prickly heat and controls sweat. Savlon provides effective anti-bacterial protection through a range of antiseptic liquid, soaps and handwash. Savlon products are known for their gentleness whilst offering effective germ protection.

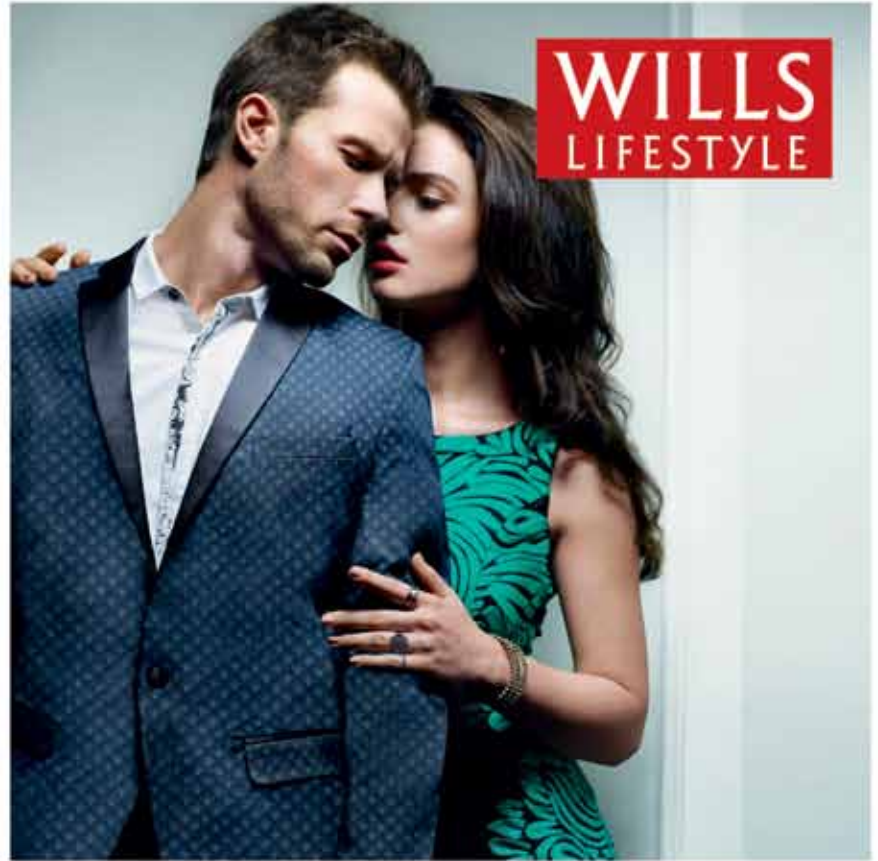


## Cigarettes

ITC also strengthened its product portfolio across segments to reinforce its leadership position in the cigarette industry.

## Lifestyle Retailing

ITC's Lifestyle Retailing business continues to grow its market standing by investing in brand building, enhancing product vitality and supply chain capabilities; expanding its retail footprint across the country. Synonymous with Fashion and Elegance, the Wills Lifestyle range of apparels offers a premium lifestyle wardrobe for Indian men and women at over 100 exclusive specialty stores. With its high fashion imagery, rich product mix and delightful shopping experience, the brand offers a tempting choice of 'Wills Classic' formal wear, 'Wills Sport' relaxed wear, 'Wills Clublife' evening wear and 'Wills Signature' designer wear. 'John Players' embodies the essence of the Indian youth that is free-spirited, playful and fashionable. The brand presents smart formals, trendy casuals and edgy denims incorporating an exciting mix of colours, patterns, styling and fits.







## Education and Stationery Products

ITC's Education & Stationery Products Business offers consumers a wide range of differentiated products under the brands 'Classmate' and 'Paperkraft'. A clear market leader in the student notebooks segment, Classmate's portfolio also includes writing instruments (pens & pencils) and scholastic products (mathematical drawing instruments, scales, erasers & sharpeners). Colour Crew, a new sub brand of Classmate offers an exciting range of superior quality student art materials which includes non-toxic oil pastels, wax crayons and sketch pens. The Business recently launched Saathi, a value brand of notebooks, targeted at smaller markets. The 'Paperkraft' brand is the leading provider of premium executive & office paper stationery including notebook ranges of Green Impression and Signature Series as well as an assortment of premium pens. Offering the greenest range of stationery products, supported by a green wood fibre value chain that creates large-scale livelihoods in rural India, 'Classmate' and 'Paperkraft' notebooks are an embodiment of the environmental capital built by ITC in its paper business.

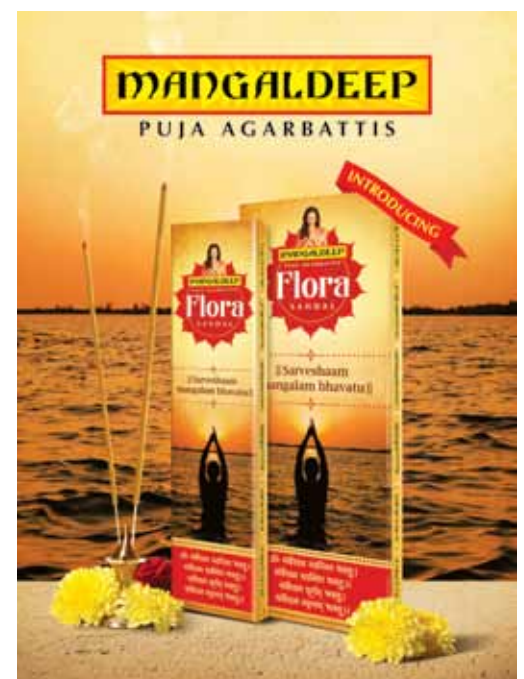


In line with the Company's strategic objective of being the leader in the premium segment, ITC Foods offers an array of top-end products



## Safety Matches and Incense Sticks (Agarbattis)

ITC's 'Mangaldeep' agarbattis are manufactured by small scale and cottage units, providing livelihood opportunities for more than 14,000 people. Mangaldeep ASHA (Assistance in Social Habilitation through Agarbattis) is an ITC initiative to improve the quality of raw agarbatti production and provide better livelihood for women rollers. Sourced from the small-scale sector, the Safety Matches business leverages the core strength of ITC in marketing and distribution, brand building and supply chain management to offer Indian consumers high quality safety matches. ITC's range of Safety Matches includes popular brands like 'AIM' & 'Homelites'.





## Hotels

With more than 100 hotels in over 70 destinations in the country, ITC Hotels has redefined the fine art of hospitality. ITC's hotel group operates under 4 brands: 'ITC Hotel' at the luxury end, 'WelcomHotel' in the 5 star segment, 'Fortune' in the mid-market to upscale segment and 'WelcomHeritage' in the heritage leisure segment. Embodying ITC Hotels' credo of 'Responsible Luxury', all ITC luxury hotels are an archetype of the culture and ethos of the region they are located in, offering unique indigenous experiences, internationally acclaimed cuisines and spa, with globally benchmarked standards in accommodation, environment and guest safety.

With a LEED® Platinum rating for all its luxury hotels (certification is in progress for the super premium ITC Grand Bharat which opened recently), ITC Hotels is the 'Greenest Luxury Hotel Chain in the World'.



ITC's hotel group operates under 4 brands: 'ITC Hotel' at the luxury end, 'WelcomHotel' in the 5 star segment, 'Fortune' in the mid-market to upscale segment and 'WelcomHeritage' in the heritage leisure segment



ITC's pulpwood is largely sourced from renewable plantations under its Social and Farm Forestry programmes, which provide sustainable livelihood opportunities to tribals and marginal farmers



## Paperboards, Paper & Packaging

### Paperboards and Specialty Papers Business

ITC's Paperboards & Specialty Papers Business is No. 1 in Product Range, Market Reach, Environmental Performance and is the market leader in Value-Added Paperboards in India. Providing internationally competitive quality and cost, the business caters to a wide spectrum of packaging, graphic, communication, writing, printing and specialty paper requirements.

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



### Packaging and Printing Business

The Packaging and Printing Business provides contemporary and superior packaging solutions through its state-of-the-art technology and processes. With multi-locational manufacturing facilities in Chennai, Munger and Haridwar and a robust technology platform, the business offers a diversified & value added product range in packaging for cartons, flexibles & tobacco and caters to a wide range of customers in domestic and export markets.







The Business supplies value-added packaging to ITC's various FMCG businesses. Its plant in Chennai is India's greenest packaging facility. Backed by expertise in design, innovative product development and cutting edge technology, the business has won several World Star awards for packaging excellence. The Business has also received appreciation and recognition from its customers for partnering and enhancing value through creative packaging solutions.



Backed by expertise in design, innovative product development and cutting edge technology, ITC's Packaging Business has won several World Star awards for packaging excellence



The revolutionary ITC e-Choupal initiative of the business delivers large-scale societal value by co-creating markets with rural communities



## Agri Business

ITC's Agri Business is one of India's largest agri business players. It is also one of India's leading exporters of agricultural commodities. The leadership position of the business is anchored in the strong and enduring partnerships it has built with farmers across the country. The Business works with farmers to improve the productivity and quality of

crops and sources the finest of Grains, Oil Seeds, Pulses and a range of high-value agri products such as Fruits, Coffee and Shrimps across multiple geographies in India.

ITC's Agri Business provides a competitive edge to the Company's Foods Business by sourcing high-quality agricultural raw material directly from farmers and preserving the identity of those commodities along the supply chain, to enable manufacturing of the food products with consumer-preferred value traits.

The revolutionary ITC e-Choupal initiative of the business delivers large-scale societal value by co-creating markets with rural communities. A unique click-and-mortar channel, it facilitates the two-way flow of goods and services in and out of villages, transforming them into vibrant economic institutions. The initiative serves more than 4 million farmers in over 40,000 villages through a network of 6,500 Internet Kiosks spread across 11 states, making ITC e-Choupal the largest digital infrastructure in rural India.







## Information Technology

ITC Infotech is a specialised global scale - full service provider of Domain, Data and Digital technology solutions, backed by a strong business and technology consulting focus. The company caters to enterprises in Supply Chain based industries (CPG, Retail, Manufacturing, Hi-Tech) and Services (Banking, Financial Services and Insurance, Airline, Hospitality) through a combination of traditional and newer business models, as a long term sustainable partner. With client engagement spread across 35 countries, ITC Infotech is engaged with over 60+ Fortune listed companies. The company has set up office in 18 countries and established 10 global development centres, powered by a 6500+ strong workforce. Leading companies have placed their trust in ITC Infotech; the company's Top 10 clients have been with ITC Infotech for over 10 years, a testament to ITC Infotech's commitment to delivering enhanced business value. ITC Infotech won the 2014 European Outsourcing Award in the category "Delivering Business Value" in European Outsourcing and is featured in the

Global Outsourcing 100 "Leader's Category" by the International Association of Outsourcing Professionals (IAOP) for 9 consecutive years.



The company's Top 10 clients have been with ITC Infotech for over 10 years, a testament to ITC Infotech's commitment to delivering enhanced business value



# Supply Chain





## Management Approach

ITC's vision to subserve larger national priorities is realised by the strategic approach of embedding sustainability in its core business models. Innovative strategies have therefore been designed and implemented to create sustainable value chains linked to its businesses. Dependent as the organisation is, on agricultural resources, these value chains encompass small and marginal farmers, who constitute some of the most disadvantaged sections of Indian society. 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. ITC recognises that with an expanding and diversified portfolio of businesses, the actualisation of its vision of sustainable development has to necessarily take into account the environmental and

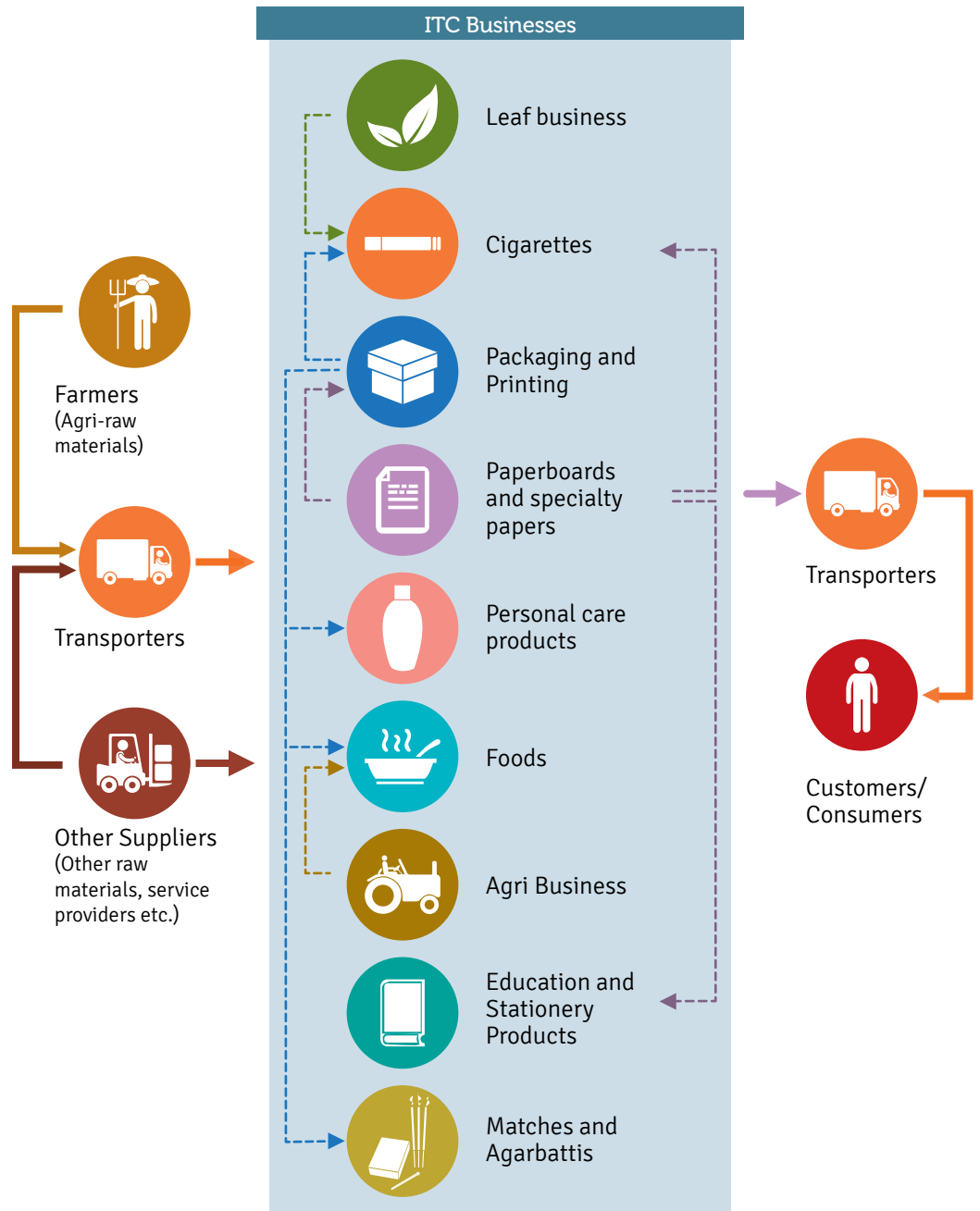
To formalise the sustainable procurement process, ITC has put in place Board approved Policies which address the issues of labour practices, human rights, bribery, corruption, occupational health, safety and environment in the supply chain. These policies, meant for Third Party Manufacturers (TPM), service providers including transporters, suppliers of agricultural & non-agricultural materials and capital goods, franchisees, dealers and distributors collectively referred to as supply chain partners, define the structure around which efforts are directed for continually improving the sustainability performance along the supply chain. These policies are actualised through a 'Code of Conduct for Vendors and Service providers' that details out specific requirements related to the aspects addressed in the policies. Through acceptance of this code by the supply chain partners, ITC seeks their commitment to comply with all applicable laws, respect human rights and contribute to environmental conservation.



social impact within the supply chain. It is therefore important to extend ITC's Triple Bottom Line approach along the supply chain. This will ensure long-term competitiveness through a balance between creation of long term social & environmental value and the economic viability of the businesses.

Each ITC Business has developed road maps for phase-wise implementation of the sustainability policies and inclusion of their supply chain within their sustainability management system in a progressive manner. Progress of implementation of these road maps is reviewed by the Sustainability Compliance Review Committee.

A simplified representation of the material flow in ITC's businesses is given below:



\*The above diagram includes material flow only and does not include Lifestyle Retailing Business, Hotels Business and ITC Infotech

---> : Indicates material flow within ITC

As evident from the above representation of the generic material flow for ITC businesses, the supply chains of most of ITC's businesses are vertically integrated. Farmers are the key suppliers for the majority of our businesses which are dependent on agri-commodities, and therefore constitute an integral part of ITC's supply chain. Accordingly the Company has focussed on enhancing the sustainability of its agri-supply chain, details of which are mentioned in the section that follows.

## Sustainability in the Agri Supply Chain

### Agri Commodities

ITC's Agri Business operations span the entire spectrum of activities starting from agri-services/crop development to risk management, including sourcing, processing,



supply chain, multi-modal logistics, stock management and customer service. The solutions offered are a combination of all or some of these interventions. The solutions also offer the customers the flexibility in terms of quantity, timing, as well as packaging solutions for delivery of the agri-commodities. These solutions not only help customers in enhancing their cost and quality benefits, but also create and capture value for other partners, especially farmers.

ITC's Agri Business Division has been continuously investing in strengthening capability through multiple sourcing models, customised and identity preserved supply chain infrastructure and network, processing and warehousing tie-ups, technology enabled systems and processes and people capabilities. The Division also works closely with farmer groups to develop identified geographies for certified and organic crops. These investments coupled with deep understanding of agriculture, and the reach of the e-Choupal network, provide the opportunity to offer a wide range of reliable and consistent solutions that are efficient and effective along the entire supply chain.

ITC's e-Choupal network ensures traceability, identity preservation of the produce along the entire value chain as well as product integrity by leveraging Information Technology and digital infrastructure that enhances the competitiveness of the agri value chain. This has been achieved by empowering farmers through price

discovery, knowledge, information as well as agricultural best practices. A hub and spoke model has been built along with the necessary physical infrastructure that has enabled multi-level aggregation.

Based on the above approach, the Division sourced over 21 lakh tonnes of agri-commodities covering wheat, soya, coffee, potato, fruits, barley, maize, rice, and shrimps from over 20 states to service a range of customers in India and across several countries, including leading brand owners and bulk processors.

### Leaf Tobacco

At ITC's Leaf Tobacco Division, the sustainability framework encapsulates and guides its efforts to create value for the farming community at large and the farm value chain in particular. Working closely with the farming fraternity, ITC has constantly transferred technology from the lab to the land with appropriate crop solutions, apart from pioneering the introduction of High Yielding Varieties. "Model villages" are adopted to drive sustainable community development by empowering Indian farmers through deployment of Good Agricultural Practices (GAPs) to meet customer requirements. The sustainable crop production system enhances crop competitiveness and surplus income generation to the farming community. The sustainable income generation in turn will minimise vulnerability and drive overall village development.

ITC's Agri Business Division has been continuously investing in strengthening capability through multiple sourcing models, customised and identity preserved supply chain infrastructure and network, processing and warehousing tie-ups, technology enabled systems and processes and people capabilities





Enabled by a team of agronomists, agriculture experts, engineers and development managers, the sustainability initiative has helped in substantially improving the quality table of the Indian tobacco basket. The key strategy of ITC's farmer empowerment programme is integrated resource deployment. Multiple interventions are grounded in the model villages (i) Crop development for ensuring higher productivity, product quality & integrity (ii) Farm sustainability for ensuring environment sustainability (iii) Research & Development for developing next best practices and (iv) Community development for building rural infrastructure. The integration aims at achieving higher farmer income, improved crop saleability, optimum resource utilisation and complete custody of supplies within the auction system thereby moving from Sustainable Crop Production to Sustainable Livelihoods.

Initiatives pertaining to enhancement of farmer profitability which are essential for the pursuit of a sustainable living for the farm communities are implemented across tobacco growing regions. These include climate resilient seedling production, integrated pest management practices ensuring compliance to regulation with high product integrity and customised crop advisory via mobile phone, disseminated to around 17,000 farmers.

From an environment protection point of view, initiatives pertaining to soil conservation, popularising the use of organic amendments and techniques on soil fertility management towards reducing chemical fertilizer use are propagated. Towards sustainable fuel management, ITC has adopted a three pronged approach in tobacco farm value chain – introduction of fuel efficient technologies, alternate fuel usage and self-sustenance through energy plantations. In 2014-15 around 10,000 hectares of energy plantations have been undertaken around the tobacco growing regions.

For further details about our relationship with the agri-supply chain, please refer to 'Social Investments – Mission Sunehra Kal' section in this Report.

## Sustainability in the Value Chain

Since ITC is vertically integrated to a large extent, it provides unique opportunities for establishing synergy and thereby minimising environmental impacts through optimum utilisation of raw materials, reuse/ recycling of wastes and optimum logistics. As explained earlier, agri-commodities being the key raw materials for most of ITC's businesses, they are accorded prime focus for addressing supply chain issues. ITC's interventions in this domain along with



Since ITC is vertically integrated it provides unique opportunities for establishing synergy and thereby minimising environmental impacts through optimum utilisation of raw materials, reuse/ recycling of wastes and optimum logistics

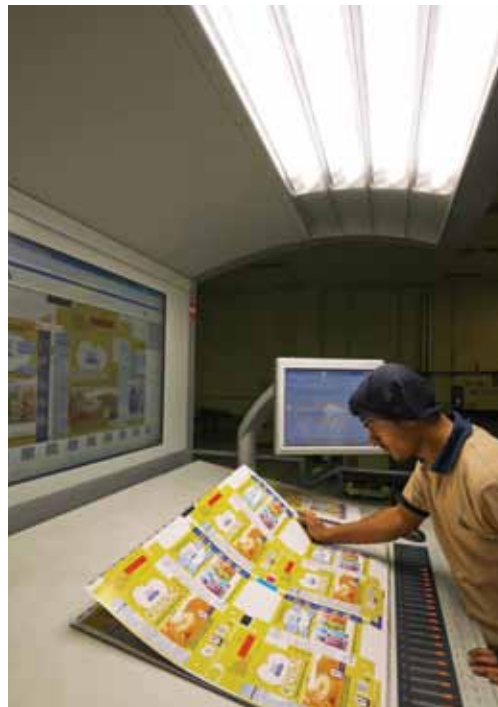


community development initiatives have not only supported sustainable agricultural practices but also contributed to sustainable livelihood creation for farmers. Thus, material sustainability issues specific to environment have been taken care of to a large extent. In addition, ITC's sustainability policies, for which each Business has developed specific phase-wise implementation plans, and associated code of conduct for vendors and suppliers provide the necessary framework to deal with aspects associated with labour practices, human rights, bribery, corruption, occupational health, safety and environment in the entire value chain.

Further, in line with the overall strategy to embed the principles of sustainability, as far as practicable, into the various stages of product or service life-cycle, ITC initiated life cycle assessments (LCA) of its products & services in 2010 with an objective to evaluate the impacts and identify areas for improvement in the value chain. So far, LCAs have been carried out for selected product categories from Paperboards & Specialty Papers, Packaging & Printing and the Lifestyle Retailing Businesses which have helped in identifying broad areas for improvements within as well as beyond ITC's boundary. These assessments have been followed up with detailed studies which in turn have provided concrete solutions towards more efficient packaging designs, loading efficiencies and consequent reduction in transportation costs/GHG emissions/energy use. ITC will continue to work in this direction, in line with its Policy on Life-cycle Sustainability, to identify the opportunities for improvement in the value chain and take appropriate measures for optimisation.

In line with its commitment to extend the Triple Bottom Line philosophy along our supply chain, ITC, as a preliminary step in 2013-14, started including the Notebooks manufacturers of ESPB which contributed to around 90% of the total business of ESPB, within the reporting boundary. The material aspects of these exclusive TPMs are included in this Report. During the year, engagements were made with these key supply chain partners to enhance their environmental and social performance. Specific guidelines

had been prepared for the Notebook manufacturers and Agarbatti Units, to help them mitigate the various environmental and safety risks associated with their operations. Similarly, efforts have been extended to train our Wholesale Distributors' employees on 2-wheeler safety. Going forward, ITC will continue to make efforts and provide support to its supply chain members in these aspects. In 2013-14, ATC Limited, an associate company had been brought within the reporting boundary, where support had been extended in implementing systems and process to improve the sustainability performance of its manufacturing operations. Further, as committed in last year's Sustainability Report, 2 TPMs of the Cigarettes Business have been included in this year's reporting boundary and necessary knowledge support was provided in specific areas like energy and water conservation, material utilisation, etc.



## The Road Ahead

ITC will continue to work along with the supply chain partners in line with its policies to enhance their understanding and performance on sustainability aspects. Businesses will progressively move towards monitoring the performance of key supply chain partners on identified material aspects and reporting on them.

Life cycle assessments have been carried out for selected product categories from Paperboards & Specialty Papers, Packaging & Printing and the Lifestyle Retailing Businesses which have helped in identifying broad areas for improvements



## Major Awards and Accolades – 2014-15

- ITC was ranked as “India’s Most Admired Company” in a survey conducted by Fortune India magazine and Hay Group.
- ITC featured among the top 3 Companies in terms of corporate reputation in the 2014-15 Nielsen Corporate Image Monitor. It has also retained the top position in terms of being ‘the most active in CSR’ for the fourth year in a row.

## Certifications, Honours and Awards

- ITC Chairman Mr Y C Deveshwar was conferred the Indian Visionary – Business Leader Award by The Economic Times, India’s leading business daily, for being the country’s most visionary corporate leader who has made “significant contribution to business growth, organisational transformation and setting forth examples of industry initiatives and trends”.
- Chairman Mr Y C Deveshwar was conferred the Management Man of the Year Award by the Bombay Management Association (BMA), one of India’s oldest and premier Management Associations. The award was conferred on Mr Deveshwar in recognition of his contribution to entrepreneurship, the management movement and Indian Industry.
- ITC was voted the ‘Buzziest Brand’ in the ‘Corporate’ category by afaqs, one of the world’s largest marketing and advertising portals. In addition ‘Sunfeast’ and ‘Vivel’ were voted ‘Buzziest Brands’ in the Foods and Personal Care categories, respectively.
- ITC received the CSR Impact Award in the ‘Livelihoods’ category, conferred by NGOBOX, Asia’s biggest development sector platform.
- ITC was conferred the Legal Era IP Award for the “Best IP Team of the Year- FMCG”.
- ITC’s Foods Business received the ‘Overall Excellence in Procurement Award’ and ‘Outstanding Green Initiative Award’ from Conference Asia.





- ITC was selected as the top Indian company in the “Cigarettes Sector” at the ‘Dun & Bradstreet Corporate Awards, 2014’.
- ITC Hotels won the ‘Best Luxury Hotel Chain of the Year’ award at the 10<sup>th</sup> Hospitality India and Explore the World Annual International Awards.
- ITC’s Education and Stationery Products Brand, ‘Classmate’ was voted the “Most Popular School Accessories Brand” at the ‘Child Most Popular Awards’ 2014.
- ITC’s Packaging & Printing Business won 4 ‘World Star Awards’ from the World Packaging Organisation, 4 ‘Asia Star Awards’ from the Asian Packaging Federation and 17 ‘India Star Awards’ from the Indian Institute of Packaging for excellence in packaging solutions.
- ITC Infotech was accorded the ‘Award for Delivering Business Value in European Outsourcing’ by the European Outsourcing Association (EOA).
- ITC Infotech was featured in the Leader’s Category for the 8<sup>th</sup> consecutive year in the 2014 Global Outsourcing 100 by the International Association of Outsourcing Professionals (IAOP).
- Time Food and Nightlife Awards for ITC Hotels – Pan Asian, Dum Pukht and West View Bar & Grill (ITC Sonar, Kolkata); Peshawri, Chandravanshi Pavilion, Sheesh Mahal and Jal Mahal (ITC Rajputana, Jaipur) and K&K (ITC Grand Central, Mumbai).
- ITC Maratha, Mumbai, was conferred the 13<sup>th</sup> Annual Greentech Safety Award 2014 for excellence in fire & safety management.
- The Central Quality Assurance Laboratory of ITC Foods located at ITC Life Sciences and Technology Centre, Bengaluru has received ‘Certificate of Accreditations’ from the National Board for Testing and Calibration Laboratories (NABL) in both Chemical and Biological (Microbiology) fields, in accordance with ISO 17025 – 2005, certifying the technical competence of the laboratory (personnel and infrastructure).
- ITC Grand Chola was named the ‘Best Business Hotel’ at the 3<sup>rd</sup> Annual Lonely Planet Magazine Travel Awards 2014. The Hotel was also accorded the ‘Signum Virtutis’ (Seal of Excellence) in the Hotels & Resorts category at the Seven Star Global Luxury Awards.
- ITC’s Corporate Communications Department has bagged three First prizes and one Third prize at the prestigious Public Relations Society of India (PRSI) National Awards 2014.
- ITC Limited and Dum Pukht Restaurant at ITC Maurya won the CNBC Awaaz Travel Awards 2014 presented by Madhya Pradesh Tourism. ITC Limited won the “Emerging Trend in Indian Tourism – Responsible and Sustainable Tourism” award, while Dum Pukht won the “Best Dining Experience” award.
- The Kovai Unit of ITC’s Paperboards and Specialty Papers Business received the Tamil Nadu state award for ‘Green Initiatives and Environmental Best Practices’, by the Ministry of Environment, Government of Tamil Nadu, and the Tamil Nadu Pollution Control Board.
- ITC’s Factory at Bengaluru received the ‘Overall Leader’ Award at the Frost & Sullivan Green Manufacturing Excellence Award & Summit 2014.
- ITC’s Units at Bengaluru and Saharanpur received the ‘Platinum’ and ‘Gold’ Awards respectively at the India Manufacturing Excellence Awards (IMEA) instituted by Frost & Sullivan and The Economic Times.
- ITC’s Factories in Bengaluru, Munger and Ranjangaon were conferred the ‘Energy Efficient Unit’ by the Confederation of Indian Industry (CII).
- ITC Windsor, Bengaluru received the ‘National Energy Management Award 2014’, while the Bhadrachalam and Kovai Units of ITC’s Paperboards Business received the ‘Excellent Energy Efficient Unit’ awards from the Confederation of Indian Industry (CII).
- ITC Windsor Bengaluru received the ‘Corporate Sustainability Stewardship Award 2014’ at the Parivartan Sustainability Leadership Summit in recognition of the resource management leadership demonstrated by the hotel.
- ITC’s Unit at Kovai bagged the ‘Award of Honour’ from the National Safety Council.
- ITC’s Unit at Saharanpur and the Packaging & Printing Unit at Munger received the First Prize (Gold) at the 4<sup>th</sup> FICCI Safety System Excellence Awards.
- ITC Hotels received the Business Leadership in Sustainability Award from



ITC was ranked as “India’s Most Admired Company” in a survey conducted by Fortune India magazine and Hay Group

ITC Grand Chola was named the 'Best Business Hotel' at the 3<sup>rd</sup> Annual Lonely Planet Magazine Travel Awards 2014



the World Green Building Council, Asia Pacific Network.

- ITC's Unit at Bhadrachalam won the first prize in a Six Sigma Case Study Contest organised by the Indian Statistical Institute in Bengaluru.

## Major Awards over the Years

- Chairman Mr Y C Deveshwar was conferred the Padma Bhushan by the Government of India (2011).
- Harvard Business Review ranked ITC Chairman Mr Y C Deveshwar as the 7th Best Performing CEO in the World in its January-February 2013 edition.
- Chairman Mr Y C Deveshwar was conferred the Global Leadership Award by the US India Business Council of the US Chamber of Commerce (2010).
- ITC Chairman Mr Y C Deveshwar was conferred the Business Leader of the Year Award by the All India Management Association (AIMA).
- ITC's Chief Financial Officer, Mr Rajiv Tandon, was ranked the 'Best Overall CFO' at the 'Business Today - Yes Bank Best CFO Awards 2013'. He was also declared the winner in the category of 'Sustained Wealth Creation (large companies)'.
- ITC was presented the World Business and Development Award at the historic Rio+20 UN Summit for its Social and Farm Forestry initiative.
- ITC 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 won the prestigious 12<sup>th</sup> Businessworld FICCI CSR Award in the Large Enterprise category. The award recognises the most socially responsible Indian corporates in CSR.
- The FICCI Outstanding Vision Corporate Triple Impact Award, presented by the then 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 Mr Y C Deveshwar received the Business Person of the Year Award from UK Trade & Investment (2006).
- Chairman Mr Y C Deveshwar was awarded the SAM/SPG Sustainability Leadership Award in Zurich (2007).
- The National Award for Excellence in Corporate Governance from the Institute of Company Secretaries of India (2007).
- ITC was ranked 2<sup>nd</sup> among top Indian companies in the first of its kind Standard & Poor Environmental, Social and Corporate Governance ratings (2008).
- ITC ranked 2<sup>nd</sup> among top companies in India and 7<sup>th</sup> 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 6<sup>th</sup> 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 1<sup>st</sup> Indian Company and 2<sup>nd</sup> 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 (2010).
- All ITC's premium luxury hotels accorded LEED® Platinum certification, making ITC Hotels the 'Greenest Luxury Hotel Chain in the World' (2011).
- ITC's Paperboards and Specialty Papers Units at Bhadrachalam, Bollaram, Kovai and Tribeni are FSC Chain of Custody certified (2011).
- ITC's Unit in Bhadrachalam has been awarded the Forest Stewardship Council Forest Management (FSC-FM) certification by the SmartWood Programme of the Rainforest Alliance (2011).

## EHS Certifications

### ISO 14001: Environment Management System

Manufacturing units and Hotels of ITC (except new commissioned units; ITC Grand Bharat, My Fortune, Bengaluru and Foods unit at Malur) and the ITC Life Sciences & Technology Centre at Bengaluru.

### OHSAS 18001: Occupational Health & Safety Management Systems

Manufacturing Units of ITC (except the newly commissioned Foods Unit at Malur)

### SA 8000: Social Accountability

Leaf processing plants at Chirala, Anaparti and Mysuru, Cigarette factory at Kolkata, Packaging and Printing Unit at Tiruvottiyur and Haridwar and ITC Infotech Bengaluru.

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

ITC Maurya, ITC Mughal, ITC Maratha, ITC Grand Central, ITC Sonar, ITC Windsor, ITC Kakatiya, ITC Rajputana, WelcomHotel New Delhi and My Fortune Chennai and Foods Units in Haridwar and Pune.

### LEED® Platinum Rating by US Green Building Council – Existing Building category

Hotels: ITC Maurya, ITC Windsor, ITC Maratha, ITC Grand Central, ITC Mughal, ITC Sonar, ITC Kakatiya and ITC Rajputana.

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

ITC Gardenia, ITC Grand Chola and My Fortune Bengaluru.

### LEED® Platinum Rating by Indian Green Building Council – Green Factory Building

ITC's Units at Saharanpur, Bengaluru, Munger and Pune.

### Green Rating for Integrated Habitat Assessment (GRIHA) by The Energy and Resources Institute (TERI) and Ministry of New & Renewable Energy (MNRE), Government of India

5 star rating for ITC Grand Chola.

### LEED® Gold Rating by Indian Green Building Council

Packaging and Printing Unit at Haridwar and Leaf processing plant at Mysuru.

### FOREST STEWARDSHIP COUNCIL™ - Chain of Custody and Controlled Wood by Rainforest Alliance

Paperboards and Specialty Paper Units at Bhadrachalam, Tribeni, Kovai and Bollaram.

### BEE 5 Star Rating by the Bureau of Energy Efficiency, Government of India

ITC Green Centre at Manesar.

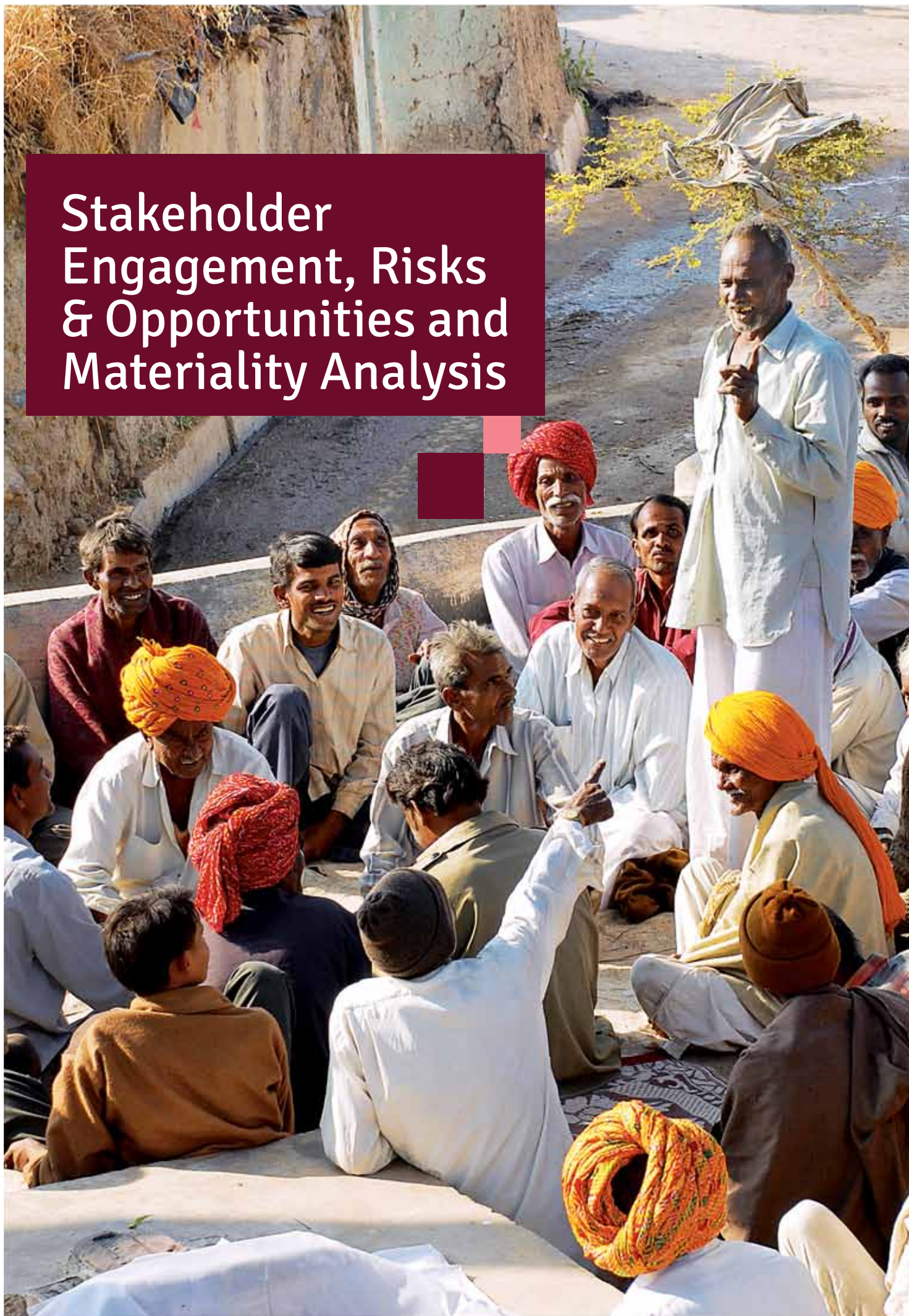
### LEED® Platinum Rating (core & shell) by Indian Green Building Council and LEED® Platinum Rating (commercial interiors) by US Green Building Council

ITC Green Centre at Manesar.





# Stakeholder Engagement, Risks & Opportunities and Materiality Analysis





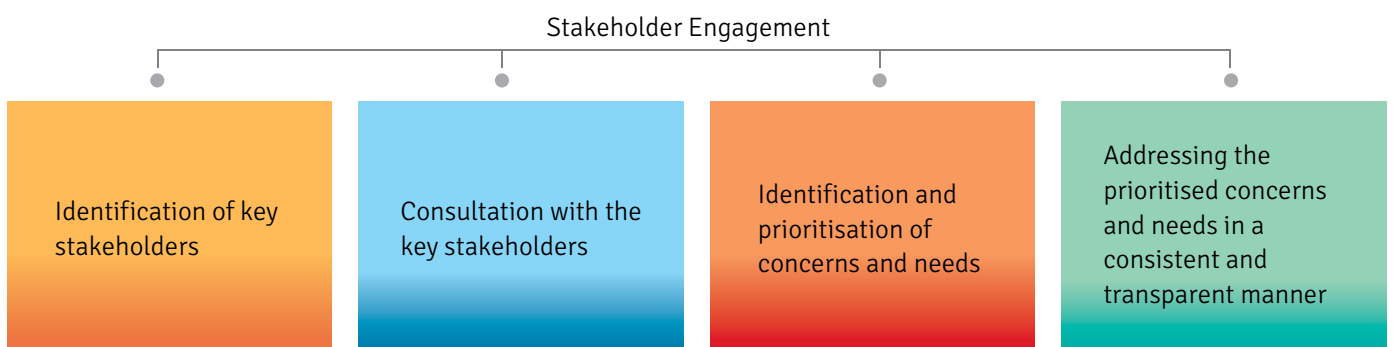
# Stakeholder Engagement

ITC has a structured approach to address stakeholders' concerns, in line with the Company's policy on stakeholder engagement. The approach draws upon the long term stable relationships built with key stakeholders such as shareholders, farmers, customers, suppliers, employees, local communities, regulatory bodies and the media. Recognising that stakeholder engagement is an integral part of enriching partnerships, ITC has institutionalised these existing relationships through appropriate

processes. Targeted consultations are being conducted on a regular basis, with due weightage given to each stakeholder's nature of engagement with the organisation. The stakeholder engagement processes focus on:

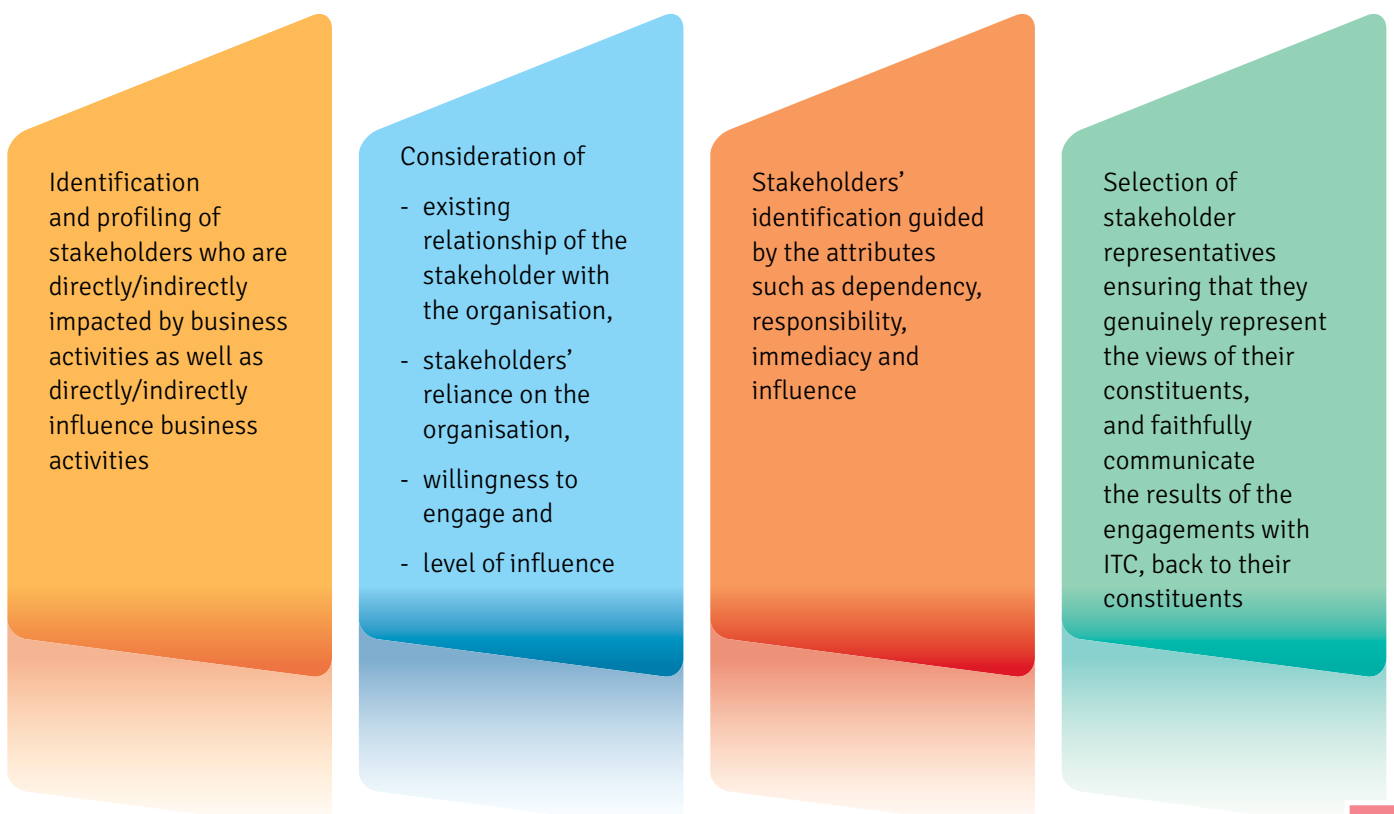
- Transparency and accountability
- Monitoring and tracking of key concerns expressed by those who have been consulted
- Timely reporting back to those consulted on ITC's action plan
- Periodic review of actions taken for redressal of concerns
- Continued integration with materiality identification

## ITC's Process of Stakeholder Engagement



Details of each of the above mentioned steps are elaborated below.

### Identification of Key Stakeholders



## Consultation with Key Stakeholders and Identification of Key Concerns

Highlighted below are the consultation mechanisms with the key stakeholders, together with key concerns, requirements and expectations identified through them.

Stakeholder	Consultation Mechanism	Key Issues
Providers of Financial Capital	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Exclusive section in Corporate Website on 'Shareholder Value' which serves to inform and service shareholders</li> <li>• An exclusive e-mail id: isc@itc.in for direct interaction with shareholders</li> <li>• Regular interventions with institutional investors</li> </ul>	<ul style="list-style-type: none"> <li>• Continued profitability and growth of the organisation</li> <li>• Transparent and effective communications</li> <li>• Investor servicing</li> <li>• Anti-corruption, whistle blower mechanism</li> </ul>
Government and Regulatory Authorities	<ul style="list-style-type: none"> <li>• Representations on policy issues through industry associations and other bodies</li> <li>• Participation in policy advocacy discussions at various forums</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Strong governance</li> <li>• Anti-corruption</li> <li>• Tax revenues</li> <li>• Resource efficiency</li> <li>• Transparency in disclosures</li> <li>• Livelihood generation</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Market surveys</li> <li>• Personal contacts/visits</li> <li>• Personalised lifestyle privilege programme</li> <li>• Customer satisfaction surveys</li> <li>• Joint development and improvement projects</li> <li>• Key account management</li> </ul>	<ul style="list-style-type: none"> <li>• Fair and competitive pricing</li> <li>• Product/service quality</li> <li>• Transparent communication to consumers</li> <li>• Adequate information on products</li> <li>• Product/service availability</li> <li>• Timely delivery of product/service</li> <li>• Maintenance of privacy/confidentiality</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Induction programmes/training workshops</li> <li>• Individual performance appraisal</li> <li>• Employee engagement survey</li> <li>• Grievance handling processes</li> </ul>	<ul style="list-style-type: none"> <li>• Caring and empowering work environment</li> <li>• Personal development and growth</li> <li>• Employee safety</li> <li>• Grievance resolution</li> <li>• Competitive compensation</li> </ul>
Farmers	<ul style="list-style-type: none"> <li>• Regular formal/informal talks</li> <li>• Agreements for all procurement activities</li> <li>• e-Choupal and Choupal Pradarshan Khets (demonstration farms)</li> </ul>	<ul style="list-style-type: none"> <li>• Inputs on agricultural best practices</li> <li>• Know-how on improvement of productivity and profitability</li> <li>• Consistent increase in income generation</li> <li>• Capacity development for further investment</li> <li>• Sustainable &amp; accelerated growth in livelihoods and farm incomes</li> <li>• Responsible sourcing of agri-raw materials</li> </ul>



Stakeholder	Consultation Mechanism	Key Issues
Supply Chain Partners	<ul style="list-style-type: none"> <li>• Manufacturers’ meets</li> <li>• Vendor meets</li> <li>• Pre-agreement negotiations</li> <li>• Agreements for all procurement activities</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge and infrastructure support</li> <li>• Regular communication and updates on business plans</li> <li>• Inclusion of local medium and small scale enterprises in vendor base</li> <li>• Competency development of local vendors</li> <li>• Stability/tenure of relationship</li> <li>• Ordering and payment routines</li> <li>• Purchasing prices</li> <li>• Changes or cancellation of orders</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>• Community needs assessment activities undertaken in collaboration with independent parties/Civil Society Organisations</li> <li>• Formation and regular meetings of village institutions</li> <li>• Public hearings during greenfield/expansion projects</li> <li>• Assessment of direct and indirect impacts of ITC’s social investments on communities</li> </ul>	<ul style="list-style-type: none"> <li>• Community development programmes based on local communities’ needs</li> <li>• Strengthens livelihood opportunities</li> <li>• Improvement of social infrastructure for hygienic and healthy living environment</li> <li>• Dignity of life through economic &amp; social empowerment</li> </ul>
Media	<ul style="list-style-type: none"> <li>• One-on-one Media interactions</li> <li>• Press conferences/Press releases</li> <li>• Advertisements/Promotions</li> <li>• Interviews with Senior Managers</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent and accurate disclosure to stakeholders</li> <li>• Responsible Corporate Citizenship</li> <li>• Corporate Reputation</li> </ul>
Civil Society	<ul style="list-style-type: none"> <li>• Partnership in implementation of CSR Programmes under Mission Sunehra Kal</li> <li>• Discussions on community issues with Civil Society Organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Financial support for community development programmes</li> <li>• Managerial support</li> <li>• Environmental pollution prevention</li> <li>• Safe products and services</li> <li>• Responsible Corporate Citizenship</li> </ul>

ITC has classified its sustainability challenges into two broad categories – those that are influenced by global events, and challenges that are unique to India



## Prioritisation and Addressal of Key Concerns

The sensitivity of an issue to a stakeholder and to ITC, in terms of high/low importance forms the basis of the materiality analysis. Please refer to the Materiality Analysis section for further details.

