

Report of the Board of Directors

&

Management Discussion and Analysis

For the Financial Year Ended 31st March, 2024

SOCIO-ECONOMIC ENVIRONMENT

The global economy witnessed another year of deceleration in growth to 3.2% in 2023 (Vs. 3.5% in 2022) with the slowdown being largely attributable to Advanced Economies, particularly the Euro Area and UK, and structural weakness in the Chinese economy. Advanced Economies grew by 1.6% with the US economy belying expectations of recession with a resilient performance in 2023, registering a growth of 2.5% (Vs. 1.9% in 2022). Emerging Markets & Developing Economies grew at a relatively faster pace of 4.3% (Vs. 4.1% in 2022), though remaining well below the long period average. The recent conflict in the Middle East, extreme weather events and the overlapping shocks of the past four years – COVID pandemic, Russia-Ukraine conflict, unprecedented inflation and subsequent sharp increase in interest rates – have rendered the global macroeconomic environment highly uncertain and volatile.

Going forward, aggregate global economic growth as per IMF estimates is expected to remain subdued at 3.2% in 2024, well below the historical (2000-19) annual average of 3.8%. In 2024, Advanced Economies are projected to grow at 1.7% while Emerging Markets and Developing Economies are estimated to grow at 4.2%. With expectations of inflation easing towards target levels, the timing of central banks pivoting towards policy easing in major economies remains a key monitorable in the near term.

India remained a relatively bright spot amidst the global slowdown, recording robust Real GDP growth of 7.6% in FY 2023-24. Growth was primarily driven by Fixed Investments led by Government's thrust on infrastructure creation and household investments in real estate. Private Consumption, on the other hand, grew 3.0% - its slowest pace in two decades. The weakness in consumption was reflected, inter alia, in the muted volume growth of the FMCG sector (FY 2023-24 Volume growth appx. 3% Vs. 7% p.a. average in the pre-pandemic period). While Industry and Services sectors grew by 9.0% and 7.5% respectively, growth in the Agri sector slowed to 0.7%, with adverse weather events impacting harvests.

Going forward, the Indian economy is expected to sustain its high growth trajectory in FY 2024-25 driven by strong momentum in Fixed Investments and a pick-up in Private Consumption on the back of moderation in inflation, improvement in agri terms of trade, a good Rabi harvest and normal monsoons. Green shoots of recovery in rural markets, improving employment conditions and sustained momentum in manufacturing and services sectors augur well for consumption demand in the near term.

India continues to be acknowledged as one of the fastest growing major economies in the world with significant headroom for growth over the medium and long-term benefiting from a slew of purposeful

Going forward, the Indian economy is expected to sustain its high growth trajectory in FY 2024-25 driven by strong momentum in Fixed Investments and a pick-up in Private Consumption on the back of moderation in inflation, improvement in agri terms of trade, a good Rabi harvest and normal monsoons.

interventions over several years. A favourable demographic profile, increasing affluence, rapid urbanisation and accelerated digital adoption represent some of the key structural drivers of growth of the Indian Economy. Multi-dimensional interventions undertaken by the Government of India towards expansion of physical and digital public infrastructure, enhancing the competitiveness of the manufacturing sector, indirect/direct taxation and financial sector reforms along with measures to promote ease of doing business are expected to power the economy going forward. While stepped-up capital expenditure outlay and focus on infrastructure are expected to drive growth in domestic manufacturing, focus on agri-related schemes are expected to boost farmers' welfare and rural consumption demand, spurring a virtuous investment-employment-consumption cycle.

As the Indian economy contends with uncertainties in the external environment, policy interventions focused on supporting sustainable livelihoods and fostering inclusive growth augur well for the economy. Structural support would need to be provided to sectors with large economic multiplier impact. In this regard, the development of robust domestic agri and wood-based value chains hold special importance in the Indian context given their enormous potential to contribute to national objectives.

The agricultural sector is pivotal to the Indian economy, employing about half of the country's workforce. India is amongst the leading producers in the world of several agri-commodities, including milk, rice, wheat, sugarcane, cotton, pulses, spices, fruits & vegetables. While India's agri exports have grown strongly in recent years to a peak of US\$ 53 billion in

FY 2022-23, it witnessed a decline to US\$ 49 billion in FY 2023-24 due to restrictions imposed during the year on agri-commodity trading led by concerns over food security and inflation on the back of geopolitical tensions and climate emergencies. India's share of global agri-trade remains low at only about 3%. Enhancing agricultural productivity and value addition to international standards, while simultaneously improving market linkages, remain critical to enhance competitiveness of the agri sector and drive significant increase in farmers' income.

The farm sector faces enormous threats arising out of climate change as evident from the growing number of extreme weather events such as droughts and floods. Given the vulnerabilities, it is critical to strengthen climate resilience and adaptability of the agri-food sector. An exponential increase in crop production and productivity, backed by climate smart agriculture, will be critical in meeting the growing needs of an increasing population as also in mitigating potential risks. Evolving consumer preferences are also driving a shift towards nutritious and sustainably sourced food products. These developments accentuate the need to enhance the competitiveness of agri value chains to cater to the dynamic market requirements of the future. India, with its tremendous strengths in this sector, has a unique opportunity to play a leading role in this global transition and in forging an eco-system of sustainable, regenerative and climate smart agriculture.