## Risks and Opportunities: Sustainability Challenges

### Sustainability Risk Portfolio

As a diversified enterprise, ITC has always upheld a system-based approach to business risk management. The Corporate Risk Management Cell works with the Businesses to establish and monitor the specific profiles including strategic, operational, environmental and social risks. The process includes the prioritisation of risks, selection of appropriate mitigation strategies and periodic reviews of the progress on the management of risks. The annual planning exercise requires all Businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. The senior management of the Company also periodically reviews the risk management framework to keep it contemporary and relevant so as to

effectively address the emerging challenges in a dynamic business environment.

Based on the ongoing risk assessments at Businesses level and aggregated at the organisation level, ITC has classified its sustainability challenges into two broad categories – those that are influenced by global events, and challenges that are unique to India.

### Global Challenges

According to the World Economic Forum Report on Global Risks 2015, short term risks that endanger the world today arise as a direct outcome of human action, including interstate conflicts, collapse of states, governance deficits and large-scale terrorist attacks. On the other hand, the list for long term global risks is dominated by those related to physical and environmental issues that have been less prominent in recent headlines, such as climate change and food & water security. Although the importance of these slow-burning issues have been recognised by the world at large, little progress has been made to address them in light of their detrimental and far-reaching consequences for the current and future generations. The expected impact of climate change on the ability to grow food and access water could further exacerbate population migrations, thereby threatening the socio-economic stability of receiving countries.







Another growing concern is unemployment and underemployment further contributing to social and rising socio-economic inequality. This is reflected in the fact that among the members of the Organisation for Economic Co-operation and Development (OECD), the average income of the richest 10% has now grown to about nine times that of the poorest 10%.

The anticipated and real impacts for the above issues amongst developed and developing countries are however vastly different, both in scale and scope. These differences are multi-layered and multi-faceted given the dimensions of the challenges and the socio-economic environment prevailing in different countries. Given this context, countries like India while cognising for the larger global challenges, will have to shape their own sustainability agenda with focus on specific issues that have an immediate and direct impact on the Indian society at large.

### The Indian Context

It becomes essential to understand in this context that while India mirrors many of the global challenges, issues like poverty, social inequities, unemployment, environmental degradation, water and food crises assume even more acute and multi-dimensional characteristics in India. Land pressure for instance, assumes greater significance in India which is home to 17% of the world's

population, with only 2.4% of the world's land share.

Agriculture in India engages around 50 per cent of the country's workforce and supports the livelihoods of 75 per cent of the population living below the poverty line. Ironically however, agriculture today accounts for just about 14 per cent of GDP and therefore, the average farmer's per capita income is less than one-fifth of the rest of the country's average. Such low incomes are a result of a deteriorating natural resource base, disconnected value chains, fragmented and small-size landholdings, weak infrastructure, inadequate knowledge and multiple intermediaries. In addition, around 55% of India's total sown area meets its requirements from rainwater alone. This assumes importance in the face of climate change related challenges of erratic rainfall leading to drought and floods. A majority of the farmers are hence trapped in a vicious cycle of low productivity and low investments. Therefore there is a need to address these challenges by means of ensuring farming population's sustainable access to water, knowledge and other necessary resources, whilst simultaneously arranging for diversifying the income base for India's workforce aligned with Government of India's "Make in India" campaign.

The other risks that India faces are inadequate infrastructure and the failure of urban

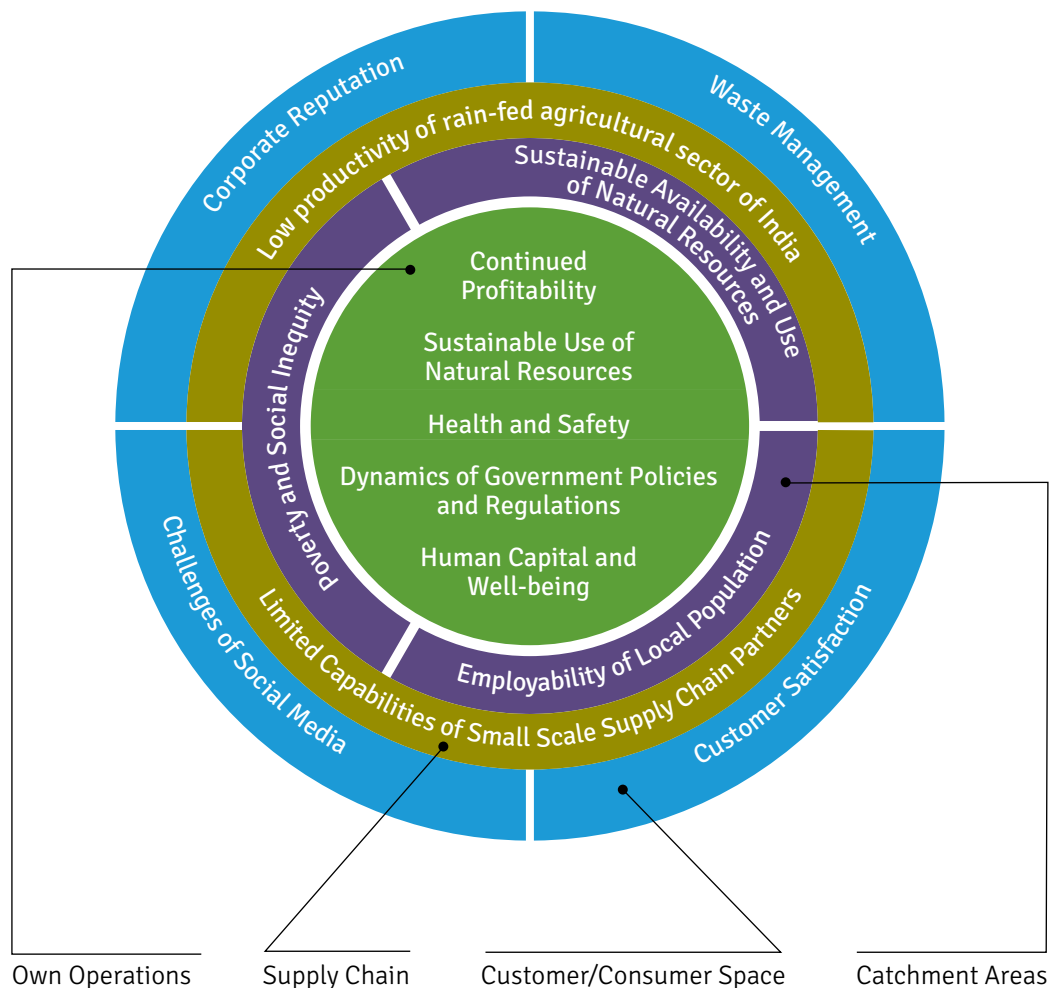


**ITC's operations and markets are India centric and the Company's world-class Indian brands ensure that larger value is created, captured and retained in the country for national development and growth**

planning in the face of rapid urbanisation. As per a World Bank Study “Power for All: ELECTRICITY ACCESS CHALLENGE IN INDIA” published in November 2014, around 311 million people in India still remain without access to electricity. Of these, more than 100 million currently are beyond the reach of the grid and can be reached only by using decentralised household or village systems. On the other hand, rapid urbanisation, increasing population, higher consumption levels and inadequate infrastructure are putting a severe strain on the ecology. A large amount of waste being generated today ends up in landfills, leading to serious concerns of public health and sanitation risks as well as large scale environmental degradation. Negative impacts of urbanisation are also manifest in the pollution of almost all Indian rivers that have been absorbing domestic and industrial sewage and agricultural wastes over the last few decades. Apart from posing a serious health problem to millions of

people that continue to depend on polluted water from rivers, this also endangers the biodiversity dependant on it. It is therefore the need of the hour for the country to invest in basic infrastructure. This will further require enormous resources that can only be generated with a larger focus on livelihood creation and widening of the tax base.

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





Challenges Risks and Opportunities

Own Operations

Continued Profitability

**RISKS**

- High incidence of taxation and a discriminatory regulatory regime on cigarettes has been leading to a significant shift in tobacco consumption to cheaper and revenue inefficient forms like bidis, chewing tobacco etc. and also to cheaper tax-evaded as well as contraband cigarettes.

**OPPORTUNITIES**

- ITC's strength lies in its multiple drivers of growth which leverages its enterprise strengths such as consumer insights, innovative product development, brand building, state-of-the-art manufacturing, efficient supply chain and distribution infrastructure, world-class human capital and sustained investments in R&D.

Sustainable Use of Natural Resources

**RISKS**

- Increased water scarcity may directly impact ITC's Paperboards and Specialty Papers Business which is relatively more water intensive in its operations compared to other ITC Businesses. With continuous decline in ground water and uneven supply of surface water, it may become even more challenging for Businesses to meet their requirements. Disruptions in rainfall patterns will also impact water quality requiring additional treatment and costs before it can become usable. These challenges may bring about further regulatory pressure on water withdrawal.
- Challenges related to energy security due to volatile energy prices and inadequate infrastructure for capitalising on off-site renewable sources of energy in the country.

**OPPORTUNITIES**

- These risks provide an immediate stimuli to focus on energy conservation and maximising contribution from renewable energy sources. This should provide long-term advantages in terms of both reduced costs as well as reliability of support. ITC would also enjoy first mover advantage by developing internal systems and processes to operate in such a natural resource constrained environment.
- Integrated Watershed Development Programme to increase availability of water and recharge aquifers.

Health and Safety

**RISKS**

- While ITC is progressing steadily towards its target of zero accidents of employees within its premises, ITC cognises that accidents while traveling to and from the workplace are on the rise in India, given the steady proliferation of 2 wheelers, the poor conditions of roads and inadequate infrastructure.
- Given ITC's presence in the FMCG and Hospitality sectors, constant vigilance is required to monitor the health and safety impacts of its products and services on consumers.

**OPPORTUNITIES**

- Safe work environment is critical in boosting employee morale and productivity. Apart from best-in-class infrastructure, ITC's opportunity lies in its robust systems that have been developed over the years to ensure safety of employees within ITC premises as well as outside premises. ITC employees can also act as ambassadors for safety and play an individual role in creating awareness on this vital aspect.
- Creating a culture of safety through appropriate behavioural interventions.
- ITC has well established systems and processes to ensure that its products and services are delivered in compliance with national or international standards as relevant. In service sectors such as Hospitality, these strengths have permitted ITC to leverage the market to its advantage.

## Challenges

## Risks and Opportunities

### Dynamics of Government Policies and Regulation

#### RISKS

- The Cigarette industry had to contend with a steep increase in Excise Duty for three years in succession along with discriminatory and punitive increases in Value Added Tax (VAT) rates by some States. Such tax increases undermine the legal domestic cigarette industry by providing a large arbitrage to the tax-evaded and contraband suppliers. This sub-optimises the revenue potential from this sector, diminishes the share of the legal industry besides failing to achieve the objective of tobacco control in the country.
- Strong regulations like Forward Contracts (Regulation) Act were put up to curb excessive speculation in agri-value chain and to allow farmers efficient access to the market without the exploitation of intermediaries. But such regulations today limit sufficient flexibility for farmers and deprive them of maximum value. In addition, regulations like the Essential Commodities Act (ECA), which impose stock limits and curb movements from time to time, create uncertainty in business viability for organisations like ITC with significant dependence on agri-inputs. This acts as a huge deterrent to long-term investments required to build infrastructure like climate-controlled storages and transport facilities to prevent wastage.
- Multi-layered and complicated system of environmental and labour laws in the country reduce overall competitiveness.
- Moreover, possible regulatory measures such as carbon taxes or additional requirements under the Perform, Achieve, Trade (PAT) and Renewable Energy Certificates (REC) schemes can put additional cost burdens.

#### OPPORTUNITIES

- ITC has created strong Indian brands in the cigarettes segment, in the absence of which, the domestic market would have been more vulnerable to the onslaught of smuggled tax evaded cigarettes of foreign origin. Raising the awareness of policy makers and civil society on the menace of illegal and contraband cigarettes, which impact both revenue and livelihoods of farmers would help in enhancing enforcement as well as stemming the rapid increase of the illegal industry. This will lead to eliminating the losses to the exchequer as a result of tax evaded cigarettes, and also help in ensuring that livelihoods of farmers and others in the value chain are not lost.
- ITC engages with industry associations, organisations and other appropriate forums in line with its Policy of Responsible Advocacy. This is aimed to help the formulation of a balanced and pragmatic policy framework that addresses the concerns of the industry.

### Human Capital and Well-being

#### RISKS

- ITC operates in a diversified, ever-changing, highly competitive global landscape. This necessitates the development of a strong, customer responsive world-class human capital base. The challenge of meeting the growing needs of an organisation with the requisite skills co-exists with the challenge of attracting and retaining the best talents given the multitude of options available to skilled professionals.
- There is also a need to nurture harmonious employee relations to enable smooth functioning and productivity enhancement to be able to support the organisation's growth and progress.

#### OPPORTUNITIES

- In order to sustain growth and to continue to deliver value for stakeholders, it is necessary for organisations to recognise human capital as a critical resource base. The over 100-year-old brand value of ITC provides an opportunity to attract talent from premier institutions. Retention of such a talent pool is in turn facilitated through a talent management strategy focused upon building a high quality 'future-ready' pool of managers, specialists and business leaders, supported by significant investments in learning and development and backed by a culture of care and concern.



Challenges Risks and Opportunities

Catchment Areas

Sustainable Availability and Use of Natural Resources

**RISKS**

- Rapid growth in population and unplanned urbanisation has led to consumption of natural resources at a rate far higher than the earth’s capacity to regenerate. Sustainable availability of resources for industrial use as well as domestic consumption could therefore be a risk in the catchment areas of ITC.

**OPPORTUNITIES**

- ITC’s deep rooted stakeholder centric approach and understanding of interdependence of social and environmental aspects have enabled ITC to be a pioneer in identifying sustainability issues beyond the horizon and taking necessary actions. This is manifested in integrated watershed development as well as afforestation programmes initiated by ITC more than a decade ago for ensuring augmentation of natural resources and enabling higher productivity, creating a green cover and restoring soil health.

Employability of local population

**RISKS**

- Lack of proper education and inadequate availability of requisite skills in local population, especially from disadvantaged sections of society in the catchment areas is a challenge faced by most of ITC’s manufacturing units. This points to the compelling need to create a large pool of skilled human resources from among the local populace.

**OPPORTUNITIES**

- ITC’s deep engagement with rural communities, which has been enhanced by the co-creation of economic opportunities, has helped in forging strong relationships. This provides an opportunity to enhance gainful livelihoods of local population.
- ITC’s partnership with local Industrial Training Institutes and agencies that impart vocational training on skills related to sales & distribution, hospitality, construction and technology acts as an opportunity to enhance the employability of youth from disadvantaged sections of society in the catchment areas of ITC operations.

Poverty and Social Inequity

**RISKS**

- 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 with fragmented landholdings, mainly in rain-fed agriculture regions, where the production regime is inherently fragile and getting more so due to a number of factors.

**OPPORTUNITIES**

- ITC’s innovative development models based upon the foundation of its deep rooted stakeholder centric approach, provide the opportunity of simultaneous generation of sustainable livelihood as well as creation of positive environmental footprint. Such models unleash strong drivers for achieving development with social equity. The Company’s approach to develop the competitiveness of value chains of which it is a part enables the creation of long term drivers that address the problem of social inequities.

Challenges

Risks and Opportunities

Supply Chain

Low productivity of rain-fed agricultural sector of India

**RISKS**

- ITC operates across the agri value chain of 19 crops and is present in 18 states with substantial investments in resource intensive models that entail heavy capital infrastructure. Since around 55% of India's total sown area meets its requirements from rainwater alone, climate change generated environmental challenges aggravate the risks of low productivity of agricultural sector of India, in turn impacting sustainability of agri based businesses.
- Low productivity risks are compounded by absence of focussed incentivisation of precision farming, micro-irrigation, watershed development and power-efficient farm mechanisation.
- There are inadequacies in the policy framework required to boost the provision of rural infrastructure so that wastage can be eliminated and farmers can receive better returns.
- Furthermore, absence of crop and weather insurance reduce the risk-taking capability of the small-scale farmers for investment in infrastructure improvement.

**OPPORTUNITIES**

- Owing to long standing presence in the agri-commodities market of the country, ITC has created a rich knowledge pool of agri-based interventions in terms of infrastructure, connectivity, price discovery, market access and farm productivity. ITC's close connect with the grass root level and effective dissemination of critical information provide opportunities for ITC to address the challenges in its agri-value chain.

Limited Capabilities of Small Scale Supply Chain Partners

**RISKS**

- ITC's supply chain comprises of a large number of small-scale partners many of whom operate under limiting circumstances in terms of their ability to invest in efficient technologies and their necessity to rely on labour intensive practices.

**OPPORTUNITIES**

- ITC's long presence in the Indian market has helped in understanding the pulse, strengths, weaknesses and concerns of its supply chain partners, especially the rural population. This in turn has helped in forging strong relationships with supply chain partners and in capacity building of these partners for overcoming their own limitations and maximising value.

Customer/Consumer Space

Waste Management

**RISKS**

- Average per capita waste generation of India is lower than that of OECD countries or even other Asian countries. However, the Indian industry is facing increasing pressure on packaging waste, which highlights the need for more effective solid waste management.
- Inadequate solid waste management systems result in a large amount of wastes being generated today to end up in landfills. Heaps of unattended waste, foraged by cattle and rag-pickers alike, have become a common sight both in urban and rural areas of the country.
- Public concerns on inadequate solid waste management across rural and urban India can initiate regulatory attention on product packaging.

**OPPORTUNITIES**

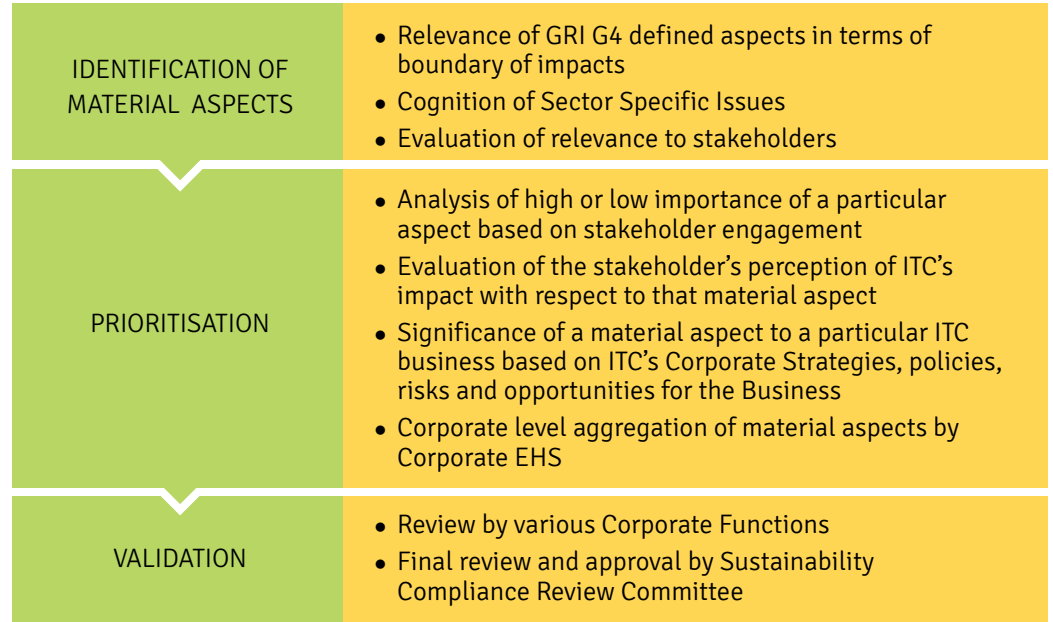
- ITC's deep rooted stakeholder centric approach and understanding of interdependence of social and environmental aspects have enabled ITC to be a pioneer in identifying sustainability issues beyond the horizon and taking necessary actions. This is reflected in the fact that fibre for the Kovai Unit of Paperboards and Speciality Papers Business of ITC, is sourced from recycled waste. Given ITC's century old significant presence in the country and its close connect with the grass root level change makers, ITC has the opportunity to propagate waste segregation at source at all levels of society and to facilitate effective collection mechanism whilst generating livelihood for rag-pickers.



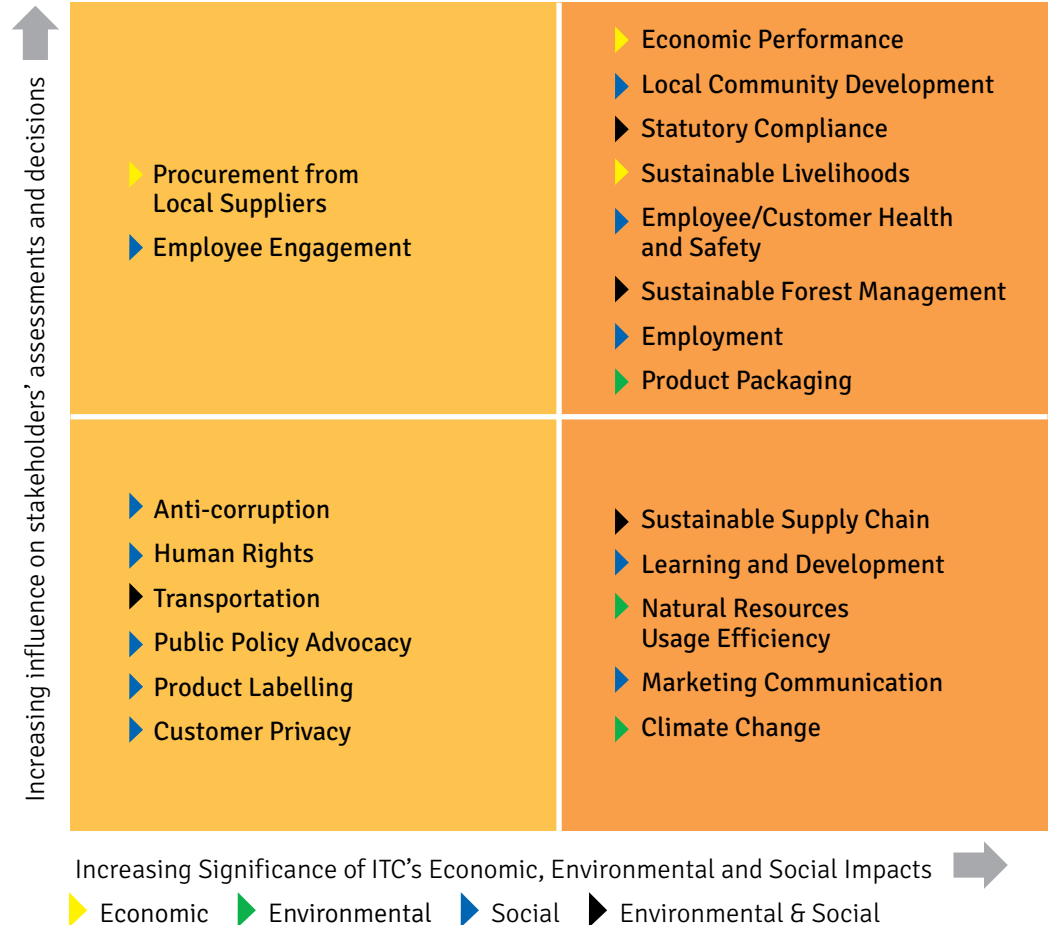
Challenges	Risks and Opportunities
Corporate Reputation	<p><b>RISKS</b></p> <ul style="list-style-type: none"> <li>• Inadequate information or misrepresentation, especially in the media, can impact corporate reputation.</li> <li>• Adverse coverage or feedback on ITC’s brands and Businesses can impact brand salience in the minds of the consumer/customer.</li> </ul> <p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• ITC’s structured media engagement plan comprises an array of activities including press releases/ statements, media interviews by top management, media coverage of important corporate and business milestones and regular presentations to senior media editors. In addition, presentations are also made to key stakeholders backed by publications on various issues. These provide an opportunity to the senior management team to effectively engage with stakeholders on issues relating to ITC’s products, services, initiatives and business practices.</li> <li>• During the year, perception surveys have led to ITC being ranked as the ‘Most Admired Indian Company’ by Fortune India magazine. The latest Nielsen Corporate Image Monitor also lists ITC among the top 3 companies in India in terms of reputation.</li> </ul>
Social Media	<p><b>RISKS</b></p> <ul style="list-style-type: none"> <li>• The explosion of Social Media, namely web applications like Facebook, Instagram and Twitter, which allow individuals to form virtual communities of common interest and link up with people across the globe to share news, views, visuals and videos, is posing a new challenge to organisations.</li> <li>• Being unregulated, social media allows the instant dissemination of information globally without any mechanism to verify or authenticate the flow of information. This creates the possibility of spreading misinformation that can impact consumer behaviour as well as corporate reputation.</li> </ul> <p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• ITC has created its own presence in social media leveraging publicly available web applications as well as creating dedicated branded web applications to disseminate information about the organisation and its brands in the digital space.</li> <li>• ITC’s corporate Twitter handle, @itccorpcom provides an opportunity to engage in the social media space. In addition, ITC has created customised apps for mobile phones to provide superior and transparent access to information to its stakeholders. ITC’s Facebook page, Hub and Scope has created a community to also engage with potential employees. Several ITC brands like Bingo!, Yippee!, Wills Lifestyle and Engage have a social media presence to constantly interact with their respective target audiences.</li> </ul>

## Materiality Analysis

ITC's materiality matrix enabled the design of the content of this Report so as to provide a reasonable and balanced picture of the organisation's Triple Bottom Line impacts and its performance. ITC's materiality analysis is based upon the following three pronged approach.



## Materiality Matrix





## Disclosure on Material Aspects

Sl. No.	Material Aspects	Details Available in Sections
1	Economic Performance	Economic Performance
2	Sustainable Livelihoods	Economic Performance Social Investments – Mission Sunehra Kal
3	Procurement from Local Suppliers	Economic Performance
4	Climate Change	Energy Air Emissions
5	Natural Resources Usage Efficiency	Energy Water Management Recycling and Waste Management Raw Materials
6	Product Packaging	Product Responsibility Recycling and Waste Management
7	Transportation	Energy Air Emissions
8	Sustainable Forest Management	Raw Materials Biodiversity
9	Sustainable Supply Chain	Supply Chain
10	Statutory Compliance	Product Responsibility
11	Employment	Labour Practices & Decent Work and Human Rights
12	Learning and Development	Labour Practices & Decent Work and Human Rights
13	Employee Engagement	Labour Practices & Decent Work and Human Rights
14	Human Rights	Labour Practices & Decent Work and Human Rights
15	Local Community Development	Economic Performance Social Investments – Mission Sunehra Kal
16	Social Infrastructure	Economic Performance Social Investments – Mission Sunehra Kal
17	Anti-corruption	Governance Structure
18	Public Policy Advocacy	Responsible Advocacy
19	Employee/Customer Health and Safety	Occupational Health and Safety Product Responsibility
20	Product Labelling	Product Responsibility
21	Marketing Communication	Product Responsibility
22	Customer Privacy	Product Responsibility

# Report Profile, Scope and Boundary



The 12<sup>th</sup> Sustainability Report of the Company covers the sustainability performance for the period from April 1, 2014 to March 31, 2015. ITC reports its performance on an annual basis and the last Sustainability Report was published in June 2014.

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

The contact point for any clarifications on the Report or for requesting additional copies of this Report is Corporate Communications Department at the above address or e-mail: [enduringvalue@itc.in](mailto:enduringvalue@itc.in).

The reporting principles and methodology are in accordance with the “Comprehensive” option of the fourth generation Global Reporting Initiative (GRI) Sustainability Reporting Guidelines – G4. The Reporting Principles and Standard Disclosures and the Implementation Manual of the GRI-G4 Reporting Guidelines have been followed. The relevant aspects/indicators from GRI-G4 Food Processing Sector Supplement have also been considered while reporting the Foods Business performance.

This Report highlights the Triple Bottom Line dimensions that reflect the organisation’s significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders.

ITC’s Businesses/Units continue to proactively engage with key stakeholders, who either have a major interest or are significantly affected by the Company’s operations, products or services. The details on stakeholder engagement are covered elsewhere in the Report.

In line with ITC’s Policy on Responsible Sourcing, the Company continues its efforts to influence sustainability practices along the value chain with the intent to cover all significant supply chain partners in the years to come. In the current year, ITC has incorporated in this Report, the performance of 22 exclusive Third Party Manufacturers (TPMs) catering to the Notebooks segment of Education and Stationery Products Business and 2 TPMs of Cigarettes Business and ATC Limited, an associate company of ITC.

The economic performance reported here is excerpted from the Company’s



Report & Accounts (R&A) 2015, audited by independent External Auditors – M/s Deloitte Haskins & Sells.

The data in the environment & social sections of the Report is based on actual performance of the various businesses, factories, hotels and large offices of the Company, TPMs and subsidiary companies as detailed in the reporting boundary. An Integrated Sustainability Data Management System established in the Company to collect, collate and analyse environmental and social data, along with strong internal controls, support overall integrity and credibility of the disclosures in the Report.

In order to obtain an objective and impartial assurance on the Report, ITC has been seeking the same from third party agencies on all its Sustainability Reports since it started reporting in 2004. In the current year, authenticity of the data and systems disclosed in Sustainability Report 2015 and conformance with ‘in accordance’ – comprehensive requirements of the GRI G4 guidelines has been verified by M/s KPMG, an independent third party assurance provider. They have conducted the assurance engagement as per the International Standard for Assurance Engagements (ISAE) 3000 and have provided assurance, at a ‘reasonable level’, the statement of which forms a part of this Report. The assurance statement by M/s KPMG covers the summary of the work performed, the manner in which the assurance engagement has been conducted, the extent to which ITC has applied GRI G4 Guidelines and the conclusions on the Report.



The reporting principles and methodology are in accordance with the “Comprehensive” option of the fourth generation Global Reporting Initiative (GRI) Sustainability Reporting Guidelines – G4



This Report highlights the Triple Bottom Line dimensions that reflect the organisation's significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders



## Reporting Boundary

ITC Head Office: Kolkata (West Bengal)

### FMCG

#### Trade Marketing and Distribution (TM&D):

TM&D Head Quarters: Kolkata (West Bengal)

#### Cigarettes Business:

Divisional Head Quarters: Kolkata (West Bengal)

#### Units at:

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

Third Party Manufacturers – 2 nos.

### FMCG - Others

#### Foods Business:

Divisional Head Quarters: Bengaluru (Karnataka)

#### Units at:

Haridwar (Uttarakhand), Pune (Maharashtra) and Malur (Karnataka)

#### Personal Care Products Business:

Divisional Head Quarters: Kolkata (West Bengal)

#### Units at:

Haridwar (Uttarakhand) and Manpura (Himachal Pradesh)

#### Education and Stationery Products Business:

Divisional Head Quarters: Chennai (Tamil Nadu)

Third Party Manufacturers of Notebooks – 22 nos.

#### Matches and Agarbattis Business:

Divisional Head Quarters: Chennai (Tamil Nadu)

### Hotels

Divisional Head Quarters: ITC Green Centre, Gurgaon (Haryana)

#### Hotels:

- ITC Maurya (New Delhi)
- ITC Maratha (Mumbai)
- ITC Grand Central (Mumbai)
- ITC Sonar (Kolkata)
- ITC Mughal (Agra)
- ITC Grand Bharat (Gurgaon)
- ITC Windsor (Bengaluru)
- ITC Gardenia (Bengaluru)
- ITC Rajputana (Jaipur)
- ITC Grand Chola (Chennai)
- My Fortune Chennai
- My Fortune Bengaluru
- WelcomHotel Sheraton New Delhi





## Leaf Tobacco Business

Divisional Head Quarters: Guntur  
(Andhra Pradesh)

### Units at:

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

## Agri Business

Divisional Head Quarters: Hyderabad  
(Telangana)

## Paperboards and Specialty Papers Business

Divisional Head Quarters: Hyderabad  
(Telangana)

### Units at:

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

## Packaging and Printing Business

Divisional Head Quarters: Chennai  
(Tamil Nadu)

### Units at:

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

## Lifestyle Retailing Business and Others

Lifestyle Retailing Business Head Quarters at ITC Green Centre, Manesar (Haryana),

ITC Life Sciences & Technology Centre, Bengaluru (Karnataka),

Central Projects Organisation, Bengaluru (Karnataka)

## Subsidiaries

### ITC Infotech India Limited:

#### Units at:

Bengaluru (Karnataka) and Kolkata (West Bengal)

### Srinivasa Resorts Limited:

Hotel: ITC Kakatiya, Hyderabad (Telangana)

### Bay Islands Hotels Limited:

Hotel: Fortune Resort Bay Island, Port Blair

### Landbase India Limited:

Classic Golf Resort, Gurgaon

## Associates

### ATC Limited,

Unit at Hosur (Tamil Nadu)



The data in the environment & social sections of the Report is based on actual performance of the various businesses, factories, hotels and large offices of the Company, TPMs and subsidiary companies as detailed in the reporting boundary

The following subsidiaries included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2015.

Names of Subsidiaries	Remarks
Fortune Park Hotels Limited	*
Surya Nepal Private Limited	*
BFIL Finance Limited	@
MRR Trading & Investment Company Limited (a 100% subsidiary of ITC Investments & Holdings Limited)	@
Russell Credit Limited	@
Greenacre Holdings Limited (a 100% subsidiary of Russell Credit Limited)	@
Wimco Limited	*
Prag Agro Farm Limited	*
Pavan Poplar Limited	*
Technico Pty Limited	*
Technico Technologies Inc. (a 100% subsidiary of Technico Pty Limited)	*
Technico Agri Sciences Limited (a 100% subsidiary of Technico Pty Limited)	*
Technico Asia Holdings Pty Limited (a 100% subsidiary of Technico Pty Limited)	*
Technico Horticultural (Kunming) Co. Limited (a 100% subsidiary of Technico Asia Holdings Pty Limited)	*
ITC Infotech Limited (a 100% subsidiary of ITC Infotech India Limited)	*
ITC Infotech (USA), Inc. (a 100% subsidiary of ITC Infotech India Limited)	*
Pyxis Solutions, LLC. (a 100% subsidiary of ITC Infotech (USA), Inc.)	*
Wills Corporation Limited	@
Gold Flake Corporation Limited	@
King Maker Marketing, Inc.	@
WelcomHotels Lanka (Private) Limited	*
ITC Investments and Holdings Limited	@
North East Nutrients Private Limited	*



The following Jointly controlled entities (incorporated Joint Ventures) included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2015:

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



The following Group's Associates included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2015:

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

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

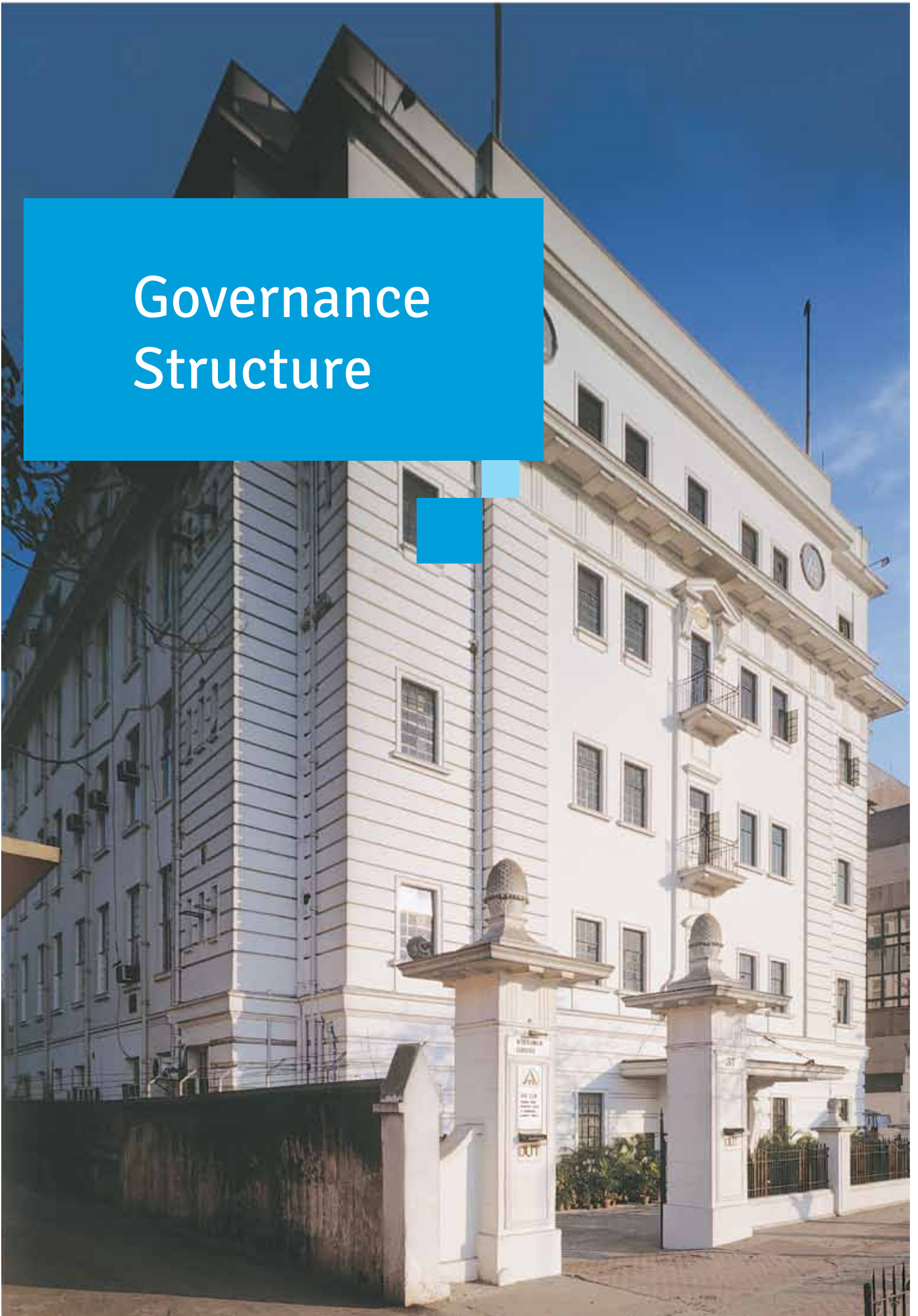
# These entities will be progressively included within the reporting boundary, as part of ITC's supply chain, based on identified material aspects.

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



In order to obtain an objective and impartial assurance on the Report, ITC has been seeking the same from third party agencies on all its Sustainability Reports since it started reporting in 2004

# Governance Structure



The Company's 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

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



## Board of Directors

The ITC Board is a balanced Board comprising Executive Directors and Non-Executive Directors, including Independent Directors.

### Selection of Directors

The Nomination & Compensation Committee of the Board approved the criteria for determining qualifications, positive attributes and independence of Directors

as required under the Companies Act, 2013 and the Rules thereunder. The Governance Policy of the Company also *inter alia* requires that Non-Executive Directors, including Independent Directors, be drawn from amongst eminent professionals with experience in business/finance/law/public administration & enterprises. The Board Diversity Policy of the Company requires the Board to have balance of skills, experience and diversity of perspectives appropriate to



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

Directors are appointed/re-appointed with the approval of the Shareholders for a period of three to five years or a shorter duration, in accordance with retirement guidelines as determined by the Board from time to time. The initial appointment of Executive Directors is normally for a period of three years. All Directors, other than Independent Directors, are liable to retire by

rotation unless otherwise approved by the Shareholders or provided under any statute.

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

## Composition of the Board

The strength of the Board as on 31st March, 2015, was sixteen, of which four were Executive Directors and eight Independent Directors. The composition of the Board, including other Directorship/Committee membership of Directors was as follows:

Director	No. of other Directorship(s) <sup>1</sup>	No. of Membership(s) [including Chairmanship(s)] of Board Committees of other companies <sup>2</sup>
<b>Executive Directors</b>		
Y. C. Deveshwar	1	Nil
N. Anand	8	Nil
P. V. Dhobale	Nil	Nil
K. N. Grant	2	Nil
<b>Non-Executive Directors – Independent Directors</b>		
A. Baijal	5	2 [as Chairman]
S. Banerjee	Nil	Nil
A. Duggal	5	3 [including 1 as Chairman]
S. H. Khan	7	9 [including 4 as Chairman]
S. B. Mathur	12	5
P. B. Ramanujam	Nil	Nil
S. S. H. Rehman	Nil	Nil
M. Shankar (Ms.)	1	Nil
<b>Non-Executive Directors – Others</b>		
A. V. Girija Kumar	Nil	Nil
R. E. Lerwill	Nil	Nil
S. B. Mainak	6	Nil
K. Vaidyanath	Nil	Nil

1. Excludes Directorship in Foreign Companies and Membership of Managing Committees of Chambers of Commerce/Professional Bodies.

2. Denotes Membership/Chairmanship of Audit Committee and/or Stakeholders Relationship Committee of Indian Public Limited Companies.



ITC's Governance Policy requires the Board to meet at least six times in a year. During the year, seven meetings of the Board were held.

## Board Committees

Currently, there are five Board Committees – the CSR and Sustainability Committee, the Audit Committee, the Nomination & Compensation Committee, the Securityholders Relationship Committee and the Independent Directors Committee.

### CSR and Sustainability Committee

The CSR and Sustainability Committee presently comprises the Chairman of the Company and four Non-Executive Directors, one of whom is an Independent Director. The Chairman of the Company is the Chairman of the Committee.

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

recommends to the Board the annual CSR Plan of the Company in terms of the statute. The Committee also reviews the Business Responsibility Report of the Company.

The CMC has constituted a Sustainability Compliance Review Committee, which presently comprises eight members - an Executive Director, two CMC members and five senior members of management. The role of the Committee, *inter alia*, includes monitoring and evaluating compliance with the Sustainability Policies of the Company and placing a quarterly report thereon for review by the CMC.

### Audit Committee

The Audit Committee presently comprises five Non-Executive Directors, four of whom are Independent Directors. The Chairman of the Committee is an Independent Director. The Executive Director representing the Finance function, the Chief Financial Officer, the Head of Internal Audit and the representative of the Statutory Auditors are Invitees to meetings of the Audit Committee. The Head of Internal Audit, who reports to the Audit Committee, is the Co-ordinator, and the Company Secretary is the Secretary to the Committee. The representatives of the Cost Auditors are invited to meetings of the Audit Committee whenever matters relating to cost audit are considered.



The CSR and Sustainability Committee, *inter alia*, reviews, monitors and provides strategic direction to the Company's CSR and sustainability practices towards fulfilling its Triple Bottom Line objectives



## Nomination & Compensation Committee

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

## Securityholders Relationship Committee

The Securityholders Relationship Committee presently comprises four Directors. The Chairman of the Committee is a Non-Executive Director.

## Independent Directors Committee

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

Note: Further details of the Board Committees are available in the 'Report on Corporate Governance' section of ITC's Report & Accounts 2015.

## Chair of the Highest Governance Body

The Chairman is the Chief Executive of the Company. He is the Chairman of the Board and the CMC. His primary role is to provide

leadership to the Board and the CMC for realising Company goals in accordance with the charter approved by the Board.

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 Chief Executive Officer of the Company is therefore generally chosen from amongst the executive management of the Company. The current Chief Executive Officer of the Company is also the Chairman of the Board.

## Avoidance of Conflicts of Interest

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



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



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

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

## Performance of the Highest Governance Body

ITC believes that a Board, which is well informed/familiarised with the Company, can contribute significantly to effectively discharge its role of trusteeship in a manner that fulfils stakeholders' aspirations and societal expectations. In pursuit of this, the Directors are updated on a continuing basis on changes/developments in the domestic/global corporate and industry scenario including those pertaining to statutes/legislations and economic environment, to enable them to take well informed and timely decisions. The Directors are also kept abreast on all business related matters, risk assessment & minimisation procedures, and new initiatives proposed by the Company.

The Nomination & Compensation Committee has approved the Policy on Board evaluation, evaluation of Board Committees' functioning

and individual Director evaluation. In keeping with ITC's belief that it is the collective effectiveness of the Board that impacts Company performance, the primary evaluation platform is that of collective performance of the Board as a whole. Board performance is assessed against the roles and responsibilities of the Board as provided in the statute read with the Company's Governance Policy. The parameters for Board performance evaluation have been derived from the Board's core role of trusteeship to protect and enhance shareholder value as well as fulfil expectations of other stakeholders through strategic supervision of the Company. Evaluation of functioning of Board Committees is based on discussions amongst Committee members and shared by each Committee Chairman with the Board. Individual Directors are evaluated in the context of the role played by each Director as a member of the Board at its meetings, in assisting the Board in realising its role of strategic supervision of the functioning of the Company in pursuit of its purpose and goals.

The Board determines the remuneration of the Chairman and other Executive Directors, on the recommendation of the Nomination & Compensation Committee; remuneration of the Directors is subject to the approval of the shareholders. Such remuneration is linked to the performance of the Company in as much as the performance bonus of Executive Directors is based on various qualitative and quantitative performance criteria. Such criteria also includes the Company's contribution with respect to sustainable development of the society/nation & social investments and sensitivity to environment.

Remuneration to 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 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.

The parameters for Board performance evaluation have been derived from the Board's core role of trusteeship to protect and enhance shareholder value as well as fulfil expectations of other stakeholders through strategic supervision of the Company



## Remuneration and Incentives

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

The ratio of remuneration of the highest paid employee to the median remuneration for the year 2014-15 was 439:1. The ratio of the annual increase (percentage) in Total Compensation of the highest paid employee to the median annual increase (percentage) in Total Compensation of all employees (excluding the highest paid employee) was 23:14 in FY 2014-15.

Remuneration includes salary, performance bonus, allowances & other benefits/applicable perquisites except contribution to the approved Group Pension under the defined benefit scheme and Gratuity Funds and provisions for leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013. Stock Options have been granted to the Directors and Employees under the Employee Stock Option Schemes of the Company at 'market price' [within the meaning of the erstwhile SEBI (Employee Stock Option Scheme and Employee Stock

Purchase Scheme) Guidelines, 1999]. The Company has not incurred any expenditure for this purpose which can be ascribed to any Director or Employee.

## Ethics and Integrity

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

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

The ITC Code of Conduct is displayed on the Company's corporate website and is shared with employees at the time of their induction into the Company. A system has also been put in place to get employees to read and



ITC's Code of Conduct is anchored in three core principles – good corporate governance, good corporate citizenship and exemplary personal conduct in relation to the Company's business and reputation



sign-off ITC's Sustainability Policies and the ITC Code of Conduct. Any violation of the ITC Code of Conduct by an employee renders him/her liable for disciplinary action.

ITC's Code of Conduct specifically states that in the context of possible or potential areas of conflict of interest, such incidents must be disclosed immediately to higher management for guidance and action as appropriate.

A Whistleblower Policy is in place and has been displayed on the Company's corporate website and has also been appropriately communicated to all employees.

## Risk Management

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

- The Corporate Governance Policy approved by the Board, clearly lays down the roles and responsibilities of the various entities in relation to risk management covering a range of responsibilities, from the strategic to the operational. These role definitions, *inter alia*, provide the foundation for the Company's Risk Management Policy and Framework that is endorsed by the Board and is aimed at ensuring formulation of appropriate risk management procedures, their effective implementation across ITC and independent monitoring and reporting by Internal Audit.
- The Corporate Risk Management Cell, through focused interactions with businesses, facilitates the identification

and prioritisation of strategic and operational risks, development of appropriate mitigation strategies and conducts periodic reviews of the progress on the management of identified risks.

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

The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organisational capability with market opportunities





# Economic Performance





- Management Approach

- Economic Performance



## Disclosure of Management Approach (DMA):

ITC's Vision to subserve national priorities and create enduring societal value has led to the adoption of multi-dimensional sustainability initiatives that deliver superior 'Triple Bottom Line' performance and generates large scale economic, environmental and social capital. This Vision is premised on the belief that the transformational capacity of business can be effectively leveraged to create significant societal value through a spirit of innovation and enterprise. The Company's 'Triple Bottom Line' contribution is manifest in the crafting of innovative models that not only generate new sources of competitive advantage for its businesses, but also leads to the augmentation of natural capital and creation of sustainable livelihoods.

This 'Triple Bottom Line' approach to creating larger 'stakeholder value', as opposed to merely ensuring uni-dimensional 'shareholder value' is the driving force that defines the Company's sustainability vision and its growth path into the future. ITC'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 global markets.

## 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 2015 (available on [www.itcportal.com](http://www.itcportal.com)) for a detailed discussion on the Company's market standing in each of the business segments, as well as the business environment, opportunities, key challenges, etc. pertaining to each of the Company's businesses.







## Economic Performance

The Company delivered another year of steady performance in the backdrop of continuing sluggishness in the macro-economic environment, exacerbated by a steep increase in taxes/duties on cigarettes, which led to unprecedented pressure on legal cigarette industry sales volumes. ITC also had to contend with start-up costs relating to the launch of new products and categories in the non-cigarette FMCG segment, input cost pressures in the Paperboards, Paper & Packaging Businesses and a weak demand and pricing environment in the Hotels Business.

Gross Revenue for the year grew by 7.0% to ₹49,964.82 crores. Net Revenue at ₹36,083.21 crores grew by 9.7% primarily driven by a 11.3% growth in the non-cigarette FMCG segment, 8.1% growth in the Agri Business segment and 8.7% growth in the Cigarettes segment. Profit Before Tax registered a growth of 10.6% to ₹13,997.52 crores while Net Profit at ₹9,607.73 crores increased by 9.4%. After adjusting for liability written back in Q2 FY14 (towards Rates and Taxes and Interest thereon pertaining to earlier years, aggregating ₹192.68 crores) underlying growth in Profit Before Tax and Net Profit for the year grew by 12.3% and 11.0%, respectively. Earnings Per Share for the year stood at ₹12.05 (previous year ₹11.09). Cash flows from Operations aggregated ₹13,534.65

crores compared to ₹10,759.50 crores in the previous year.

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'. With its diversification initiatives over the past few years, the Company is well positioned to establish itself as the 'most trusted provider of food products in the Indian market' leveraging a strong portfolio of world-class brands, deep understanding of the diverse tastes and preferences of Indian consumers, focus on best-in-class quality and operational excellence across the value chain.

Continuing with its chosen strategy of creating multiple drivers of growth, the Company is presently the leading FMCG marketer in India, the 'greenest luxury hotel chain' in the world, the clear market leader in the Indian Paperboard and Packaging industry and leading exporter of quality Agri products. ITC's wholly owned subsidiary, ITC Infotech India Limited, is poised to achieve its strategic and financial objectives by leveraging its leadership in the knowledge-centric Information Technology services and its increasing global presence.

For the year ended 31st March, 2015, ITC declared a Dividend of ₹6.25 per share (previous year ₹6.00 per share).

## Direct Economic Impact

₹ Crores

Key Economic Indicators*	2010-11	2011-12	2012-13	2013-14	2014-15	CAGR
Gross Revenue	30,528	34,872	41,810	46,713	49,965	13%
Net Revenue	21,168	24,798	29,606	32,883	36,083	14%
Exports	2,464	2,315	3,474	4,046	4,511	16%
Contribution to Government/Exchequer	15,860	18,006	22,343	25,669	26,912	14%
Cost of Bought out Goods and Services	12,374	14,255	17,031	18,391	19,764	12%
Employee Benefits Expense	1,140	1,258	1,387	1,608	1,780	12%
Payments to Providers of Capital	4,498	5,669	6,800	7,977	8,645	18%
- Interest and Dividend	3,512	3,596	4,235	4,775	5,067	
- Retained Profits	986	2,073	2,565	3,202	3,578	

\* Detailed Financial Performance available at [www.itcportal.com](http://www.itcportal.com)



## Revenue and Profit Before Depreciation Interest and Tax (PBDIT)

₹ Crores

Year	2010-11	2011-12	2012-13	2013-14	2014-15	CAGR
Gross Revenue	30,528	34,872	41,810	46,713	49,965	13%
PBDIT	7,993	9,674	11,566	13,562	15,017	17%

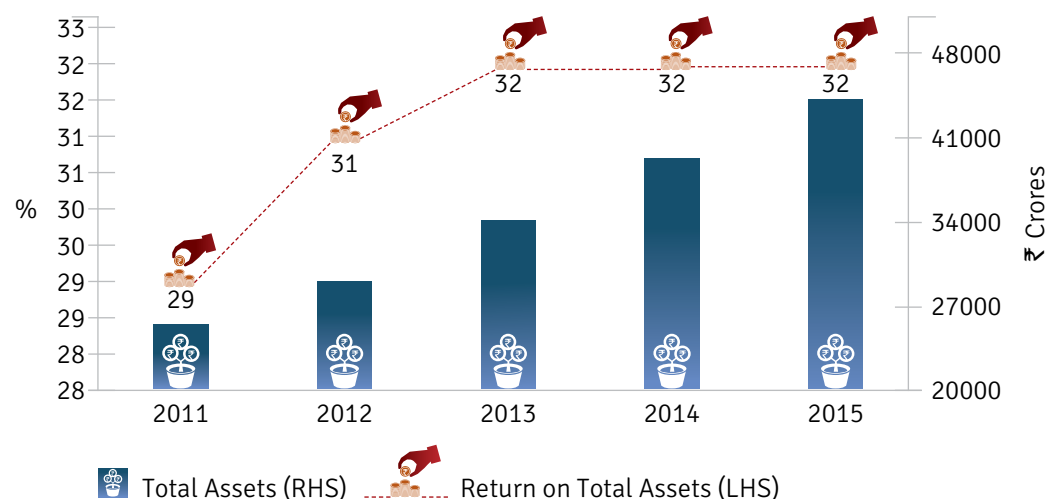


## Total Assets and Returns

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. Hence, while the Balance Sheet size of the Company has expanded at a compound rate of 15% over the previous five years to reach ₹44,195.66 Crores as at 31st March, 2015, returns on assets deployed have increased from about 29% to about 32% during the same period.

### Return on Total Assets

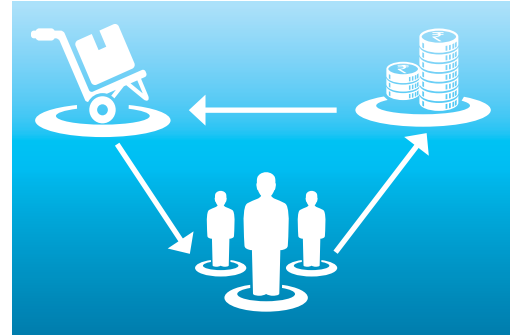


ITC consciously exercises the strategic choice of contributing to and securing the competitiveness of the entire value chain, of which it is a part. This philosophy has shaped the Company's approach to business into 'a commitment beyond the market'



## Market Capitalisation & Earnings Per Share

ITC is one of India's most admired and valuable corporations and has consistently featured over the last nineteen years, amongst the top 10 private sector companies in terms of market capitalisation and profits. It is amongst the most influential stocks in the Indian equity market.



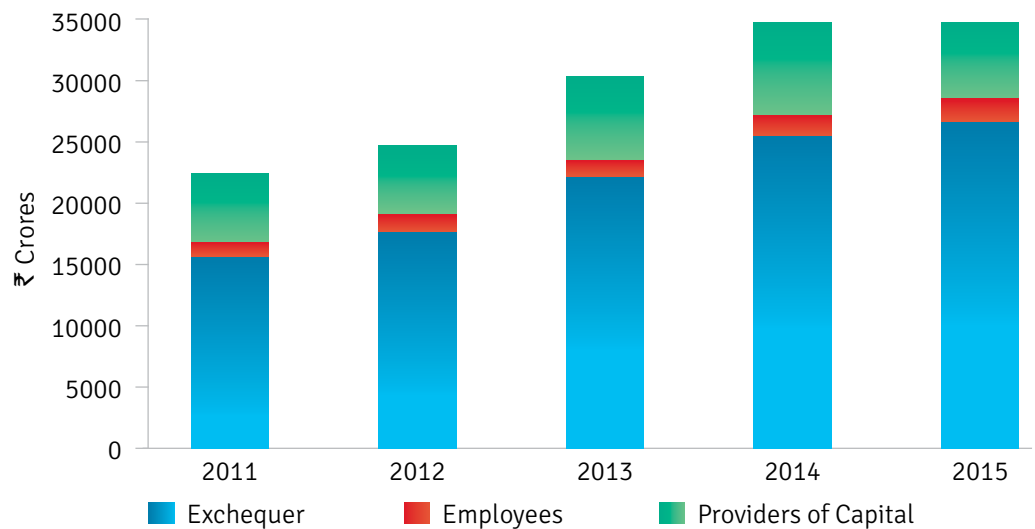
	1996	2010	2011	2012	2013	2014	2015	CAGR
Market Capitalisation (₹ Crores)*	5,571	1,00,476	1,40,408	1,77,360	2,44,245	2,80,708	2,60,864	22%
Adjusted EPS (₹)**	0.35	5.31	6.45	7.88	9.39	11.05	11.99	20%

\*Market Capitalisation based on year-end closing prices quoted on the Bombay Stock Exchange.

\*\*EPS adjusted for impact of Corporate Actions to facilitate like to like comparison.

## Analysis of Value Added

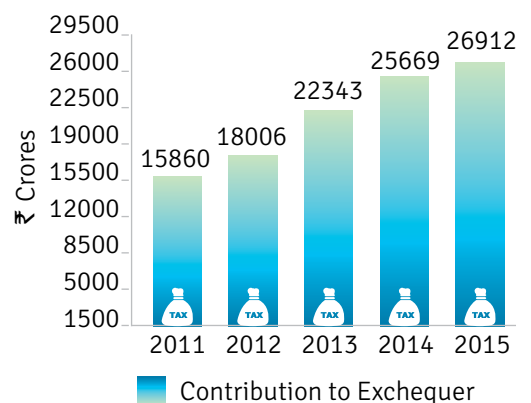
Distribution of Value Added



## Contribution to the National Exchequer

The Company's contribution accounts for about 7.48% 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.

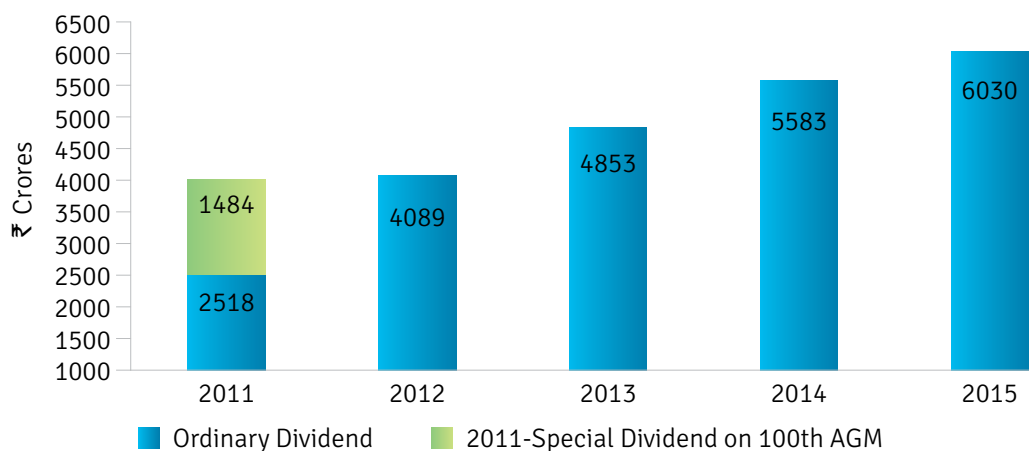
Contribution to Exchequer



## Dividend Payout

For the current year, the Company has declared a dividend of ₹6.25 per share of ₹1/- each.

Dividend Paid (incl. Dividend Distribution Tax)



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 global markets

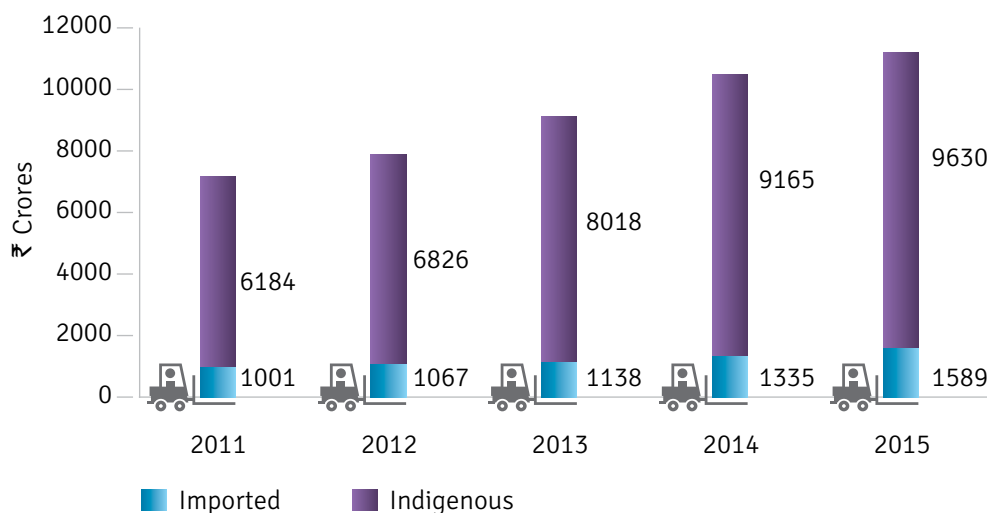


## Locally Based Suppliers

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 Indian contractors carry out construction and renovation of new manufacturing facilities, hotels, warehouses & offices. About 85.8% of raw materials and stores & spares have been locally procured during the year.

Raw Materials, Stores & Spares Consumed





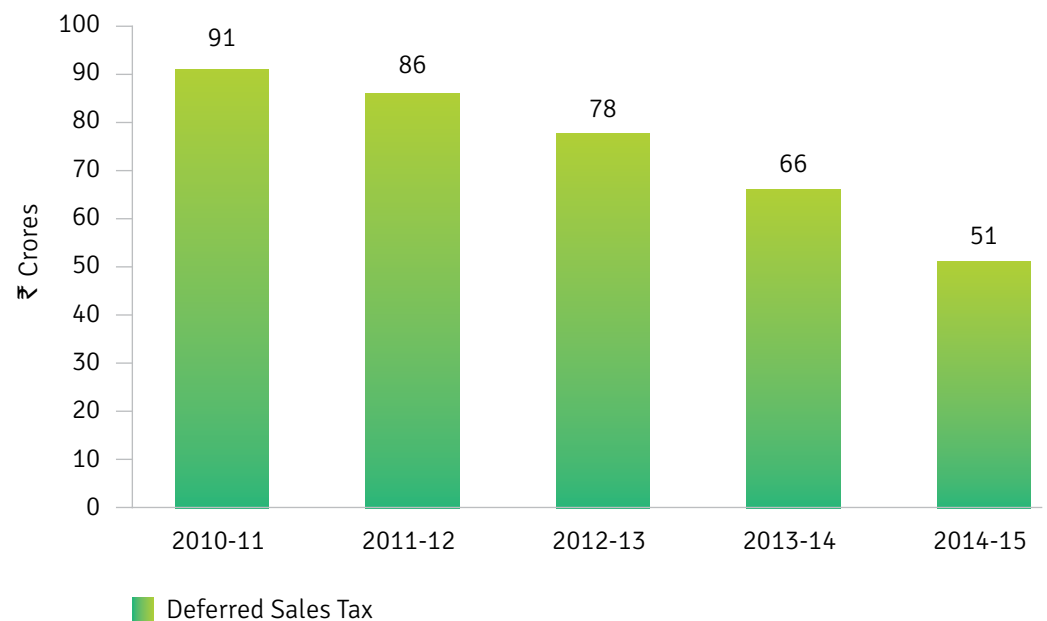
The Company actively encourages competency development among local vendors and its vendor base includes numerous medium and small scale enterprises that are proximate to its manufacturing locations. Wherever appropriate, vendors are provided technical support and managerial inputs to enable them to move in tandem with the Company's business plans. The Company also supports several vocational training initiatives in areas in the vicinity of 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.

### Financial Assistance from Government

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

Deferred Sales Tax



The Company actively encourages competency development among local vendors and its vendor base includes numerous medium and small scale enterprises



## Engaging Talent, Local Hiring and Senior Management

It is the Company’s Human Resource (HR) philosophy that while dealing with each other, the management and employees shall uphold the values of trust, teamwork, mutuality and collaboration, meritocracy, objectivity, self-respect and human dignity. ITC’s HR management systems and processes are relentlessly customer-focused, competition-differentiated, performance-driven and future-capable. The Company’s HR Development strategy seeks to fulfil this mandate through careful selection and rigorous implementation of a wide range of programmes and interventions.

ITC believes that its competitive capability to build future-ready businesses and create enduring value for stakeholders is enriched by a dedicated and high-quality human resource pool. Therefore, nurturing quality talent and caring for the well-being of employees form an integral part of ITC’s work culture, which focuses on creating a conducive work environment that helps deliver winning performance.

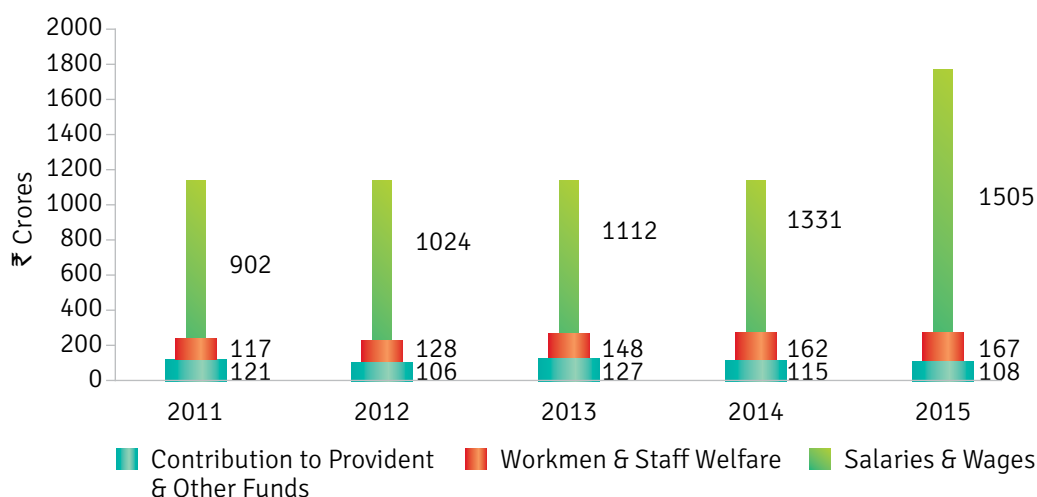
The Company’s policy on “Diversity and Equal Opportunity” is premised on its fundamental belief that diversity at the workplace creates an environment conducive to engagement, alignment, innovation and high performance. The Policy provides for diversity and equal opportunities to all employees across the Company, based on merit and ability. The policy also ensures a work environment that is free from any form of discrimination

amongst its employees in compensation, training and employee benefits, based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a political, religious or union organisation or majority/minority group. A necessary structure for dealing with requirements like sexual harassment has been put in place.

The Company’s 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. ITC’s talent engagement approach focuses on attracting and nurturing quality talent, supported by significant investments in learning and development.

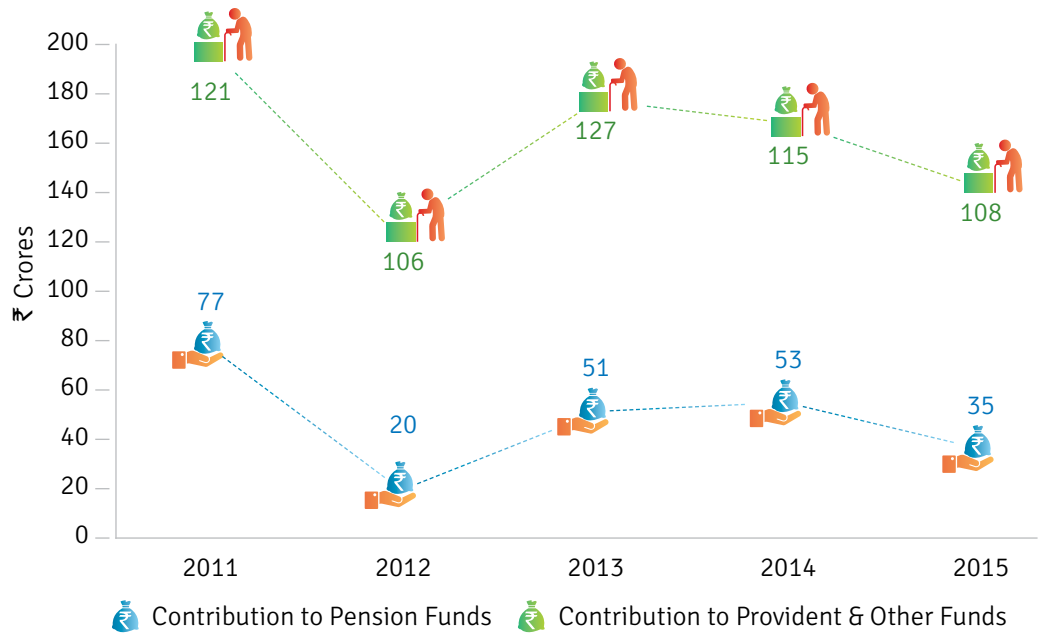
In 2014-15, the minimum wage paid to entry level workers of the Company was equal to or more than the statutory minimum wage applicable at all locations of ITC’s operations. The employees are also entitled to retirement benefit schemes which include employee pension, provident fund and gratuity. All statutory payments, as applicable, e.g., Provident Fund and Family Pension contributions, are deposited with the Government in a timely manner.

The pension plans and other applicable employee benefits obligations are determined and funded in accordance with independent actuarial valuation. The assets of these trust funds are managed in accordance with the prescribed statutory pattern. The assets of the trust funds are well diversified and investments are made with the objective of



The Company’s 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

**Contribution to Provident & Other Funds**



protecting capital and optimising returns within acceptable risk parameters. The funds are consistently sustained to meet requisite superannuation commitments.

**Corporate Social Responsibility**

ITC’s overarching aspiration to create significant and sustainable societal value, inspired by a vision to subserve a larger national purpose and abide by the strong value of trusteeship, is manifest in ITC’s CSR initiatives that embrace the most disadvantaged sections of society, especially in rural India, through economic empowerment based on grassroots capacity building. Towards this end, the Company adopted a comprehensive CSR policy in 2014-15 conceived to address the major development challenges being faced by the Nation.

In the social sector, the two most important stakeholders for the Company are (a) rural communities in the Company’s agri-business areas who look at ITC to find viable solutions to some of the major challenges that could threaten the sustainability of their production systems and (b) communities residing in close proximity of the Company’s production units, situated in urban and semi-rural locations, who expect help in the creation of the necessary socio-economic infrastructure for the development of a healthy, educated and skilled work force with the capability to successfully compete for modern jobs.

It is in pursuance of these goals that the Company has drafted its policy on Corporate Social Responsibility (ITC’s CSR Policy detailed in the Policies & Guidelines section of this Report and in the section on Report of the Directors & Management Discussion and Analysis in the Annual Report and Accounts 2015). Given ITC’s operational spread, its stakeholder representation cuts across rural and urban milieus. Interventions therefore are appropriately designed to respond to their unique multi-dimensional development challenges in order to accomplish the goal of empowering stakeholder communities



ITC’s CSR initiatives embrace the most disadvantaged sections of society, especially in rural India, through economic empowerment based on grassroots capacity building

Areas listed under Schedule – VII to the Companies Act, 2013	ITC's interventions (including through Trusts established by the Company)
(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh setup by the Central Government for the promotion of sanitation and making available safe drinking water.	Health & sanitation, drinking water, contribution to Swachh Bharat Kosh
(ii) Promoting education, including special education and employment enhancing vocation skills specially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Education, vocational training, livestock development and livelihoods generation
(iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.	Women empowerment
(iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga.	Environmental sustainability soil & moisture conservation and wasteland development
(v) Protection of national heritage, art and culture, including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts.	Protection of national heritage, art and culture
(vi) Training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports.	Sports
(vii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the schedule castes, the scheduled tribes, other backward classes, minorities and women.	Contribution to the Prime Minister's National Relief Fund
(viii) Rural Development projects.	Agri development

to promote sustainable livelihoods. Various CSR activities in which the Company has been engaged during the current year are listed above.

The expenditure incurred under Section 135 of the Companies Act, 2013 applicable for the first time in 2014-15 on CSR activities amounted to ₹214.06 Crores comprising employee benefits expense of ₹7.61 Crores

and other expenses of ₹206.45 Crores of which ₹12.67 Crores is accrued for payment as on 31st March 2015. Such CSR expenditure of ₹214.06 Crores excludes ₹4.97 Crores being the excess of expenditure of salaries of CSR personnel and administrative expenses over the limit imposed of 5% of total CSR expenditure laid down under Rule 4(6) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 for such expenses.



# Environmental Performance





■ Management Approach

■ Energy

■ Air Emissions

■ Water Management

■ Recycling and Waste Management

■ Raw Materials

■ Biodiversity





# Management Approach

According to the World Economic Forum (WEF) Report on Global Risks 2015, the evolving risk landscape indicates a shift over the past few years from economic risks to environmental risks – ranging from climate change to water crises. The challenges related to environment and ecosystems especially due to climate change are complex, long-term and inter-related, especially in terms of its impact on water and availability of other natural resources. This in turn has wide-ranging implications on ITC and its stakeholders.

In order to address these challenges, environmental best practices have been deeply integrated into ITC's operations on the basis of which, the Company strives to maximise the efficiencies of natural resource usage across its Businesses. Furthermore, for continuous improvement on environmental

performance, during 2014-15 ITC's Businesses have set voluntary targets in terms of specific energy reduction, specific water intake reduction, specific waste generation, etc. Accordingly targets have been set at the Business/Unit levels for maintaining this performance. An organisation-wide integrated sustainability data management system supplemented by standard operating procedures for measurement and recording provides the platform to monitor the data of each business on resource utilisation and environmental impact vis-à-vis production.

In addition, ITC also constantly endeavours to create a positive environmental footprint. Large-scale Social and Farm Forestry, Integrated Watershed Development, Sustainable Agriculture Practices and logistic network optimisation of ITC's FMCG



ITC strives to maximise the efficiencies of natural resource usage across its Businesses



products, among others, are a few examples of extensive initiatives in this direction.

ITC's Board approved Policies such as those on Environment, Health and Safety, Life Cycle Sustainability of Products and Services and Responsible Sourcing, provide the necessary framework to address the direct impacts of the Company's own operations as well as progressively extend the efforts along the supply chain (Please refer to Policies available at [www.itcportal.com](http://www.itcportal.com)). During the reporting period, each Business drew a roadmap for implementation of each of these policies in a phased manner.

It is the overall responsibility of the Divisional/Strategic Business Unit (SBU) Chief Executives, to ensure implementation of relevant policies and standards on environmental performance through the members of the respective Management Committees, General Managers and Unit Heads. This also includes institution of various committees and designating specific responsibilities.

ITC's Corporate Environment, Health & Safety (CEHS) Department is responsible for reviewing and updating Corporate Standards, verifying compliance, providing guidance and support as required. Compliance and progress based upon the roadmap defined

by each Business is regularly reviewed by the Sustainability Compliance Review Committee (SCRC) of the Corporate Management Committee (CMC).

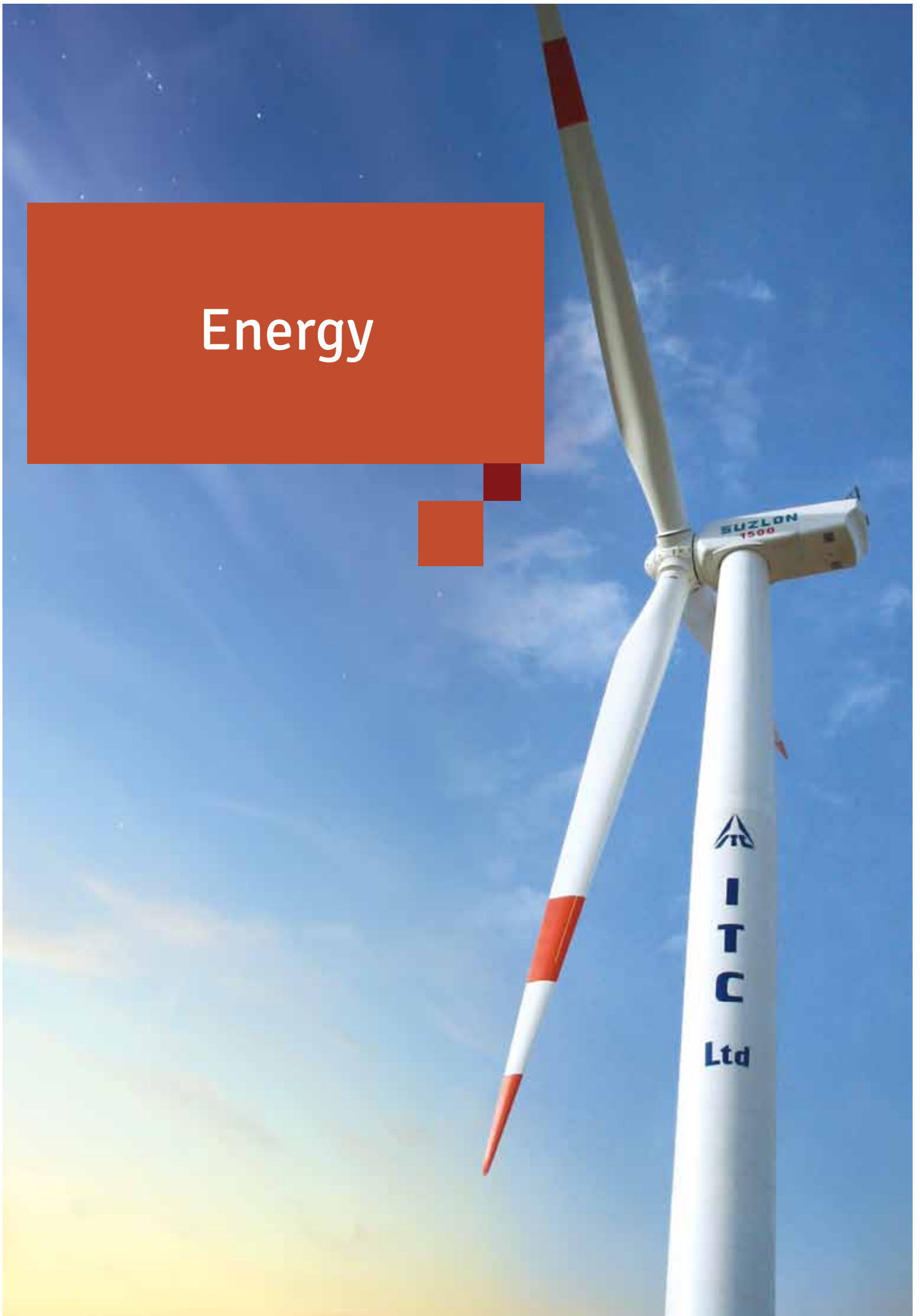
The following sections outline the challenges being faced by ITC on material environmental aspects within as well as outside the boundary of its operations, the strategy for addressing each of these challenges and performance for 2014-15.



ITC's Board approved Policies such as those on Environment, Health and Safety, Life Cycle Sustainability of Products and Services and Responsible Sourcing, provide the necessary framework to address the direct impacts of the Company's own operations as well as progressively extend the efforts along the supply chain



Energy

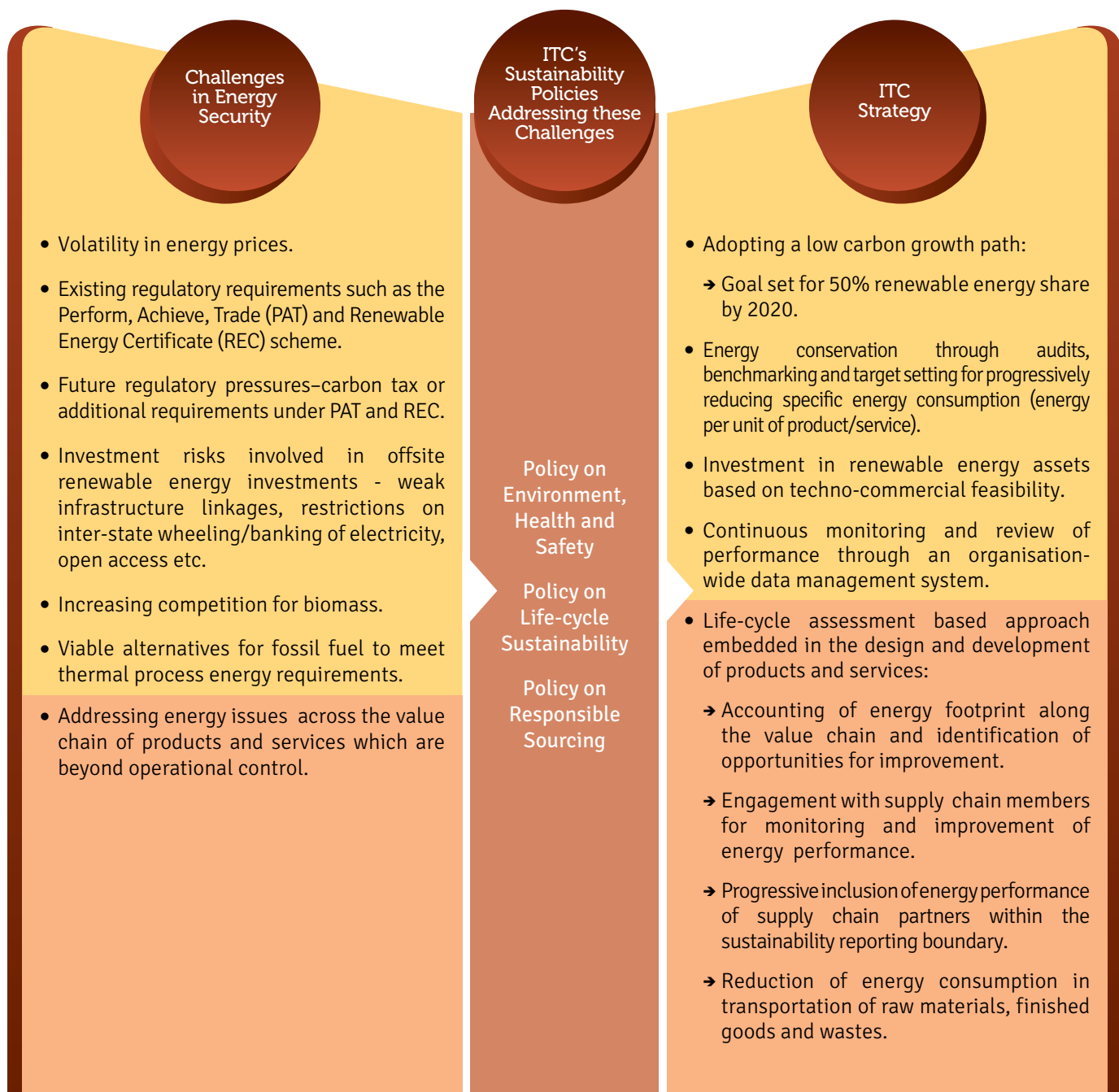


# Management Approach

Continued economic progress and business sustainability are today challenged by natural resource depletion with its consequent impacts on long term energy security. Energy availability, accessibility and price volatility are expected to be amongst the biggest developmental challenges for India, where

around 600 million<sup>1</sup> people lack reliable access to electricity. Extreme energy price volatility has been identified as a significant global risk in the World Economic Forum (WEF) Report on Global Risks 2015, which will exert even more pressure on developing economies like India. ITC has mapped its challenges on the basis of existing as well as the evolving energy scenario and has strategised its response as follows:

<sup>1</sup>Source: <http://planningcommission.nic.in/sectors/index.php?sectors=energy>



Within Boundary     Beyond Boundary



## Reporting ITC's Performance

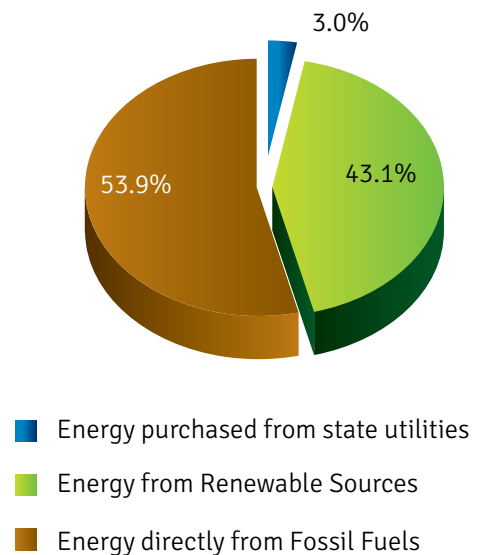
### Energy Consumption within the Organisation

In 2014-15, ITC Units consumed 21,777 Terra Joules (TJ) of energy, which shows a marginal increase of around 2% in the total energy consumption as compared to the previous year (21,433 TJ in 2013-14).

The increase in total energy consumption can be attributed primarily to the inclusion of the following Units/activities into the reporting boundary – Snacks and Noodles Unit of Foods Business at Malur (Karnataka), clonal plantation development activities of Paperboards and Specialty Papers Business at Bhadrachalam, ITC Grand Bharat in Gurgaon and My Fortune Bengaluru of the Hotels Business, together with units of subsidiary companies, namely Classic Golf Resort in Gurgaon, ITC Kakatiya in Hyderabad and Fortune Resort Bay Island in Andaman and Nicobar Islands.

The marginal increase in total energy consumption despite reporting boundary expansion has been achieved through better capacity utilisation and concerted efforts on energy conservation implemented across several ITC Units.

Sources of 21,777 TJ of Energy in ITC in 2014-15



### Energy Consumption within ITC across Businesses

Businesses	Energy Consumption in TJ	% of ITC's Total Energy Consumption	% Renewable Energy Share
Paperboards and Specialty Papers	19,503.95	89.6	44.9
Hotels	642.11	2.9	34.8
Leaf Tobacco	414.55	1.9	11.1
Foods	419.56	1.9	33.2
Cigarettes	362.69	1.7	26.8
Packaging and Printing	277.52	1.3	31.4
Personal Care Products	50.23	0.2	0.2
Others*	106.11	0.5	39.4

Target for 2014-15 was 26%

26.8

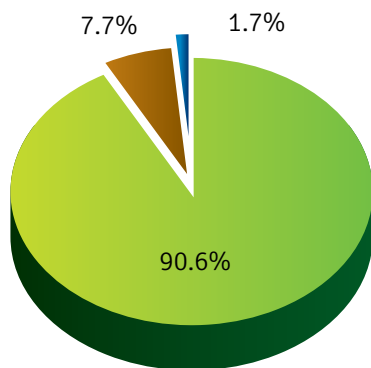


43.1% of the total energy consumption of ITC was met from renewable sources

\*Others include Agri Business, Lifestyle Retailing Business Unit in Manesar, Classic Golf Resort – a subsidiary unit in Gurgaon, ITC Infotech, ITC Life Sciences & Technology Centre and large offices.

## Energy Portfolio of ITC

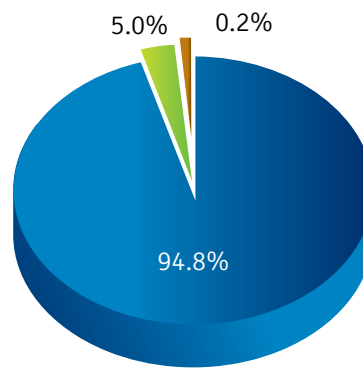
Break-up of Direct Energy by Fossil Fuel Types\*



■ Solid fuel ■ Liquid fuel ■ Gaseous fuel

\*Figures are rounded off

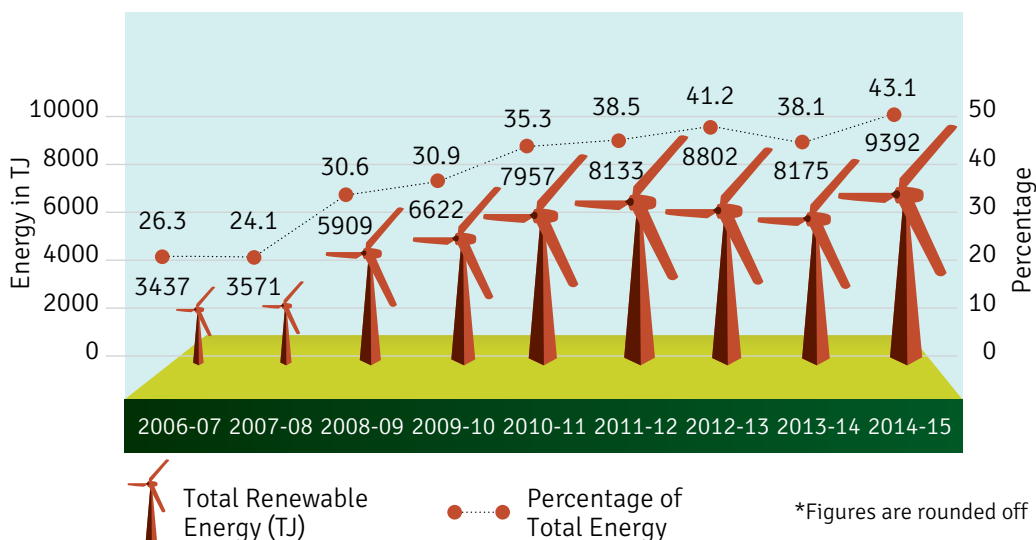
Break-up of Renewable Energy by Sources\*



■ Biomass ■ Wind ■ Solar

\*Figures are rounded off

Renewable Energy Utilisation in ITC\*



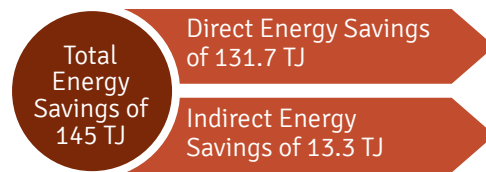
Increase in renewable energy utilisation in 2014-15 from 2013-14 is predominantly due to two factors:

- Increase in direct renewable energy consumption by ITC from 8,175 TJ in 2013-14 to 9,232 TJ in 2014-15, primary reasons of which were:
  - The Paperboards Unit at Bhadrachalam utilised increased quantity of domestic wood, and in turn produced more virgin pulp leading to reduced dependence on imported pulp. This in turn enhanced availability and utilisation of black liquor for steam generation and consequentially led to lesser coal consumption.
  - Higher consumption of chip/saw dust and de-oiled bran at the Paperboards Unit in Kovai.
- Addition of 160 TJ from indirect sources of renewable energy in the form of:
  - Purchased steam generated from biomass in Pune Unit of Foods Business and Bengaluru Unit of Cigarettes Business,
  - Purchased electricity generated from biomass in ITC Kakatiya, a subsidiary unit and
  - Purchased solar electricity in Guntur office of Leaf Threshing Business.

The marginal increase in total energy consumption despite reporting boundary expansion has been achieved through better capacity utilisation and concerted efforts on energy conservation implemented across several ITC Units

## Energy Savings within ITC

Substantial improvements in specific energy performance were achieved at many of the Units by a focused approach on energy conservation through rigorous third party audits and implementation of the viable recommendations, coupled with better capacity utilisation. As a result of implementation of energy conservation measures, a total saving of 145 TJ in energy consumption has been achieved in 2014-15.



The LEED® Platinum rating accorded to all of ITC's luxury hotels (certification is in progress for the super premium ITC Grand Bharat which was opened recently), making it the greenest luxury hotel chain in the world, implies a significant reduction in specific energy consumption with respect to

conventionally designed hotels. ITC hotels are not only energy efficient by design but also conserve fossil fuels – with several of ITC's hotels sourcing more than 50% of their electrical energy requirements from wind farms. In order to continually reduce ITC's environmental footprint, green features are integrated in all new constructions and are also being incorporated into existing hotels, manufacturing units, warehouses and office complexes during retrofits.

## Targets and Performance

In order to continually improve on energy performance, ITC Businesses have set voluntary specific energy reduction targets. Accordingly targets have been set at the Unit level for maintaining this performance.

Since Units of Paperboards and Specialty Papers Business account for 89.6% of ITC's total energy consumption, greater focus is directed towards the energy performance of each manufacturing Unit of this Business, performance of which against the targets are as follows:

Paperboards and Specialty Papers Business	Specific Energy Consumption			Unit of Measurement	Comparison against target	Comparison against last year	Primary Factors
	Actual for 2013-14	Target for 2014-15	Actual for 2014-15				
Bhadrachalam	31.2	30.6	31.4	GJ/MT	2.6% higher	0.6% increase	<ul style="list-style-type: none"> <li>• Non availability of wind power from own wind farms due to interstate wheeling problems between states of Andhra Pradesh and Telangana</li> <li>• This non-availability of electricity had to be compensated by electricity generated in-house (with attendant auxiliary consumption and conversion loss from fuel to energy)</li> <li>• Increase in pulp generated in own pulp mill by 10%</li> <li>• Commissioning and stabilisation of new lime kiln</li> </ul>
Kovai	13.8	13.5	11.6	GJ/MT	14.1% lower	15.9% decrease	<ul style="list-style-type: none"> <li>• Improvement in boiler efficiency</li> </ul>
Tribeni	47.5	46.6	38.0	GJ/MT	18.5% lower	20.0% decrease	<ul style="list-style-type: none"> <li>• Replacement of 2 old boilers and turbines with new boiler and turbine resulting in system efficiency improvement</li> </ul>
Bollaram	0.8	0.8	0.8	GJ/MT	Same	Same	

For computation methodology of energy consumption within organisation, please refer to Quantification Methodologies: Energy and GHG Emissions.