In this regard, the Government's focus on promoting Farmer Producer Organisations (FPOs) holds immense potential to catalyse agricultural transformation by leveraging economies of scale, enabling sustainable

The agricultural sector is pivotal to the Indian Economy. Enhancing agricultural productivity and value addition to international standards, while simultaneously improving market linkages, remain critical to strengthening competitiveness of the agri sector and drive significant increase in farmers' income.

Report of the Board of Directors

agriculture, supporting market-led production and creating larger market access. Government interventions encouraging private and public investment in post-harvest activities including aggregation, modern storage, efficient supply chain, primary and secondary processing, marketing and branding are steps in the right direction and will go a long way in unlocking the full potential of the agri sector.

In this context, your Company has adopted targeted collaborative models to multiply the scale and impact of its agri and rural interventions. This collaborative approach, as opposed to a traditional transactional approach, can contribute meaningfully towards building next generation agriculture that is climate resilient and capable of supporting gainful livelihoods. Digitalisation of agriculture also offers the potential to increase productivity and foster structural changes across the value chain thereby enabling efficient use of resources. In line with its commitment to harness the power of cutting-edge digital technologies and NextGen agri practices towards unlocking the potential of India's farmers, your Company had launched ITCMAARS (Metamarket for Advanced Agriculture and Rural Services). The initiative continues to be scaled up rapidly and currently covers over 1.5 million farmers and over 1,650 FPOs, across 10 states and over 18,000 villages. This 'phygital' ecosystem continues to empower the farming community and FPOs by delivering personalised and dynamic advisory services as well as hyperlocal offerings including market linkages, agri inputs and credit enablement. Further details on this transformative initiative are provided in the Agri Business section of this report.

The Government of India had inspired the United Nations to declare 2023 as the 'International Year of Millets'. This drew global attention to this 'super-grain' that has the potential to redefine agriculture with its unique value proposition. Millets are climate resilient crops using substantially lesser water than other staples and grow in half the time as other crops, offering a comprehensive solution for sustained nutrition and food security.

Your Company has spearheaded 'ITC Mission Millets', leveraging its enterprise strengths in agriculture, food and hospitality to implement multi-dimensional interventions in this area. The holistic programme follows a strategic 3-fold approach – 1) developing a 'good-for-you' product portfolio, 2) implementing sustainable farming systems, and 3) enhancing consumer awareness through an Educate, Empower and Encourage approach. Your Company has implemented a focused strategy in crafting a millet-based products portfolio under its world-class Indian brands for every occasion, age and format. To cater to the diverse needs of consumers, your Company has launched products across traditional and modern formats viz. 'Gluten Free Flour', 'Multi-Millet Batter Mix', 'Atta with Millets' and 'Ragi Flour', Vermicelli, Biscuits, Snacks and Noodles under the 'Aashirvaad', 'Sunfeast', 'Bingo!' and 'YiPPee!' brands. These are being progressively scaled up across target markets. Your Company has also designed products that suit every meal occasion like millet idlis for breakfast, biscuits & cookies for snacking and noodles & pasta for other meals. The thrust on millets is further exemplified by the Hotels Business creating easy-to-try recipes with millets to help encourage individuals experiment with the taste and texture of millets. The first ever postal

Your Company's ITCMAARS (Metamarket for Advanced Agriculture and Rural Services) initiative continues to be scaled up rapidly and currently covers over 1.5 million farmers and over 1,650 FPOs, across 10 states and over 18,000 villages.

stamp to commemorate the year of millets and your Company's unique Mission Millets initiative was also launched by the Department of Posts during the year.

In line with your Company's commitment to empower farmers, your Company has developed a millets agri-value chain with special thrust on enhancing value-addition and market linkages. Your Company is also promoting FPOs in millet farming anchored by ITCMAARS. The Agri Business has entered into a partnership with Indian Institute of Millets Research (IIMR), Hyderabad to promote high yielding varieties and advanced package of practices among millet farmers. Your Company remains committed to supporting the Government's efforts to promote millets given their immense benefits in terms of nutritional properties and attributes as a planet friendly and climate resilient crop.

It is pertinent to note that a substantial quantum of food is wasted along the chain in India, depending on the season and the inherent perishability of the crop. Higher levels of food processing in the economy can create a much larger pull for quality agri-commodities, thereby reducing farm wastages and raising farm incomes. This would require focused investments in developing product-specific climate-controlled infrastructure as well as in branded products that benefit large agri-value chains. Corporate participation is essential not only to invest in requisite infrastructure, but also to provide assured market linkages to farmers. A big thrust on India's Food Processing sector can play a pivotal role in this regard and have a large multiplier effect which will lead to significant job creation, enhance rural incomes and help manage food inflation in a sustainable manner. In this context, the PLI Scheme for the Food

Processing sector is expected to play a critical role in boosting investments, agri exports, farmer incomes, employment generation and building Indian brands for the global market. Your Company has been included under the scheme for several of its Branded Packaged Foods Businesses and in the Agri Business, details of which are provided in the subsequent sections.

Similarly, the Agro-forestry sector, as a source of raw material for wood-based industry, is woefully constrained by policies that not only impede job creation in India but also promote avoidable imports. Recent policy interventions to enable greening of wastelands and providing financial assistance to members of marginalised communities taking up Agro-forestry is a commendable starting point to reverse this situation. Supportive policies in this area would go a long way in enhancing sustainable livelihoods, augmenting alternative sources of energy (bio-fuel) and enabling import substitution for wood-based industries while simultaneously augmenting the Nation's environmental capital.