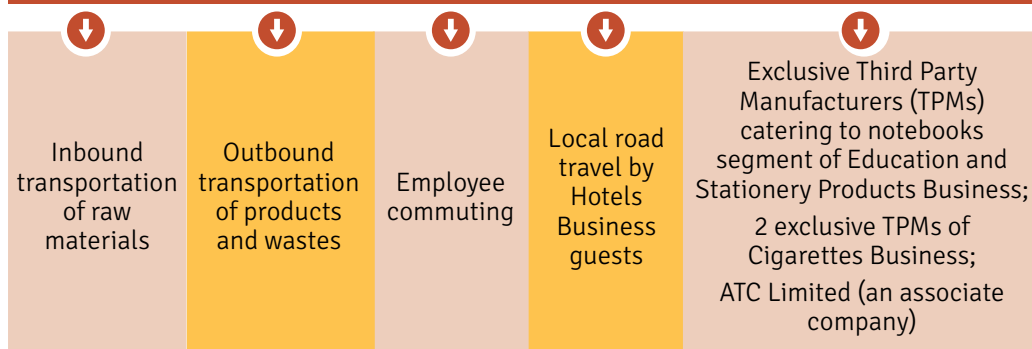
## Energy Consumption Outside of the Organisation

During 2014-15, ITC has expanded the upstream boundary of energy accounting. Accordingly 2,558 TJ of energy consumed outside of the organisation has been accounted for during the year. Quality of data continues to be a challenge in the third party manufacturing facilities of

areas for improvement, in 2010 ITC initiated the life cycle assessment (LCA) for its products. So far life cycle assessments of products from Paper, Paperboards & Packaging and Lifestyle Retailing Businesses have been carried out which have helped in identifying broad areas for improvements as well as building internal competencies for such type of studies. These assessments have been followed up with detailed studies

Life cycle assessments have been followed up with detailed studies which in turn have provided concrete solutions towards more efficient packaging designs, loading efficiencies and consequent reduction in transportation costs/GHG emissions/energy use

### Energy Consumption



For computation methodology, please refer to Annexure – Quantification Methodology: Energy and GHG Emissions.

Education and Stationery Products Business. Capacity building and regular review of performance data will continue in order to improve the data quality in the coming years. The boundary of accounting will be progressively expanded in the years to come, based on ITC's ability to overcome challenges with regard to data quality.

With an objective to evaluate the impacts in the value chain and to identify additional

which in turn have provided concrete solutions towards more efficient packaging designs, loading efficiencies and consequent reduction in transportation costs/GHG emissions/energy use.

Going forward, ITC intends to undertake more LCA studies for evaluating hotspots in the value chain of its products and services and identify further opportunities for optimisation.



## The Road Ahead

Moving towards 50% renewable energy share by 2020	Addressing Impacts in the Value Chain
<ol style="list-style-type: none"> <li>Continuation of the management approach in terms of:                             <ul style="list-style-type: none"> <li>Energy audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service)</li> <li>Investment in renewable energy assets based on techno-commercial feasibility</li> <li>Continuous monitoring and review of performance through Integrated Sustainability Data Management System (ISDMS)</li> </ul> </li> <li>Redesign of strategy if warranted according to the dynamics of the economy</li> </ol>	<ol style="list-style-type: none"> <li>Progressive accounting of energy footprint of goods and services along the value chain within the sustainability reporting boundary</li> <li>Engagement with supply chain members for improvement of energy performance</li> <li>Reduction of energy consumption in transportation of raw materials, finished goods and wastes</li> </ol>
<ul style="list-style-type: none"> <li>Life cycle assessment studies for evaluation of the opportunity for energy reduction in the value chain of products/services and taking necessary corrective actions</li> <li>Development of internal capacities and use of LCA as a tool for product design and development by each business</li> </ul>	

# Air Emissions



## Management Approach

The adverse impact on the environment due to air emissions is complex, long-term and inter-related. Climate change caused by Greenhouse Gas (GHG) emissions has already begun to change precipitation patterns across the globe including in India, thereby disrupting yields in primarily rain-fed Indian agriculture. Since most of ITC's businesses depend significantly on agri-inputs, disruption in crop yields and consequent competition for agricultural commodities, has wide-ranging implications on ITC and its stakeholders. Recognising the fact that is necessary to play an active role on the issue of climate change, ITC has focused on progressively increasing its renewable energy share and enhancing sequestration of GHGs aligned with Government of India's National Action Plan on Climate Change.

Another aspect linked with rapid industrialisation and urbanisation is the problem of air pollution in terms of emissions of SO<sub>2</sub>, NO<sub>x</sub> and particulate matter that has become a very serious health issue across almost the entire urban landscape in India. This not only has huge adverse impacts on health of human beings but also on the biodiversity of a region. ITC has continued to invest in reducing air emission levels through focus on cleaner technologies/ combustion efficiency improvement while simultaneously reducing specific energy consumption and increasing ITC's renewable energy share.

ITC has mapped the various challenges arising from GHG and other air emissions that may impact its own operations or its stakeholders and devised strategies driven by Board approved policies addressing the various dimensions involved.

ITC has focused on progressively increasing its renewable energy share and enhancing sequestration of GHGs aligned with Government of India's National Action Plan on Climate Change





**Challenges from GHG and other Air Emissions**

- Extreme weather events posing a major threat to ITC properties in coastal areas – disruption in operations, rail and road traffic links, in turn affecting supply of essential raw materials and finished goods.
  - Volatility in energy prices.
  - Existing regulatory requirements such as the Perform, Achieve, Trade (PAT) and Renewable Energy Certificates (REC) schemes.
  - Future regulatory pressures – carbon tax or additional requirements under the Perform, Achieve, Trade (PAT) and REC.
  - Air pollution in terms of emissions of SO<sub>2</sub>, NO<sub>x</sub>, particulate matter etc. from combustion of fuels.
- Severe changes in precipitation patterns owing to climate change could significantly disrupt rain-fed agriculture.
  - Disruption in crop yields leading to increased competition for agricultural commodities due to:
    - Adverse impact on water availability in snow-fed rivers owing to retreating glaciers.
    - Increased temperatures impacting productivity.

**ITC's Sustainability Policies Addressing these Challenges**


**Policy on Life-cycle Sustainability**


**Policy on Environment, Health and Safety**

**Policy on Responsible Sourcing**

**ITC Strategy**

- Reinforcing the protection of our assets in coastal areas.
  - Developing appropriate contingency and insurance plans for uninterrupted production and delivery, in situations of extreme weather events.
  - Adopting a low carbon growth path by setting a 50% renewable energy share target by 2020.
  - Energy conservation through energy audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service).
  - Investment in renewable energy assets based on techno-commercial feasibility.
  - Continuous monitoring and review of performance through an organisation-wide data management system.
  - Continued investment 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.
- Ensuring the sustainability of agriculture through integrated watershed development and soil and moisture conservation projects.
  - Evaluating agricultural productivity/adaptation issues related to climate change and providing support to farmers.
  - Enhancing GHG sequestration through afforestation programmes.
  - Life-cycle based approach embedded in the design and development of products and services:
    - Progressive inclusion of performance of supply chain partners within the sustainability reporting boundary.
    - Reduction of GHG emissions in transportation of raw materials, finished goods and wastes.

 Within Boundary

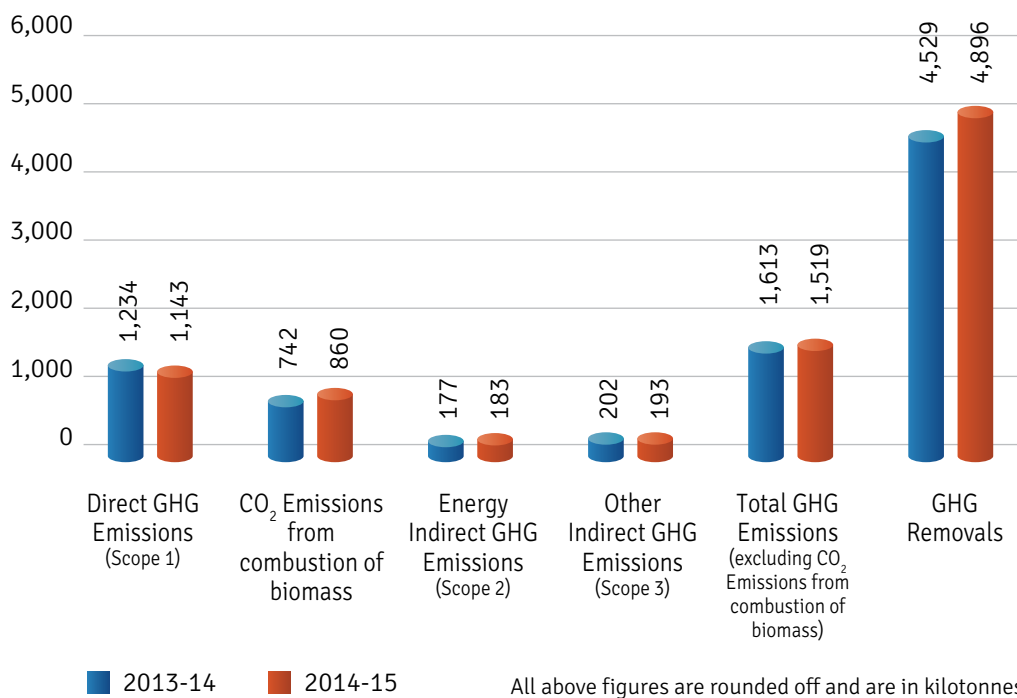
 Beyond Boundary

# ITC's Performance on Greenhouse Gases

Based on applicability, ITC has accounted for the following gases in its GHG inventory: Carbon Dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>), Nitrous Oxide (N<sub>2</sub>O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF<sub>6</sub>). Provided below is a comparison of ITC's GHG inventory for 2014-15 with that for 2013-14:

ITC has computed its Greenhouse Gas (GHG) inventory, including GHG emissions, biogenic carbon dioxide (CO<sub>2</sub>) emissions and GHG removals, in accordance with ISO 14064:2006, which is the latest international standard specifying principles and requirements at the organisation level for quantification and reporting of GHG emissions and removals.

The 2014-15 inventory has been verified by KPMG at the "Reasonable Assurance" level.



ITC has continued to invest in reducing air emission levels through focus on cleaner technologies/ combustion efficiency improvement while simultaneously reducing specific energy consumption and increasing ITC's renewable energy share



Deviations in GHG emissions between 2014-15 and 2013-14 are primarily attributable to the following factors:

#### Decrease in Direct GHG (Scope 1) emissions

- Decrease in fossil fuel utilisation due to increased availability of biomass as fuel in the Paperboards and Specialty Papers Business (Please refer to “Energy” Section for further details).

#### Increase in CO<sub>2</sub> emissions from combustion of biomass

- Increased utilisation of biomass as fuel in the Paperboards and Specialty Papers Business Units.
- Inclusion of CO<sub>2</sub> emissions from indirect sources of renewable energy in the form of:
  - Purchased steam generated from biomass in Pune Unit of Foods Business and Bengaluru Unit of Cigarettes Business,
  - Purchased electricity generated from biomass in ITC Kakatiya, a subsidiary unit.

#### Increase in Energy Indirect GHG (Scope 2) emissions

- Inclusion of additional Units/activities into the reporting boundary as detailed in “Energy” section of this Report.

#### Decrease in Other Indirect GHG (Scope 3) emissions

- Primarily due to reduction in imported raw materials and optimisation of transportation logistics.

ITC's efforts in energy reduction across various Units have helped control GHG emissions in 2014-15. In 2014-15, 25,845 tonnes of GHG emissions (Scope 1 & 2) were avoided by the:

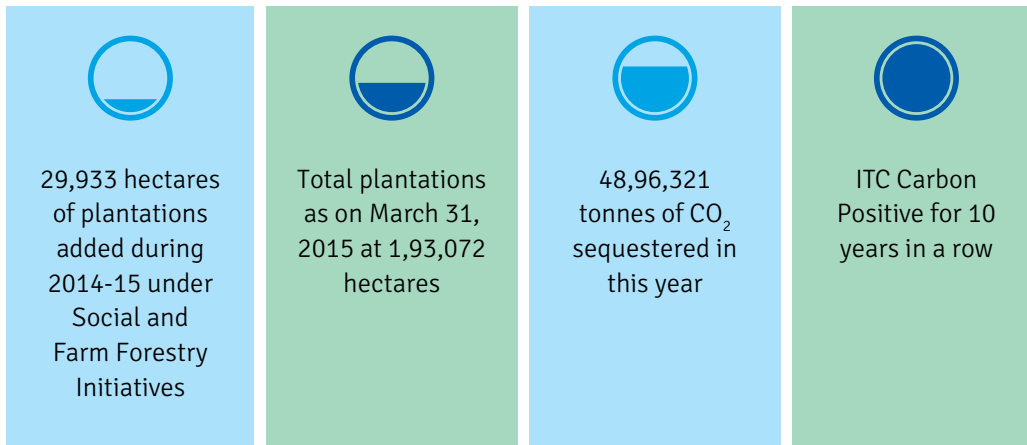
- Implementation of energy conservation measures leading to savings in both direct and indirect energy and

- Fuel switching measures (Please refer to Energy consumption within ITC across Businesses in the “Energy” section for details on renewable energy share of each Business):

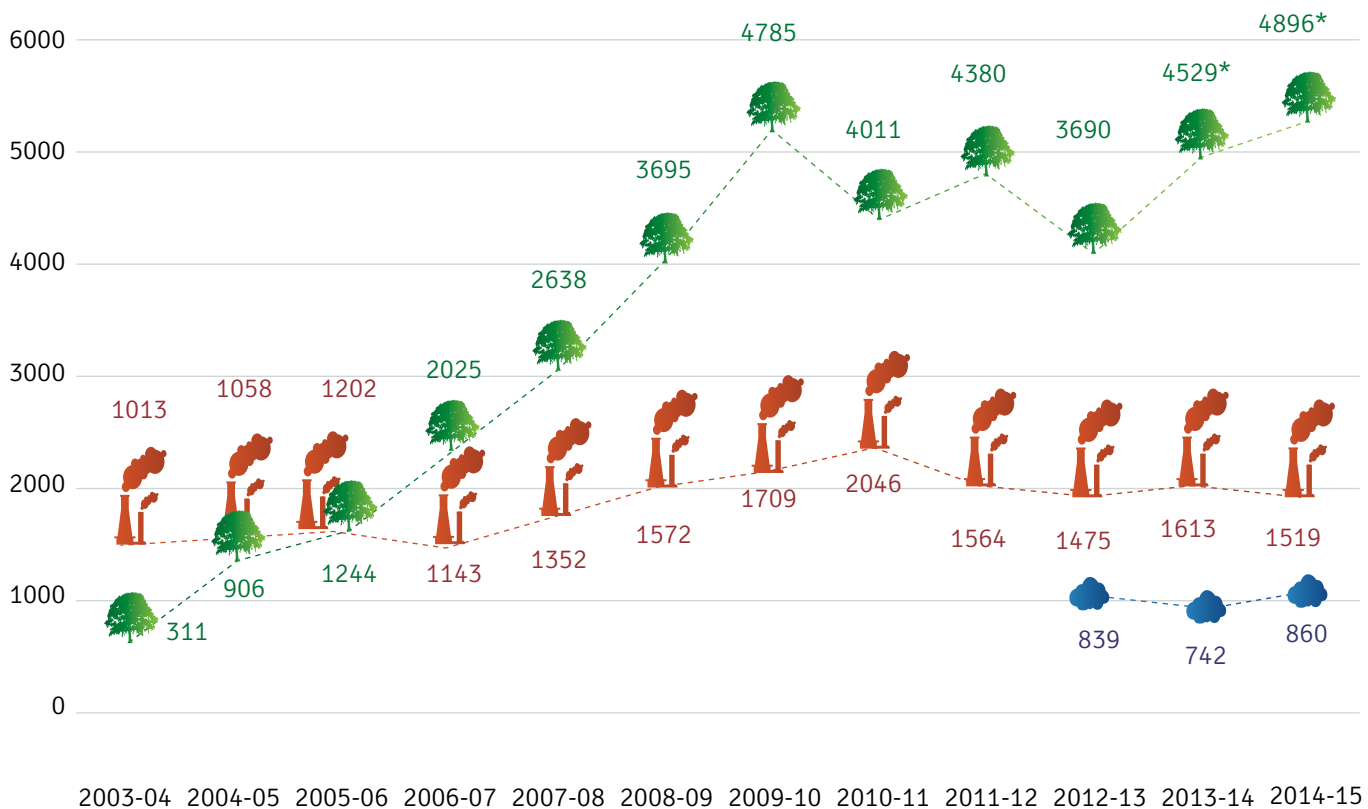




## Carbon Positive



## GHG Emissions and CO<sub>2</sub> Sequestration



CO<sub>2</sub>e Emission (Scope 1, 2 & 3) in kilotonnes



CO<sub>2</sub> Sequestered in kilotonnes



CO<sub>2</sub>e Emissions from Combustion of Biomass in kilotonnes (computed since 2012-13)

All above figures are rounded off

\*Dip in CO<sub>2</sub> sequestration in 2010-11 caused by reduced productivity of Eucalyptus plantations due to infestation in some areas and lesser incremental addition of plantation area.

\* Dip in CO<sub>2</sub> sequestration in 2012-13 is primarily due to the revision in methodology of computing CO<sub>2</sub> sequestration in order to comply with ISO 14064:2006 requirements.

\* Increase in CO<sub>2</sub> sequestration in 2013-14 and 2014-15 is primarily due to increase in the planted area of Subabul and Casuarina species as compared to the previous years.



## Targets and Performance

In order to continually improve upon GHG emissions performance, some of ITC's Businesses have voluntarily set specific GHG emissions reduction targets at the Business/ Unit levels.

Since the Paperboards and Specialty Papers Business accounts for around 80% of ITC's total Scope 1 and 2 GHG emissions, focus has been directed at the specific GHG emissions (including Scope 1 and 2 emissions) against targets set for the manufacturing units of this Business:

Units of Paperboards and Specialty Papers Business	Specific GHG Emissions (tCO <sub>2</sub> e/MT)			Comparison against target	Comparison against last year	Remarks
	Actual for 2013-14	Target for 2014-15	Actual for 2014-15			
Bhadrachalam	1.67*	1.67	1.56	7% lower	7% decrease	<ul style="list-style-type: none"> <li>Increased production of pulp to replace imported pulp, which led to higher generation of black liquor and subsequent combustion in soda recovery boilers.</li> <li>Energy conservation measures e.g. Replacement of 3 vacuum pumps with one energy efficient vacuum pump, optimisation of power consumption of high capacity motors by installing variable frequency drives, etc.</li> </ul>
Kovai	1.08	1.08	0.79	27% lower	27% decrease	<ul style="list-style-type: none"> <li>Energy conservation measures e.g. Improvement in boiler efficiency.</li> <li>Higher utilisation of biomass fuels viz. wood chips, saw dust and de-oiled bran.</li> </ul>
Tribeni	4.79*	4.70	3.70	21% lower	23% decrease	<ul style="list-style-type: none"> <li>Energy conservation measures e.g. Replacement of 2 old boilers and turbines with new boiler and turbine resulting in efficiency improvement.</li> </ul>
Bollaram	0.10	0.098	0.15	53% higher	50% increase	<ul style="list-style-type: none"> <li>Non availability of gas-based power purchased from third party due to interstate wheeling problems between Andhra Pradesh and Telangana – this non-availability of electricity had to be compensated by electricity generated through in-house diesel generators.</li> </ul>

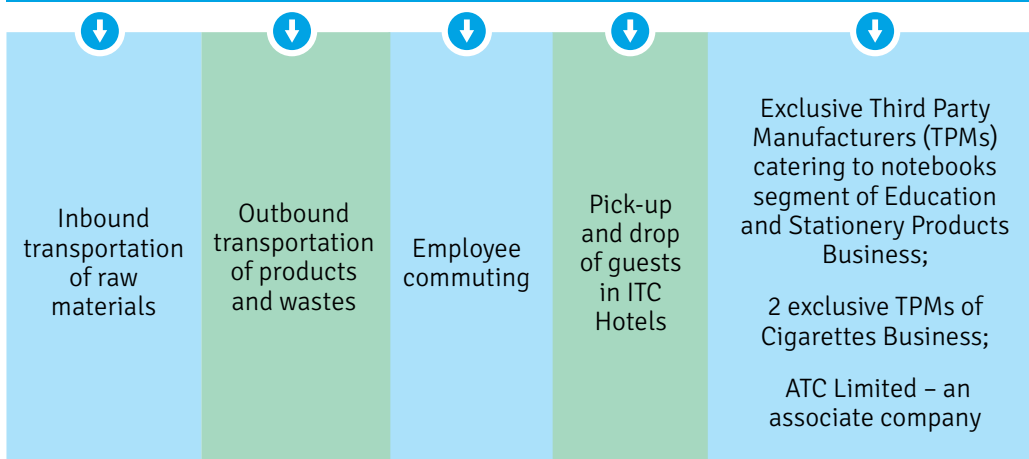
\* Values restated with respect to previous year's reported data: GHG emissions due to energy consumed in integrated township deducted while estimating specific GHG emissions (tCO<sub>2</sub>e per metric tonne of production)

## Impacts in the Value Chain

ITC's accounting of Scope 3 GHG emissions included monitoring and reporting of emissions from sources as depicted below:

To set organisational boundaries for consolidated GHG emissions, ITC has utilised the operational control approach for the various entities covered under the Report. ITC's accounting of Scope

### Scope 3 GHG Emissions



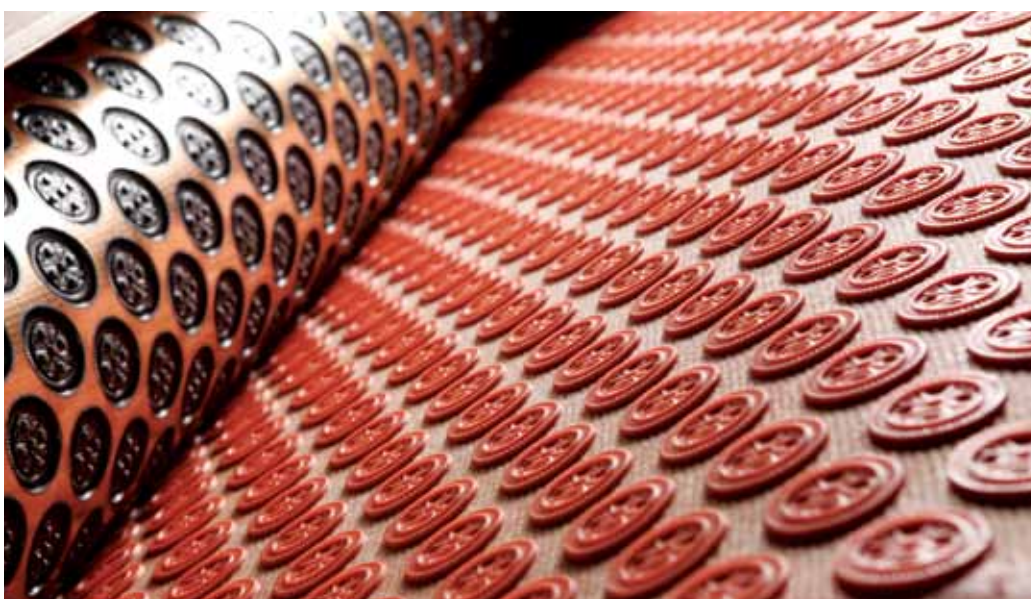
ITC's efforts in energy reduction across various Units have helped control GHG emissions in 2014-15. In 2014-15, 25,845 tonnes of GHG emissions (Scope 1 & 2) were avoided



ITC's efforts to optimise distribution logistics of finished goods for its FMCG Businesses have helped control GHG emissions in 2014-15. Specific Scope 3 emissions due to transportation of FMCG products (Cigarettes, Personal Care and Foods) in 2014-15 have decreased by around 5% (tonnes of CO<sub>2</sub>e emission/tonne of product transported) as compared to the previous year for the same product categories. This has been achieved by improvement in vehicle utilisation capacity across the supply chain and extensive network de-layering in order to increase direct shipments to destination warehouses, thereby avoiding intermediate movements.

1, 2 & 3 GHG emissions is based on the 'GHG Protocol Corporate Accounting and Reporting Standard' and the 'GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard' issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

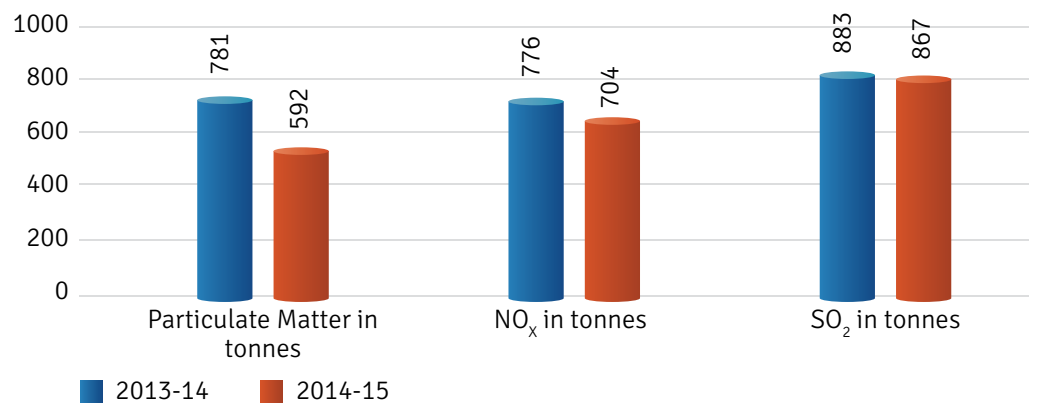
The standards, methodologies, tools and assumptions used for quantification of the GHG emissions and removals by various sources, have been explained at length in the Annexure – Quantification Methodology: Energy and GHG Emissions.





# ITC's Performance on Other Significant Air Emissions

All ITC Units monitor significant air emission parameters, such as Particulate Matter (PM), Nitrogen Oxides (NO<sub>x</sub>) and Sulphur Dioxide (SO<sub>2</sub>) on a regular basis to ensure compliance with internal norms that are more stringent than regulatory requirements.

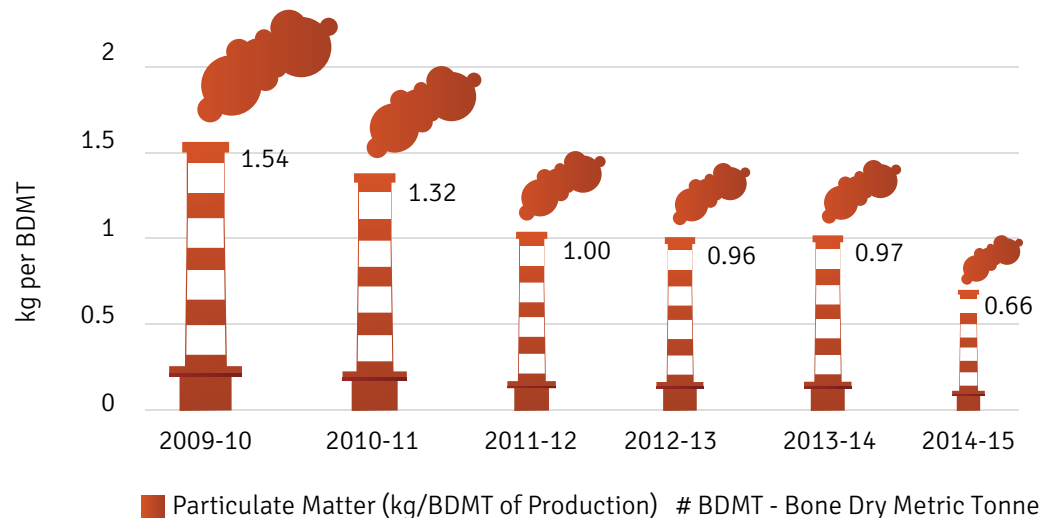


The decrease in the total emissions over last year was primarily due to the continuous interventions undertaken in Paperboards and Specialty Papers Business (which contributed 82% of the total air emissions in ITC during 2014-15) towards improvement in fuel combustion efficiencies and air emission control measures.

## Snapshot of Bhadrachalam Unit's performance

Owing to the continuous initiatives undertaken, there has been a consistent decrease in specific air emissions in terms of particulate matter, NO<sub>x</sub> and SO<sub>2</sub> emissions for the Bhadrachalam unit.

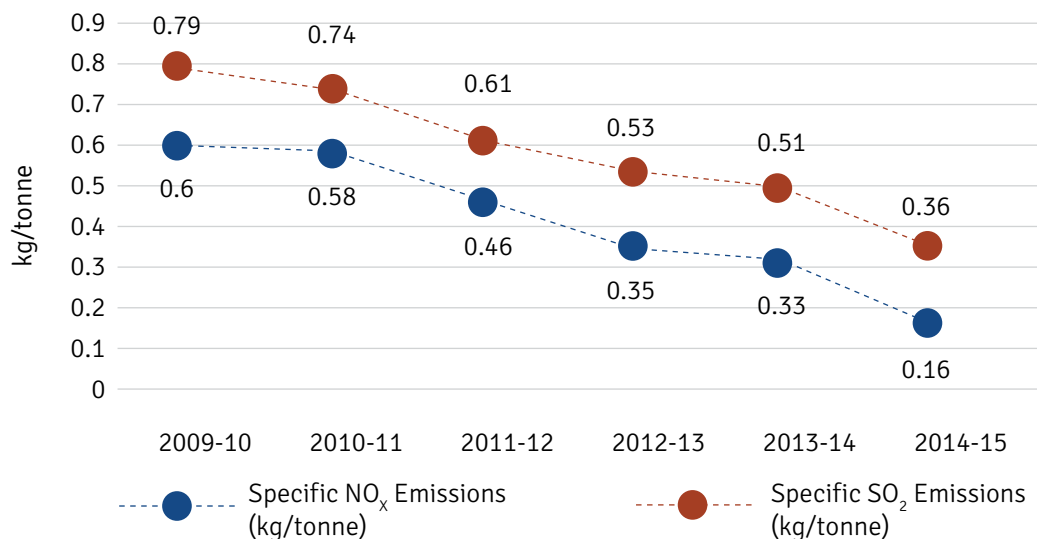
### Particulate Matter



Particulate matter emission for Bhadrachalam has reduced by 57% from 1.54 kg/BDMT of production in 2009-10 to 0.66 kg/BDMT of production in 2014-15. As per the Centre for Science & Environment

(Source: All About Paper – The life cycle of Indian Pulp and Paper Industry, Green Rating Project, 2004), the average particulate matter emission by large scale Indian Mills is 3.8 kg/BDMT.

## NO<sub>x</sub> and SO<sub>2</sub> Emissions



	Standards for NO <sub>x</sub> (kg/tonne)	Standards for SO <sub>2</sub> (kg/tonne)
Sweden	1.2-2.4	0.5-1.4
EU	1.0-1.8	0.1-0.5
EU-BAT*	1.0-1.5	0.2-0.4
<b>Reported Values</b>		
CEPI**	0.73	0.157

Sources - 1. Comprehensive Industry Document for Large-Scale Pulp & Paper Mills study by CPPRI, published by CPCB, 2007

\*EU-BAT: EU Norm Best Available Technology

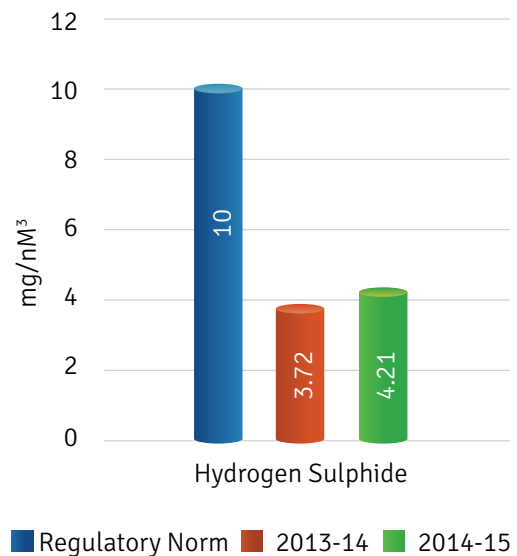
2. \*\* CEPI – Confederation of European Paper Industries (CEPI) Sustainability Report 2005 reported the average specific SO<sub>2</sub> and specific NO<sub>x</sub> values for European Paper Industries in 2002; CEPI Sustainability Report 2013 indicated the reduction in specific SO<sub>2</sub> and NO<sub>x</sub> values for European Paper Industries from 2002 to 2012.





### Hydrogen Sulphide Emissions

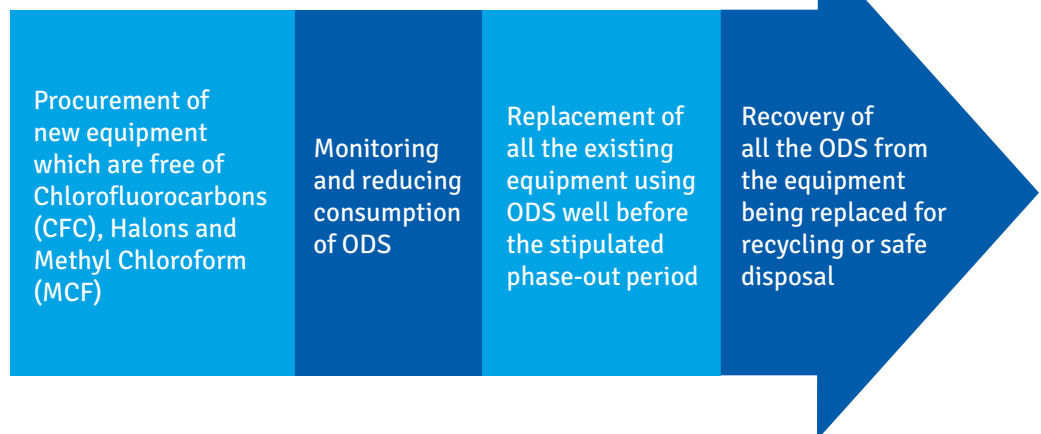
The primary source of hydrogen sulphide emissions in the integrated pulp and paper mill at Bhadrachalam is the soda recovery boilers in which black liquor is used to produce steam and recover chemicals. In 2014-15, hydrogen sulphide emissions for the Unit have marginally increased in comparison to 2013-14 since the unit utilised an increased quantity of domestic wood resulting in higher generation of virgin pulp and in turn higher volumes of black liquor being combusted in the soda recovery boilers. However, the emission level is well below the regulatory norm.



### Ozone Depleting Substances (ODS)

In 2014-15, the total consumption of ODS by all ITC Units was 108.7 kg of CFC-11 equivalent.

#### ITC's ODS Phase-out Plan





## Responsible Management of Chemicals, Oils and Fuels

All ITC Units manage chemicals, oils and fuels as per norms defined by the Company, 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, provisions for containment, impervious flooring, leak detection system as well as all requirements as per Material Safety Data Sheets (MSDS) for hazardous chemicals. To avoid any incidence

of uncontrolled spills or leakage, ITC has instituted safe work practices on handling and storage, procedures for leak detection & spill control and preventive maintenance. 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 2014-15, there was no significant spillage of any chemical, oil, fuel or hazardous waste in any of ITC's Units.

## The Road Ahead

### Reduction in GHG Emissions

### Reduction in Other Air Emissions

#### Impacts within Boundary

**For GHG Emissions** - Moving towards 50% renewable energy share by 2020 by continuing with the strategy of:

- Energy audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service).
- Investment in renewable energy assets based on techno-commercial feasibility.
- Continuous monitoring and review of performance.

**For Other Air Emissions** - Continue to focus on:

- Improvement of combustion efficiencies of fuels.
- State-of-the-art pollution control equipment.

#### Impacts in Value Chain

##### For GHG Emissions

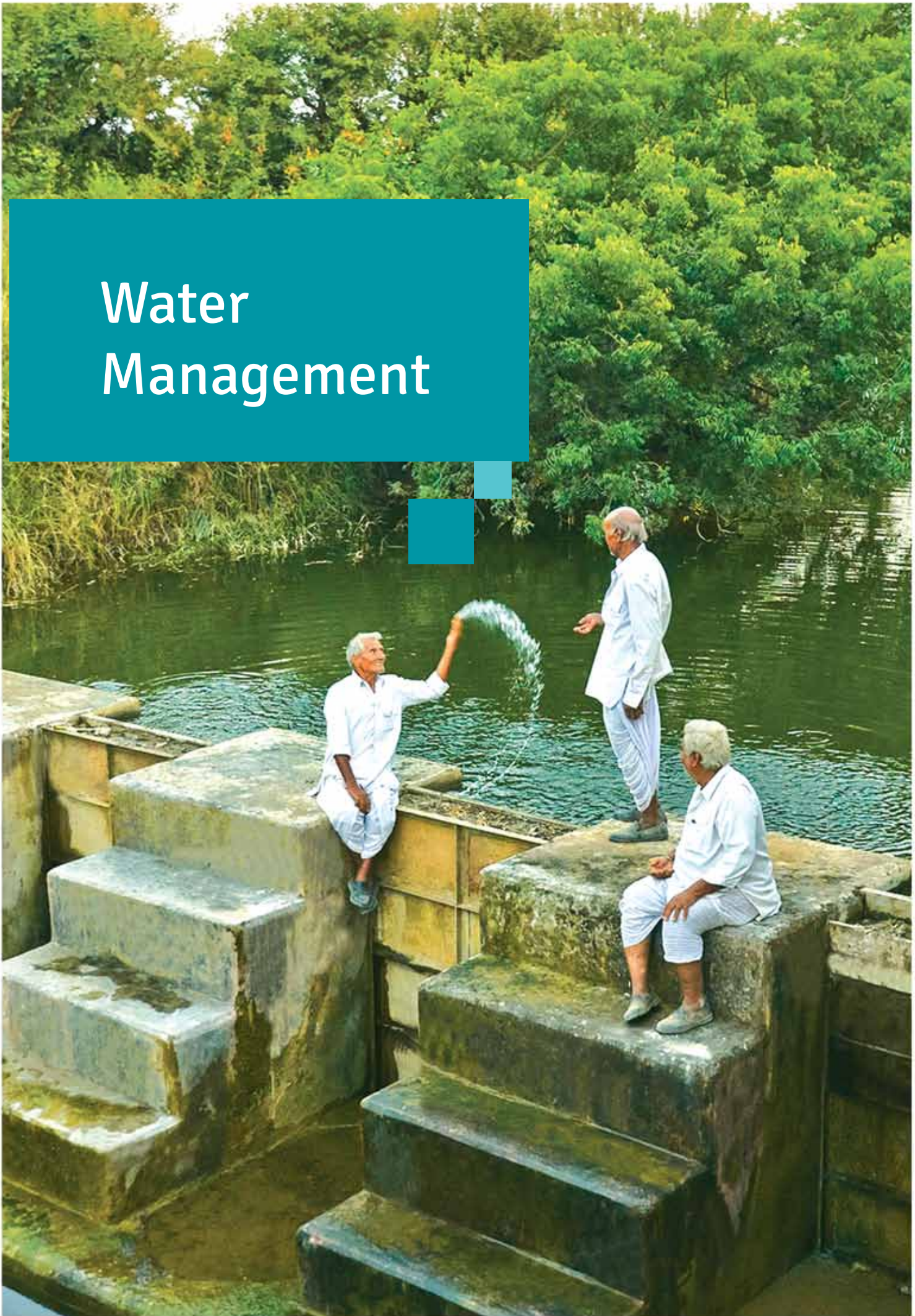
1. Reduction of GHG emissions in transportation of raw materials, finished goods and wastes.
2. Enhancing GHG sequestration through afforestation programmes, details on which are provided in "Social Investments – Mission Sunehra Kal" section.
3. Ensuring the sustainability of agri-inputs through integrated watershed development and soil and moisture conservation projects in catchment areas.
4. Encouraging supply chain partners for reduction of GHG emissions.

**For Other Air Emissions** - To work towards evaluation of other air emissions from the transport fleets involved in ITC's distribution logistics and to draw a roadmap for addressing the impacts.

- ◆ Life cycle assessment studies for evaluation of the hotspots in the value chain of products/services and taking necessary corrective actions.
- ◆ Development of internal capacities and use of LCA as a tool for product design and development by each business.



# Water Management





## Management Approach

Global water requirements are projected to exceed available sustainable water supplies by 40% by 2030<sup>1</sup>. The issue of water crisis plagues large parts of the world including Africa, parts of North America and Asia. India is particularly vulnerable to water stress given the rapid urbanisation and industrialisation at a time when rainfall patterns are seeing disruption and snow fed rivers are being threatened both by retreating glaciers and geopolitical pressures on diversion of headwaters of rivers originating in the Tibetan Plateau. ITC has sought to engage actively with multilateral agencies like the World Business Council for Sustainable Development (WBCSD), World Resources Institute (WRI), International Water Management Institute (IWMI) etc. to share experiences and also improve understanding of the complex social and

technical issues related to water. ITC has also actively supported the development of the India Water Tool as a working group member, an activity coordinated by the WBCSD. This tool permits a first level analysis of water risks across the country, an issue that is becoming increasingly real in the Indian context. ITC, through its deep and long-standing relationship with rural India has first-hand insights of what water scarcity and climate change means to the marginal farmers of India.

As a proactive and responsible Corporate citizen, ITC has invested significantly in integrated watershed and soil management programmes that focus on institution building and participative management of water resources by farmers. As a next step ITC is in the process of fine tuning a long term strategy for ensuring water security at the localised watershed level for all stakeholders and for all operating units located at identified high water risk areas.

<sup>1</sup>Source: Charting our Water Future, Report by 2030 Water Resources Group, 2009





### Challenges from Water Stress

- With continuous decline in ground water and uneven supply of surface water, it may become even more challenging for businesses to meet their requirements.
- Additional regulatory limits on water withdrawal owing to challenges from decrease in water availability.
- Largely rain-fed farming in India, with around 55% of net sown area meeting its water requirements from rainwater alone and agriculture providing employment to over 50% of the workforce.
- Due to absence of adequate infrastructure support, any significant disruption in rainfall patterns resulting from climate change may lead to considerable adverse impacts on agricultural yields.
- Water availability especially critical for ITC, as most of its businesses depend significantly on agri-inputs.
- Impact on water quality owing to disruptions in rainfall patterns.
- Increased ground water mining is exacerbating an issue that has already assumed critical dimensions due to contamination as well as inadequate recharge.
- Poor water quality requiring additional treatment and additional expenses before it can become usable.
- Risk of localised contamination like arsenic, fluoride, etc., already prevalent in some of the states, which is expected to increase leading to severe potential health hazards.

### ITC's Sustainability Policies Addressing these Challenges


#### Policy on Environment, Health and Safety

#### Policy on Life-cycle Sustainability

#### Policy on Responsible Sourcing

### ITC Strategy

- Conducting water audits, benchmarking and implementation of best practices for reducing water intake.
- Target setting for progressively reducing specific water intake (water per unit of product/service).
- Continuous monitoring of performance and management review through Integrated Sustainability Data Management System (ISDMS).
- Treating effluent so as to ensure that discharge quality is better than statutory requirements and progressing towards recycling/reusing of all treated effluent within or outside ITC premises.
- Evaluation of water availability/stress at ITC Units on the basis of data available with Government agencies.
- Engagement with external stakeholders for assessment and mitigation of water related risks at the local watershed level.
- Lifecycle based approach for understanding impacts across the value chain.
- Ensuring the sustainability of agriculture through integrated watershed development including rainwater harvesting and soil and moisture conservation projects particularly in regions where ITC sources its raw materials from.
- Grassroots capacity building for proper governance in agricultural water usage.
- Enhancing ITC's water positive footprint through rainwater harvesting, both within ITC's Units and across different watershed areas.
- Responsible water stewardship actions – working towards meeting the water security needs of all stakeholders at the local watershed level.

 Within Boundary

 Beyond Boundary

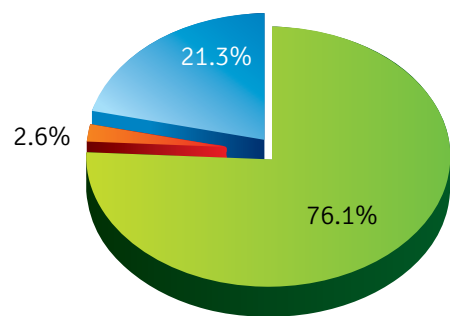
# ITC's Performance

## Water Withdrawal

In 2014-15, ITC Units withdrew 34.48 million kilolitres (kl) of water, an increase of only 2% over the previous year (33.73 million kl in 2013-14) despite expansion in reporting boundary. This performance is attributable to the ongoing initiatives undertaken towards water conservation across ITC Units.

Of the 34.48 million kl of total water withdrawn, 76.1% of water resources were sourced from rivers, 21.3% from ground water sources and only 2.6% from municipal and other water sources.

Sources of 34.48 million kl of Total Water Withdrawn by ITC in 2014-15



- Surface Water
- Municipal Water & Others
- Ground Water

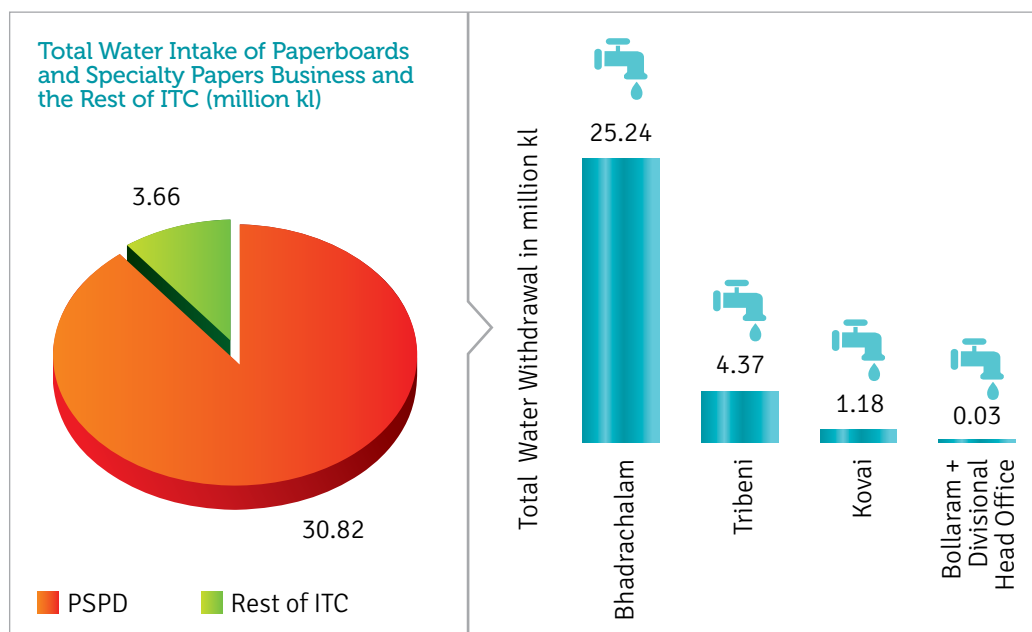
The increase in total water intake can be attributed primarily to the inclusion of the following Units/activities into the reporting boundary – Snacks and Noodles Unit of Foods Business at Malur (Karnataka), clonal plantation development activities of Paperboards and Specialty Papers Business at Bhadrachalam, ITC Grand Bharat in Gurgaon and My Fortune Bengaluru of the Hotels Business, together with Classic Golf Resort in Gurgaon, ITC Kakatiya in Hyderabad and Fortune Resort Bay Island in Andaman and Nicobar Islands being units of subsidiary companies.

Although with the reporting boundary expansion, there has been an increase in total water withdrawal by ITC, focused efforts by all Units to reduce intake by conducting water audits, benchmarking and adopting leading practices facilitated the reduction of specific water intake as illustrated in the following sections.

In order to maintain its performance, ITC Businesses have set voluntary specific water intake reduction targets at the Unit/Business level.

Considering the fact that Paperboards and Specialty Papers Business Units together accounted for around 89% of total water intake of ITC as demonstrated below, it is logical that significant efforts have been focused on the performance of the Units under this Business.

ITC has actively supported the development of the India Water Tool that permits a first level analysis of water risks across the country

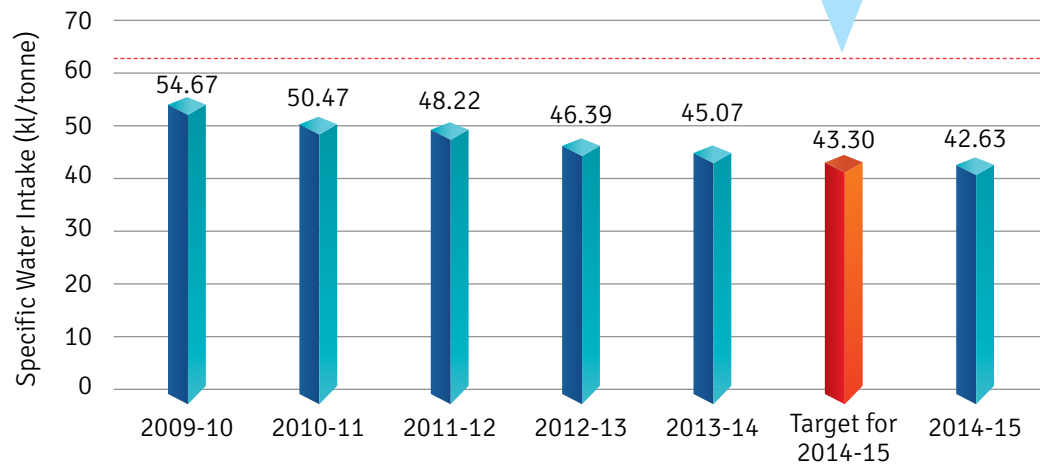


## Paperboards Unit at Bhadrachalam

India's largest integrated paper and paperboards mill accounted for 73.2% of the total freshwater intake in ITC. In 2014-15, the Bhadrachalam Unit's freshwater intake was 42.6 kl per tonne of product, a reduction of 5% over the previous year's 45.1 kl/tonne,

primarily due to various water conservation initiatives undertaken by the Unit e.g. pipeline modification for increasing usage of paper machine back water, optimisation of water needed for pulp dilution etc. The persistent efforts of the Unit towards water conservation are evident in the consistently decreasing trend of specific water intake as depicted below.

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

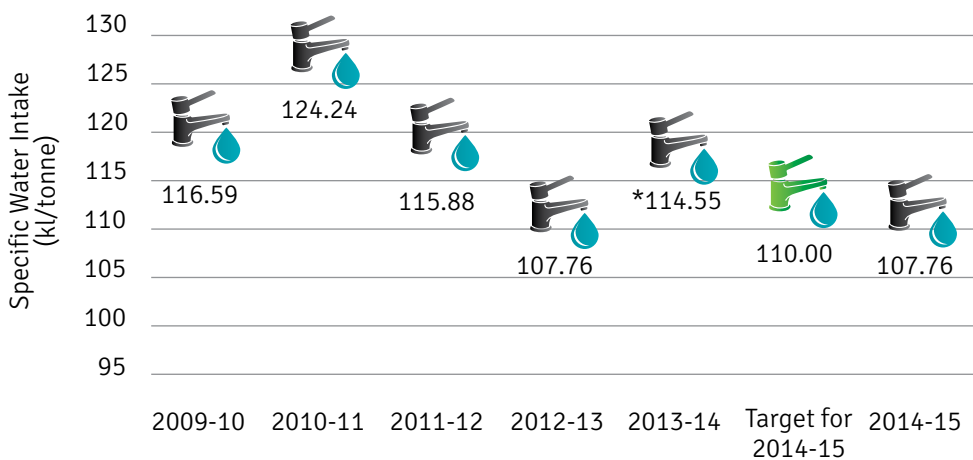


ITC has invested significantly in integrated watershed and soil management programmes that focus on institution building and participative management of water resources by farmers



## Specialty Papers Unit at Tribeni

ITC's Unit at Tribeni manufactures specialty paper, which is a water intensive process. The Unit has achieved around 6% reduction of specific water intake per tonne of product during the reporting period over the previous year primarily due to the initiatives undertaken to achieve reduction in specific water intake like increase in recovery of paper machine back water and reuse in the machine, removal of additional perforated showers for wire section of paper machine etc.



\*Increase of 6.3% in 2013-14 over the previous year was primarily due to the commissioning activities of the new power plant at Tribeni.

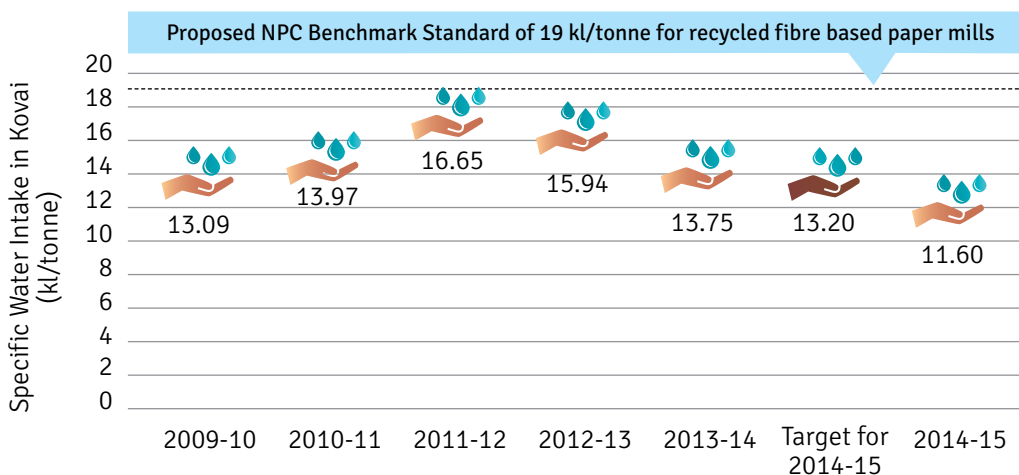
Note: There is no specific NPC benchmark standard for Tribeni

## Paperboards Unit at Kovai

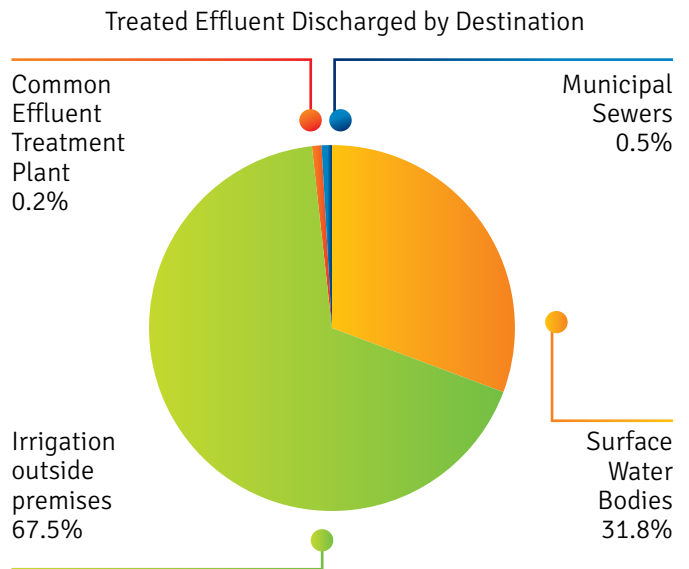
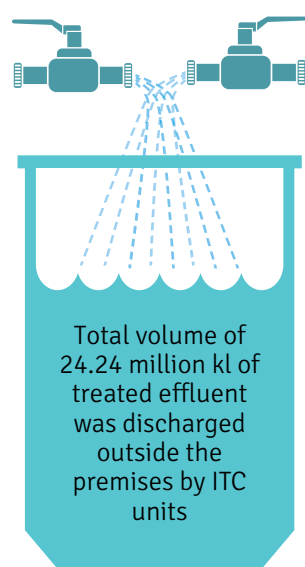
Water conservation measures including increased recycling of treated effluent and use in process, installation of new cooling tower in board machine etc. undertaken by the Unit led to the reduction in specific water intake from 13.75 kl/tonne in 2013-14 to 11.60 kl/tonne in 2014-15.

## Cast Coating Unit at Bollaram

The target of 0.48 kl/tonne for 2014-15 could not be achieved as decrease in production resulted in specific water intake of 0.52 kl/tonne (actual performance was 0.52 kl/tonne in 2013-14).



### Effluent

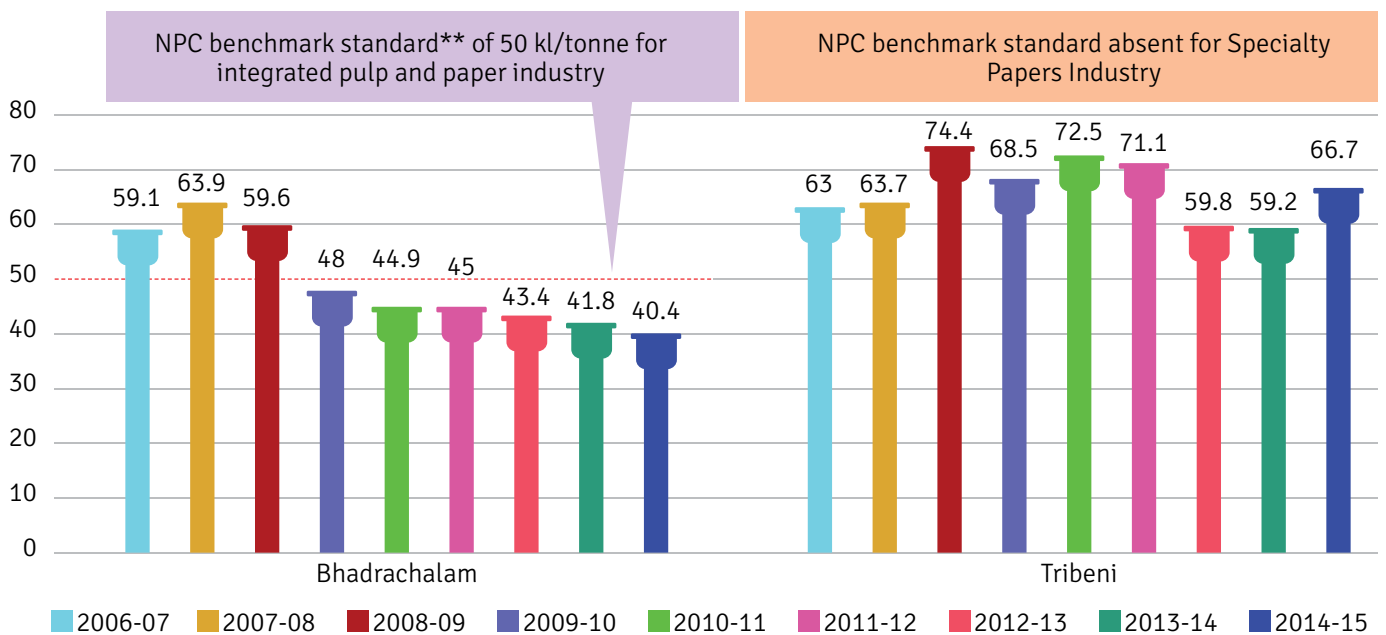


### Effluent Discharge

The two Paperboards and Specialty Papers Units at Bhadrachalam and Tribeni accounted for 98.9% of total wastewater discharged outside Unit premises in ITC and 67.8% of the water discharged outside from these two Units was utilised for irrigation purpose. Therefore specific focus has been accorded to the performance of these 2 Units in terms of treated effluent discharge volume as well as quality.

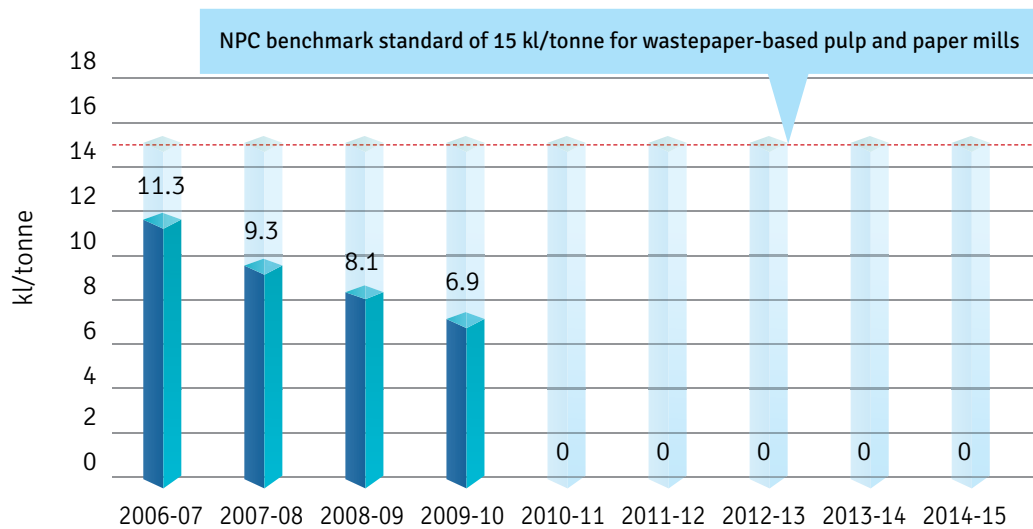
Bhadrachalam Unit has been reaping the benefits of initiatives undertaken towards recycling of treated effluent as is evident from the continually decreasing trend of specific treated effluent discharged. For Tribeni Unit, the specific treated effluent discharged has increased from 59.2 kl/tonne to 66.7 kl/tonne. This is due to the installation of a new boiler, which required additional treatment to meet specified water quality standards and resulted in increased discharge of treated effluent in 2014-15 with respect to 2013-14.

### Specific Treated Effluent Discharge in ITC Paperboards and Specialty Papers Units (kl/tonne)



\*\*Reference: National Productivity Council (NPC)'s Final Report on Development of Guidelines for Water Conservation in Pulp and Paper Sector by NPC, New Delhi, March 2006.

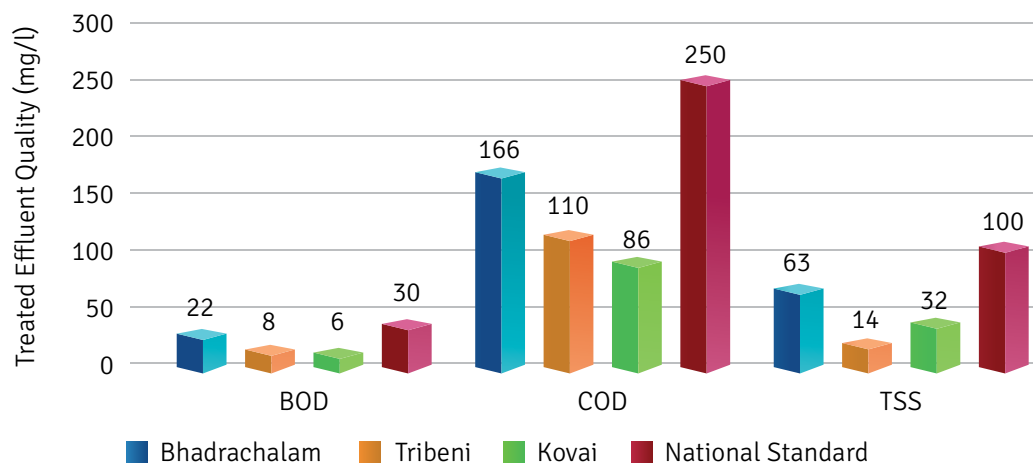
### Specific Treated Effluent Discharged (kl/tonne) for Kovai Unit



Since 2010-11, the wastepaper-based pulp and paper mill at Kovai has not discharged any treated effluent outside its premises.

The quality of the treated effluent from Paperboards and Specialty Papers Units was far better than the stipulated standards in India:

### Treated Effluent Quality: Annual Average (2014-15) - Paperboards and Specialty Papers Units



In addition, the quality of the treated effluent from Bhadrachalam Unit was comparable with European standards:

Parameters	Bhadrachalam (kg/tonne of finished product)	European Paper Industries# (kg/tonne of finished product)
BOD	0.90	0.816
COD	6.69	5.713

#Reference: Confederation of European Paper Industries (CEPI) Sustainability Report 2005 reported the average specific BOD and specific COD values for European Paper Industries in 2002; CEPI Sustainability Report 2013 indicated the reduction in specific AOX value for European Paper Industries from 2002 to 2012.



Unit	Reference	Specific AOX Level in Kg/tonne of finished product
Bhadrachalam Unit		0.0097
<b>Benchmarks</b>		
MoEFCC standard		1
Indian Paper/Paperboard mills	Average as per Comprehensive Industry Document for Large-Scale Paper Mills, study conducted by Central Pulp and Paper Research Institute, 2007	0.46-0.8
European Paper Industries	Confederation of European Paper Industries (CEPI) Sustainability Report 2005 reported the average specific AOX value for European Paper Industries in 2002; CEPI Sustainability Report 2013 mentioned the reduction in specific AOX value for European Paper Industries from 2002 to 2012	0.019
World Bank Standard	World Bank Guideline for New Paper Mills (2007)	0.25

Another critical parameter applicable only to ITC's Bhadrachalam Unit is the level of adsorbable organic halides (AOX) generated during the bleaching process. These compounds are formed as a result of reaction between residual lignin from wood fibres and chlorine compounds used for bleaching. Depicted above is the specific AOX level for Bhadrachalam Unit for the year 2014-15 showing that the level is well below the norm stipulated by Ministry of Environment, Forest

and Climate Change (MoEFCC) as well as national and international benchmarks.

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 water intake but also maximises groundwater recharge, reduces run-off etc. In 2014-15, the following Units achieved the goal of zero effluent discharge:

Cigarette Factories at Bengaluru, Saharanpur & Pune, Leaf Processing Units at Anaparti, Chirala & Mysuru, Packaging & Printing Unit at Tiruvottiyur, Snacks and Noodles Unit at Malur, Life Sciences & Technology Centre at Bengaluru, Research Centre at Rajahmundry, Paperboards and Specialty Papers Business Units at Kovai and Bollaram, Personal Care Products Business Unit at Manpura, Lifestyle Retailing Business Unit at Manesar, Hotel Units ITC Maratha in Mumbai, ITC Rajputana at Jaipur, ITC Grand Bharat and ITC Green Centre at Gurgaon.





With the intent of progressing towards water stewardship, ITC has started carrying out appropriate studies at identified Units to develop a comprehensive understanding of issues involved. A pilot project to this effect has been initiated at one of ITC's surface water intensive Units:

**The study focused on the following:**

- a) Conducting a water accounting exercise over the entire river basin in general and in the local catchment in particular to understand current water availability, water use patterns, return flows, re-use and future demand;
- b) Assessment of environmental flows requirement of the river basin to understand the implications of maintaining environmental flows as a policy on other water users and water use in the local catchment;
- c) Evaluation of potential surface and sub-surface interventions, including management of aquifer recharge and cascading storage tank rejuvenation to augment water supply in the local catchment, as well as cost-benefit analysis of the identified interventions.

**Key recommendations included:**

- i. Management of aquifer recharge should be implemented in high and moderate potential zones, either through private or public partnership or both for increasing water availability for all sectors.
- ii. De-silting of cascading storage tank beds and repairing damaged infrastructure of small tanks should also be considered a priority investment, not only to enhance water storage and financial benefits to local communities, but also to augment river flows in non-monsoon seasons.
- iii. As far as waste water is concerned, the industries should address perceived water quality issues that have been raised by some stakeholders. While direct water withdrawals from the river, especially during the non-monsoon months are vital for sustainable operations of industries, the access to acceptable quality return flows can be a viable financial source for irrigation users.
- iv. A potential location to start intervention in the local catchment could be a tributary which is a seasonal river flow with sufficient monsoon run-off. Capturing 10 to 20% of the monsoon run-off in surface and sub-surface storage will not only enhance water storage of the communities there, but also proliferate river flow in low flow months without undue effect on environmental flows in the monsoon months.
- v. Improvement in agricultural practices should be focused upon to reduce agricultural water consumption in the local catchment since it contributes to the bulk of withdrawal from the river.

## Impacts in the Value Chain

In line with the Board approved Policies on Life-cycle Sustainability and Responsible Sourcing, in 2014-15, ITC has initiated the process of accounting for water intake of supply chain members. The total water intake for ATC Limited (an associate Company), HDC Hyderabad and RCTI Bhopal (exclusive third party manufacturers for the Cigarettes Business) together was 30,451 kl. Furthermore with an objective of understanding the impacts in the value chain



and to draw up an action plan for addressing the key impact areas, in 2010, ITC initiated the life cycle assessment (LCA) for its products and till date 3 LCAs have been completed. In 2014-15, as part of the LCA for one of its products, ITC specifically conducted a water footprint study for a product of the Paperboards and Specialty Papers Business as per the latest Standard (ISO 14046). Details of the results of this study are available for reference in the “Supply Chain” section of this Report. Going forward, ITC intends to undertake more LCA studies for evaluating opportunities for improvement in the value chains of its products and services and take necessary corrective actions.

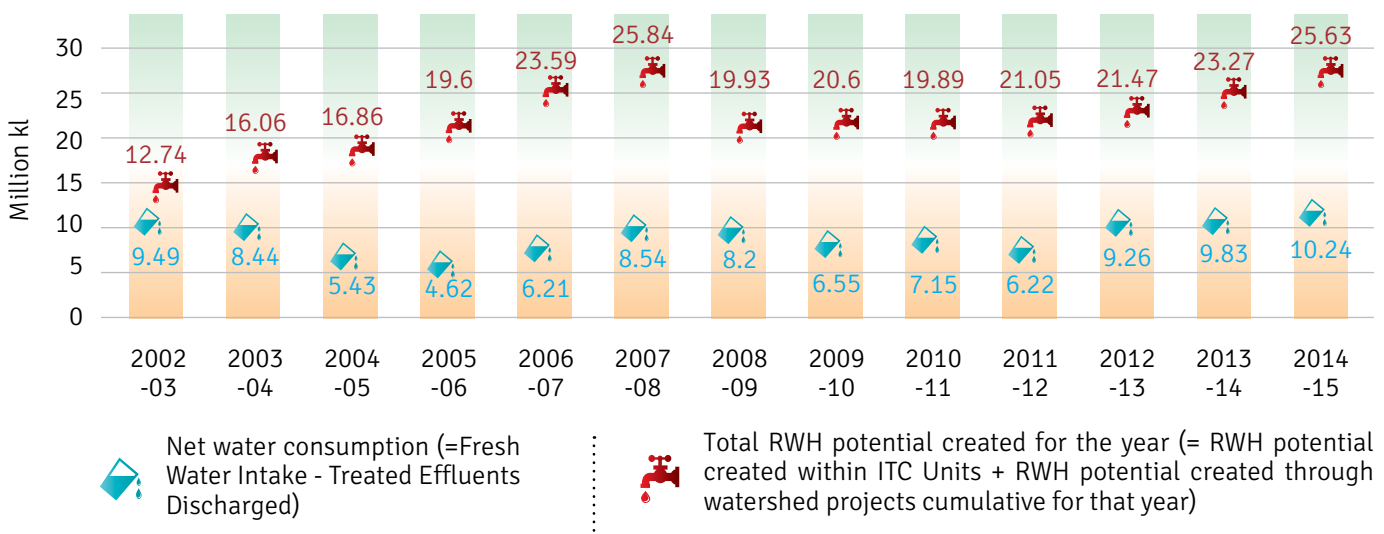
## Enlarging Water Positive Footprint

The Company’s continued interventions in rainwater harvesting both in the Company premises and socially relevant watershed areas have enlarged ITC’s water positive footprint. Details on these interventions are available in the “Social Investments – Mission Sunehra Kal” section of this Report.

As on March 31, 2015, ITC’s Integrated Watershed Development Projects, covering nearly 2,00,186 hectares of land, support the Water Positive status of the Company for the 13th year in a row.

The total rainwater harvesting potential created by the Company so far is over two times the net water consumption by ITC’s manufacturing operations.

### Water Balance







For the watershed structures outside ITC Units, the 'RWH potential' figures from 2008-09 account for silt deposits - the adjustments are based on actual sample measurement & the extent of silt deposit depends on the age & location of a structure.

## The Road Ahead

While continuing its integrated watershed management programme, ITC will be guided by the principles of water stewardship to ensure water security for all stakeholders across all ITC operating Units.

### Mitigation of water risks to own operations

1. Identification of key performance indicators (KPIs) and setting targets for continual improvement based on internal as well as external benchmarking.
2. Monitoring and review of performance against KPIs and targets set through integrated sustainability data management system.

### Addressing shared water challenges in the catchment

1. Identification of water security issues at the local watershed level.
2. Measures initiated to achieve water security for all stakeholders with review and public reporting of performance.

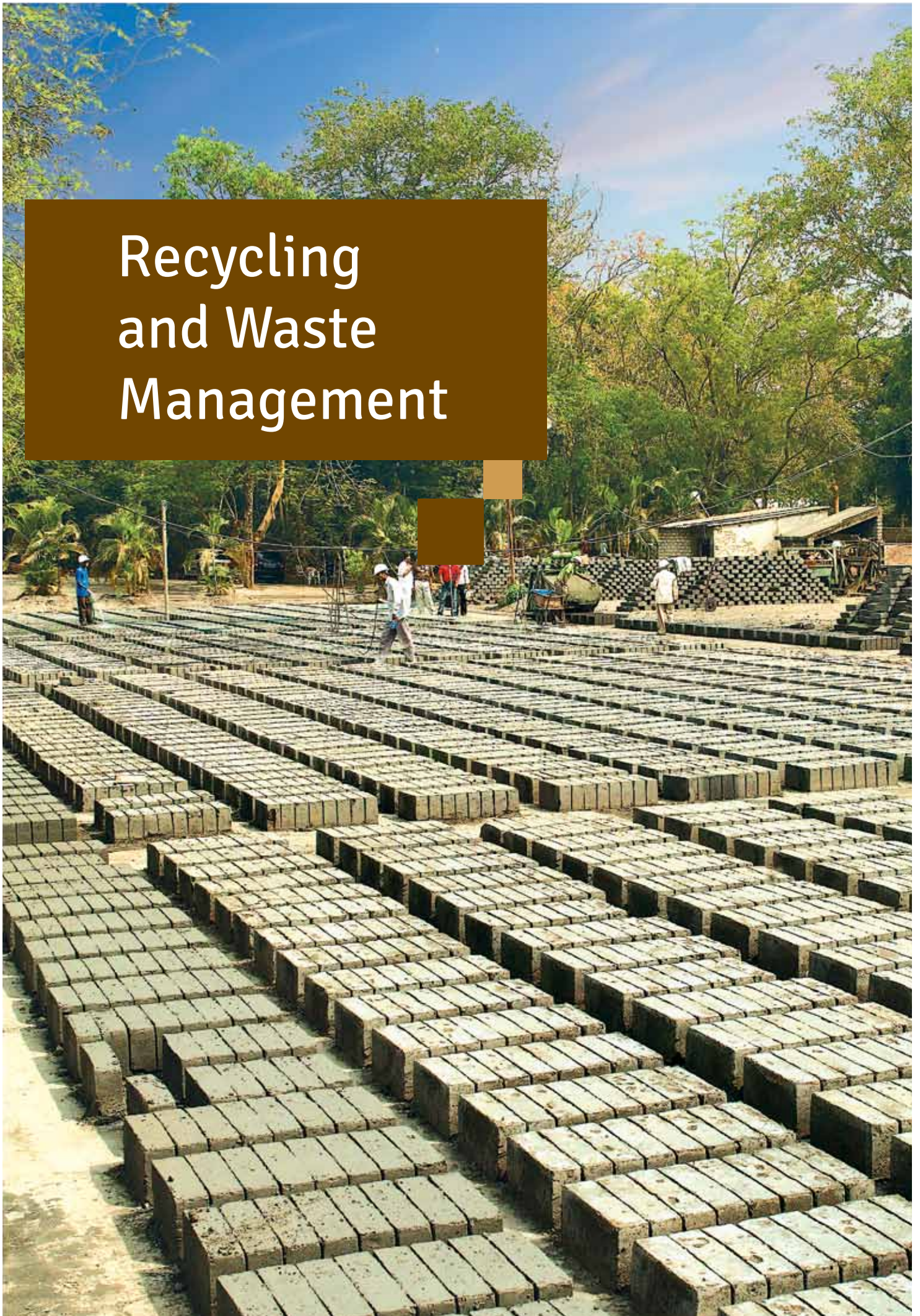
### Ensuring that responsible water stewardship actions are taken to minimise negative impacts and maximise positive impacts

1. Addressing water security issues in regions where ITC sources its agri-commodities from.
2. Integrated watershed development and soil and moisture conservation projects in those regions.
3. Capacity building of farmers to ensure self-sustenance of the watershed development programmes.

Life-cycle assessment studies for evaluation of the opportunities for improvement in the value chain of products/services and taking necessary corrective actions.



# Recycling and Waste Management





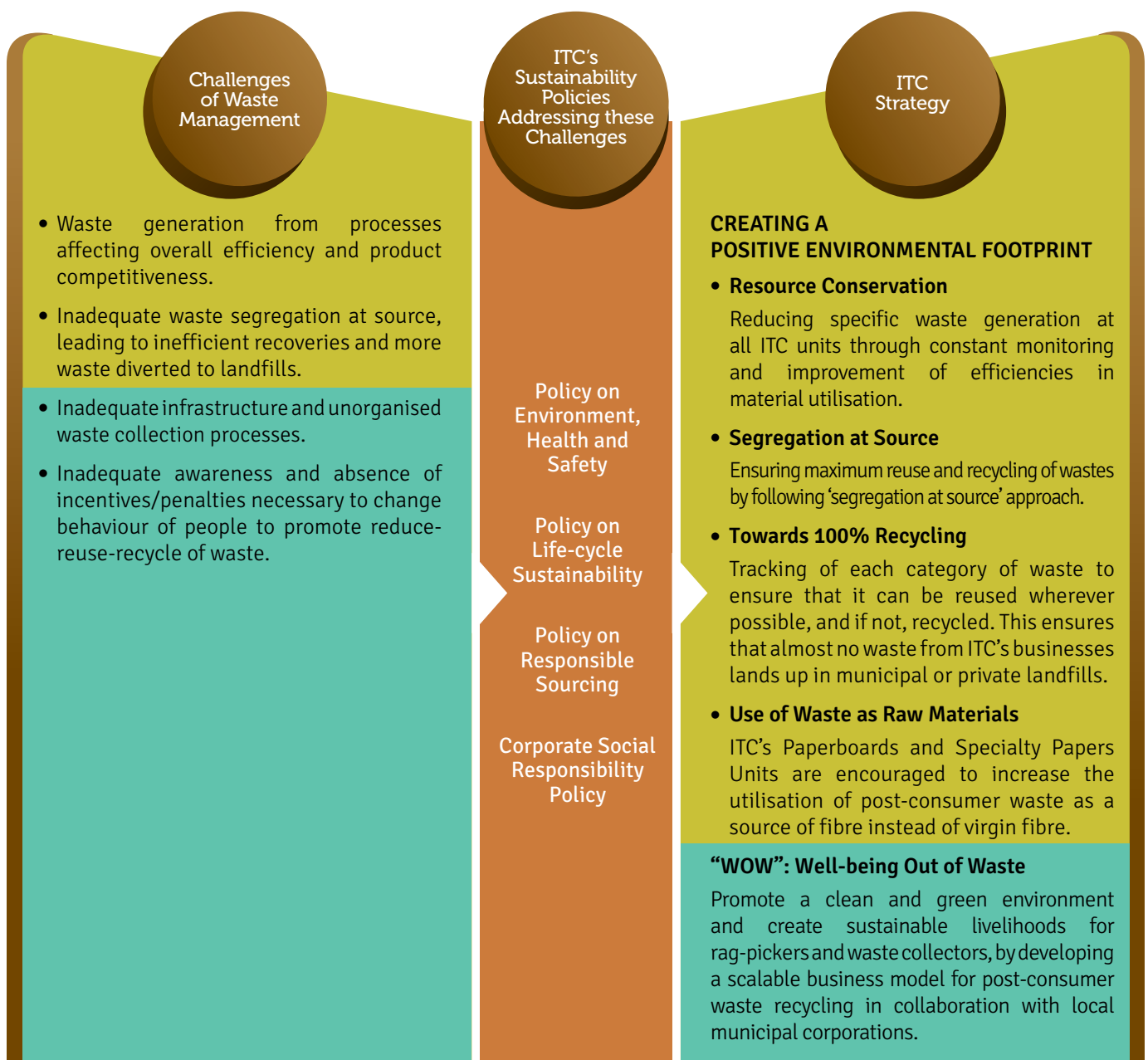
# Management Approach

The issue of waste management has assumed critical significance for the country today. Over the last few decades, the amount of waste generated has gone up considerably as a direct consequence of increasing population, rapid and unplanned urbanisation, higher consumption levels and inadequate infrastructure. However as a country, appropriate waste management mechanisms have not received adequate focus. As a result, most of the waste being generated today finds

its way to landfills, causing a severe strain on the ecology. Heaps of unattended waste, foraged by cattle and rag-pickers alike, have become a common sight both in urban and rural areas of the country.

Apart from the increasing pressures on natural resources, the issue of burgeoning waste also contributes to soil and ground water contamination and Greenhouse Gas (GHG) emissions, which are threatening the quality of life throughout India.

As a responsible Corporate Citizen, ITC's approach on this important aspect is depicted below.



Within Boundary     Beyond Boundary



## Our Performance

### Waste Generation

In 2014-15, ITC Units generated 7,91,227 tonnes of waste (7,11,887 tonnes in 2013-14). This 11.1% rise in total waste generated over last year was primarily due to non-availability of low ash content coal and augmentation of virgin pulp production in Bhadrachalam Unit of the Paperboards and Specialty Papers Division. This Unit, which accounted for 79.8% of the total waste generated in ITC during 2014-15, reported an increase of 16.3% in waste generation as compared to previous year.

at Gurgaon and My Fortune at Bengaluru of the Hotels Business, clonal plantation development activities of Paperboards and Specialty Papers Business at Bhadrachalam, together with Classic Golf Resort in Gurgaon, ITC Kakatiya in Hyderabad and Fortune Resort Bay Island in Andaman and Nicobar Islands, being units of subsidiary companies.

In order to continually improve performance on resource conservation, all ITC Units have developed systems to track and monitor the specific waste generation (waste generated per unit of product/service). Considering the significant share of Paperboards and Specialty Papers Business in the total

#### Business-wise break-up of wastes generated in ITC (2014-15):

	Tonnes	%
Paperboards and Specialty Papers	7,21,211	91.15
Leaf Tobacco	22,198	2.81
Packaging and Printing	19,455	2.46
Foods	12,035	1.52
Cigarettes	9,417	1.19
Hotels	5,315	0.67
Personal Care Products	1,335	0.17
Others (Offices, ITC Infotech, Lifestyle Retailing)	263	0.03
<b>Total</b>	<b>7,91,227</b>	

In addition, there has been an expansion in the reporting boundary. The following business units/activities have been included in the Sustainability Report for 2014-15:

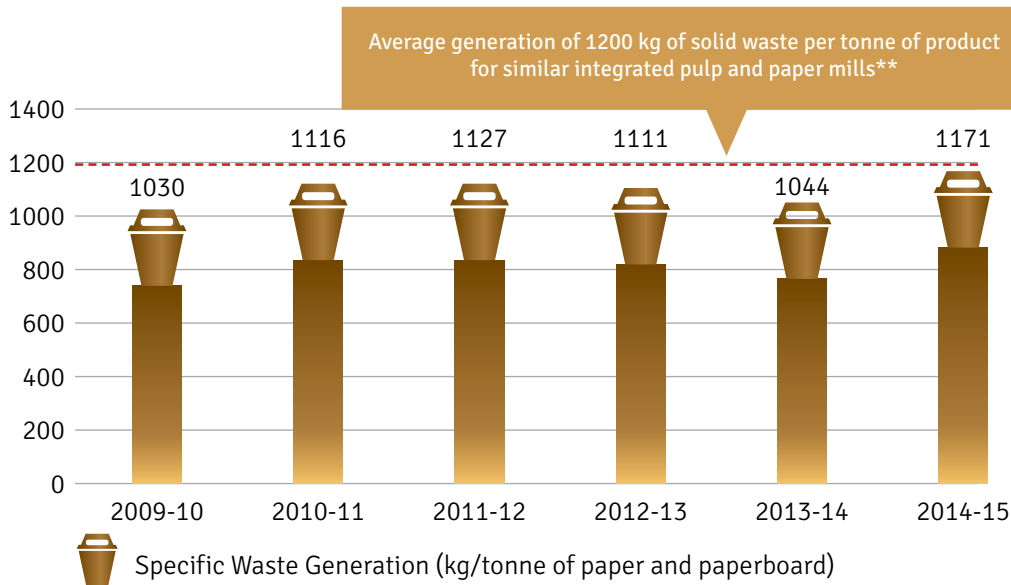
Snacks and Noodles Unit of Foods Business at Malur (Karnataka), ITC Grand Bharat

waste generated by ITC (as demonstrated in the above table), specific focus has been laid on monitoring the performance of the Units under this Business. Specific waste generation of these Units are as follows:

Unit	Specific Waste Generation (kg/tonne)		Percentage Deviation	Increase/Decrease	Primary factors
	2013-14	2014-15			
Bhadrachalam	1044.3	1171.1	12.1%	Increase	Non availability of low ash content coal, and rise in virgin pulp production (avoiding use of imported pulp).
Bollaram	75.7	71.0	6.2%	Decrease	Process improvement and waste reduction programmes
Kovai	209.5	210.2	0.3%	Increase	Increased use of lignite and de-oiled bran (higher ash content as compared to coal)
Tribeni	2517.0	2055.6	18.3%	Decrease	Replacement of old boilers with a new efficient boiler



Specific Waste Generation of Bhadrachalam (kg/tonne of paper and paperboard)



\*\*Reference: Centre for Science and Environment Report, 'All About Paper' (2004)



ITC's Paperboards and Specialty Papers Units are encouraged to increase the utilisation of post-consumer waste as a source of fibre instead of virgin fibre

Historically, due to limited options for recycling of lime sludge (a waste generated from chemical recovery process in Bhadrachalam Unit), some amount was being utilised by cement plants, with the bulk stored in lagoons within the premises, incorporating adequate precautions to prevent adverse impacts on soil and ground water. In 2014-15, the Unit tied up with more cement plants and around 14,000 tonnes of waste was recycled through this arrangement. The accumulated quantity of lime sludge in these lagoons is estimated to be around 2.5 lac tonnes and it is expected that the entire amount of accumulated lime sludge will be utilised within the next 3 years.

ITC strives to maximise resource efficiency in all its Units so as to reduce waste generation



### Segregation of Waste and its Destination

Of the total waste generated by ITC in 2014-15, only 3.2% by weight can be categorised as hazardous waste as per Indian statutes. 94.5% of this hazardous waste was recycled by authorised external agencies, and the balance 5.5% was disposed off or stored completely in accordance with applicable statutes. All ITC Units have established systems and procedures to verify the relevant authorisations and licenses of external agencies for transporting, recycling or disposing the hazardous wastes, in compliance with applicable regulations and norms. Further, Corporate EHS periodically verifies the compliance in each of the ITC Units. During 2014-15, apart from hazardous wastes transported to external treatment sites by authorised transport agencies as applicable, no other hazardous wastes were transported between locations owned or managed by the organisation.

The table below depicts the final destinations of the total hazardous wastes generated during 2014-15:

**Total hazardous waste and its Destination (2014-15)**

Total hazardous waste generated	25,111
Hazardous waste carried over from previous year and disposed in 2014-15	40
Recycled	23,771
Incineration + Landfill	1,314
On-site storage	66

(All values in Tonnes)

During 2014-15, out of the total non-hazardous waste generated in ITC Units, 99.97% waste was reused/recycled. The details of the destination for the major waste categories, which contributed to more than 85% of the total non-hazardous waste generated in ITC units in 2014-15, are given below:

Non-hazardous waste category	Generated by	Quantity of generation (Tonnes)	Waste destination
Fly ash generated from coal-fired boilers	Units of Paperboards & Specialty Papers and Leaf Tobacco Businesses	3,98,369	Used by cement and brick manufacturers
Lime sludge	Bhadrachalam and Tribeni Units of Paperboards & Specialty Papers Business	2,07,466	Utilised in-house as well as by external cement manufactures
Bottom ash from coal-fired boilers	Units of Paperboards & Specialty Papers and Leaf Tobacco Businesses	51,091	Used for brick manufacturing and filling of low-lying areas
Wood waste from chipping operation	Bhadrachalam Unit of Paperboards & Specialty Papers Business	24,517	Used as a fuel in an in-house boiler

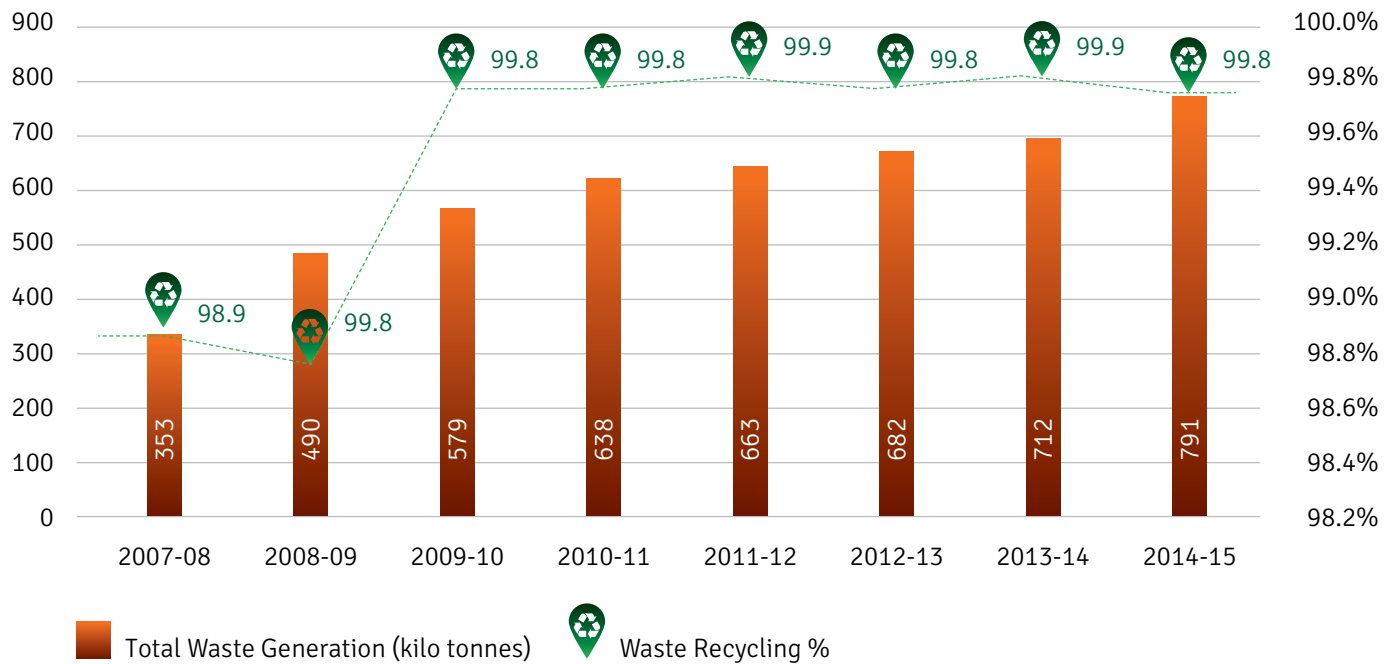


## Waste Recycling

ITC strives to maximise resource efficiency in all its Units so as to reduce waste generation to the extent possible. Since generation of waste cannot be completely eliminated due to limitations in processes and technology, all ITC Businesses/Units endeavour to work towards 100% recycling of generated


waste. Approach of 'segregation at source' along with focused attention on identifying and tracking of all waste streams till its final disposal have helped to enhance the performance in waste recycling across all Units. During 2014-15, 99.8% of the total waste generated within the units was recycled.


### Progress on Waste Recycling



### Units that recycled more than 99% of generated waste:

 Cigarette factories at Bengaluru, Munger, Saharanpur, Kolkata and Pune.


 Leaf Tobacco processing Units at Anaparti, Chirala and Mysuru.

 Paperboards and Specialty Papers Units at Bhadrachalam, Kovai and Bollaram.


 ILTD Divisional Head Office in Guntur.

 Personal Care Business Unit at Haridwar.

 ITC Green Centre at Gurgaon.

 Foods Business Units at Haridwar (Snacks and Biscuits) and Pune (Snacks).

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

 ITC Life Sciences and Technology Centre at Bengaluru.



## Waste Used as Raw Materials

Use of post-consumer waste as raw materials by the Paperboards and Specialty Paper Units at Kovai and Bhadrachalam has enabled the Company to further expand its waste recycling footprint. Efforts at ITC Units to recycle the entire waste generated along with utilisation of externally generated waste paper as a source of fibre in the above mentioned Paperboards and Specialty Paper Units, have helped the company to maintain its solid waste recycling positive status for the 8<sup>th</sup> consecutive year (refer the table below).

“Wealth Out of Waste” (WOW), a recycling programme initiated in April 2007 by the Paperboards & Specialty Papers Business of ITC, has evolved into a corporate level

programme with scope enhanced to “Well-being out of Waste” focused on creating scalable solutions for spreading awareness about recycling, encouraging people to segregate & dispose waste responsibly and creating sustainable livelihoods for people working as rag-pickers.

As part of ITC’s ongoing efforts towards maximising value capture from post-consumer waste, a pilot project on recycled compact boards made out of packaging waste has led to the development of school furniture which have been deployed in schools supported by ITC. Applications for these boards within ITC facilities are also being explored. In addition, studies are being carried out to explore viability of converting waste plastic to fuel.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total waste generated (tonnes)	3,52,970	4,90,180	5,78,865	6,38,405	6,63,796	6,82,405	7,11,887	7,91,227 <sup>#</sup>
Waste recycled (tonnes) <sup>®</sup>	3,49,264	4,84,287	5,77,766	6,37,452	6,62,978	6,81,129	7,11,033	7,89,720
% Recycled	98.90	98.80	99.80	99.80	99.90	99.80	99.90	99.80
Un-recycled waste (tonnes)	3,706	5,893	1,099	953	818	1,276	854	1,592
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	1,09,998	1,14,563
Waste recycling footprint (%) <sup>*</sup>	145	124	122	119	117	117	115	114

<sup>#</sup> 85 Tonnes of waste, carried over from previous year was disposed in 2014-15 but not included in ‘total waste generated’

<sup>\*</sup> Waste Recycling footprint (%) = (Waste recycled + external waste used as raw material)\*100/Total waste generated in ITC

<sup>®</sup> Waste recycled include 8,891 tonnes of waste composted

## Waste from Supply Chain

In 2013-14, ITC started accounting for the waste generated from the operations of exclusive third party manufacturing (TPM) Units catering to the notebook segment of ITC's Education and Stationery Product Business as well as ATC Limited, ITC's associate company. To expand this coverage, this year TPM Units for Cigarette Business have also been included in the reporting boundary. Performance of these Units is detailed below. ITC will continue to progressively extend this coverage. Quality of data continues to be a challenge in the TPM facilities. Capacity building and regular review of performance data will be continued so as to improve the data quality in the coming years.



Supply Chain Members	Total Waste Generated (tonnes)	% Recycled
Exclusive TPM Units for Notebook segment	3,879	95.3
Exclusive TPM Units for Cigarette Business	1,201	99.3
ATC Limited	752	99.9

## The Road Ahead

Continue to focus on reducing the waste generation in the Units and work towards 100% reuse/recycle of the generated waste with regular monitoring of key performance indicators against set targets.

LCA studies for identified products/services to evaluate the opportunities for improvement and enhance the resource efficiency in value chain.

Expansion of Well-being out of Waste (WOW) programme to promote reduce-reuse-recycle approach at households as well as develop formal structures to encourage sustainable livelihoods for the rag-pickers.

Analysis of techno-commercial feasibility of in-house use of post-consumer waste collected through WOW programme.

- Fuel for energy generation.
- Compact boards, made of packaging waste, to be used for construction purpose.



A pilot project on recycled compact boards made out of packaging waste has led to the development of school furniture which have been deployed in schools supported by ITC





# Raw Materials



## Management Approach

All ITC Units continue to pursue efficient use of natural resources through extensive process management initiatives focused on waste elimination/reduction. Moreover, as most of ITC's businesses are vertically integrated, this provides the Company unique opportunities for exercising greater control over waste minimisation. Such integration facilitates optimum utilisation of raw materials, recycling/reuse of wastes as well as efficient logistics.

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



Challenges from Materials Sustainability

- Increased competition for resources, technology barriers, need for capital investments and maintaining cost competitiveness.
- Due to absence of adequate infrastructural support, any significant disruption in rainfall patterns resulting from climate change may lead to considerable adverse impacts on agricultural yields.
- Climate change aggravates the risks of low productivity of agricultural sector of India, impacting sustainability of agri based businesses.
- Focusing on long term sustainability goals while operating in an environment where both market dynamics as well as regulatory framework is focused on the short term.
- Low productivity as an outcome of increasingly small farm-plot holdings, inadequate access of farmers to knowledge and technology.
- Agricultural procurement and sourcing policies in India come from a controlled market philosophy shaped by circumstances of post-independence in India. For a new India, where agri-productivity has to be maximised while also ensuring social equity, a new framework of laws and regulations is necessary.
- Furthermore, absence of crop and weather insurance reduce the risk-taking capability of the small farmers for investment in infrastructure improvement.