Your Company's interventions across operating segments are aligned to the national priorities of enhancing competitiveness of Indian agriculture and industry, generating large-scale employment opportunities and supporting sustainable livelihoods, driving import substitution, creating national brands to maximise value capture in India, accelerating growth in tourism, increasing Indian agri exports and promoting sustainable business practices. Investments made by your Company continue to be guided by the national objectives of 'Make in India' and 'Doubling Farmers' Income' and the overarching theme of 'Aatma Nirbhar Bharat' that seeks to make the country stronger, resilient and more competitive.

A big thrust on India's Food Processing sector can play a pivotal role and have a large multiplier effect. PLI Scheme for Food Processing sector is expected to play a critical role in boosting investments, agri exports, farmer incomes, employment generation and building Indian brands for the global market. Your Company has been included under the scheme for several of its Branded Packaged Foods Businesses as well as Agri Business.

Report of the Board of Directors

The collaboration with NITI Aayog, aimed at boosting agricultural and allied activities in 27 Aspirational Districts of eight states under the Aspirational Districts programme, is in its second phase. This phase focuses on internalising capability enhancement methodology for training of farmers as well as communicating the model village template amongst Government teams and agencies such as Krishi Vikas Kendras. During the year, over 12 lakh farmers were trained on package of practices for principal crops of the region as well as on livestock management, resulting in over 44 lakh cumulative farmer interactions. Similarly, Government has also initiated work on 8,000 model villages based on the activities demonstrated by your Company across 1,350 villages during the initial period of the partnership. Estimates indicate yield improvement of up to 30% for cotton, maize, paddy and soyabean in locations covered by the programme; similarly, cost of cultivation is estimated to have reduced by nearly 15%, resulting in expansion of farmer incomes by up to 60%.

Your Company is working towards developing village level institutions, promoting women agriculturists, facilitating cadre of women service providers like Pashu Sakhis, Yojana Sakhis, Krishi Sakhis and fostering micro entrepreneurship through Agri-Business Centres and Self-Help Groups. Custom hiring centres for farm mechanisation, post-harvest product management infrastructure and community managed seed banks for self-reliance in quality seed material are also being facilitated. Environmentally sustainable farm practices, including zero-till sowing of wheat, direct seeding of rice, micro-irrigation and watershed development, continue to be promoted.

Your Company's collaboration with CGIAR's 'Climate Change and Food Security Programme' to build climate smart villages was expanded to 6,755 villages across 19 states covering nearly 19 lakh acres, supporting farmers in the management of risks arising from erratic and extreme weather events. Further, according to CGIAR's estimates, your Company's Climate Smart Village intervention in Madhya Pradesh demonstrated average increase in yield of 38% and 15% in soyabean and wheat respectively, over the baseline. Reduction in cost of cultivation along with yield improvement led to an increase in net income by 93% in soyabean and 46% in wheat over the baseline and average Green House Gas emissions reduced by 66% for soyabean and 13% for wheat as compared to the baseline. In villages where the intervention has been implemented for over three years, adoption rates for High-Yield and High-Resilience varieties have exceeded 70%, as against 20% in the baseline assessment.

In Kapurthala District, Punjab, your Company under its flagship programme of 'ITC Mission Sunehra Kal' has, over the last six years, implemented solutions that have effectively substituted the burning of paddy stubble by farmers. During the year, the programme covered nearly 2.5 lakh acres with appx. 94% of the area (2.3 lakh acres) witnessing total stoppage of stubble burning, thereby avoiding appx. 1.8 lakh tonnes of carbon release into the atmosphere.

Although India accounts for appx. 18% of the world population, its share of natural resources is disproportionately low with only 2% of global land mass, 4% of freshwater resources and 2% of forest resources. It is more critical than ever before to redouble efforts, both at the national and corporate

It is more critical than ever before to redouble efforts, both at the national and corporate level, to fashion strategies that foster sustainable, equitable and inclusive growth.

level, to fashion strategies that foster sustainable, equitable and inclusive growth.

It is your Company's belief that businesses can bring about transformational change by pursuing innovative business models that synergise the creation of sustainable livelihoods and the preservation of natural capital while enhancing shareholder value.

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

Your Company is a global exemplar in 'Triple Bottom Line' performance. The focus on creating unique business models that generate substantial livelihoods across the value chains has led to your Company's Businesses supporting over six million sustainable livelihoods, many of whom belong to the weaker sections of society.

Your Company sustained its 'AA' rating by MSCI-ESG for the sixth successive year - the highest amongst global tobacco companies. Your Company has also been included in the Dow Jones Sustainability Emerging Markets Index for the fourth year in a row – a reflection of being a sustainability leader in the industry and a recognition of its continued commitment to people and planet. Your Company entered the prestigious 'A List' for Water by CDP achieving the highest 'A' rating 'Leadership Level' (Asia and Global average of 'C'). For CDP Climate, your Company retained its 'A-' rating 'Leadership Level' (Asia and Global average of 'C').

As a testament to your Company's 'Triple Bottom Line' philosophy and Responsible Luxury ethos, all major hotel properties of your Company are LEED Platinum®

certified, making your Company a trailblazer in green hoteliering globally. ITC Grand Chola, the 600-key super-premium luxury hotel complex in Chennai, is amongst the world's largest LEED Platinum® certified green hotels. In 2020, ITC Windsor's best practices on carbon management distinguished it as the first hotel in the world to be LEED® Zero Carbon certified. Since then, 11 more ITC Hotels have been certified as LEED® Zero Carbon. ITC Mughal became the first hotel globally to be awarded the LEED® Zero Water Certification by the U.S. Green Building Council (USGBC), followed by ITC Sonar, ITC Rajputana and ITC Maurya which are the only other hotels globally to have been awarded the certification. Your Company's 'Sankhya' data centre in Bengaluru had earlier become the first data centre in the world to be awarded the LEED® Zero Carbon certification.

In addition, your Company is spearheading the implementation of Alliance for Water Stewardship (AWS) Standard which is a credible, globally-applicable and recognised framework for ensuring sustainable water management within the wider water catchment context. The Kovai unit of your Company is the first site in India and the first paper mill in the world to achieve the highest Platinum rating under the 'Alliance for Water Stewardship Standards'. During the year, five of your Company's units received the AWS Platinum level certification. Till date, seven units of your Company have achieved Platinum level certification under the AWS Standard. Your Company is in the process of implementing the AWS Standard at other units in high water stress areas and will progressively obtain AWS certification for these sites.

Your Company has been championing the urgent need to combat climate change for building a more secure future and the role it can play in enabling

Your Company sustained its 'AA' rating by MSCI-ESG for the 6th successive year. It has also been included in the Dow Jones Sustainability Emerging Markets Index for the 4th year in a row. Your Company entered the prestigious 'A List' for Water by CDP achieving the highest 'A' rating 'Leadership Level' (Asia and Global average of 'C'). For CDP Climate, your Company retained its 'A-' rating 'Leadership Level' (Asia and Global average of 'C').

Report of the Board of Directors

a net-zero economy. Your Company continues to pursue a low carbon growth strategy through extensive decarbonisation programmes across its value chains whilst also developing adaptation plans across its sites. Your Company is the only enterprise in the world of comparable dimensions to have achieved and sustained the three key global indices of environmental sustainability of being ‘water positive’ (for 22 years), ‘carbon positive’ (for 19 years), and ‘solid waste recycling positive’ (for 17 years). With its bold Sustainability 2.0 agenda, your Company is setting the bar even higher, and remains committed to making a meaningful contribution across all the three sectors of the economy – Agri, Manufacturing and Services, while retaining its status as a sustainability exemplar. Further details on this subject are available in the Sustainability section of this Report.

FINANCIAL PERFORMANCE

Your Company delivered a resilient performance during the year amidst a challenging macroeconomic and operating environment.

- The **FMCG-Others** Segment turned in a strong performance in the backdrop of weak demand conditions and significant increase in competitive intensity from regional/local players. Sustained margin expansion on the back of premiumisation, delayering operations, agile cost management and judicious pricing actions led to robust growth in operating profits. Segment Revenue for the year grew by 9.6% on a high base with Segment EBITDA growing at a significantly faster pace of 19.7% to ₹ 2338.50 crores. Segment EBITDA margins expanded by 94 bps to 11.2% during the year.
- The **FMCG-Cigarettes** Segment witnessed consolidation on a high base after a period of sustained growth momentum. Market standing was reinforced through focused portfolio/market interventions and agile execution. Differentiated variants and premium segment performed well.
- The **Hotels** Segment delivered stellar performance, clocking record highs in Revenue and Profits. Strong growth in RevPAR was driven by retail, MICE (Meetings, Incentives, Conferencing, Exhibition) and marquee events hosted in the country. Segment Revenue at ₹ 2989.50 crores and Segment EBITDA at ₹ 1049.88 crores grew by 15.6% and 26.2% respectively, on a high base. Segment EBITDA margin stood at 35.1% representing an expansion of 295 bps over the previous year.
- With the Government having to impose stock limits and restrictions on agri-commodity exports to ensure food security and control inflation, the **Agri Business** had limited business opportunities during the year in the bulk commodities space. However, the strategic portfolio of value-added agri products recorded strong growth while the overall leaf tobacco business continued to perform well.
- The **Paperboards, Paper & Packaging** Segment had to contend with soft domestic and export demand conditions which significantly depressed net realisations, cheap Chinese supplies in international markets, unprecedented escalation in domestic wood costs and high base effect.

Your Company is the only enterprise in the world of comparable dimensions to have achieved and sustained the three key global indices of environmental sustainability of being ‘water positive’ (for 22 years), ‘carbon positive’ (for 19 years), and ‘solid waste recycling positive’ (for 17 years).

Structural advantages arising out of an integrated business model, Industry 4.0 initiatives, strategic investments in High Pressure Recovery Boiler and proactive capacity augmentation in Value-Added Paperboards aided in partly mitigating pressure on margins.

Overall for FY 2023-24, Gross Revenue and EBITDA stood at ₹ 69446.20 crores and ₹ 24478.61 crores respectively. Profit Before Tax and Exceptional items at ₹ 26323.34 crores, grew by 6.7% over previous year. Your Company reassessed its provisions relating to uncertain tax positions for earlier years based on a favourable order of the Honourable Supreme Court received during the year which resulted in a credit of ₹ 468.44 crores in the Current Tax expense for the year. Profit After Tax grew by 8.9% to ₹ 20421.97 crores (previous year ₹ 18753.31 crores). Total Comprehensive Income for the year stood at ₹ 22703.03 crores (previous year ₹ 18782.57 crores). Earnings Per Share for the year stood at ₹ 16.39 (previous year ₹ 15.15).