ITC's Sustainability Policies Addressing these Challenges

Policy on Environment, Health and Safety

Policy on Life-cycle Sustainability

Policy on Responsible Sourcing

ITC Strategy

- Maximise resource use efficiency through rigorous process controls.
- Life cycle assessment studies for identifying broad areas for improvements as well as building internal competencies and expand these studies to all other products and services (Please refer to "Supply Chain" section of this Report for further details).
- Ensuring the sustainability of agriculture through integrated watershed development projects including rainwater harvesting and soil and moisture conservation projects particularly in regions where ITC sources its raw materials from.
- Grassroots capacity building for proper governance in agricultural water usage, self-sustenance of integrated watershed development programmes, infrastructure improvement etc. (Please refer to "Social Investments – Mission Sunehra Kal" of this Report for further details).
- ITC, through industry associations, and other appropriate forums engages with policy makers to discuss these issues.

 Within Boundary  Beyond Boundary



## ITC's Performance

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

### 1. FMCG (B to C) Products

Cigarettes, Branded Packaged Foods, Personal Care Products, Education and Stationery Products, Matches and Agarbattis.

### 2. INDUSTRIAL SUPPLIES AND EXPORTS

Paper, Paperboards, Packaging, Leaf Tobacco, etc.

### 3. SERVICES

Hoteliering and Information Technology.

A very significant proportion of raw materials in ITC businesses are sourced from agricultural farms and plantations. In 2014-15, ITC processed over 27,50,000 tonnes of materials, out of which 97% were from agricultural farms and plantations which are renewable. 58% of this renewable raw

materials was sourced by Paperboards and Specialty Papers Business (ITC's initiatives in promoting sustainable social and farm forestry plantations have been detailed in "Social Investments: Mission Sunehra Kal" section). Another 34% of the renewable raw materials was procured by the Foods and Agri Businesses. Sustainability aspects in the supply chain of these businesses have been detailed in the "Supply Chain" and "Product Responsibility" sections of this Report. Green leaf tobacco which constitutes around 8% of the total renewable raw materials is procured by the Leaf Tobacco Division of ITC from tobacco auction platforms. This Division also works on the social and environmental performance of its leaf tobacco supply chain through the Social Responsibility in Tobacco Production (SRTP) programme, performance of which is monitored by AB Sustain, an independent third party reviewer. The uniqueness of this programme is that it covers all aspects of the tobacco leaf value chain which ensures best practices in tobacco farming and processing.





## 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 48% of the total fibre requirements of ITC's Paperboards and Specialty Papers Division is met by the pulp manufactured at Bhadrachalam, another 22% comes from recycled fibre, processed at Kovai and Bhadrachalam, and the balance 30% is imported pulp used at Bhadrachalam and Tribeni Units. Approximately 74% of fibre manufactured in Bhadrachalam is from wood sourced from ITC's social and farm forestry initiatives. Majority of fibre used for operations at the Kovai Unit is from recycled fibre and ITC confirms that 100% of wood and recycled fibre used by ITC's Paperboards and Specialty Papers Business is of known and legal origin. In-house R&D has developed high yielding, site specific, disease resistant eucalyptus and subabul clones on the back of extensive knowledge of plantation management practices. ITC distributed 167.18 million high quality saplings to farmers which resulted in increasing the

area under social and farm forestry by 29,933 hectares in 2014-15.

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, soils are constantly enriched.

## 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 'Forest Stewardship Council (FSC) Chain of Custody' Certification in 2009 and have retained the same during the current year also. To ensure responsible wood all domestic wood procurement sources have been certified as per standards of FSC-Controlled Wood.

The FSC is an independent, non-governmental, not-for-profit organisation established to promote the responsible



As most of ITC's businesses are vertically integrated, this provides the Company unique opportunities for exercising greater control over waste minimisation



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 Paper and Paperboards Division can supply FSC certified paper/paperboards from all its four manufacturing Units under the categories of 'FSC Mixed' or 'FSC Recycled'. FSC logo on products assures customers that the products/packaging is from legal, sustainable and well managed sources.

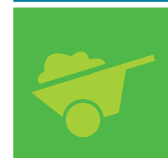
The FSC certification for ITC's Paperboards and Specialty Papers Units exemplifies the

organisation's continued commitment to sustainable business practices and to the building of an inclusive and secure future for both its stakeholders and society at large.

## The Road Ahead

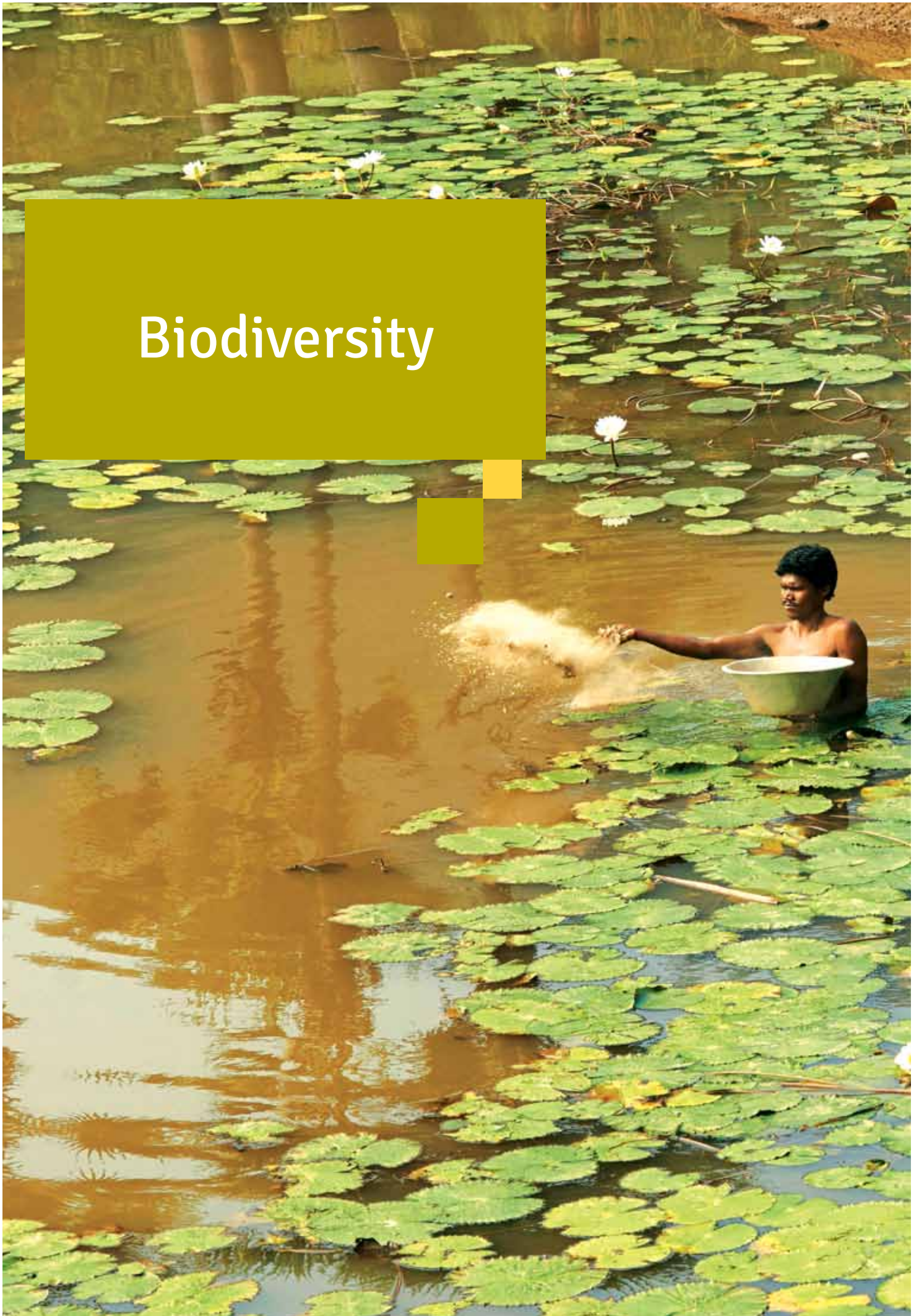
In the coming years, ITC plans to carry out more life cycle assessment studies of products/services to evaluate the environmental impact at various life cycle stages, which would help in identifying opportunities for further improving their environmental attributes. In line with the Board approved Policies on Life Cycle Sustainability and Responsible Sourcing, formal systems and procedures will be progressively implemented across ITC Businesses.

All four units of ITC's Paperboards and Specialty Papers Division (Bhadrachalam, Bollaram, Kovai and Tribeni) received the prestigious 'Forest Stewardship Council (FSC) Chain of Custody' Certification in 2009 and have retained the same during the current year also





# Biodiversity





## Management Approach

Given the essential eco-system services that biodiversity areas provide, especially to rural households, ITC recognises that its preservation and nurture is crucial for the long-term sustainability of farming communities. ITC has, accordingly, implemented several initiatives in its operational areas for the *in situ* revival and nurture of native flora and fauna. This will not only preserve the nation's rich biodiversity, but also ensure a sustainable future for communities residing in the Company's catchment areas.

## Biodiversity Conservation in Agriculture

For the second consecutive year, ITC's Agri Business Division has partnered with

reputed international organisations like EarthWatch Institute, UK to implement the Biodiversity Risk and Opportunity Assessment Tool (BROA) in its crop growing regions. This tool identifies impacts and dependencies of business operations on the biodiversity of identified agricultural landscapes, and in the assessment of various risks and opportunities. The BROA tool has been implemented in Karnataka (Mysuru District) and Andhra Pradesh (West Godavari, Nellore, Prakasam and Guntur Districts) covering 5 landscapes till date. An article on this initiative was published in the International Journal of Biodiversity & Endangered Species, Spain 2014. The article also featured as a case study in the India Business & Biodiversity Initiative (IBBI) report published by the CII-ITC Centre of Excellence for Sustainable Development and the Ministry of Environment, Forest & Climate Change.



## Biodiversity Parks in Social Forestry

The objective of this initiative is to revive and enhance native floral and faunal biodiversity and in the process, promote livelihood and employment generation for poor tribal households. In the past two years, ITC has developed a mosaic of 11 biodiversity plots involving farmers and community members covering a total area of 22 hectares in Khammam district of Telangana and East Godavari, West Godavari and Visakhapatnam districts of Andhra Pradesh. In Karnataka, 2 biodiversity plots were promoted in Mysuru where 523 native species were planted on 3 hectares. The plots were established in collaboration with Tank User Groups. Preference was given to native species in the implementation of this initiative.

In a unique collaboration, ITC is providing assistance to the Telangana Government to strengthen and benchmark biodiversity conservation in Kasu Brahmananda Reddy (KBR) National Park, which covers an area of 140 hectares in Hyderabad. Activities include identification of high conservation value forests (HCVF) and of rare, threatened and endangered species; initiating specific conservation measures for flagship species

and introducing biodiversity indexing. This partnership has led to FSC certification of KBR National Park.

## Revival of Commons as Biodiversity Conservation Plots

The maintenance and regeneration of common pasturelands assume critical significance for rural communities. Livestock is not only a means to a secondary income, but also a safety net, especially in times of hardship like drought or floods. However changes in land use and the 'Tragedy of the Commons', have put these pasturelands in constant threat of encroachment and degradation, thereby adversely affecting the communities dependant on them. ITC's watershed development programme in Rajasthan, Madhya Pradesh and Maharashtra has led to the revival of biodiversity in such commons. This initiative was scaled up to 57 plots covering 504 hectares during 2014-15 with the objective of protecting native flora and fauna and providing other eco-system services. Cumulatively, the area under biodiversity now stands at 3,191 hectares.



Cumulatively, the area under biodiversity now stands at 3,191 hectares





## The Road Ahead

In ITC's efforts to spearhead biodiversity conservation, the Company will continue to develop local stewardship through awareness programmes, sustainable practices in agriculture, afforestation, pisciculture, apiculture, medicinal plants and creating sustainable livelihood for tribal farmers.

Going forward, some of the specific plans include the following:

- Based on the results of the BROA study in agricultural landscapes, ITC will progressively delineate a biodiversity strategy by combining biodiversity conservation and improvement with prevention, management and remediation of damage to natural habitats (if any).
- Tank cascade-based biodiversity assessment was taken up in Ravndoor village of Mysuru district with technical support of Kalpataru, a non-profit organisation, and Forestry College, Ponnampet (Karnataka). A cascade system is formed by interlinked tanks where the surplus run-off of upper tanks is a source of water for the lower tanks. The final report is under preparation, which will form the basis for an implementation plan across the entire tank cascade in the project area and provide a template

for its replication in other project areas predominantly irrigated by tanks.

- Discussions are on with several expert agencies, including the International Union for Conservation of Nature (IUCN) to establish baselines, undertake impact assessment and prepare management plans in some of ITC's agri business areas. Working plans based on these assessments will be ready by December 2015.
- Mapping of wastelands of panchayat, individual farmers and foreshores of seasonal streams was taken up in 16 villages of Sehore district (Madhya Pradesh) to develop a template for biodiversity conservation through afforestation. The exercise identified an average area of 11 hectares of wasteland in each village for biodiversity development, which will be taken up in a phased manner in the coming years.
- To develop plans for revival of commons like village pastures and revenue wastelands in Mandasaur district (Madhya Pradesh), Foundation for Ecological Security (FES), a non-profit organisation, was engaged as a resource agency for collection of baseline and impact data. FES is also undertaking a similar baseline survey of biodiversity plots in Jhalawar district (Rajasthan). These studies will be able to help ITC in tracking progress on revival of native flora and fauna.



ITC has implemented several initiatives in its operational areas for the *in situ* revival and nurture of native flora and fauna



# Social Performance





■ Labour Practices & Decent Work and Human Rights

■ Occupational Health & Safety

■ Social Investments - Mission Sunehra Kal

■ Product Responsibility





# Labour Practices & Decent Work and Human Rights





## Management Approach

ITC operates in a diversified, ever-changing, highly competitive global landscape. This in turn necessitates the development of a strong, customer responsive world-class enterprise premised on a commitment to employee well-being that goes beyond just conforming with relevant local laws to complying with global standards.

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 pertinent laws and upholds the spirit of human rights as enshrined in existing international standards.

### Objectives

The Company's primary objectives in this area for the next five years are to ensure that:

- All ITC's operational units are and will remain fully compliant with the Company's policies, premised on a zero tolerance guiding principle towards such violations.
- All investment decisions will integrate Human Rights and Decent Labour Practices considerations into the decision-making process.

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

Accordingly, the Company has put in place Board approved policies covering crucial aspects of employee engagement and human rights.

### Implementation

All ITC Units have appropriate systems and processes in place to ensure compliance with these Policies and with statutory provisions, including processes to redress grievances. The implementation of these policies is ensured by Divisional/SBU Chief Executives, through members of the respective Management Committees. Compliance is regularly monitored and evaluated by the Sustainability Compliance Review Committee (SCRC). The report of the SCRC is reviewed by the Corporate Management Committee every quarter.

### Outcomes

ITC's commitment to its employees and their well-being is reflected in its compliance with all its stated policies, evident from the data on performance presented later in the report.



Leadership development is considered integral to talent management. The 'strategy of organisation' serves as an excellent platform to build distributed business leadership



## Human Resource Strategy

In order to sustain its position amongst India's most valuable corporations, ITC remains relentlessly customer-focused, competition-differentiated, performance-driven and future-capable. Preparing ITC for the future requires, amongst several steps, building today's capabilities to enable the best response to tomorrow's market opportunities. Five capability platforms have been identified – Strategic, Value Chain, Leadership, Innovation and Human Resources Development – that are relevant to make businesses future ready. In addition, these platforms are designed to strengthen organisational systems to facilitate speedy and competitively superior responses to market opportunities.

ITC follows two approaches to build critical capabilities in the identified areas. One is energising the organisation for change by building capability in people through information, knowledge and skills to exhibit appropriate behaviours. The second approach is to guide learning and continuous performance improvement in functions and businesses.

## Building Business Leaders

The talent management programme of the Company strives to deliver its unique talent promise of 'Building Winning Businesses. Building Business Leaders. Creating Value for India.' ITC is guided by a holistic approach, centred on the multiple elements of talent sourcing, work design, performance management and remuneration, individual growth and development related to talent management, rather than individual elements that impact talent. Leadership development is considered integral to talent management. The 'strategy of organisation' serves as an excellent platform to build distributed business leadership. Another important dimension of building leadership is the organisation's strategic learning and development agenda.

Renewed investments have been made to enhance ITC's skills in recruitment and selection and performance management processes. These investments will have a positive impact on the Company's talent management programme.





# Performance

## Awareness & Sensitisation

Specific actions were undertaken during the year to ensure compliance with policies on human rights and labour practices. These include:

- Sensitisation training on ITC's approach to Human Rights and on Prevention of sexual harassment was done to cover 728 employees across businesses.
- Training of the Internal Complaints Committee members (38 employees) took place under the Sexual Harassment of Women at Workplace Act, 2013.
- Roll-out of the Grievance Redressal Procedure for all managers and office associates in ITC's businesses and Corporate Head Office.
- Awareness building amongst vendors and service providers, through the introduction of a Code of Conduct on this aspect, which has been accepted by identified vendors/ service providers.

## Employees

During the year under report, the number of full-time direct employees was 32,115 of which 2,202 employees in the Leaf Tobacco business were engaged on a seasonal basis due to the nature of the business. Of the total number of employees, 3,414 were women. The number of new appointees for the reporting period was 5,225 of which 21% were women.

In addition, 19,963 employees of service providers were engaged during the period.

12,658 direct employees are members of various unions. The Company continued to invest in progressive employee relations characterised by the core principles of trusteeship, fairness and equity, industrial democracy and partnership with enlightened trade unions, which has stood the test of time. ITC continued to set a fine record of industrial harmony, highlighted not merely by the absence of strife, but by the more positive outcome of effective performance in terms of high productivity and superior quality.

During the year, employee relations were handled well and there was no stoppage of work for any reason whatsoever in any of ITC's units.



## Employee Well Being

Nurturing quality talent and caring for the well-being of employees are an integral part of ITC's work culture. This approach focuses on creating a conducive work environment that helps deliver winning performance. Benefits such as periodic preventive health check-ups, medical assistance (including hospitalisation), group accident insurance scheme, annual leave along with leave encashment and retirement benefits, amongst others, are provided to permanent employees of ITC.

During the year under review, 135 employees applied and were given maternity leave, of whom 111 have returned to work while 24 are still on leave.

ITC's businesses have promoted various interventions comprising (a) employee contests to generate innovative ideas; and (b) communication and "connect" processes, like town-hall meetings, local intranets, fun@work events and business specific rewards and recognition programmes to drive employee engagement and well-being.

## Attrition

ITC has ensured attraction and retention of quality employees, a result of its talent management strategy of offering diverse experiences and challenges across varied business contexts, investments in the development and growth of employees, as well as a market driven and competitive remuneration philosophy. The overall attrition (comprising voluntary separation, retirement, termination and abandonment of services) in the Company, including ITC Infotech, across management and non-management employees for 2014-15 was 16%. The attrition for management level employees was 18%, wherein ITC Infotech accounted for 11% (largely due to the nature of the industry), while the rest of ITC accounted for 7%. The attrition for non-management employees was 15%, of which ITC Hotels accounted for 9% of the total. Gender-wise attrition was at 15% and 32% for male and female employees respectively. Efforts are being made to identify the key dissonance factors leading to high attrition of female employees in ITC Infotech and ITC Hotels.

## Diversity and Equal Opportunity

ITC believes that diversity at the workplace positively impacts work performance and work environment through superior consumer-centricity, innovative ideas and better employee engagement. ITC's policy on Diversity and Equal opportunity (please refer to Policies on ITC's Corporate website [www.itcportal.com](http://www.itcportal.com)) and its implementation is focused on fostering meritocracy in the organisation, which promotes diversity and offers equal opportunity to all employees.



The intent is to ensure that there is no discrimination in compensation, training and employee benefits, based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a political, religious or union organisation or majority/minority group. Given the socio-cultural diversity of our country, ITC's recruitment and selection processes are geared towards enabling representation from across regions, ethnicities, religions and different social strata.

The culture of the Company ensures that aspects of work-life balance for employees, especially for women, are suitably addressed. ITC demands, demonstrates and promotes professional behaviour and treats all employees with equal respect. In this regard, ITC has put in place suitable processes and mechanisms to ensure issues such as sexual harassment, if any, are effectively addressed. During the year, five complaints of sexual harassment were received, all of which have since been resolved.

ITC encourages local employment in its manufacturing units and hotels, depending on the availability of requisite skills. In some of its Units, ITC also partners with local Industrial Training Institutes to provide vital inputs to the management of these institutions. ITC has also partnered with National Skill Development Corporation (NSDC) empanelled agencies to impart market linked vocational training on skills including sales & distribution, hospitality, electrical maintenance, automobile repairs, beautician and garment manufacturing with the objective of enhancing employability of youth from disadvantaged sections of society. During 2014-15, over 13,000 students were enrolled in Company promoted vocational training programmes of which 36% were women and 40% were SC/ST candidates. A large number of youth is also provided with apprentice training opportunities at ITC manufacturing units.

Although ITC is committed to employing youth from disadvantaged communities, it has enlarged its impact by increasing 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. ITC also lays equal emphasis on strengthening the economic portfolio of poor households belonging to marginalised groups through initiatives aimed at natural resource management and creation of off-farm opportunities to create sustainable livelihoods.

The affirmative action initiatives of the Company have had a direct and tangible impact on the lives of 55,061 Scheduled Caste/Scheduled Tribe beneficiaries spread over 14 states of the country during the year.

## Learning and Development

ITC's Capability Development Agenda flows from its Vision, Mission, Strategic Agenda and the 3-Horizon Growth strategy. All Learning and Development initiatives offered during 2014-15 were aligned to this agenda.

ITC has a multi-pronged approach to learning, with focussed interventions in core and functional areas, customised business-specific and organisation-wide strategic interventions, as well as three-tiered leadership development programmes. Based on the premise that action learning will lead

to better skill development, the programmes stress less on classroom learning and more on work place projects and demonstrated leadership behaviours on the job. The programmes are thus long term journeys rather than short term events.

Multiple forums for learning include classroom training, on-the-job training, inclusion in taskforces and projects, mentoring and deploying of organisation-wide portals to enable sharing of best practices.

Employee training at the factory level focusses on continuous skill upgradation on the basis of skill-gap assessment and planned technology induction. In 2014-15, 1,42,547 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.

ITC's Performance Management System also plays a pivotal role in charting out the development agenda of employees in the management cadre. In 2014-15 all eligible managers underwent performance reviews.



ITC's Capability Development Agenda flows from its Vision, Mission, Strategic Agenda and the 3-Horizon Growth strategy



## Human Rights

### Human Rights Significant Investments

During 2014-15, nearly ₹892 crores out of a total capex cash-flow of ₹3,008 crores was incurred on machinery and technology, sourced from reputed global suppliers/vendors. Approximately ₹699 crores were invested on new factories, hotels and modernisations.

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

All large projects were managed and supervised by ITC managers, who also ensured compliance to relevant laws.

Systems have been established to ensure compliance of ITC's Policies and Standards, through audits by Corporate Internal Audit and Corporate EHS.

### Human Rights: Supply Chain

As a large multi-business enterprise with products that are benchmarked nationally

and internationally, ITC recognises its responsibility to proactively encourage high standards of 'Human Rights' across its supply chain. The Company's approach to managing Human Rights in the following distinct categories is described below:

- ITC's businesses are vertically integrated across several Divisions, all of which ensure adherence to ITC Human Rights policies.
- ITC procures inputs for the Company's agri-based businesses entirely from state controlled trading platforms and the open market. The process is designed to ensure transparency and best prices for even small and marginal farmers.
- ITC ensures adherence to its Policy on Human Rights, Labour Practices and Decent Work Environment for all its employees and for all service providers operating within its establishments. ITC has zero tolerance for non-compliance in this area.
- In order to ensure a high degree of awareness and to reiterate ITC's focus on Human Rights and EHS in its extended supply chain, as a first step, the ITC code of conduct for vendors and service providers has been shared with supply chain partners and accepted by identified vendors/service providers.





During 2014-15, the total number of service providers was 2,092 of which 1,635 operated within the Company's premises and 457 worked off-site. 100% of these service providers include Human Rights Policies and EHS guidelines in their service contracts.

No contracts were cancelled during the year as a result of non-compliance with ITC's Human Rights Policy.

### Freedom of Association

During 2014-15, no incidents of violation of Freedom of Association were reported either at the concerned units or to statutory authorities. Within ITC's operations, there are no areas that present risks to the right to exercise Freedom of Association and Collective Bargaining.

### Prohibiting Child Labour and Preventing Forced Labour at Workplace

During 2014-15, there were no incidents of child labour or forced labour within ITC establishments. The process of strengthening

systems to educate, mandate and thereafter track adherence to ITC's Policy on Human Rights in the Supply Chain has started with the sharing of the ITC Code of Conduct for vendors and service providers. This process should be well established over the next five years with the inclusion of random social audits of a few ITC supply chain members every year.

### Grievance Redressal Process

A Grievance Redressal Procedure for non-unionised employees has been implemented to address concerns of internal stakeholders pertaining to Labour Practices and Human Rights violations. Aspects of employment including compensation, working hours, disciplinary practices, maternity protection, occupational health & safety, training & education, diversity & equal opportunity, equal remuneration for men and women as well as concerns in the area of Human Rights, if any will be addressed with this mechanism.

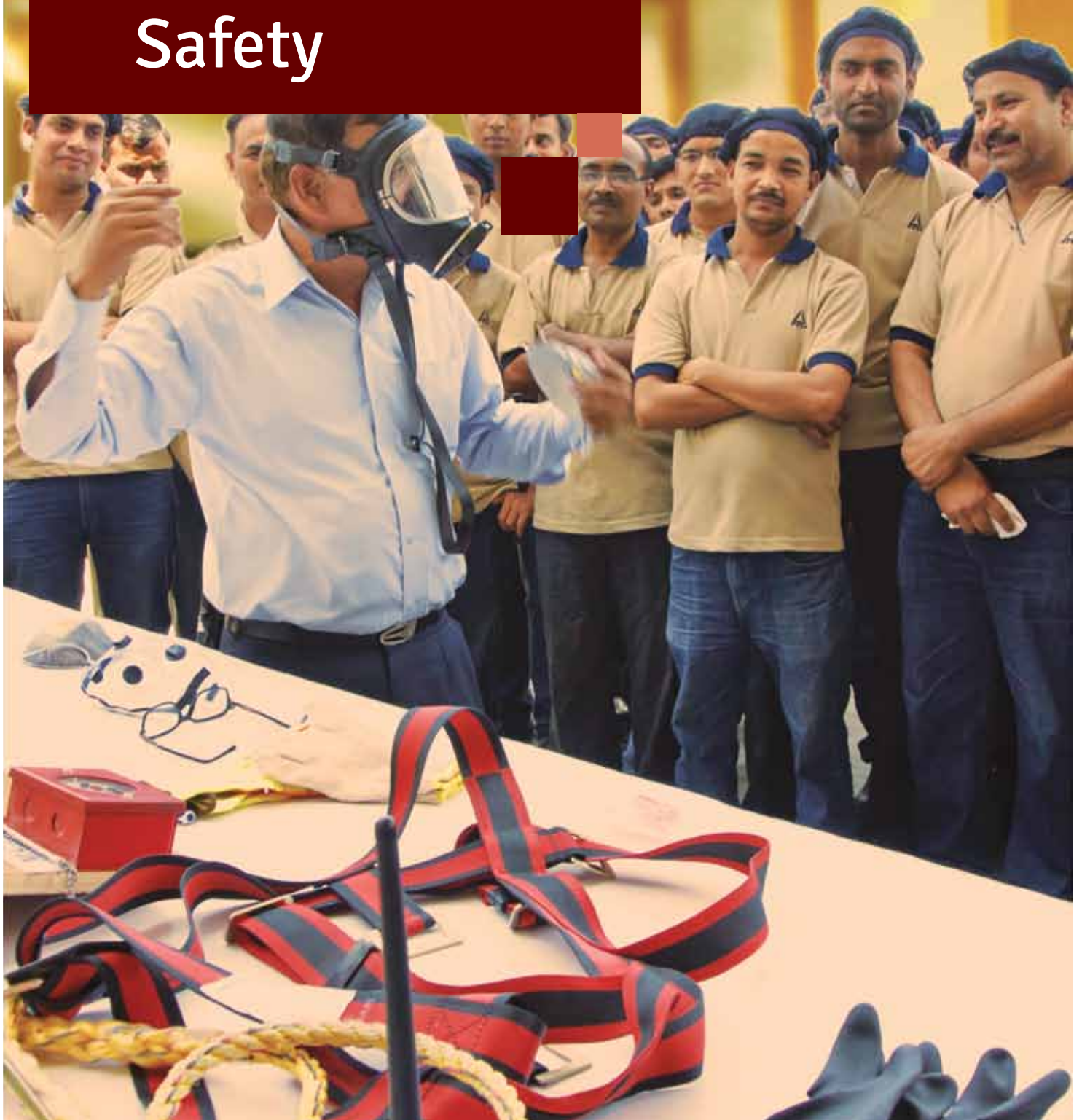
During the year, 197 grievances were received from workmen on matters pertaining to welfare, facilities and administration and 173 of them have since been resolved.



ITC ensures adherence to its Policy on Human Rights, Labour Practices and Decent Work Environment for all its employees and for all service providers operating within its establishments



# Occupational Health and Safety





ITC believes its workforce is a key asset contributing to the Company's long term standing as one of India's most admired organisations. The Company believes that a safe and healthy work environment is a basic requirement for ensuring employee well-being and that best practices in occupational health & safety enhance the Company's overall performance. This helps in attracting and retaining quality talent, and enhances the equity of the Company as a responsible Corporate.

## The ITC Approach

ITC's approach towards best-in-class occupational health and safety standards is articulated in the Board approved EHS Policy that emphasises on continual improvement and is based on an environment, health and safety (EHS) management system developed in accordance with internationally recognised standards, supported by continued investments in state-of-the-art technology and quality human resources.

As a first step, EHS requirements are integrated at the design stage itself for all new investments in the built environment. The design reviews cover building & structural stability, fire & life safety measures, electrical systems, segregation of man-material movements, work place lighting, ventilation & hygiene requirements, noise & dust controls, water and energy use optimisation, traffic safety, etc. The process of incorporating EHS at the design stage not only helps in eliminating/reducing hazards but also optimises the overall infrastructure as well as operational costs.

As a next step, compliance with EHS standards during the construction phase is ensured by implementing appropriate project EHS management systems. This includes adequate training of all employees including service providers' employees, enforcement of the use of safe equipment/tools/tackles, development of and adherence to safe work procedures/method statements, observance of good housekeeping & storage practices and usage of personal protective equipment. Pre-commissioning audits of all large projects are carried out by Corporate EHS (CEHS) to ensure that all equipment and

systems have been procured and installed in conformance with agreed standards and a formal clearance is required to be provided before the project can be operationalised.

At the operational stage, all ITC factories, hotels, warehouses and offices have established EHS management systems with designated roles and responsibilities and competent resources to comply with Corporate EHS Guidelines. These guidelines also require raising of awareness amongst employees, their families and surrounding communities regarding off-the-job safety aspects such as home safety, safe use of LPG in kitchen, HIV/AIDs, hepatitis, dengue, malaria and road safety. As part of ITC's preventive medical programme, various categories of employees based on their age and exposure to occupational hazards, undergo periodic medical check-ups.



Compliance is monitored through internal audits by CEHS across ITC establishments on a periodic basis and forms part of the report back to CMC (monthly) and the Board (quarterly), together with accident statistics, their investigation and subsequent closure. In addition, Business units adhere to international standards such as OHSAS 18001 and ISO 14001.

The EHS resources of the Divisions provide the support necessary to ensure proper implementation of the ITC EHS policy, while the Unit Heads and the Divisional Management Committees are responsible and accountable for ensuring compliance. The CEHS function is responsible for reviewing and updating standards and guidelines on EHS policies, for providing guidance and support to all concerned and for monitoring compliance at the corporate level.

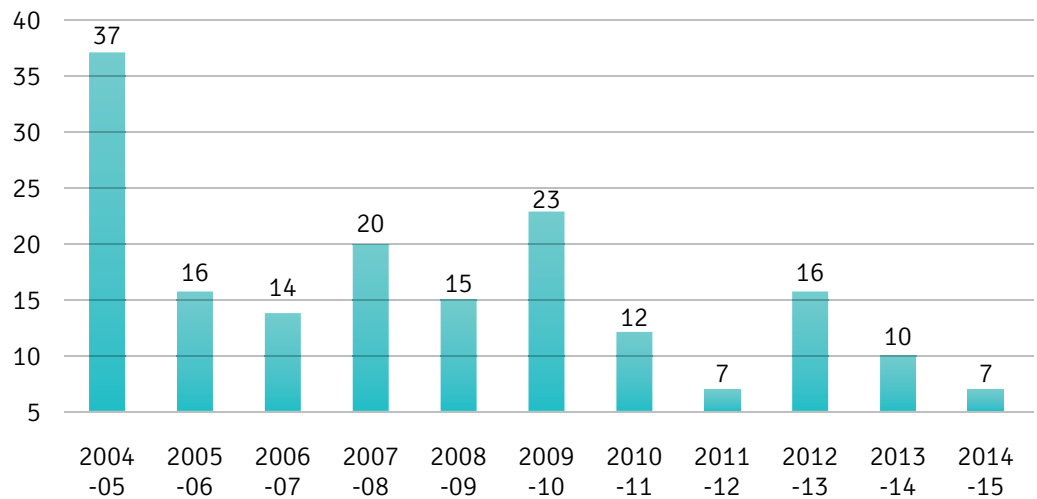
# On-site Safety Performance

## ITC Employees

In 2014-15 the number of on-site Lost Time Accidents (LTA) for ITC employees was 7 (against 10 in 2013-14), as depicted below. Since 2004-05, there has been a significant

reduction (81%) in LTA although the number of Units and manpower engaged, have gone up manifold. This is attributable to a sound engineering approach and strong management ownership coupled with targeted interventions like behaviour based safety initiatives and tailor made risk assessment programmes at select units. These have contributed towards 2014-15 being a zero fatality year.

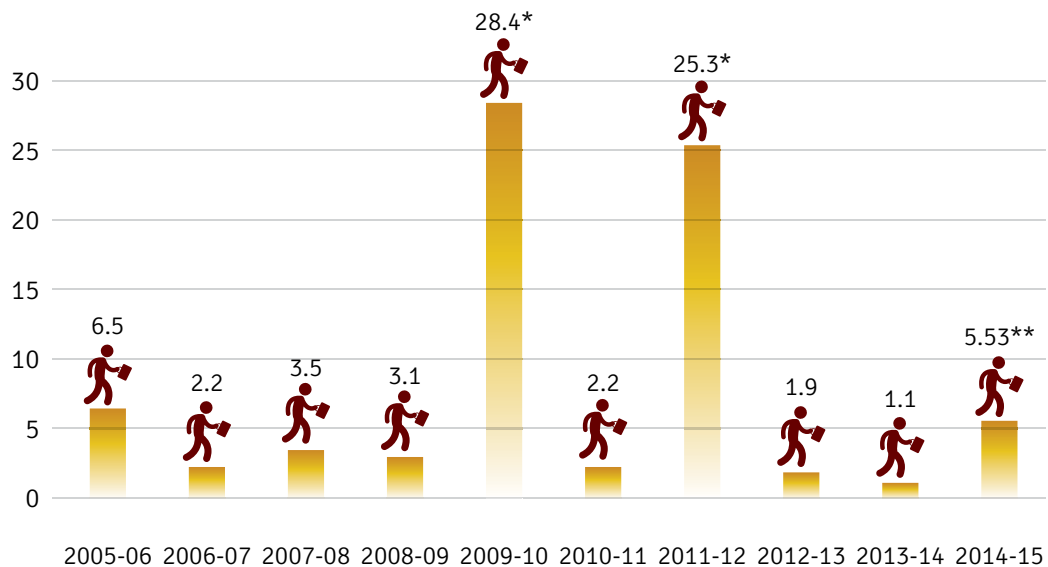
### Lost Time Accidents (LTA)



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

Lost day rate, defined as the number of days lost due to accidents for every 2,00,000 person hours worked, over the years is depicted below:

### Lost Day Rate - ITC Employees



\* Increase in lost day rate in 2009-10 & 2011-12 attributable to one fatal accident in each of the years, wherein a loss of 6000 man-days is required to be accounted for as per IS 3786:1983.

\*\* Increase in comparison to 2013-14, due to an accident wherein the injured suffered amputation of the right thumb for which a loss of 1800 man-days is required to be accounted for as per IS 3786:1983.

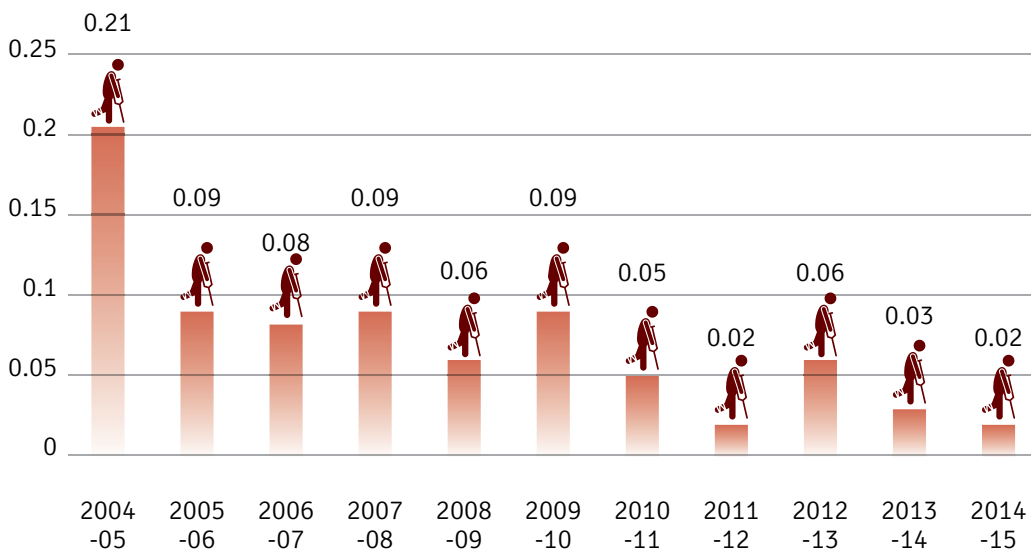


EHS requirements are integrated at the design stage itself for all new investments in the built environment



Injury rate, defined as the frequency of injuries in relation to total time worked also shows a significant improvement. Since 2004-05, there has been a substantial reduction in the injury rate from 0.21 to 0.02 in 2014-15 (an improvement of 90.5%).

**Injury Rate (IR)**



**Employees of Service Providers**

All vendors and service providers within ITC premises are required to follow the same EHS systems applicable to the Company's employees. All employees of service providers also undergo adequate generic as well as job-specific training for safe work procedures and regular briefings and tool box talks have

been made an integral part of ITC's safety management system. In addition, service providers' employees are also an integral part of the customised risk assessment training programme, rolled out at several Units, to enhance their understanding of risk identification & mitigation.

Since 2012-13, ITC has started reporting on the safety performance of its service

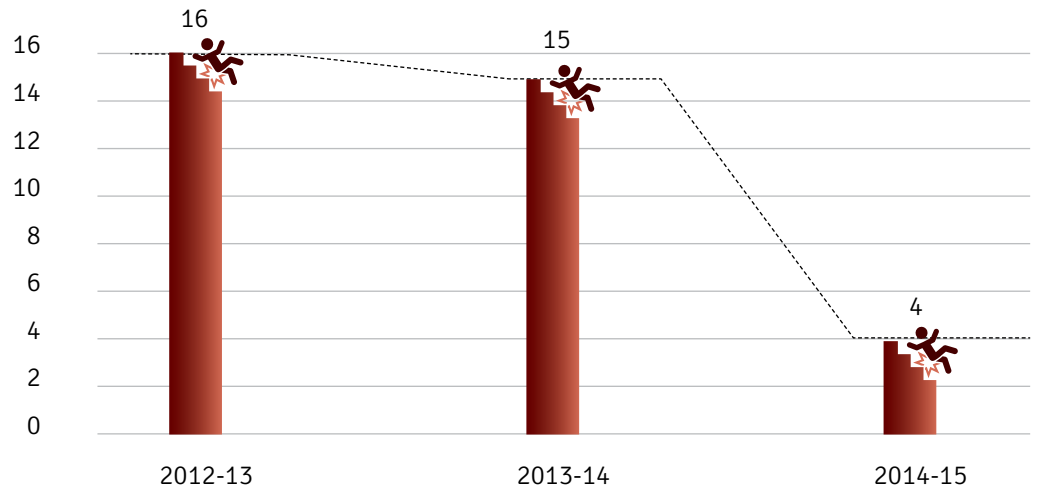


All vendors and service providers within ITC premises are required to follow the same EHS systems applicable to the Company's employees



providers' employees within ITC premises. The total onsite lost time accidents for service providers' employees for the year was 4 - an improvement of 76%, despite a 48% increase in number of service providers' employees since 2012-13, as depicted below.

**On site lost time accidents - Employees of Service Providers**



## Zero Accident Units

The following units at ITC attained the goal of 'Zero Accidents' in 2014-15:



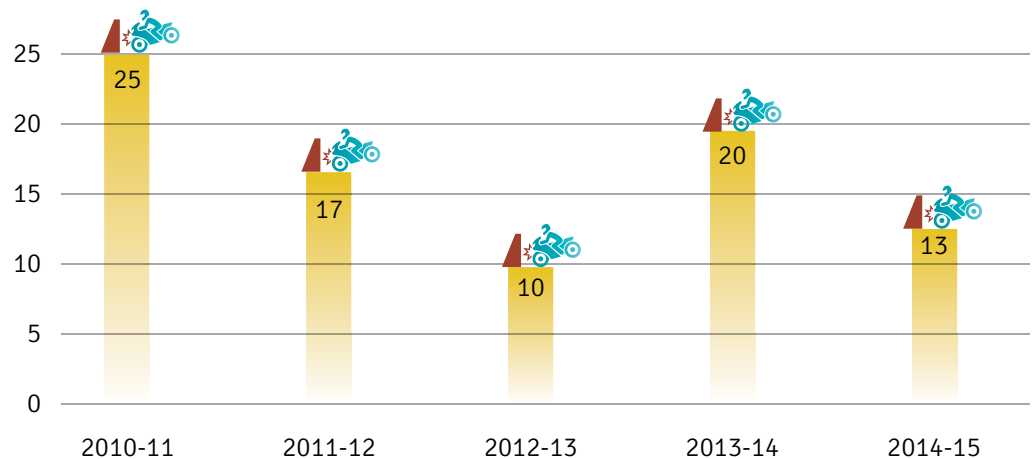
Over the years, the number of Units delivering “zero on-site lost time accidents” performance has progressively increased and more importantly, have held on to their

performance. Out of the above 45 units, 26 Units have been consistently achieving “zero lost time accidents” status for the last 3 years.

All Units maintain a conducive work environment meeting Indian/ International standards on hygiene, lighting, ventilation and effective controls on noise and dust



#### Road Accidents Trend



## Off-site Safety Performance

In line with its commitment to ensure the safety of employees, ITC has also initiated adequate measures to ensure safety of its employees working off-site. In ITC, off-site is defined as all places other than the premises where posted, while on official duty, including commuting to and from residence to place of work. Since over the years the majority of the road accidents have involved 2-wheeler riders, a user interactive 2-wheeler rider's safety programme was developed and rolled out in 2011-12, which has now been translated into Hindi for increasing reach. It is likely that this has been a contributory factor in bringing down the number of road accidents to 13 (20 in 2013-14). During 2015-16, ITC plans to translate this programme into Tamil, Telugu, Kannada and Malayalam so as to further extend its reach. This programme is now also being rolled out amongst supply chain stakeholders, by imparting this training to wholesale dealer personnel connected to ITC's Trade Marketing & Distribution vertical.

In addition, ITC is in the process of developing a similar user interactive training module specifically for four-wheeler users. The target population would include managers/employees who use four-wheelers for commuting to/from residence to place of work, as well as official trips. This 4-wheeler defensive driving training module will be rolled out in 2015-16.

## Occupational Health

A healthy workforce is an important contributor to ITC's 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. 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 are professionally trained as first aiders.

Identified medical examinations are conducted at specified intervals for various categories of employees based on age as well as exposure to occupational hazards. Accordingly in 2014-15, 15,535 employees underwent preventive medical examinations and there were no occupation related illnesses identified in any of ITC's Business Units.

## HIV/AIDS and Other Serious Diseases

ITC remains committed to protecting its employees from the threat posed by various serious diseases including HIV/AIDS. During 2014-15, the awareness/counselling sessions conducted for the employees and



communities around ITC's Units covered a total of 20,258 people, out of which 16,386 were employees of the Company, while the remaining were local community members.

## The Road Ahead

Based on the root-cause analysis of accidents over the years, the approach to safety has been redefined with the focus now on fostering a culture of safety and the use of behavioural architecture techniques. In line with the Company's EHS policy, the approach is to institutionalise safety as a value-led concept with focus on inculcating a sense of ownership at all levels, leading to the creation of a safety culture. Periodic reviews are undertaken to ensure that training and other communications

are relevant and take into account the local socio-economic context to ensure the transition from "awareness developed" to "changed behaviour".

While ITC will continue to focus on strengthening the engineering control measures through 'design for safety', pre-commissioning/operational audits and training interventions, based on the encouraging results achieved, ITC plans to expand the coverage of behavioural based safety and custom-made risk based training programmes to other units. This approach which combines empowerment and ownership with targeted interventions and strict accountability should help ITC in its journey to achieve the "Zero Accidents" goal.

In line with the Company's EHS policy, the approach is to institutionalise safety as a value-led concept with focus on inculcating a sense of ownership at all levels







# Social Investments- Mission Sunehra Kal



## Management Approach - Society

ITC believes that the performance of business enterprises must be measured in terms of the value they create for society. Enterprises that embed sustainability in their business strategies can deliver substantial stakeholder value through innovative development models that simultaneously create sustainable livelihood opportunities and a positive environmental footprint. The Company firmly believes that such an approach unleashes strong drivers for achieving development with social equity.

## Commitment to Creating Larger Societal Value

As part of its Triple Bottom Line commitment, ITC is committed to make growth more inclusive by focusing on the needs of three identified stakeholders:

- Rural communities in the Company's operational areas.
- The communities residing in close proximity to the Company's production units.
- The central and state governments, which encourage Public Private Partnerships (PPPs).

## Constructive Stakeholder Engagement

The overarching aim of the Company's social sector engagement is to empower stakeholder communities to conserve, augment and manage their social and environmental capital in order to promote sustainable livelihoods or employability on a significant scale. Within this, the three specific objectives, pertaining to the two sets of stakeholders, are:

- To promote climate-smart rural development by broad-basing farm and off-farm livelihoods portfolio of the poor and marginalised. Such interventions

strengthen the existing productive base as well as provide alternate sources of incomes, which help minimise the dependence of farmers on rain-fed crops for economic survival.

- To nurture and develop social capital to create a more level playing field for skill-related vocations and to meet the competitive demands for higher productivity. Both, in turn, generate higher incomes and help in alleviating poverty.
- To explore a wider canvas of social initiatives in the interest of the Nation. ITC is committed to pursuing excellence in sustainability and preserving India's unique cultural heritage.

The Board of the Company has approved a CSR Policy that covers the programmes, projects and activities that the Company plans to undertake. These programmes fall within the purview of Schedule VII of the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

## Implementation

The Board CSR Committee tables for the Board's approval, a CSR Plan outlining the CSR Programmes to be carried out during the financial year and the specified budgets therein. The Board deliberates and approves the CSR Plan with modifications that may be deemed necessary. The Company's Corporate Management Committee (CMC) reviews the implementation of the CSR Programmes and issues necessary directions from time to time to ensure orderly and efficient execution of CSR Programmes in accordance with this Policy. In addition, the CMC provides a status update to the CSR and Sustainability Committee on the progress in implementation of the approved CSR Programmes. The CSR and Sustainability Committee reviews such reports and keeps the Board apprised of the implementation status of the same.





## Outcomes

Innovative interventions have been designed and implemented that:

- Create sustainable livelihoods for some of the most disadvantaged sections of the society.
- Nurture the environment by promoting sustainability practices through industry associations.
- Preserve and promote Indian heritage and culture.