The Directors of your Company are pleased to recommend a Final Dividend of ₹ 7.50 per share for the financial year ended 31st March, 2024. Together with the Interim Dividend of ₹ 6.25 per share paid on 27th February, 2024, the total Dividend for the financial year ended 31st March, 2024 amounts to ₹ 13.75 per share (previous year Ordinary Dividend of ₹ 12.75 per share and Special Dividend of ₹ 2.75 per share). Total cash outflow on account of Dividend (including Interim Dividend of ₹ 7799.45 crores paid in February 2024) will be ₹ 17162.99 crores.

VALUE-ADDED AND CONTRIBUTION TO EXCHEQUER

Over the last five years, the Value-Added by your Company, i.e. the value created by the economic activities of your Company and its employees, aggregated over ₹ 292000 crores, of which over ₹ 194000 crores accrued to the Exchequer.

Including the share of dividends paid and retained earnings attributable to government owned institutions, your Company's contribution to the Central and State Governments represented appx. 74% of its Value-Added during the year.

Your Company has, over the years, consistently ranked amongst the Top 3 Indian corporates in the private sector in terms of Contribution to Exchequer.

FOREIGN EXCHANGE EARNINGS

Your Company continues to view foreign exchange earnings as a priority. All Businesses in your Company's portfolio are mandated to engage with overseas markets with a view to testing and demonstrating international competitiveness and seeking profitable opportunities for growth.

Foreign exchange earnings of the ITC Group over the last ten years aggregated nearly US\$ 9.3 billion, of which agri exports constituted appx. 60%. Earnings from agri exports, which effectively link small farmers with international markets, are an indicator of your Company's contribution to the rural economy.

During FY 2023-24, your Company and its subsidiaries earned ₹ 9512 crores in foreign exchange. The direct foreign exchange earned by your Company amounted to ₹ 7213 crores, mainly on account of exports of agri-commodities. Your Company's expenditure in foreign currency amounted to ₹ 2790 crores,

Over the last five years, the Value-Added by your Company, i.e. the value created by the economic activities of your Company and its employees, aggregated over ₹ 292000 crores, of which over ₹ 194000 crores accrued to the Exchequer.

Report of the Board of Directors

comprising purchase of raw materials, spares and other expenses of ₹ 2355 crores and import of capital goods of ₹ 435 crores.

PROFITS, DIVIDENDS AND RETAINED EARNINGS

(₹ in crores)

PROFITS	2023 - 24	2022 - 23
a) Profit Before Exceptional Items and Tax	26323.34	24677.54
b) Exceptional Items (refer note 28 (i) of Notes to the Standalone Financial Statements)	(7.57)	72.87
c) Profit Before Tax	26315.77	24750.41
d) Tax Expense		
– Current Tax	5661.21	6025.32
– Deferred Tax	232.59	(28.22)
e) Profit for the year	20421.97	18753.31
f) Other Comprehensive Income	2281.06	29.26
g) Total Comprehensive Income	22703.03	18782.57
STATEMENT OF RETAINED EARNINGS		
a) At the beginning of the year	33687.70	30060.39
b) Add: Profit for the year	20421.97	18753.31
c) Add: Other Comprehensive Income (net of tax)	(17.18)	(16.81)
d) Add: Transfer from Share Options Outstanding Account on exercise and lapse	1.67	20.82
e) Less: Dividends		
– Final Dividend of ₹ 6.75 (2023: ₹ 6.25) per share	8388.91	7702.03
– Special Dividend of ₹ 2.75 (2023: Nil) per share	3417.70	–
– Interim Dividend of ₹ 6.25 (2023: ₹ 6.00) per share	7799.45	7448.41
– Income Tax on Dividend paid (refund)	–	(20.43)
f) At the end of the year	34488.10	33687.70

FMCG CIGARETTES

After a period of sustained growth momentum, the Business witnessed consolidation in volumes on a high base amidst subdued demand conditions in the overall consumption space, even as illicit trade remained at elevated levels. Differentiated and premium offerings saw robust traction during the year.

Your Company's leadership position in the cigarette industry continues to be driven by its unwavering focus on nurturing a future-ready portfolio of world-class products anchored on its integrated seed to smoke value chain, superior consumer insights, robust innovation pipeline and world-class product development capabilities. Your Company continues to counter illicit trade and reinforce market standing by fortifying the product portfolio through innovation, democratising premiumisation across segments and enhancing product availability backed by superior on-ground execution. Several differentiated variants have been introduced recently under the 'Classic', 'Gold Flake', 'American Club', 'Bristol' brands amongst others. The Business also strengthened its presence in focus markets with the launch of several differentiated offerings across segments.

During the year, your Company further strengthened its direct reach in target markets and augmented the stockist network to service rural and semi-urban markets efficiently. Your Company's investments towards building a differentiated portfolio coupled with agile and micro market focused last mile execution capabilities augur well for the future.

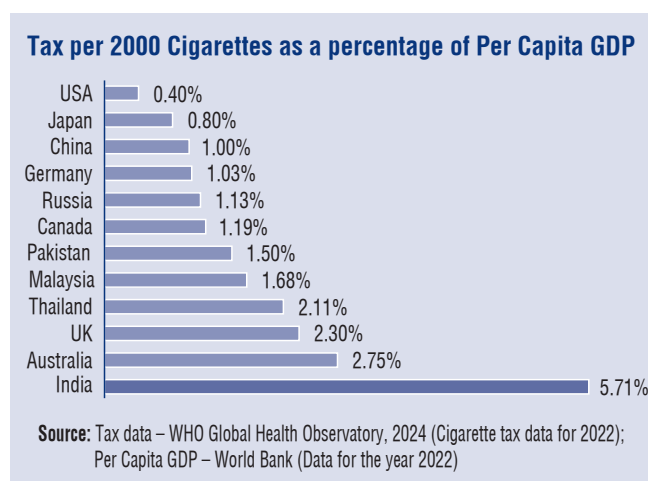
Globally, cigarettes constitute the dominant form of tobacco use. In the Indian context, tobacco use comprises a diverse range of chewing and smoking formats that are available at multiple price points consequent to punitive and discriminatory taxation on

Your Company continues to counter illicit trade and reinforce market standing by fortifying the product portfolio through innovation, democratising premiumisation across segments and enhancing product availability backed by superior on-ground execution.

cigarettes. While India is the world’s second largest consumer of tobacco, legal cigarettes constitute only 9% of overall tobacco consumption in India, as against a global average of 90%. It is pertinent to note that India accounts for less than 2% of global cigarette consumption despite having 18% of the world’s population - making India’s per capita cigarette consumption amongst the lowest in the world.

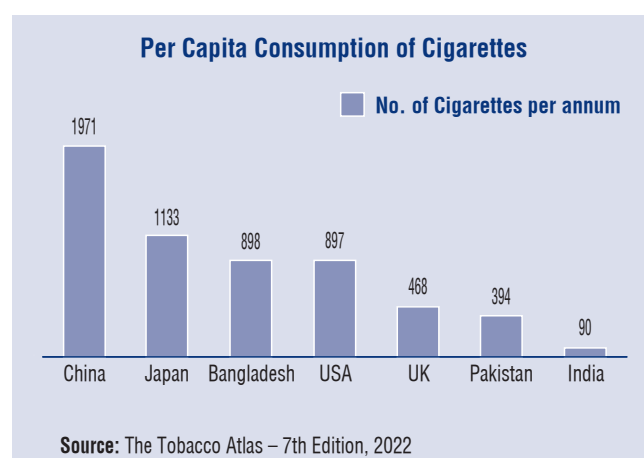
Over the years, discriminatory and punitive taxation on cigarettes has led to progressive migration of consumption from duty-paid cigarettes to other lightly taxed/tax-evaded forms of tobacco products, comprising illicit cigarettes, bidi, chewing tobacco, gutkha, zarda, snuff, etc. It is pertinent to note that while the share of legal cigarettes in total tobacco consumption has declined from 21% in 1981-82 to a mere 9%, aggregate tobacco consumption in the country has increased over the same period. As a result, despite accounting for less than 1/10th of the tobacco consumed in the country, duty-paid cigarettes contribute more than 4/5th of the revenue generated from the tobacco sector.

Taxes on cigarettes remain one of the highest in India as depicted in the chart:



Taxes on cigarettes in India are multiple times higher than in developed countries viz. 14x of USA, 7x of Japan, 6x of Germany and so on. Further, the same is also substantially higher than that in neighbouring countries.

It is pertinent to note that India’s per capita cigarette consumption is amongst the lowest in the world and is significantly lower compared to that of China, Japan, USA, UK and even neighbouring countries such as Bangladesh and Pakistan.



Historically, steep increases in taxation have adversely impacted tax collections and legal cigarette volumes, while a stable tax regime has led to buoyancy in tax collections as evidenced in the table below:

Period	Increase in Tax Incidence	Increase in Revenue Collections
FY 2012-13 to FY 2016-17 (CAGR)	15.7%	4.7%
Apr 2018 to Jan 2020 over Jul 2017 to Mar 2018	–	10.2%
Oct 2020 to Mar 2021 over Aug 2019 to Jan 2020	13.0%	1.8%
Apr 2022 to Jan 2023 over Oct 2021 to Mar 2022	–	11.1%

Punitive taxes on the legal cigarette industry in earlier years have resulted in rapid growth of illicit cigarette trade – making India the 4th largest illicit cigarette market globally according to Euromonitor estimates.

Report of the Board of Directors

Punitive taxes on the legal cigarette industry in earlier years have resulted in rapid growth of illicit cigarette trade – making India the 4th largest illicit cigarette market globally according to Euromonitor estimates. Over the years this has created attractive tax arbitrage opportunities for unscrupulous players indulging in illicit cigarette trade. While legitimate cigarette industry volumes have declined consistently over the last decade, illicit cigarette volumes, in contrast, have grown rapidly during the same period, accounting for about 1/3rd of the legal industry. It is pertinent to note that the legal industry has been able to partially claw back volumes from illicit trade during periods of tax stability, backed by deterrent actions by enforcement agencies.

During the year, there were extensive media reports on the multitude of cases of evasion of taxes/duties by dealers in illicit cigarettes which were unearthed by raids conducted by Directorate of Revenue Intelligence (DRI) and other enforcement agencies. ‘Illicit markets: A Threat to Our National Interests’, a study published by FICCI-TARI in September 2022, noted that *“The consumption of illegal cigarettes in India has increased, signalling a shift from legal products to cheaper substitutes or illicit products, which have no or little tax element in them. When taxes are raised beyond a certain optimum level, consumers gravitate towards cheaper alternatives or illicit supplies, which are normally smuggled or tax evaded goods”*. It is estimated that illicit trade causes an annual revenue loss of appx. ₹ 21000 crores to the Exchequer. With respect to other tobacco products as well, the revenue losses are significant since about 68%¹ of the total tobacco consumed in the country remains outside the tax net.