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 towards enhancing societal sustainability. ITC believes that enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing



their power of entrepreneurial vitality, innovation and creativity. In line with this belief, ITC continues to craft unique models to generate livelihoods and environmental capital. Such Corporate Social Responsibility (CSR) projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and environmental replenishment.

## ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth

ITC believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity. In line with this belief, ITC continues to craft unique models to generate livelihoods and environmental capital. Such Corporate Social Responsibility (CSR) projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and environmental replenishment.

In line with ITC's CSR Policy, the key stakeholders and the thrust areas of its CSR programmes comprise:

- The Rural communities in the Company's operational area. These communities are mainly located in drought-prone regions and therefore most vulnerable to the adverse impacts of seasonality and environmental degradation. Almost entirely dependent on common property resources, they are among the most disadvantaged sections of rural communities.
- The communities residing in close proximity of ITC's production units, whose full potential cannot be realised due to poor social infrastructure in the areas of education, skill enhancement, health and sanitation.
- The central and state governments, which encourage PPPs to demonstrate scaleable and replicable models of development.



## ITC's Responses to Stakeholder Needs

Key Stakeholders	Objectives	Strategic Interventions	Desired Outcomes
Rural households in ITC's operational areas	<ul style="list-style-type: none"> <li>Biomass cover of 33% of project areas</li> <li>Progress towards 'safe groundwater zone' status</li> <li>Achieve 0.75-1% soil organic carbon</li> </ul>	Natural Resource Management, Integrated Animal Husbandry, Sustainable Agriculture	Sustainable & accelerated growth in livelihoods and farm incomes
Communities residing around ITC's factories	<ul style="list-style-type: none"> <li>Poor women to have access to credit or supplementary income</li> <li>Every child in school and learning well</li> <li>Appropriate skills for all unemployed youth</li> <li>No open defecation</li> </ul>	Sustainable Livelihoods Creation, Social Infrastructure, Skilling	Dignity of life through economic & social empowerment
State & Central Governments	Innovate and pilot development models of excellence for replication, scale and efficient execution	Initiatives promoting national goals of poverty alleviation and environmental protection	Multi-stakeholder partnership to maximise development impact



ITC continues to craft unique models to generate livelihoods and environmental capital. Such Corporate Social Responsibility (CSR) projects are replicable, scalable and sustainable



With a judicious blend of click & mortar capabilities, ITC e-Choupal has triggered a virtuous cycle of higher productivity, higher incomes and enlarged capacity for farmer risk management, larger investments and higher quality and productivity



## ITC e-Choupal

The ITC e-Choupal initiative is a powerful example of a business model that delivers large-scale societal value by co-creating rural markets with local communities. Recognising the various challenges faced by farmers like fragmented farms, weak infrastructure and involvement of numerous intermediaries, ITC designed e-Choupal as a more efficient supply chain aimed at delivering enhanced value to all participants in the value chain, including farmers, consumers and ITC.

With a judicious blend of click & mortar capabilities, ITC e-Choupal has triggered a virtuous cycle of higher productivity, higher incomes and enlarged capacity for farmer risk management, larger investments and higher quality and productivity.

The initiative has enhanced the competitiveness of Indian agriculture by leveraging the power of Information Technology to empower small and marginal farmers. Village internet-kiosks managed by farmers themselves, called “sanchalaks”, facilitate access to information to other

farmers, in their own local language. Real-time information on weather forecasts and market prices, customised knowledge on scientific farm practices and risk management are supplemented by the availability of quality farm inputs and price discovery of farm produce within the village.

A cluster of e-Choupals are supported by the integrated rural services hubs called Choupal Saagars, which serve as procurement centres, warehouses, and retail outlets. A process of engagement with rural consumers was also launched in the form of Choupal Haats, built along the lines of village fairs.

The e-Choupal network also provides on-farm agri extension services. Reaching the fruits of scientific and technological research to the farmer, demonstration farms called Choupal Pradarshan Khets have been set up to propagate best practices, while field schools enable transfer and adoption of knowledge. The programme offers other services like consultation and supervision by experts, soil testing, balanced fertilisation, foundation seeds and seed treatment, water, weed, pest and post-harvest crops management and







supply of quality inputs like drought-resistant seeds to improve farm competencies.

ITC e-Choupal benefits all participants in the value chain. It enhances the ability of farmers to take informed decisions, aligns their farm output with market demand and ensures higher quality and productivity. The aggregation of demand for farm inputs from individual farmers gives them access to high quality inputs from established manufacturers at fair prices.

Traditional intermediaries, who are inducted into the e-Choupal system as “samyojaks” handle aggregation of the farm produce, and earn incomes through the logistical service they provide at the ITC procurement hubs.

For the customers of farm produce, ITC’s Agri Business leverages the depth and width of the e-Choupal network to offer tailor-made solutions like multi-origin sourcing and need-specific supply chains.

ITC itself benefits from an efficient supply chain, agri raw material at lower net cost and supply of identity-preserved produce, which in turn give a competitive edge to its packaged foods business.

Launched in June 2000, ITC e-Choupal is today the largest initiative among all

Internet-based interventions in rural India. Its services reach out to more than 4 million farmers in over 40,000 villages through 6,500 kiosks spread across 11 states.

The intervention is an important component of ITC’s multi-dimensional Integrated Rural Development Programme that has evolved from its deep understanding of the challenges and opportunities inherent in the farm sector. The strategy of this programme, apart from empowering farmers and raising rural incomes through ITC e-Choupal, also aims at generation of supplementary income and natural resource augmentation. Initiatives such as Livestock Development and Women Empowerment create avenues for supplementary non-farm incomes to protect against agri-income volatility as well as build capacities for investment. The Watershed Development as well as Afforestation Programmes augment natural resources to enable higher productivity, create a green cover and restore soil health. The Swasthya Choupal initiative focuses on enhancing awareness of maternal & child care through a network of Village Health Champions. Taken together, these initiatives under the Integrated Rural Development Programme of ITC have had a transformational impact in many areas of rural India.



**ITC e-Choupal benefits all participants in the value chain. It enhances the ability of farmers to take informed decisions, aligns their farm output with market demand and ensures higher quality and productivity**



## ITC's Social Investment Programmes

ITC has put in place a mutually reinforcing CSR Programme, which has been designed to liberate even the most underprivileged and marginalised among these stakeholder groups, from the shackles of poverty and underdevelopment through economic empowerment based on grassroots capacity building. ITC is ideally positioned to respond to these challenges, given its core objective of empowering its stakeholder communities to promote sustainable livelihoods, which, in turn, is strategically aligned to the national goals of poverty eradication and environmental regeneration.

chemical fertilisers, falling incomes and the growing effects of climate change. Dwindling bio-mass has created pressure on fodder and energy needs for these households. Livelihood security is further constrained by limited off-farm employment options, poor infrastructure and inadequate marketing channels. These factors all combine to perpetuate a cycle of endemic poverty.

Given the geographical diversity of its stakeholder communities, ITC's main challenge is to develop models that could be replicated across locations with the flexibility to be tailored to individual community needs. These twin concerns are addressed by a faithful adherence to four fundamental tenets:

- Enhance the ecological resource base of the rural economy by strengthening community-based governance of natural resources that protects, preserves, nurtures and expands such resources;
- Employ a bottom-up participatory approach that ensures an in-built flexibility to address diverse needs – aiming to create empowered village institutions and enable communities to co-operatively conserve and manage their resources;
- Encourage collaborative processes and multi-stakeholder partnerships to enable identification of the best strategies to address community needs and expand the development footprint of each project;
- Put in place end-to-end solutions that address the spectrum of needs of these communities instead of focusing solely on a single issue.



Given the geographical diversity of its stakeholder communities, ITC's main challenge is to develop social investment models that could be replicated across locations with the flexibility to be tailored to individual community needs

## Rural Households – Climate Smart Agriculture

Already water-stressed and facing widespread environmental degradation, approximately two-third of the country's population is rural and dependent on agriculture and allied activities for their livelihoods. The overwhelming majority are small/marginal farmers whose only option is rain-fed agriculture. With a direct and symbiotic dependence on climate sensitive sectors, they naturally have low adaptive capacities. Stagnating productivity is exacerbated by the fragile natural resource base, fragmented land-holdings, unscientific land management practices, overuse of

## Coverage

The projects promoted under the Social Investments programme, numbering 132, are spread over 14 states covering 71 districts. The interventions reach out to nearly 7 lakh households in more than 10,600 villages. Of the total projects implemented, 71% are designed for rural stakeholder households, while the balance 29% address stakeholders residing around the Company's factories. ITC's CSR programmes are spread across the states of Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Telangana, Uttarakhand, Uttar Pradesh and West Bengal.

Particulars	2013-14	2014-15
Projects (No.)	110	132
States (No.)	13	14
Districts (No.)	61	71
Villages (No.)	9,176	10,621
Beneficiaries (Hh-lakhs)	6.42	6.70

## Social Forestry

Targeted at small and marginal landholders from economically weaker sections of the society, the Social Forestry programme is designed to promote livelihoods through plantations by providing financial, technical and marketing support.

## Performance

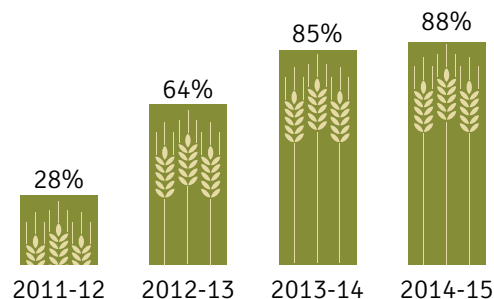
Pulpwood plantations are being promoted in Andhra Pradesh and Telangana in the districts of Khammam, Warangal, Nalgonda, Krishna, West Godavari, East Godavari and Visakhapatnam. Energy plantations, to meet the fuel and fodder needs of farmers, were promoted in the districts of Guntur, Prakasam and Nellore of AP and Chamarajanagar, Mysore, Mandya, Hassan and Chikkaballapur districts of Karnataka.

Commencing in 2001-02, the programme currently has nearly 54,714 hectares under pulpwood plantation and 12,823 hectares under energy plantation. To date, both the Farm and Social Forestry programmes have

Activity	2013-14	2014-15	Cum to 2014-15
<b>Coverage</b>			
No. of new villages	719	1,284	3,720
No. of new beneficiaries	12,827	17,397	70,067
<b>Plantation Area</b>			
Pulpwood (ha)	12,649	10,109	54,714
Energy (ha)	1,083	10,246	12,823
Saplings Planted (Lakhs)	888	1,078	4,014
Agro Forestry Area (ha)	3,848	9,241	13,911

greened over 2,00,000 hectares of area that generated over 90 million person-days of employment. Since its introduction in 2011-12, the area under agro-forestry has increased rapidly covering more than four-fifths of the total eucalyptus plantations today.

Agro-forestry Area as % of EC (%)





The Company's Watershed Development Programme promotes local management of water resources by facilitating community-based participation in planning and executing watershed projects



Total wood harvested during 2014-15 was 75,266 metric tonnes of which 10,629 metric tonnes were FSC 100% category wood, generating a total wealth of nearly ₹61 crores for poor and marginal farmers. A recent study showed that plantation incomes contributed nearly half of the total household income,

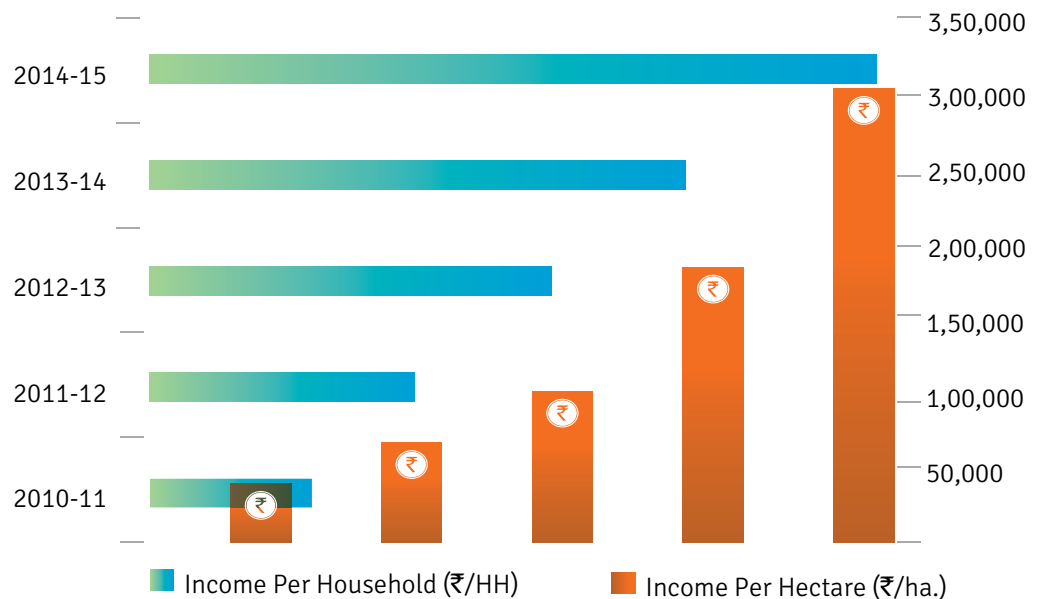
representing earnings from a previously unproductive asset.

In order to increase productivity, to give a further boost to incomes, S&MC (Soil & Moisture Conservation) measures were introduced in the Social Forestry areas. Water absorption trenches and field trench cum bunds were constructed to increase soil moisture while composting units were promoted for improving soil fertility. Nearly 1,900 hectares were treated in Khammam, Warangal, Nalgonda, East Godavari, Krishna and Nellore districts. 13 tanks were desilted and the silt excavated was applied on farmers' fields to enhance soil fertility.

To meet the increasing demand of saplings during the planting season, women-owned subabul nurseries were established this year, which raised 30 lakh saplings for the Social Forestry programme. Training was also given to the women members on bamboo nursery raising.

Activity	2013-14	2014-15
<b>Harvest</b>		
Area (Ha.)	1,623	2,000
Farmers (No.)	2,321	3,533
Volume harvested (MT)	60,519	75,266
Total Income (₹Lakhs)	2,949	6,078
Repayment to committee/NGO (₹Lakhs)	20	13
<b>Earnings/Household (₹)</b>	<b>1,27,067</b>	<b>1,72,036</b>
<b>Earnings/Hectare (₹)</b>	<b>1,81,724</b>	<b>3,03,902</b>

**Trend in Farm Income**



## Soil and Moisture Conservation

The Company's Watershed Development Programme promotes local management of water resources by facilitating community-based participation in planning and executing watershed projects for the small and marginal farmers who are almost entirely dependent on common property resources, including water.

the 2 lakh hectares mark. Cumulatively 6,464 water-harvesting structures have been constructed, thus creating fresh water storage capacity of 24.97 Million Kl.

As part of Company's objective to create empowered village institutions that can function autonomously and play an active role in collective community action, 1,483 new Water User Groups (WUGs) have been formed



## Performance

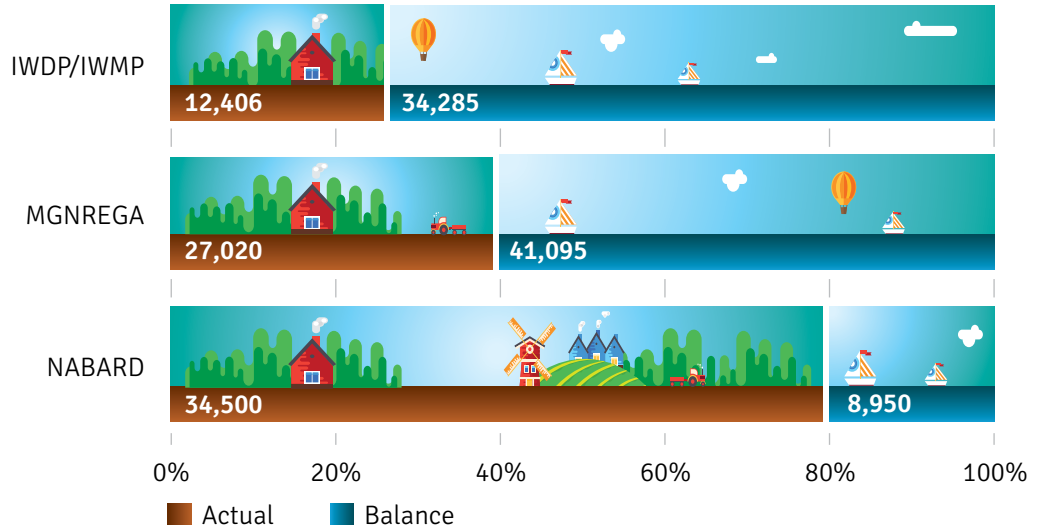
Commencing in 2000-01, the programme is currently spread across 1,182 villages in Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu and Telangana. During 2014-15, 51,397 hectares were brought under watershed development, the highest ever since the inception of the programme. With this the total area covered to date has crossed

till date. These groups have undergone intensive training in watershed management techniques, structure maintenance, water use regulation and formulation of user charges.

In order to improve the watershed development programme, hydro-geology was introduced as an additional feature of watershed planning in order to ensure maximum groundwater recharge based on technical and scientific assessments.

Activity	2013-14	2014-15	Cum to 2014-15
<b>Water-harvesting</b>			
Minor Structures (No.)	533	1,159	4,135
Major Structures (No.)	300	331	2,329
<b>Total Structures</b>	<b>833</b>	<b>1,490</b>	<b>6,464</b>
<b>Watershed Area</b>			
Area Treated (Ha)	19,664	32,644	1,30,969
Critical Irrigation Area (Ha)	12,998	18,753	69,218
<b>Total Watershed Area</b>	<b>32,662</b>	<b>51,397</b>	<b>2,00,186</b>
Water Storage Capacity (Million Kl)	2.43	3.22	24.97
Direct Beneficiaries (No.)	19,426	32,960	1,60,354
Empl mandays (lakhs)	4.94	7.15	47.33

**Progress in PPP Projects by Sources**



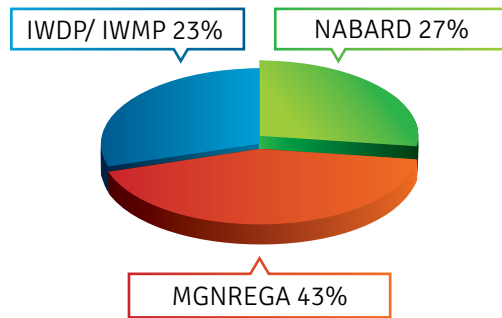
The total area to be brought under soil and moisture conservation through PPP projects currently stands at 1.58 lakh hectares. By the end of 2014-15, 79% of the total target area under the NABARD projects had been completed in Madhya Pradesh, Andhra Pradesh, Maharashtra, Rajasthan and Bihar. 34% of the target area under the IWMP/MGNREGA collaborations in Madhya Pradesh, Maharashtra and Rajasthan has been completed so far. In a major recognition of the quality of our work, the watershed development programme, being implemented in Jhalawar district of

Rajasthan, has been selected by NABARD to implement the Climate Change Adaptation Programme funded by UNFCC.

**Animal Husbandry and Dairy Development**

ITC’s Livestock Development Programme aims to genetically upgrade low-yielding indigenous stock through artificial insemination to produce cross-bred progeny with much higher milk yields. The programme enables the most marginalised – small-holders, the landless, women-headed households and migrant groups – to convert an existing asset into a substantial supplementary income with the potential of growing into a profitable new livelihood.

**Coverage Area in PPP Projects by Source**



Partner	MoU Area (Ha)
Nabard	43,450
Rajasthan Government	43,117
Madhya Pradesh Government	23,944
Maharashtra Government	47,744
<b>Grand Total</b>	<b>1,58,255</b>





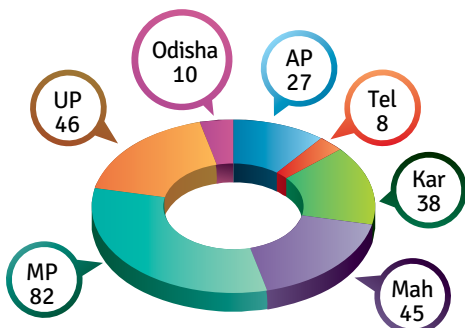


### Performance

Activity	2013-14	2014-15	Cum to 2014-15
<b>CDC Centres</b> (Functional Nos.)	261	256	256
<b>Breed Improvement</b>			
No. of Ais (lakhs)	2.55	2.24	15.61
No. of pregnancies (lakhs)	1.40	1.04	7.28
No. of calving (lakhs)	0.91	0.80	4.79
<b>Vaccination &amp; Health</b> (lakhs)	0.14	0.43	5.46

bred progeny have been born and animal husbandry services were provided to over 11.70 lakh breedable cattle.

CSR initiatives aimed at enhancing milk production, increasing dairy farm productivity and ensuring remunerative prices to farmers in multiple locations continued to make good progress. The Dairy Development programme is currently sourcing an average of 32,000 lpd (Litres Per Day) of milk, with a peak of 57,000 lpd, in Munger and Saharanpur from 6,470 farmers. As part of this initiative, during the year ITC also piloted an end-to-end mobile enabled farm automation and IT solution for productivity enhancement, real-time management of cattle herds' health, fertility, milk quality, productivity and providing farm management inputs to farmers, which currently covers 1,000 animals.



Initiated in 2003-04, there are currently 256 Cattle Development Centres (CDCs) in Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Uttar Pradesh and Telangana. To date, 4.79 lakh cross-

### Improved Agricultural Practices

Intrinsically linked to ITC's watershed development programme, the core purpose of this intervention is to promote a combination of bio-mechanical solutions for optimising water management and enhancing land productivity to create a stable agricultural regime.

### Performance

521 Farmer Field Schools were functional and played a pivotal role in disseminating advanced agri-practices to over 21,000 farmers through 7,736 demonstration plots

Activity	2013-14	2014-15	Cum to 2014-15
<b>Minor Irrigation</b>			
Group Irrigation (No.)	115	58	670
Sprinklers (No.)	385	879	2,068
<b>Sustainable Agriculture</b>			
IPNM/Varietal Demo plots (Nos.)	14,695	7,736	34,078
IPNM/Varietal Demo Area (Ha.)	6,194	2,717	11,843
Compost Units (Nos.)	5,440	3,668	23,554
Farmer Field Schools (Functional Nos.)	284	521	521
Farmer Field Students (Functional Nos.)	5,562	21,064	21,064
<b>Agri Business Centres</b>			
No. of ABCs (Functional Nos.)	88	137	137
Farmers Serviced (No.)	2,447	15,454	15,454

covering over 18,000 hectares under different crops. 137 Agri-Business Centres rendered extension services and technical knowhow on advanced package of practices to over 15,000 farmers. Promotion of sprinklers received special focus, especially in Madhya Pradesh, with 499 units established during the year. In pursuit of ITC's long term sustainability objective of increasing soil organic carbon, 3,668 compost units were constructed during the year thus taking the cumulative total to 23,554.

In addition, Choupal Pradarshan Khets promoted field demonstrations of seed varieties and production practices for improved yield and quality in soybean, wheat, rice, summer pulses and horticultural crops in more than 1,200 villages covering around 21,000 hectares and more than 60,000 farmers. The focus of these demonstrations was on sustainable farm practices like moisture conservation, promotion of bio-fertilisers, zero-tillage, prophylactic pest management, etc.

## Factory Catchments – Creating Social Capital

Habitats around industrial clusters are typically overcrowded and congested. Infrastructure is poor or creaking under the

pressure of an increasing population base, drawn to such regions in the hope of gainful employment. Sanitary facilities are almost non-existent creating unhygienic conditions which have a direct bearing on high morbidity rates, especially among women, a distinctive trait in such settlements.

The primary focus in the catchment of our factories is to create the necessary and enabling pre-conditions for future growth and prosperity of households living below the poverty line (BPL). A few of the fundamental causes for people feeling disempowered and apathetic towards their future are lack of employment opportunities. These are aggravated by illiteracy and ill-health, which prevents them from seizing opportunities that the labour market offers because they are either unqualified or energy-deficient.

## Women's Economic Empowerment

Targeting the most marginalised, BPL and SC/ST women the programme operates in the rural hinterlands of factory catchments to mobilise them to act collectively through empowered micro-credit groups and/or micro-enterprises that provide them with an array of earning opportunities.

### Performance

Self Help Groups (SHGs): Commencing in the year 2000, the programme currently supports 2,057 operational SHGs with over



The primary focus in the catchment of ITC's factories is to create the necessary and enabling pre-conditions for future growth and prosperity of households living below the poverty line (BPL)

23,000 members. A major thrust was given to financial inclusion of women members by opening bank accounts for 1,335 of them in 2014-15. Cumulatively, over 40,000 women were gainfully employed either through micro-enterprises or assisted with loans to pursue income generating activities.

Micro Enterprises: Agarbatti production, as a micro-enterprise was operational in Andhra Pradesh, Bihar, Madhya Pradesh, Uttar Pradesh, Tamil Nadu and Telangana engaging over 4,000 women in hand rolling, pedal rolling and scenting operations. By the end of 2014-15, raw batti production was 2,457 MT while the despatch of scented battis was 751 million sticks.

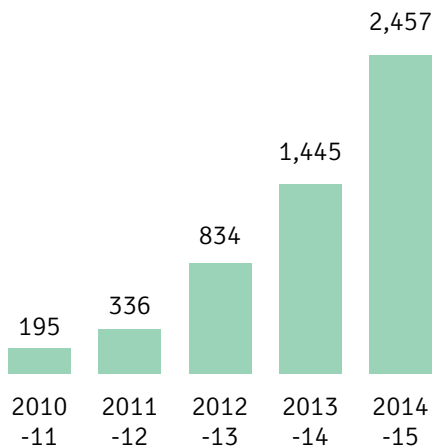
## Education

ITC's Education programme is designed to provide children from weaker sections access to education with special focus on quality and retention.

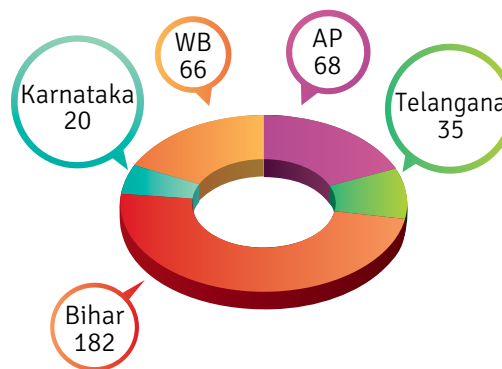
## Performance

During 2014-15, 36,000 children were covered through the Read India Programme and 34,000 children through Supplementary Learning Centres (SLCs), taking the cumulative total to 4.06 lakhs. 147 government primary schools (including Anganwadis) were provided infrastructure support comprising boundary walls, additional classrooms, sanitation units,

Production Trends - Raw Battis (MT)



SLC spread





Activity	2013-14	2014-15	Cum to 2014-15
<b>Education</b>			
Govt Schools Infra support (Nos.)	47	147	1,158
Children covered (Read India & SLC)	0.30	0.70	4.06
Children covered through Read India Plus (Nos.)	0.23	0.36	0.60
<b>Vocational Training</b>			
Students enrolled (Nos.)	2,443	13,180	19,495
Students placed (Nos.)	279	3,280	4,477

furniture and electrical fittings, thus taking the total number of government primary schools covered till date to 1,158.

### Vocational Training

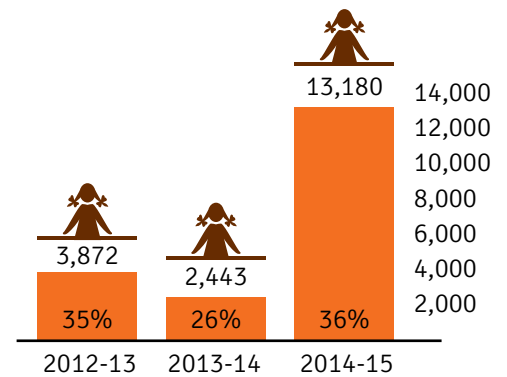
ITC's Vocational Training programme plays an active role in building and upgrading skills of

marginalised youth enabling them to align better with the emerging needs of the job market. The programme focuses on building market relevant skills so as to make potential job seekers industry-ready and employable in the manufacturing, construction or service sectors.

### Performance

Commencing in 2001, to date the programme has covered over 19,000 youth under different trades in Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Karnataka, Maharashtra, Rajasthan, Tamil Nadu, Telangana, Uttarakhand, Uttar Pradesh and West Bengal. In 2014-15, enrolment attained

Female % Against Total Enrolment



an all-time high figure of 13,180 students in different trades, of which 10,378 completed training (79% of the total). The balance are in the process of completion of their training



ITC's Vocational Training programme plays an active role in building and upgrading skills of marginalised youth enabling them to align better with the emerging needs of the job market





during 2015-16. Female students comprised 36% of the total enrolment and SC-ST formed 41% of the total enrolment.

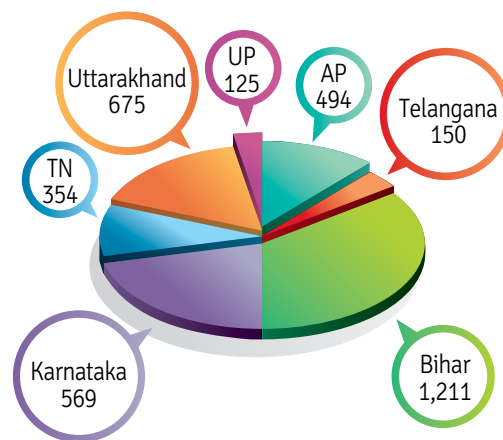
The Company continues to work with the Welcomgroup Graduate School of Hotel Administration together with Dr TMA Pai Foundation to cater to the ever growing need for professionally trained human resources in the hospitality industry. In addition, a Culinary Institute was opened in Chhindwara during 2014, to impart cooking skills to youth from the lower economic strata. Leveraging its core competencies in the FMCG sector, an employability programme to skill unemployed youth on FMCG sales and distribution was launched across various locations of the country. Candidates who successfully completed the programme were certified by the National Skill Development Corporation (NSDC) and have been gainfully employed in the FMCG sector.

### Sanitation

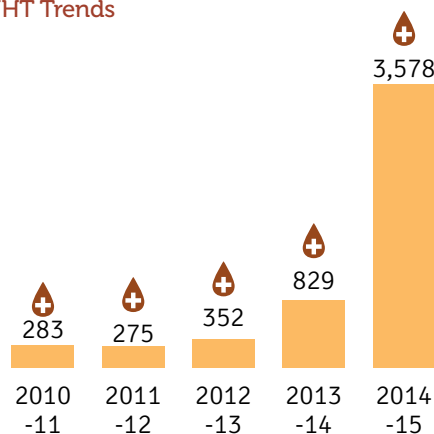
In order to promote overall health and hygiene through prevention of open defecation and to reduce incidence of water-borne diseases, 8,254 individual household toilets have been constructed to date. ITC has followed a methodology of community mobilisation and contribution around factory locations of Andhra Pradesh, Bihar, Uttar Pradesh, Uttarakhand, Tamil Nadu, Telangana and Karnataka. The achievements in 2014-

15 were the highest compared to all previous years. Household contribution for increased ownership, community mobilisation and awareness campaigns instilled behaviour change among the users, which will continue to be the

IHHT 14-15



IHHT Trends



Note: IHHT – Individual Household Toilets



In order to promote overall health and hygiene through prevention of open defecation and to reduce incidence of water-borne diseases, 8,254 individual household toilets have been constructed to date

driving force to encourage greater usage of toilets and contribute to a cleaner environment.

In areas with problems of water quality, 19 plants have been installed to provide safe drinking water to about 28,000 rural households in Andhra Pradesh. Swasthya Choupal, the Company's e-Choupal Rural Health initiative was consolidated in seven districts of Uttar Pradesh and expanded to three new districts in Madhya Pradesh with a coverage of over 450 villages.



## Solid Waste Management

ITC's Solid Waste Management programme, 'WOW – Well Being Out of Waste', inculcates the habit of source segregation and recycling among school children, housewives and general public as well as industries and business enterprises. The WOW movement today extends to Hyderabad, Chennai, Bengaluru, Coimbatore and some towns of Telangana, with the support of over 3 million citizens, 5,00,000 school children, 350 corporates, more than 1,000 commercial establishments and around 200 industrial plants. On the occasion of the 3rd anniversary of National Recycling Day, a novel pilot programme was launched in twelve selected

wards of Bengaluru with the support of Bruhat Bengaluru Mahanagara Palike (BBMP). A similar pilot programme was also launched in 30 wards of Coimbatore. The pilot aims to create sustainable livelihoods for rag pickers and waste collectors by propagating source segregation at each of the households and facilitating effective collection mechanisms in collaboration with Municipal corporations. This programme is aimed at promoting a clean and green environment and providing a sustainable source of livelihood for rag-pickers and waste collectors.

A similar programme is currently active near ITC's operations in Saharanpur, Tribeni and

### Solid Waste Management

	2011-12	2012-13	2013-14	2014-15
Households Covered	8,189	9,613	9,702	27,164
Total Waste Collected (MT)	1,076	1,498	2,201	2,717
Revenue (₹ lakhs)	38.33	43.91	53.29	67.07
Municipal Dump	175	284	305	418
Municipal Dump (%)	16%	19%	14%	15%
Waste Handled per month (MT)	90	125	183	226
Revenue per month (₹ lakhs)	3.19	3.66	4.44	5.59



Munger, with focus on door-to-door collection of household waste and segregation at site in order to re-cycle and compost so as to minimise the load at municipal dump sites. By end of 2014-15, the programme had covered over 27,000 households and handled 226 tonnes of waste per month, on an average. Only 15% of the total waste collected is being dumped untreated. The projects earned nearly ₹5.58 lakhs per month as revenue which went towards meeting part of the administration and overhead costs.

## The Road Ahead

- **Social Forestry:** While area will be increased by 20,000 hectares every year, equal focus will be given to increase productivity from 41 tons/hectare today to 55 tons/hectare by 2017-18, and 65 tons by 2020.
- **Soil and Moisture Conservation:** Introduce groundwater based planning in a phase-wise manner in order to convert all core project locations to “safe groundwater zone”.
- **Bio Diversity Conservation:** Conserve available trees/groves to improve green cover and species diversity in the conservation plots by 50% against baseline by 2020.
- **Improved Agricultural Practices:** Promote Sustainable Agriculture in the core project areas to increase productivity by 20% and reduce cost of cultivation by 20%.
- **Women Empowerment:** Focus on Women Headed Households and very Poor Households in all our catchments in order to drive financial inclusion, maternal and child health awareness, and micro-enterprise/self-employment.
- **Education:** Benchmark performance against the state Annual Status of Education Reports (ASER) and ensure superior impact through deeper penetration in current catchments, strengthening school infrastructure and special coaching for weaker children.
- **Vocational Training:** Continue to provide training in skills to over 10,000 youth every year in vocations that are in great demand in the market.
- **Health & Hygiene:** Strive to achieve all-round improvement in critical health indicators by ensuring open-defecation-free zones in our project areas, promoting source segregation of waste and supply of potable drinking water.



The CII-ITC Centre of Excellence for Sustainable Development interacts with the Government and policy makers to promote sustainable development and inclusive growth through corporate action



## Responsible Advocacy

ITC believes that it is necessary to represent to and engage with authorities on matters concerning the various sectors in which it operates. The Board approved Policy on Responsible Advocacy provides the framework for the necessary interface with Government/Regulatory Authorities. ITC works with apex industry institutions that are engaged in policy advocacy, like the Confederation of Indian Industry, Federation of Indian Chambers of Commerce and Industry, Associated Chambers of Commerce and Industry of India and various other forums including regional Chambers of Commerce. ITC's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders.

The Company, for its social development projects, organises meetings with the local administration and state governments to seek their participation and involvement. Their expert advice and counsel are also sought and approvals obtained, where required, for the planned interventions. The Company also engages in public-private-partnerships (PPP) with the state governments for such projects.

The CII-ITC Centre of Excellence for Sustainable Development also interacts with the Government and policy makers to promote sustainable development and inclusive growth through corporate action.

## Creating Enduring Institutions

### CII-ITC Centre of Excellence for Sustainable Development

The CII-ITC Centre of Excellence for Sustainable Development, established by ITC in 2006 in collaboration with the Confederation of Indian Industry (CII), continues its endeavours to promote sustainable business practices among Indian enterprises. The Centre is steered by its Advisory Council, led by Mr Y C Deveshwar, Chairman, ITC Limited, and comprises members from industry, government, civil society and institutions, which provides strategic direction to the organisation.

During the year the Centre, in partnership with the International Integrated Reporting Council (IIRC), has set up a country-level network, the IR Lab India, to promote Integrated Reporting (IR). The objective of IR Lab is to build capacities of companies in India on integrated reporting and to represent concerns of Indian business to the IIRC.

The Centre also hosted the India Business & Biodiversity Initiative (IBBI) with the support of German International Cooperation (GIZ). Launched on the occasion of International Day for Biological Diversity on May 22, 2014, the IBBI serves as a national platform of business and its stakeholders for dialogue, sharing and learning, ultimately leading to mainstreaming sustainable management of biological diversity in businesses. The Centre and GIZ have partnered also with CREM, the Netherlands, to build capacity of member companies in biodiversity management.

In addition, at the request of the Ministry of Environment, Forest & Climate Change (MoEFCC), the Centre has drafted a single window clearance form for environment, forests and wildlife clearances with inputs from members of the CII National Committee on Environment as well as top government officials. The Centre also has been engaged with the Cabinet Secretariat's Project Management Group to suggest ways to increase transparency and accountability in the project appraisal process.



The 9th Annual Sustainability Solutions Summit continued its legacy of bringing together thought-and-action leaders from across the globe to discuss and propagate innovative and actionable solutions towards building a more sustainable future. The Centre recognises and rewards the most significant contributions to sustainable development in the country through the CII-ITC Sustainability Awards. In 2014, the Awards were presented to 27 companies.

The Centre has been building capacities of companies on the new CSR legislation as per the Companies Act 2013. In 2014, the Centre conducted seven open workshops in Delhi, Mumbai, Lucknow, Bhubaneshwar, Chennai, Vishakapatnam and Goa. The Centre is also offering services to companies in baseline studies, measurement of human development indicators, and social return on investments.

## ITC Sangeet Research Academy

The ITC Sangeet Research Academy (ITC-SRA) is an embodiment of sustained corporate commitment to a priceless national heritage. It is a unique institution – the only gurukul of its kind - that has been at the forefront of promoting the ancient tradition of Hindustani Classical Music. Blending modern-day research methods with the purity of the age old Guru-Shishya tradition, ITC-SRA is recognised as the finest repository of Hindustani Classical Music in terms of musical talent, music education and archives. Producing musicians of stature, it has been a catalyst in ensuring the popularity of Hindustani Classical Music.

Its list of illustrious Gurus includes Vidushi Girija Devi, Ustad Abdul Rashid Khan, Pandit Buddhadev Das Gupta, Pandit Ulhas Kashalkar, Pandit Ajoy Chakrabarty, Pandit Arun Bhaduri, Ustad Mashkoor Ali Khan, Pandit Partha Chatterjee, Vidushi Subhra Guha and Pandit Uday Bhawalkar. Musician Tutors Omkar Dadarkar, Abir Hossain, Brajeswar Mukherjee, Aniruddha Bhattacharya, Arshad Ali Khan, Kumar Mardur and Waseem Ahmed Khan are rising stars in the firmament of Hindustani Classical Music. With 53 gifted Scholars carefully selected from all over the country and a dedicated team of Gurus and Musician Tutors, ITC-SRA continues to passionately pursue its mission



of preserving, propagating and promoting Hindustani Classical Music.

While relentlessly focusing on Hindustani Classical Music, the Academy has also expanded the range of its offerings to include Carnatic concerts as well. The Academy is currently engaged in carrying the message of Hindustani Classical Music across the country from the metros to rural India. The Academy also constantly endeavours to work with other music organisations and institutions of repute.

The Academy continued with its traditional programmes as well as broke new ground with fresh initiatives such as the Malhar festival in August and the Arpan soiree in September, culminating in the ITC Sangeet Sammelan in December last year. In addition, collaboration with the India Habitat Centre at Delhi on the Morning Ragas series launched in October last year was extremely well received with Vidushi Girija Devi performing at the inaugural event.

The Academy's thrust on a collaborative effort to revisit Kolkata's magnificent heritage continued with programmes co-sponsored by the All Bengal Music Conference, the Bhowanipore Sangeet Sammelani, the Dover Lane Music Conference and other organisations. Efforts to showcase the Academy's talent across the country continued with several performances in Mumbai, Bengaluru, Lucknow and Varanasi.

These performances served the purpose of showcasing the exceptional talent of our Scholars, Gurus and the Academy's commitment to the cause of Indian Classical Music.



Blending modern-day research methods with the purity of the age old Guru-Shishya tradition, ITC-SRA is recognised as the finest repository of Hindustani Classical Music



A worker in a light blue uniform, hairnet, and face mask is inspecting chocolate-covered wafer rolls on a production line. The worker is wearing white gloves and is looking down at the product. The background shows industrial machinery and a clean environment.

# Product Responsibility

# Management Approach

## Customer Health and Safety

As a Company engaged in the FMCG and Hospitality sectors, ITC's products and services reach out to a large number of consumers. The Company has stringent processes and systems to ensure that all products and services are in compliance with relevant regulatory requirements. In addition, product and service attributes are constantly evaluated against international standards and best practices.

ITC's commitment towards ensuring compliance with relevant standards of health and safety commences at the design stage. Appropriate health and safety elements across procurement, manufacturing and delivery are identified and evaluated, based on which control measures are implemented as necessary. Global developments in health and safety are also reviewed constantly to provide appropriate insights. This is



supported by comprehensive research and testing facilities at the ITC Life Sciences & Technology Centre, whose laboratories conform to ISO/IEC 17025 and are certified by National Accreditation Board for Testing and Calibration (NABL). Manufacturing units and hotels have state-of-the-art facilities and technology as well as internationally benchmarked quality management systems. These are constantly reviewed to keep them contemporary and relevant. The quality performance of third party manufacturing facilities is also monitored on a daily basis.

The summary of systems and initiatives across some of ITC's businesses is presented below:

Business	Initiatives for improvement of health and safety impacts of products/services
Agri Business	<p>The Business primarily engages in sourcing of agri-commodities like Wheat, Coffee, Potato, Shrimps, Soya and Processed Fruits. These commodities are sourced and supplied based on customer requirements of quality, quantity and packaging. Stringent process control and quality inspection norms have been established to ensure compliance with customer requirements. Systems and processes are in place to ensure the hygiene of the stored stocks. Products are shipped after meticulous testing either in-house, or at accredited labs or agencies, if required by the customers. For organic and sustainable farm practices in the processed fruits business catering to specific customer segments, the Business has received the following international certifications:</p> <ul style="list-style-type: none"> <li>• Fairtrade certification endorsing that its products meet certain environmental, labour, and developmental standards.</li> <li>• Demeter Certification for Biodynamic Farming, a holistic method of agriculture.</li> <li>• USDA Organic Certification for Organic Farming.</li> <li>• Bio-Suisse Certification for Organic Farming.</li> </ul>

Business	Initiatives for improvement of health and safety impacts of products/services
Branded Packaged Foods	<p>61 out of 69 manufacturing locations, including third party manufacturing units, are Hazard Analysis and Critical Control Point (HACCP)/ISO 22000 certified, ensuring that products use the best quality ingredients and utilise the highest quality processes. The objective is to continuously provide consumers with products that not only “Taste Good” but also “Do Good”. Consequently, large investments have been made in R&amp;D to deliver relevant functionalities based upon specific formulations for identified health needs, like reducing salt, sugar and oil across all products. These investments are likely to show results over the medium to long term. Products like ‘Sunfeast Oats Marie’ and ‘Sunfeast Farmlite’ attempt to seamlessly integrate healthy ingredients like oats and fibre into consumer snacking preferences. Market surveys for determining customer preference for products with specific functionalities were completed in 2014-15 and the market release for such products will be determined based on production viability. As on date, 90% by volume of ITC’s biscuits are trans-fat free.</p> <p>In 2014-15, daily staple food products like multigrain atta and fortified atta started reaching larger areas of the country. Smaller packs of these products also helped in gaining access to a wider section of society.</p>
Cigarettes	<p>The Business uses proprietary software to regularly monitor and review product specifications of all raw materials. With consistent focus on product innovation, new product development in the Business involves consideration of global developments and is supported by comprehensive research and testing facilities at the ITC Life Sciences &amp; Technology Centre.</p>
Leaf Tobacco	<p>Product hygiene standards in tobacco cultivation are accorded the highest importance. Accordingly, awareness among tobacco farmers on the importance of sustainably producing residue-free quality tobacco is constantly reinforced during field-level trainings and seminars in ITC’s operating regions. For frequent assessment on product integrity, farm-level and packed-level toxicant audit studies are undertaken wherein all leaf samples from farmlands and packed cases of finished products are closely monitored for toxic residues. Several additional measures were implemented across the value chain during the year towards minimisation of Non Tobacco Related Matter.</p>
Personal Care Products	<p>The Business follows a comprehensive approach for improving the health and safety impacts of its products in each of the lifecycle stages including R&amp;D, certification as well as manufacturing and production.</p>



61 out of 69 manufacturing locations, including third party manufacturing units of the Foods Business, are Hazard Analysis and Critical Control Point (HACCP)/ISO 22000 certified, ensuring that products use the best quality ingredients and utilise the highest quality processes



Business	Initiatives for improvement of health and safety impacts of products/services
<p>Personal Care Products (contd.)</p>	<p>All safety tests from prototype development to final product are conducted in accordance with standard international guidelines.</p> <p>Ingredients used in products undergo rigorous analysis, based on existing scientific literature, for their toxicity and skin sensitisation prior to clearance for use in product development.</p> <p>Product safety and efficacy is certified through external accredited laboratories.</p> <p>Products are manufactured in a highly automated environment under strict hygienic conditions.</p> <p>Documented Quality Management System, including procured material checks, in-process checks and finished goods quality checks, ensures that the manufactured products are consistent and of high quality.</p>
<p>Hotels</p>	<p>ITC Hotels have established food safety management systems certified as per HACCP/ISO 22000. In addition, ITC Hotels R&amp;D endeavours to adhere to GHP &amp; GMP (Good Hygiene Practices &amp; Good Manufacturing Practices). The Hotels Business also conforms to relevant applications of PAS 220 (Prerequisite programmes on food safety for food manufacturing). ITC has elaborate fire safety guidelines which all hotels comply with. These guidelines are based on National Fire Protection Association (NFPA) Codes and other international best practices. They supplement the general EHS Guidelines applicable to all ITC Businesses, the compliance of which is audited by the Corporate EHS Department on a regular basis.</p>
<p>Education and Stationery Products</p>	<p>The 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 their safety.</p>
<p>Lifestyle Retailing</p>	<p>All raw materials and garments are tested at the in-house laboratory for post usage experience and conformance to quality standards. The standards and product specifications are periodically validated by international testing agencies. Quality is monitored through an internal Product Quality Rating System (PQRS) together with the external Acceptable Quality Level (AQL) norm that is followed internationally by apparel businesses. The Wills Lifestyle range (excluding the Wills Signature garments) has received the “Oeko-Tex” certification (w.e.f. January 2012), becoming the first brand</p>



All safety tests from prototype development to final product are conducted in accordance with standard international guidelines

Business	Initiatives for improvement of health and safety impacts of products/services
Lifestyle Retailing (contd.)	in the domestic apparel retail segment in India to obtain such a recognition. The certification has been conferred by Hohenstein Textile Testing Institute GmbH & Co. KG, Germany. It guarantees that the products are free from more than 100 harmful substances and ensures that Wills Lifestyle garments are completely safe for consumers, without compromising on relevant style quotient of its products.
Packaging and Printing	Various initiatives have been undertaken in developing packaging solutions that use environment friendly raw materials such as water-based varnishes and reduced material usage in terms of mass and thickness of products. The Business engages with customers on a continuous basis to provide solutions that help protect functional needs like product integrity and visual imagery, whilst providing scope for use of alternate materials. The bulk of board packaging is already being done with non-toluene based inks. In the area of flexibles packaging, joint projects with customers have been undertaken to promote sustainable flexibles and printing with non-toluene and non-ketone based inks. In order to strengthen the health & safety requirement of products (Quality and Hygiene), all key operations at Haridwar and Tiruvottiyur factories have been certified as per British Retail Consortium (BRC) Global Standard for Packaging and Packaging Material.