¹ Report on the impact of current tax framework on the tobacco sector in India and suggestions for its improvement - 2014, by ASSOCHAM and KPMG.

The Directorate of Revenue Intelligence (DRI), in its report “Smuggling in India 2021-22” acknowledges the high incidence of taxes in India providing opportunities for illicit trade of cigarettes. The report states: *“High Incidence of tax on cigarettes in India results in a tax arbitrage in favour of smuggled cigarettes on which no taxes are paid and there is no statutory requirement of pictorial warning covering at least 85 percent of the packaging space. More importantly, the smuggled cigarettes are, on an average, 50 percent cheaper in the Indian Market, compared to the price of any similar cigarette brand. From a public health perspective, the smuggling of cigarettes also poses a very serious challenge since a part of the smuggled cigarettes are counterfeits and the quality of tobacco and other ingredients used in the said cigarettes, is inferior.”*

Tobacco control measures in India have ranked amongst the most stringent in the world from the time of enactment of the Cigarettes (Regulation of Production, Supply and Distribution) Act, 1975, to the present. India is also one of the few countries where tobacco products are regulated across the value chain – from their manufacture to sale to consumers. The Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 (COTPA) requires cigarette packages to display the statutorily mandated pictorial and textual warnings covering 85% of the surface area of the packet - one of the largest in the world.

It may be observed that smuggled international brands of cigarettes do not bear any of the pictorial or textual warnings mandated by Indian laws or, bear much smaller pictorial/textual warnings as per the tobacco laws of the countries from where

It is estimated that illicit trade causes an annual revenue loss of around ₹ 21000 crores to the Exchequer. The illicit cigarette trade also has a deleterious impact on farmers and farm workers engaged in the tobacco value chain.

these cigarettes originate. As reported in prior years, findings from research conducted by IMRB International, an independent market research organisation, show that the lack of pictorial warnings on packets of smuggled international brands of cigarettes or their diminutive size creates a perception in the consumers' mind that these illicit cigarettes are 'safer' than domestic duty-paid cigarettes that carry the 85% pictorial warnings. The combination of low prices to consumers due to tax evasion and the misleading perception created by the absence of statutory pictorial warnings provides significant buoyancy to illicit cigarette volumes.

India is among the top three tobacco growing countries in the world. Tobacco plays a significant role in the Indian economy on account of its considerable contribution to the agricultural, industrial and export sectors². Illicit cigarette trade also has a deleterious impact on farmers and farm workers engaged in the tobacco value chain. In India, cigarettes are manufactured largely using Flue Cured Virginia (FCV) tobacco grown in the states of Andhra Pradesh, Telangana and Karnataka. As smuggled international brands of cigarettes do not use Indian tobaccos, in addition to revenue losses, the growth of illicit cigarette trade has also resulted in a sharp drop in demand for Indian FCV tobaccos in the domestic market. FCV tobacco production has dropped by ~40% between 2013-14 and 2021-22, resulting in shrinkage in earnings and loss of an estimated 35 million man-days of employment in tobacco growing areas.

² Report on Tobacco Control in India, Ministry of Health & Family Welfare, Gov, 2004 (Jointly supported by Centers for Disease Control and Prevention, USA and the World Health Organisation).

It is pertinent to note that several other major tobacco producing countries, including the USA, have established regulatory frameworks taking into consideration the economic interests of their tobacco farmers. The punitive and discriminatory taxation & regulatory regime on cigarettes in India over the years, has adversely affected the livelihood of Indian tobacco farmers with corresponding gains to those countries that have opted for moderate and equitable tobacco regulations. These developments, coupled with lower availability of Indian crop, lower export incentives in India and relative weakness of currencies in certain competing geographies have, in the past, had a debilitating impact on millions of livelihoods, dependent on the tobacco value chain in India. This has been exacerbated by global crop shortages due to extreme weather events and supply chain disruptions on account of geopolitical developments. However, recent stability in taxes on cigarettes backed by deterrent actions of enforcement agencies has enabled the legal cigarette industry to combat illicit trade and claw back volumes, thereby generating domestic and export demand for Indian tobaccos.

As reported in earlier years, your Company and several other stakeholders had challenged the validity of the pictorial and textual warning covering 85% of the surface area of the packet prescribed under COTPA. The Honourable Karnataka High Court, by its judgement in December, 2017, held the 85% pictorial warnings to be factually incorrect and unconstitutional. Upon Special Leave Petitions filed by the Government and others, the Honourable Supreme Court has stayed the judgment of the High Court. The cases are pending before the Honourable Supreme Court.

The extremely stringent regulations along with the discriminatory and steep taxation on cigarettes

Recent stability in taxes on cigarettes backed by deterrent actions of enforcement agencies has enabled the legal cigarette industry to combat illicit trade and claw back volumes, thereby generating domestic and export demand for Indian tobaccos.