Packaging solutions are being developed that use environment friendly raw materials such as water-based varnishes and reduced material usage in terms of mass and thickness of products



**Business Initiatives for improvement of health and safety impacts of products/services**

**Paperboards and Specialty Papers**

ITC has been the pioneer in manufacturing Elemental Chlorine Free (ECF) pulp in India. This ensures that the levels of dioxins and furans in the pulp are less than 1 PPT (Parts Per Trillion). The global migration test is conducted periodically on all food-grade paper and paperboards for compliance with the US FDA standards and to adhere to prescribed limits for presence of heavy metals. All manufacturing ingredients for applications involving direct/indirect food contact are procured from reputed suppliers and conform to US FDA and equivalent standards.

The Business ensures that the components of food allergens listed in the EC directive 2003/89/EC and the US FDA Act are not used in any virgin grade boards and papers. The Bollaram Unit, which manufactures 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, certifies ITC's 'Indobarr' and 'Cyber Propac' brands to be compliant with German BFR standards for Food Packaging.

**Matches and Agarbatti**

Chemicals approved by IFRA (International Fragrance Resource Association, Geneva) are used to prepare fragrances, which are required in the manufacture of dipped Mangaldeep agarbattis. The manufacturing processes of the Matches and Agarbatti Business are designed to ensure product safety and consistency.





## Product Information and Labelling

As an organisation committed to high standards of transparency and good governance, ITC's Business operations comply with every relevant law of the Nation. Systems have also been put in place to ensure compliance before the launch of any new category or product.

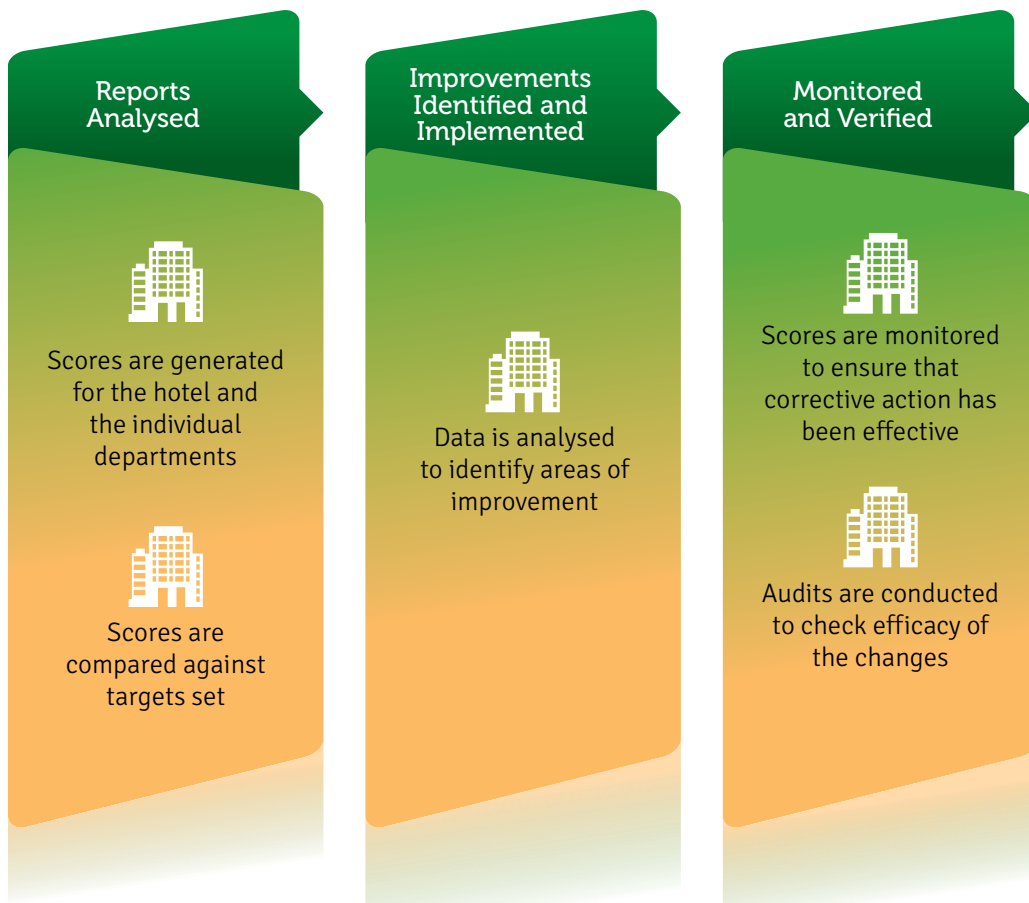
A regular customer feedback system forms an integral part of ITC's Businesses where there is direct interface with customers. The process followed by ITC's Hotels Business with respect to consumer feedback is illustrated on the next page.

In the case of FMCG products, consumers are provided several communication channels

like email, telephone number, website address and feedback forms to enable them to contact the relevant Business. Processes are laid down to ensure that consumers are provided with responses on their feedback in a timely manner. For food products, all information about ingredients and nutrition of products is published on the product packaging as per relevant statutory requirements.

In the Information Technology Business, formal mechanisms are in place to measure customer experience. The Customer Service Satisfaction Survey is an annual check on the robustness of the engagement, culminating in a Customer Experience Index. The survey is conducted amongst Chief Executives and Senior Management, and is based on a structured questionnaire customised for the stakeholder. Multiple parameters and business outcomes are measured including





satisfaction, loyalty, advocacy and value for money. The outcomes and insights from the survey drive customer engagement and service delivery improvement initiatives at the organisation, geography, Business, Unit and account level.

Customer feedback for B2B businesses like Agri Business and Packaging and Printing, is obtained through different activities. For example, Agri Business has pre-season engagement with customers, client visits and engagement of the Divisional Management Committees with major customers. Given the nature of the Business, claims due to rejections on account of quality are a valuable indicator of customer dissatisfaction. During the year under review, no such claims were made to the Business.

In addition, an independent survey “Nielsen Corporate Image monitor 2014-15”, which tracks the reputation of 42 leading Indian companies, rated ITC well ahead of competition in various product parameters like “products or services - high quality & reliable” and “customer service levels/ Customer Relationship Management”. This is an outcome of our dedicated efforts towards

continuously improving the product quality and service delivery, based on the insights from interactions with customers and independent surveys.

### Traceability in the Foods Supply Chain

In Foods Business, wheat constitutes around 40% of the total raw material procurement value and is sourced through the e-Choupal platform of ITC’s Agri Business thereby ensuring 100% traceability to the origin. For vendors of other raw materials including generic and actively traded commodities like maida, sugar, oil etc. sourced outside the aforesaid platform, ITC has a robust system of due diligence. In addition Board approved policies of ITC supplemented by a ‘Code of Conduct for Vendors and Service providers’ provide the structure for addressing traceability within the supply chain and also the sustainability aspects therein, which are detailed in the “Supply Chain” section of this Report. Monitoring of compliance against the above mentioned Code and also performance of Foods Business’s supply chain partners based on identified material aspects will be done in a phased manner.



In Foods Business, wheat constitutes around 40% of the total raw material procurement value and is sourced through the e-Choupal platform of ITC’s Agri Business thereby ensuring 100% traceability to the origin



## Marketing Communications

All Businesses/Divisions of ITC have established rigorous systems, procedures and review mechanisms to identify and comply with the laws and regulations concerning marketing communications. In addition, ITC has put in place a dedicated consumer response cell in order to answer any queries on products.

ITC follows standard operating procedures to ensure that its marketing communications are in accordance with voluntary codes adopted by each business as well as applicable statutes. These are vetted by the internal legal team and compliance is ensured by the internal audit department.

Marketing and Advertising Communications of all ITC's Businesses are subjected to stringent internal checks by the Legal Department. The Company's consumer goods Businesses adhere to voluntary and legal codes of conduct and follow the ASCI (Advertising Standards Council of India) Code for all marketing communications. Marketing communications for ITC's Hotels Business is governed by self-regulation and guided by the Indian Society of Advertisers (ISA) rules and guidelines.

## Customer Privacy

Maintenance of customer privacy is relevant primarily for ITC's Information Technology and Hotels Businesses, both of which have well established systems and procedures for ensuring zero non-compliance.

Network Architecture and Information security controls of the Company's Information Technology Business under ITC Infotech Limited are driven by industry best practices. The Business has drafted a privacy policy in line with the IT Act, 2000, that covers all aspects of data privacy with respect to sensitive information. The Business has also formulated an Information Management policy, which caters to the IT security aspects of the ISO 27001 ISMS framework. The IT operations arm of ITC Infotech Limited is ISO 27001 certified for its business processes to deliver IT services and projects. Documented procedures are available and practised to grant physical access to information, e.g. the defined and restricted access rights to IT Room/ Server Room and User Access Management based on ISO 27001 and as agreed with customers. The Business has also put in place measures at various control areas in order to meet customers' requirements for data security. These include desktop access,



ITC follows standard operating procedures to ensure that its marketing communications are in accordance with voluntary codes adopted by each business as well as applicable statutes



server access, network access, operating system, application security, data transfer, penetration testing, etc. Clear guidelines are provided for data backup, retention periods, the media on which backups have to be maintained and storage at remote location.

In addition, stringent risk assessments are carried out to identify vulnerabilities and threats to assets and the controls that need to be put in place.

ITC's Hotels and Information Technology Businesses received no complaints regarding breach of customer privacy or loss of customer data in 2014-15. For the year the average WoW Ratio (Guest Satisfaction Index) for the Hotels Business was 91.5%.

## Compliance

All Businesses/Divisions of ITC have well established systems, procedures and review mechanisms to identify and comply with the laws and regulations concerning its products and services. Particular care is accorded to tobacco products, taking into account the regulatory framework.

ITC has established systems wherein every Business and Corporate Department has to submit a periodic statutory compliance report to the CMC/Board on all business, regulatory, product specific, finance/revenue related, personnel related, technical/process related and environment related statutes and other applicable laws and regulations. This is done on the basis of updated checklists that have to be mandatorily maintained by

each reporting Unit/Business/function as well as monitoring and controlling systems that the Business/Corporate function must have in place.

As per this system, no incidents of non-compliance were reported during 2014-15.

## The Road Ahead

Recognising the unique construct of ITC in terms of its strong presence in agriculture, Branded Packaged Foods and Personal Care Products Businesses, a convergence of R&D capabilities is being leveraged to deliver future products aimed at nutrition, health and well-being. In this context, Life Sciences & Technology Centre (LSTC) has created a Biosciences R&D team to design and develop several long-term research platforms evolving multi-generation product concepts and associated claims that are fully backed by scientific evidence for the Branded Packaged Foods and Personal Care Products Businesses. Multiple value propositions have been identified in the area of functional foods, which are being progressed to products of the future with strong scientifically validated claims via clinical trials. Similar advances have been made in the area of personal care products. In addition, LSTC has evolved a strategy in building a new value chain called, 'Nutrition' with a special focus on 'Indianness' and 'health and well-being' founded on the basis of Value Added Agriculture (VAA) and Medicinal and Aromatic Plants. The initial activities related to VAA have already commenced with a focus on soya.

A convergence of R&D capabilities is being leveraged to deliver future products aimed at nutrition, health and well-being. In this context, Life Sciences & Technology Centre (LSTC) has created a Biosciences R&D team



## GRI -G4 Content Index

GRI - G4 Disclosures		UNGC - COP <sup>#</sup> Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Section Reference
Indicator	Description				
<b>Strategy and Analysis</b>					
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	Statement of continuing support	04-09	-	-
G4-2	Description of key impacts, risks, and opportunities	*	38-45	-	-
<b>Organisational Profile</b>					
G4-3	Name of the organisation	*	12	-	-
G4-4	Primary brands, products, and services	*	14-23	-	-
G4-5	Location of the organisation's headquarters	*	49	-	-
G4-6	Number of countries where the organisation operates	*	12	-	-
G4-7	Nature of ownership and legal form	*	Report and Accounts 2015	-	-
G4-8	Markets served	*	12	-	-
G4-9	Scale of the organisation	*	12	-	-
G4-10	Details on workforce broken down by gender, employment contract, employment type etc.	Outcomes from implementation of Principle 6	131	-	-
G4-11	Percentage of total employees covered by collective bargaining agreements	Outcomes from implementation of Principle 3	131	-	-
G4-12	Description of the organisation's supply chain	*	24-29	-	-

GRI - G4 Disclosures		UNGC - COP# Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Section Reference
Indicator	Description				
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	*	12-23	-	-
G4-14	How the precautionary approach or principle is addressed by the organisation	Actions taken to implement Principle 7	61	-	-
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	United Nations Global Compact (UNGC) - This Sustainability Report is used to communicate progress on implementation of UNGC Principles	04	-	-
G4-16	Memberships of associations and national/ international advocacy organisations in which the organisation holds a position on the governance body and participates in projects or committees	*	198-199	-	-
<b>Identified Material Aspects and Boundaries</b>					
G4-17	Entities included in the organisation's consolidated financial statements with indication of coverage in the report	*	49-53	-	Yes/ Independent Assurance Statement
G4-18	Process for defining the report content and the Aspect Boundaries	*	46	-	Yes/ Independent Assurance Statement
G4-19	Material Aspects identified in the process for defining report content	*	46-47	-	Yes/ Independent Assurance Statement
G4-20	Description of Aspect Boundary within the organisation for each material aspect	*	49-51	-	Yes/ Independent Assurance Statement



GRI - G4 Disclosures		UNGC - COP <sup>#</sup> Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Section Reference
Indicator	Description				
G4-21	Description of Aspect Boundary outside the organisation for each material aspect	*	25-26, 35-38, 49, 83, 87-88, 91, 95, 115	-	Yes/ Independent Assurance Statement
G4-22	Explanation of the effect of any re-instatement of information provided in the earlier Reports	*	90	-	Yes/ Independent Assurance Statement
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	*	49-51	-	Yes/ Independent Assurance Statement
<b>Stakeholder Engagement</b>					
G4-24	List of stakeholder groups engaged by the organisation	Sharing COP with Stakeholders	36-37	-	Yes/ Independent Assurance Statement
G4-25	Basis for identification and selection of stakeholders with whom to engage	Sharing COP with Stakeholders	35	-	Yes/ Independent Assurance Statement
G4-26	Organisation's approach to stakeholder engagement	Sharing COP with Stakeholders	35-37	-	Yes/ Independent Assurance Statement

GRI - G4 Disclosures		UNGC - COP <sup>#</sup> Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Section Reference
Indicator	Description				
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	Sharing COP with Stakeholders	36-37, 47	-	Yes/ Independent Assurance Statement
<b>Report Profile</b>					
G4-28	Reporting Period	*	49	-	-
G4-29	Date of most recent previous Report	*	49	-	-
G4-30	Reporting cycle	*	49	-	-
G4-31	Contact point for questions regarding the report or its contents	*	49	-	-
G4-32	GRI Content Index	*	174-194	-	-
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report; relationship with the assurance providers; the highest governance body's involvement in seeking assurance for the organisation's sustainability report	*	49	-	-
<b>Governance</b>					
G4-34	Governance structure of the organisation; committees responsible for decision-making on economic, environmental and social impacts	Actions taken to implement principles 1-10	55-58	-	Yes/ Independent Assurance Statement
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Actions taken to implement principles 1-10	57	-	Yes/ Independent Assurance Statement

<b>GRI - G4 Disclosures</b>		<b>UNGC - COP# Elements</b>			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Section Reference
Indicator	Description				
G4-36	Executive-level positions with responsibility for economic, environmental and social topics	Actions taken to implement principles 1-10	55-57	-	Yes/ Independent Assurance Statement
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Actions taken to implement principles 1-10	57	-	Yes/ Independent Assurance Statement
G4-38	Composition of the highest governance body and its committees	Actions taken to implement principles 1-10	56-58	-	Yes/ Independent Assurance Statement
G4-39	Function of the Chair of the highest governance body within the organisation's management and the reasons for his arrangement as an executive officer	Actions taken to implement principles 1-10	58	-	Yes/ Independent Assurance Statement
G4-40	Nomination and selection processes for the highest governance body and its committees; the criteria used for nominating and selecting highest governance body members	Actions taken to implement principles 1-10	55-58	-	Yes/ Independent Assurance Statement
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed; disclosure of conflicts of interest to stakeholders	Actions taken to implement principles 1-10	58-59	-	Yes/ Independent Assurance Statement
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Actions taken to implement principles 1-10	57	-	Yes/ Independent Assurance Statement
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Actions taken to implement principles 1-10	59	-	Yes/ Independent Assurance Statement



GRI - G4 Disclosures		UNGC - COP# Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Section Reference
Indicator	Description				
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics; actions taken in response to evaluation results	Actions taken to implement principles 1-10	59		Yes/ Independent Assurance Statement
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities; use of stakeholder consultation for supporting the process	Actions taken to implement principles 1-10	61	-	Yes/ Independent Assurance Statement
G4-46	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Actions taken to implement principles 1-10	57, 61	-	Yes/ Independent Assurance Statement
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Actions taken to implement principles 1-10	Once in a quarter		Yes/ Independent Assurance Statement
G4-48	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered	Actions taken to implement principles 1-10	46, 57	-	Yes/ Independent Assurance Statement
G4-49	Process for communicating critical concerns to the highest governance body	Actions taken to implement principles 1-10	46	-	Yes/ Independent Assurance Statement
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	Actions taken to implement principles 1-10	36-45	-	-

GRI - G4 Disclosures		UNGC - COP <sup>#</sup> Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Section Reference
Indicator	Description				
G4-51	Remuneration policies for the highest governance body and senior executives; how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	Actions taken to implement principles 1-10	59-60		Yes/ Independent Assurance Statement
G4-52	Process for determining remuneration	*	59-60	-	-
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	*	Report and Accounts 2015		-
G4-54	Ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)	*	60	-	-
G4-55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	*	60	-	-
<b>Ethics and Integrity</b>					
G4-56	Organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Actions taken to implement principles 10	60-61, 196	-	Yes/ Independent Assurance Statement
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity	Actions taken to implement principles 10	60-61	-	Yes/ Independent Assurance Statement
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organisational integrity	Actions taken to implement principles 10	60-61	-	-

GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
<b>Category: Economic</b>					
<b>Material Aspect: Economic Performance</b>					
G4-DMA	Generic Disclosures on Management Approach (DMA)	*	64	-	-
G4-EC1	Direct economic value generated and distributed	*	65-69	-	-
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Action taken on Principle 7	-	We have not disclosed the information on this indicator owing to unavailability of appropriate framework and reliable information needed for representative estimation of the financial implications of the risk or opportunity. We will evaluate appropriate framework for complete disclosure on this indicator within next 3-4 years.	-
G4-EC3	Coverage of the organisation's defined benefit plan obligations	*	71	-	-
G4-EC4	Financial assistance received from government	*	70	-	-
<b>Material Aspect: Indirect Economic Impacts</b>					
G4-DMA	Aspect-specific DMA	*	72-73	-	-
G4-EC7	Development and impact of infrastructure investments and services supported	*	73	-	-



GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
G4-EC8	Significant indirect economic impacts, including the extent of impacts	*	146-161	-	-
<b>Material Aspect: Procurement Practices</b>					
G4-DMA	Aspect-specific DMA	*	69-70	-	-
G4-EC9	Proportion of spending on local suppliers	*	69	-	-
<b>Category: Environmental</b>					
G4-DMA	Generic Disclosures on Management Approach (DMA)	Actions taken to implement principles 7, 8, 9	76-77	-	-
<b>Material Aspect: Materials</b>					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7, 8	117-118, 121	-	-
G4-EN1	Materials used by weight or volume	Outcomes from implementing Principle 7, 8	119-121	-	Yes/ Independent Assurance Statement
G4-EN2	Percentage of materials used that are recycled input materials	Outcomes from implementing Principle 8	119-120	-	Yes/ Independent Assurance Statement
<b>Material Aspect: Energy</b>					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7, 8, 9	79, 83	-	-
G4-EN3	Energy consumption within the organisation	Outcomes from implementing Principle 7, 8	80-82	-	Yes/ Independent Assurance Statement
G4-EN4	Energy consumption outside of the organisation	Outcomes from implementing Principle 8	83	-	-
G4-EN5	Energy intensity	Outcomes from implementing Principle 8	82	-	Yes/ Independent Assurance Statement

GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
G4-EN6	Reduction of energy consumption	Outcomes from implementing Principle 8, 9	82	-	Yes/ Independent Assurance Statement
G4-EN7	Reductions in energy requirements of products and services	Outcomes from implementing Principle 8,9	82	-	-
Material Aspect: Water					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7, 8	97-98, 107	-	-
G4-EN8	Total water withdrawal by source	Outcomes from implementing Principle 7, 8	99	-	Yes/ Independent Assurance Statement
G4-EN9	Water sources significantly affected by withdrawal of water	Outcomes from implementing Principle 8	107	-	-
G4-EN10	Percentage and total volume of water recycled and reused	Outcomes from implementing Principle 8	102, 106	-	Yes/ Independent Assurance Statement
Material Aspect: Biodiversity					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 8	123, 125	-	-
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	-	None of ITC's operational sites are owned, leased, managed in, or are adjacent to, protected areas and areas of high diversity value, therefore, these standard disclosures are not applicable	-
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	-	-		-
G4-EN13	Habitats protected or restored	-	-		-
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	-		-

GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
<b>Material Aspect: Emissions</b>					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7, 8, 9	85-86, 95	-	-
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Outcomes from implementing Principle 7, 8	87	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Outcomes from implementing Principle 7, 8	87	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Outcomes from implementing Principle 7, 8	87, 91	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN18	Greenhouse gas (GHG) emissions intensity	Outcomes on Principle 7, 8, 9	90	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Outcomes on Principle 7, 8, 9	88	-	-
G4-EN20	Emissions of ozone-depleting substances (ODS)	Outcomes on Principle 7, 8	94	-	-



GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
G4-EN21	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	Outcomes on Principle 7, 8	92-94	-	-
<b>Material Aspect: Effluents and Waste</b>					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 8	97-98, 107, 109, 115		
G4-EN22	Total water discharge by quality and destination	Outcomes from implementing principle 8	102-104	-	Yes/ Independent Assurance Statement
G4-EN23	Total weight of waste by type and disposal method	Outcomes from implementing principle 8	110, 112	-	Yes/ Independent Assurance Statement
G4-EN24	Total number and volume of significant spills	Outcomes from implementing principle 8	95	-	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Outcomes from implementing principle 8	-	This Standard Disclosure is not applicable as there was no transport, import, export, or treatment of waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and IV.	-

GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	Outcomes from implementing principle 8	107	-	
<b>Material Aspect: Products and Services</b>					
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Outcomes from implementing Principles 7, 8, 9	82	-	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Outcomes from implementing Principle 8	-	We are using 1,14,563 tonnes of post consumer waste paper/ paperboard which contributes to 22% of total fibre demand of our Paperboards and Specialty Papers Business. However we are not able to correlate the post consumer waste coming from the consumers of our products. For further details, please refer to "Raw Materials" section of this Report.	-
<b>Material Aspect: Sustainable Forest Management</b>					
DMA	Aspect-specific DMA	Actions taken to implement principles 7, 8, 9	117-118, 121, 123, 125	-	
<b>Material Aspect: Compliance</b>					
G4-EN29	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	173	-	Yes/ Independent Assurance Statement
<b>Material Aspect: Transport</b>					
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Outcomes from implementing Principles 7, 8	87-88, 91	-	

GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
<b>Category: Social</b>					
<b>Sub-Category: Labor Practices And Decent Work</b>					
<b>Material Aspect: Employment</b>					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 3, 4, 5, 6	129-130, 134-135	-	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Outcomes from implementation of Principle 6	131-132	-	Yes/ Independent Assurance Statement
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		132-133	-	
G4-LA3	Return to work and retention rates after parental leave, by gender	Outcomes from implementation of Principle 6	131	-	
<b>Material Aspect: Labor/Management Relations</b>					
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Outcomes from implementation of Principle 3	Minimum notice periods regarding operational changes form part of long term agreements with employees.	-	-
<b>Material Aspect: Occupational Health and Safety</b>					
G4-DMA	Aspect-specific DMA		137, 143	-	



GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	*	As per ITC's Corporate guidelines, every Unit is required to have EHS committees to promote active participation of employees and service providers in EHS management. The committees have equal representation from workers and management.		
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	*	138-142	-	Yes/ Independent Assurance Statement
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	*	142	-	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	*	During the reporting year, 5 long term agreements were signed with trade unions. Health and safety topics were covered in each of these agreements.	-	
Material Aspect: Training and Education					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Outcomes from implementation of Principle 6	133	-	Yes/ Independent Assurance Statement
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	*	133	-	

GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Outcomes from implementation of Principle 6	133	-	
<b>Material Aspect: Diversity and Equal Opportunity</b>					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Outcomes from implementation of Principle 6	56, 131	-	
<b>Sub-Category: Human Rights</b>					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principles 1, 24, 5	129, 134-135	-	
<b>Material Aspect: Non-Discrimination</b>					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Outcomes from implementation of Principle 6	135	-	Yes/ Independent Assurance Statement
<b>Material Aspect: Freedom of Association and Collective Bargaining</b>					
G4-DMA	Aspect-specific DMA		129, 134-135	-	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Outcomes from implementation of Principle 3	135	-	

GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
<b>Material Aspect: Child Labor</b>					
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Outcomes from implementation of Principle 5	135	-	
<b>Material Aspect: Forced or Compulsory Labor</b>					
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Outcomes from implementation of Principle 4	135	-	
<b>Sub-Category: Society</b>					
<b>Material Aspect: Local Communities</b>					
G4-DMA	Aspect-specific DMA	Actions to implement Principles 1, 2	145-147, 161		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Outcomes of implementation of Principle 1, 2	147-160	-	Yes/ Independent Assurance Statement
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Outcomes of implementation of Principle 1, 2	147-160	-	Yes/ Independent Assurance Statement
<b>Material Aspect: Anti-Corruption</b>					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 10	60-61	-	
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Outcomes of implementation of Principle 10	60-61	-	
G4-SO4	Communication and training on anti-corruption policies and procedures	Outcomes of implementation of Principle 10	60-61	-	



GRI - G4 Disclosures		UNGC - COP# Elements			
<b>Specific Standard Disclosures</b>					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
G4-S05	Confirmed incidents of corruption and actions taken	Outcomes of implementation of Principle 10	60-61	-	
<b>Material Aspect: Public Policy</b>					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 10	162	-	
G4-S06	Total value of political contributions by country and recipient/beneficiary	Outcomes of implementation of Principle 10	Nil		
<b>Material Aspect: Anti-Competitive Behavior</b>					
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	*	173	-	Yes/ Independent Assurance Statement
<b>Material Aspect: Compliance</b>					
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	*	173	-	Yes/ Independent Assurance Statement
<b>Sub-Category: Product Responsibility</b>					
<b>Material Aspect: Customer Health and Safety</b>					
G4-DMA	Aspect-specific DMA	*	165, 173	-	
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	*	165-169	-	Yes/ Independent Assurance Statement
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	*	173	-	

GRI - G4 Disclosures		UNGC - COP# Elements			
Specific Standard Disclosures					
DMA and Indicators	Description		Page Number/ Explanation	Omissions	External Assurance
<b>Material Aspect: Product and Service Labeling</b>					
G4-DMA	Aspect-specific DMA	*	170	-	
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	*	170	-	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	*	173	-	
G4-PR5	Results of surveys measuring customer satisfaction	*	170-171	-	Yes/ Independent Assurance Statement
<b>Material Aspect: Marketing Communications</b>					
G4-PR6	Sale of banned or disputed products	*	172-173	-	-
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	*	173	-	Yes/ Independent Assurance Statement
<b>Material Aspect: Customer Privacy</b>					
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	*	172-173	-	
<b>Material Aspect: Compliance</b>					
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	*	173	-	
* No direct requirement by UNGC - COP # UNGC - COP - United Nations Global Compact - Communication of progress					

# GRI-G4 Food Processing Sector Supplement (FPSS)

Material Aspects - DMAs and Indicators	Description	Page Number/ Explanation	Reasons for Omissions	External Assurance
<b>Aspect: Procurement/Sourcing Practices - Disclosure on Management Approach (DMA)</b>				
DMA	Protecting Natural Resources	76-77	-	
DMA	Minimising Toxicity	117-121, 165-169	-	
DMA	Fair Trade	All of ITC's trading partnerships are conducted in compliance with applicable legislations	-	
DMA	Fair Compensation for Labor	132	-	
DMA	Traceability	171	-	
<b>Aspect: Procurement/Sourcing Practices - Disclosure on Management Approach (DMA)</b>				
DMA	Genetically Modified Organisms (GMOs)	ITC Foods business does not use any GMOs in manufacturing its products	-	
DMA	Biofuels	79, 83	-	
<b>Aspect: Procurement/Sourcing Practices - Indicators</b>				
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	Partially reported 25, 171	Reporting on energy, GHG emissions, water and waste performance of Foods business third party manufacturing units (TPMs) is intended to be done in a progressive manner. Joint venture North Eastern Nutrients Private Limited is proposed to be included in ITC Sustainability Report 2016.	
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	Partially reported 25, 171		
<b>Aspect: Labor/Management Relations</b>				
DMA		129-130	-	



Material Aspects - DMAs and Indicators	Description	Page Number/ Explanation	Reasons for Omissions	External Assurance
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs by country	131	-	
<b>Aspect: Healthy and Affordable Food</b>				
DMA	Nature, scope and effectiveness of any programs and practices that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	165	-	
<b>Aspect: Customer Health and Safety</b>				
DMA		165	-	
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards	166	-	
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars	166	-	
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives	166	-	
<b>Aspect: Product and Service Labelling</b>				
DMA	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	170	-	
<b>Aspect: Animal Welfare</b>				
Not material as none of our businesses are involved in activities related to animal welfare				

# Alignment to Business Responsibility Report Principles

Linking Sustainability Report 2015 to Business Responsibility Report Principles to assess compliance with Environmental, Social and Governance (ESG) norms.

Principle	Business Responsibility Report Principles to assess compliance with ESG norms	Coverage in Section of Sustainability Report 2015
1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	<ul style="list-style-type: none"> <li>• Governance Structure</li> </ul>
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Air Emissions</li> <li>• Water Management</li> <li>• Recycling and Waste Management</li> <li>• Raw Materials</li> <li>• Supply Chain</li> <li>• Social Investments - Mission Sunehra Kal</li> <li>• Product Responsibility</li> </ul>
3	Businesses should promote the well-being of all employees	<ul style="list-style-type: none"> <li>• Labour Practices &amp; Decent Work and Human Rights</li> <li>• Occupational Health and Safety</li> </ul>
4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Stakeholder Engagement, Risks &amp; Opportunities and Materiality Analysis</li> <li>• Labour Practices &amp; Decent Work and Human Rights</li> <li>• Social Investments - Mission Sunehra Kal</li> </ul>
5	Businesses should respect and promote human rights	<ul style="list-style-type: none"> <li>• Labour Practices &amp; Decent Work and Human Rights</li> </ul>
6	Business should respect, protect, and make efforts to restore the environment	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Air Emissions</li> <li>• Water Management</li> <li>• Recycling and Waste Management</li> <li>• Raw Materials</li> <li>• Biodiversity</li> <li>• Social Investments - Mission Sunehra Kal</li> </ul>
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	<ul style="list-style-type: none"> <li>• Responsible Policy Advocacy</li> <li>• Stakeholder Engagement, Risks &amp; Opportunities and Materiality Analysis</li> <li>• Memberships and Affiliations</li> </ul>
8	Businesses should support inclusive growth and equitable development	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Social Investments - Mission Sunehra Kal</li> </ul>
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner	<ul style="list-style-type: none"> <li>• Stakeholder Engagement, Risks &amp; Opportunities and Materiality Analysis</li> <li>• Product Responsibility</li> </ul>

# Annexure

## ITC's Vision, Mission, Core Values and Policies & Guidelines

### 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. ITC's Core Values encompass the principles of Trusteeship, Customer Focus, Respect for People, Excellence, Innovation and Nation Orientation. Please check the following link for details:

<http://www.itcportal.com/about-itc/values/core-values.aspx>

### Corporate Governance at ITC

<http://www.itcportal.com/about-itc/values/corporate-governance.aspx>

**ITC's Code of Conduct and Policies are available at the Company's corporate website [www.itcportal.com](http://www.itcportal.com). Please check the following links for details:**

### ITC's Code of Conduct

<http://www.itcportal.com/about-itc/values/code-of-conduct.aspx>

### ITC's Sustainability Policies

<http://www.itcportal.com/about-itc/policies/sustainability-policy.aspx>

### ITC's CSR Policy

<http://www.itcportal.com/about-itc/policies/corporate-social-responsibility-policy.aspx>

### ITC's Food Products Policy

<http://www.itcportal.com/about-itc/policies/itc-food-product-policy.aspx>

### ITC's E-Waste Policy

<http://www.itcportal.com/about-itc/policies/itc-it-e-waste-policy.aspx>



# Annexure

## GHG Inventory: Quantification

### Methodologies-Energy and GHG Emissions

#### 1. Stationary Combustion

Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 were used to calculate GHG emissions from stationary combustion sources.

Activity data (quantity of fuel consumed) is multiplied with the respective default energy factor or actual measured Net Calorific Value (NCVs) to arrive at the energy consumption values, which is multiplied by the emission factor to quantify the direct emission from stationary combustion sources.

#### 2. Purchased Energy

The quantification of indirect GHG emission due to purchased electricity is based on activity data (Electricity consumption in kWh) multiplied by emission factors specified in the 'CO<sub>2</sub> Baseline Database for the Indian Power Sector User Guide', (version 10.0, December 2014) issued by Central Electricity Authority, Government of India.

The quantification of indirect GHG emissions for purchased steam is based on activity data (energy consumption in GJ) multiplied by the applicable emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006.

#### 3. Transportation

The energy consumption outside of the organisation due to road transportation is quantified by using energy conversion factors based on the Report by World Bank on Road Transport Service Efficiency Study (India)-2005.

The modes of transportation used in ITC, for raw materials, finished goods & wastes, and sources for calculation of emission factors are as follows:

Road – Emission factors for trucks are calculated based on the Report by World Bank on Road Transport Service Efficiency Study (India)-2005. Emission factors for employee commuting by means of company owned/hired vehicles and transportation due to guest pick-up in ITC Hotels are based on a report by Automotive Research Association of India.

Rail – Emission factors are calculated based on the information available from the Indian Railways Annual report 2013-14, Indian Railways Statistics 2013-14.

Air/Ship – “Guidelines to DEFRA/DECC’s GHG Conversion Factors for Company Reporting – Freight Transport 2011” developed by the Department of Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA), U.K.

#### 4. GHG Removals

GHG removals from plantations have been calculated based on the approved methodology used in ITC’s UNFCCC registered CDM project ‘2241: Reforestation of severely degraded landmass in Khammam District of Andhra Pradesh, India under ITC Social Forestry Project.’

The quantification of GHG emissions from minor\* sources is based on a robust process of data collection at Unit/Division level and emission factors taken from recognised global sources, such as IPCC guidelines and assessment reports; GHG Protocol HFC Tool v10 developed by GHG Protocol initiative, WRI & WBCSD; Pulp and Paper Tool-2005; UNFCCC approved methodologies. The sources that have a minor contribution to ITC’s overall GHG emissions are listed below:

1. Air-conditioning
2. Process Emissions
3. Company owned vehicles
4. SF<sub>6</sub> release from power distribution system
5. CO<sub>2</sub> release from fire protection system
6. Gas cutting/welding
7. Waste water treatment
8. GHG emissions from composting of waste inside the unit premises
9. GHG emissions from fertiliser application in forestry project

\* The Frequency of quantification of GHG emissions from minor sources is once in three years

# Memberships & Affiliations – 2015

- Andhra Pradesh Forest Development Corporation of India Limited
- 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
- Bihar Chamber of Commerce
- Bihar Industries Association
- Bihar State Productivity Council
- Bombay Management Association
- Bureau of Indian Standards
- Central Food Technology Research Institute
- Central Institute of Plastics Engineering & Technology
- Chemicals & Plastics Export Council of India
- Coal Consumers Association
- Cochin Chamber of Commerce & Industry
- Coffee Board
- Coffee Exporters Association
- Cooperation Centre for Scientific Research Relative to Tobacco
- Confederation of Indian Industry
- Ecotourism Society of India
- Employee Federation of South India
- Employers' Association of Northern India
- Export Inspection Council of India
- Fairtrade International (FLO), Germany
- 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
- 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
- India Convention Promotion Bureau
- Indian Flexible Packaging & Folding Carton Manufacturers Association
- Indian Green Building Council
- Indian Institute of Packaging
- Indian Merchants' Chamber
- 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 Flexible Packaging Network
- International Life Science Institute
- International Packaging Group
- Karnataka Planters 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
- National Commodity & Derivatives Exchange Limited
- National Council of Applied Economic Research
- National Safety Council
- Oil Technologists' Association of India
- Pacific Asia Travel 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
- 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 Chamber of Commerce, Guntur
- The Indian Society of Advertisers
- (ABD) The Utkal Chamber of Commerce & Industry
- The Visakhapatnam Chamber of Commerce & Industry
- Travel Agents Association of India
- United States Tour Operators Association
- US Food and Drug Administration
- Western UP Chamber of Commerce & Industry
- World Business Council for Sustainable Development
- World Travel & Tourism Council India Initiative
- World Wide Fund - Global Forest and Trade Network





**KPMG (Registered)**  
Lodha Excelus  
1st Floor, Apollo Mills Compound  
N. M. Joshi Marg  
Mahalakshmi  
Mumbai - 400 011  
India

Telephone +91 (22) 3989 6000  
Fax +91 (22) 3090 2511  
Internet [www.kpmg.com/in](http://www.kpmg.com/in)

### **Independent Assurance Statement**

To the Management of ITC Limited, Virginia House, 37 J L Nehru Road, Kolkata 700 071, India

#### **Introduction**

We were retained by ITC Limited ('ITC' or 'the Company') to provide independent assurance on the Sustainability Report ('the Report') for the Financial Year (FY) 2014-15. Our responsibility was to provide "reasonable assurance" on the report contents as described in the assurance scope.

#### **Assurance scope**

Our scope of assurance included data and information on material aspects and performance thereof provided for the period 01 April 2014 to 31 March 2015 based on Global Reporting Initiative's (GRI) G4 Guidelines and Food Processing Sector Supplement (applicable only for Foods Business) as listed below.

##### **General Standard Disclosures:**

- Identified material aspects and boundaries (G4-17 – G4-23)
- Stakeholder engagement (G4-24 – G4-27)
- Governance (G4-34 – G4-49, G4-51)
- Ethics and integrity (G4-56 – G4-57)

##### **Specific Standard Disclosure**

- **Environmental**
  - Materials (G4-EN1, G4-EN2), Energy (G4-EN3, G4-EN5, G4-EN6), Water (G4-EN8, G4-EN10), Emissions (G4-EN15, G4-EN16, G4-EN17, G4-18), Effluents and waste (G4-EN22, G4-EN23), Compliance (G4-EN29)
- **Social**
  - Labour practices and decent work
    - Employment (G4-LA1), Occupational health and safety (G4-LA6), Training & Education (G4-LA9), Non-discrimination (G4-HR3)
  - Society
    - Local communities (G4-SO1, G4-SO2), Compliance (G4-SO7, G4-SO8)
  - Product responsibility
    - Customer health and safety (G4-PR1), Customer Satisfaction (G4-PR5), Marketing communications (G4-PR7)

#### **Specific limitations and exclusions**

Our assurance process was subject to the following limitations as we have not been engaged to:

- Determine which, if any, recommendations should be implemented
- Provide assurance on data and information outside the defined reporting boundary and period
- Verify the Company's financial statements & economic performance.
- Verify 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 provided by the Company

KPMG, an Indian Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



### Standards and reporting criteria

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information by International Federation of Accountants' (IFAC) and in compliance with the requirements of IFAC Code of Ethics for Professional Accountants. The Code includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

### Work undertaken

Our procedures include assessment of the risks of material misstatements of selected performance indicators and disclosures and underlying internal controls relevant to the information published in the Report. Our procedures were designed to gather sufficient and appropriate evidence to determine that the selected performance information is not materially misstated.

We have undertaken:

- Review of materiality and stakeholder engagement framework deployed at ITC
- Assessment of the systems used for data collection and reporting of the General Standard Disclosures and Specific Standard Disclosures of material aspects as listed in the assurance scope above
- Verification visits to
  - FMCG - Cigarettes Business (Saharanpur and Pune), FMCG - Foods Business (Pune), FMCG - Personal Care Products Business (Manpura), FMCG - Safety Matches and Incense sticks (Agarbattis) Head Quarters (Chennai), Agri Business – Leaf Tobacco (Mysore), Packaging & Printing Business (Tiruvottiyur), Paperboards & Specialty Papers Business (Bhadrachalam and Tribeni), Hotels (ITC Grand Chola, Chennai and ITC Kakatiya, Hyderabad) and ITC Head Office (Kolkata)
- Interviews with ITC personnel responsible for data collection, collation and reporting
- Testing of the sample data and the supporting evidences through a risk based approach
- Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all information mentioned in the report is supported by underlying data.
- Review of the Report to ensure that there is no misrepresentation of disclosures as per scope of assurance and our findings.

### Conclusion

Based on the procedures performed, as described above, we provide 'reasonable assurance' that the information as per assurance scope in Sustainability Report of ITC for the financial year ended 31 March, 2015 is presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) and Food Processing Sector Supplement (applicable for Foods Business) of the Global Reporting Initiative and conforms to GRI G4 'in-accordance – comprehensive' disclosure criteria



### Key observations

Without affecting the conclusion presented above, we would like to draw readers' attention to the following;

- ITC has rolled out Sustainability policies and a Whistle-blower policy during the reporting period. As a best practice, ITC can progressively extend the whistle-blower policy to cover supply chain members even though they are covered under the organisation's stakeholder engagement structure.
- ITC has initiated work to seek supplier's commitment on its Supplier Code of Conduct during the reporting period. This initiative may further be strengthened especially for Safety Matches and Incense sticks (Agarbattis) and Lifestyle Retailing Businesses.

### Management's responsibility

The Management of ITC is responsible for developing the Report and the information and statements within it. This responsibility includes designing, implementing and maintaining systems and processes relevant for the development of the report.

### Our responsibility

Our responsibility is to express our conclusions in relation to the assurance scope listed above. We conducted our engagement with a multidisciplinary team which included professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 standard.

This report is made solely to ITC in accordance with the terms of our engagement. Our work has been undertaken so that we might state to ITC those matters we have been engaged for. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ITC for our work, for this report, or for the conclusions we have reached.



**Santhosh Jayaram**  
Director  
KPMG India  
22 June 2015





**KPMG (Registered)**  
Lodha Excelus  
1st Floor, Apollo Mills Compound  
N. M. Joshi Marg  
Mahalakshmi  
Mumbai - 400 011  
India

Telephone +91 (22) 3989 6000  
Fax +91 (22) 3090 2511  
Internet www.kpmg.com/in

**Independent Reasonable Assurance Statement to ITC Limited on the greenhouse gas (GHG) Inventory for Financial Year 2014-15**

To the Management of ITC Limited, Virginia House, 37 J L Nehru Road, Kolkata 700 071, India

**Introduction**

We have been engaged for the purpose of providing assurance on the GHG inventory of ITC Limited ('ITC' or 'the Company') for FY 2014-15. The GHG emissions and removals have been quantified and reported by ITC as per the ISO14064-1:2006 standard. Our responsibility was to provide assurance on the reported GHG emissions and removals by the Company.

**Assurance Procedures**

We have conducted our work in accordance with requirements of ISO14064-3:2006 'Specification with guidance for the validation and verification of greenhouse gas assertions' and as per International Federation of Accountants' (IFAC) International Standard for Assurance Engagements (ISAE) 3410- Assurance Engagements on Greenhouse Gas Statements to provide reasonable assurance that the GHG Inventory of ITC Limited is fairly stated, in all material aspects, in conformance with ISO14064-1:2006 'Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals'.

A reasonable assurance engagement in accordance with ISAE 3410 involves performing procedures to obtain evidence about the quantification of emissions and removals and related information in the GHG Statement. The nature, timing and extent of procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the GHG Statement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation [and presentation] of the GHG Statement in order to design assurance procedures that are appropriate in the circumstances.

Our assurance procedures also included:

- Assessment of ITC's reporting procedures for GHG emissions and removals with regard to their consistency with the ISO14064-1:2006 guidelines.
- Evaluating the appropriateness of the quantification methods and models used in the preparation of the GHG Statement
- Verification of systems and procedures used for quantification, collation, and analysis of emissions and removals.
- Understanding the reasonableness of various assumptions, estimations and materiality thresholds used by ITC for data analysis
- Discussions with the individuals responsible for evaluation of the GHG emissions and removals.
- Assessment of data reliability and accuracy.



- Conducting site visits to:
  - FMCG - Cigarettes Business (Saharanpur and Pune), FMCG - Foods Business (Pune), FMCG - Personal Care Products Business (Manpura), Agri Business – Leaf Tobacco (Mysore), Packaging & Printing Business (Tiruvottiyur), Paperboards & Specialty Papers Business (Bhadrachalam and Tribeni), Hotels (ITC Grand Chola, Chennai and ITC Kakatiya, Hyderabad) and ITC Head Office (Kolkata)

#### Scope and limitations

- The boundary of reporting and scope of assurance covers GHG emissions and removals of ITC Limited, as defined for the ITC Sustainability Report 2015, for the period 01 April 2014 to 31 March 2015.
- Scope 3 GHG emissions include:
  - emissions from ITC units due to transportation of raw materials, products and waste, employee travel in company provided vehicles, guest pick-up and drop at ITC Hotels
  - energy use and transportation of raw materials, products and wastes from third party manufacturing (TPM) units of Cigarettes and ESPB (Education and Stationery Products Business) and an associate company of ITC Limited.

#### Conclusions

Based on our assurance procedures and in line with the scope and limitations, we conclude that

- Evaluation of GHG inventory is in accordance with the ISO14064-1:2006 guidelines.
- The GHG emissions and removals reported by ITC are fairly represented.
- The reported GHG emissions and removals are
 

- Scope 1:	1,142,815 tonnes of CO2-e
- Biogenic Emissions:	859,993 tonnes of CO2
- Scope 2:	182,876 tonnes of CO2-e
- Scope 3:	193,391 tonnes of CO2-e
- GHG Removals:	4,896,321 tonnes of CO2-e

#### Independence

Assurance procedures were conducted with a multidisciplinary team including specialists in ISAE 3410 and GHG assurance engagements. Our work was performed in compliance with the requirements of ISO 14064-3:2006 and IFAC Code of Ethics for Professional Accountants. The Code includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

#### Responsibilities

ITC is responsible for evaluating the GHG inventory, establishing and maintaining appropriate internal control systems and derivation of performance data reported. This report is made solely to the Management of ITC in accordance with the terms of our engagement and as per scope of assurance. Our work has been undertaken so that we might state to ITC those matters for which we have been engaged to state in this report and for no other purpose.



To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ITC for our work, for this report, or for the conclusions expressed in this independent assurance report. By reading this assurance statement, stakeholders acknowledge and agree to the limitations and disclaimers mentioned above.



**Santhosh Jayaram**  
Director  
KPMG India  
22 June 2015



# ITC: Transforming Lives and Landscapes



**ITC's e-Choupal - World's largest rural digital infrastructure**  
Benefitting more than 4 million farmers



**ITC's Afforestation Programme**  
Greening nearly 2,00,000 hectares



**ITC's Watershed Development Programme**  
Providing Soil & Moisture conservation to over 2,00,000 hectares of drylands



**ITC's Livestock Development Initiative**  
Providing animal husbandry services for nearly 12,00,000 milch animals



**ITC's Women Empowerment Initiative**  
Creating over 45,000 sustainable livelihoods for women



**ITC's Primary Education Initiative**  
Covering 4,20,000 children



**ITC's Skilling & Vocational Training Initiative**  
Over 22,000 youth trained



**ITC's Health & Sanitation Programme**  
Nearly 8,500 low-cost sanitary units constructed

**ITC is the only enterprise in the world of comparable dimensions to be Carbon Positive, Water Positive and Solid Waste Recycling Positive**  
ITC's businesses and value chains support around 6 million sustainable livelihoods

Figures in this section are as on June 2015.