Report of the Board of Directors

have had numerous negative, albeit unintended repercussions. These include:

- rapid growth in illicit cigarette volumes, which resulted in sub-optimisation of the revenue potential of the tobacco sector and significant loss to the Exchequer. It is estimated that on account of illicit cigarettes alone, revenue loss to the Government is appx. ₹ 21000 crores per annum.
- widespread availability of illicit cigarettes and other tobacco products of dubious quality and hygiene to consumers at extremely affordable prices. As a result, despite accounting for less than 1/10th of the tobacco consumed in the country, duty-paid cigarettes contribute more than 4/5th of the revenue generated from the tobacco sector.
- a large component of tobacco consumption in the country, aggregating around 68%, remaining outside the tax net.
- persistent negative impact on the livelihood of tobacco farmers and others dependent on tobacco. Studies by the Central Tobacco Research Institute (CTRI) indicate that on account of agro-climatic conditions, there is no equally remunerative alternate crop that can be grown in the FCV tobacco growing regions of the country.

Your Company continues to engage with policy makers for a framework of pragmatic, equitable, non-discriminatory, evidence-based regulations and taxation policies that balance the economic imperatives of the country and tobacco control objectives, cognising for the unique tobacco consumption pattern in India. Stability in taxes is

critical to address the interests of all stakeholders of this industry, including tobacco farmers, consumers and the Exchequer.

Manufacturing facilities of the Business continue to be modernised by inducting contemporary technologies to drive innovation and secure higher levels of productivity and product excellence. New benchmarks continue to be set in areas of quality, sustainability, supply chain responsiveness and productivity. Cutting-edge technologies such as Industry 4.0 and Data Sciences are being leveraged to build a smart manufacturing environment of connected systems. These initiatives, coupled with innovative capabilities, in-house design and development expertise, have further improved the speed-to-market for launch of differentiated products and augmented the innovation pipeline of the Business.

It is extremely satisfying to report that your Company continued to be recognised for its commitment towards operational excellence. The Kidderpore unit won the ‘Apex Prize for Operational Excellence’ at the Integrated Manufacturing Excellence Initiative (IMExI) Awards organised by Kaizen Hansei Institute, a wing of Kaizen Institute of India.

In line with your Company’s commitment to the ‘Triple Bottom Line’ philosophy, the Business continued to focus its efforts for resource conservation and adoption of best-in-class technologies and processes. During the year, two offsite solar power plants in Karnataka (14.5 MW) and Uttar Pradesh (13.5 MW) have been commissioned to augment the renewable energy footprint. Nearly 55% of the total energy used by the Business is generated from renewable sources. Sustainability initiatives of the

Sustainability initiatives of the Business continued to be recognised with Bengaluru, Saharanpur and Pune units being awarded the prestigious Alliance for Water Stewardship (AWS) Platinum Certification.

Business continued to be recognised with Bengaluru, Saharanpur and Pune units being awarded the prestigious Alliance for Water Stewardship (AWS) Platinum Certification, thereby securing three of the four certifications awarded globally to tobacco factories. Further, the Kidderpore unit received the ‘National Energy Leader Award’ at the CII National Award for Excellence in Energy Management. The 21 MW wind farm in Karnataka and 12.3 MW wind farm in Maharashtra received the ‘Best Performing Wind Farm Award’ from Indian Wind Power Association for FY 2022-23 in their respective regions.

Additionally, Bengaluru and Pune units secured ‘Five Golden Stars’ rating & ‘Safety Shield’ apex level award from National Safety Council of India for excellence in Occupational Health and Safety systems, with Pune unit also being awarded with the prestigious ‘Sarvashreshtha Suraksha Puraskar’. As a testimony to the success of initiatives taken on strengthening the HR practices, your Company was honoured with The Economic Times – Human Capital Award (Gold) for ‘Excellence in Communication Strategy’ for overall employee communication strategy.

Your Company remains well positioned to fortify its market standing in the legal cigarette industry, leveraging its superior strategies, integrated seed to smoke value chain, future-ready portfolio, robust innovation pipeline, cutting-edge manufacturing & digital technologies and best-in-class execution capabilities. A stable taxation and regulatory regime remains critical to enable the legal cigarette industry to claw back volumes from illicit trade, as also borne out by recent experience.

FMCG – OTHERS

Amidst a challenging macro-economic and operating environment and on the back of significant inflationary pressures in the previous year, consumption demand remained subdued during the year, especially in rural markets and in the value segments.

Overall, input costs remained elevated compared to pre-pandemic levels with several commodities witnessing sequential uptick in prices; while certain commodities witnessed moderation in prices on a high base. Notwithstanding the challenging conditions and heightened competitive intensity, your Company’s FMCG Businesses grew ahead of the industry in both urban and rural markets driven by deep consumer insights, purposeful innovation, portfolio premiumisation, strategic portfolio augmentation, sharp execution of channel-specific business plans, enhanced distribution footprint and superior last mile execution.

Your Company’s FMCG Businesses recorded Segment Revenue of ₹ 20966.83 crores representing an increase of 9.6% over the previous year. Segment EBITDA for the year registered a robust growth of 19.7% to ₹ 2338.50 crores with margins improving by 94 bps to 11.2% on the back of premiumisation, supply chain efficiency, agile cost management and judicious pricing actions in spite of the gestation costs of new initiatives.

A consumer-centric approach, driven by purpose led brands, a future-ready portfolio including value-added adjacencies backed by agility in execution, remains at the core of your Company’s strategy to rapidly scale-up the FMCG Businesses.

Your Company’s FMCG Businesses grew ahead of the industry in both urban and rural markets driven by deep consumer insights, purposeful innovation, portfolio premiumisation, strategic portfolio augmentation, sharp execution of channel-specific business plans, enhanced distribution footprint and superior last mile execution.

Report of the Board of Directors

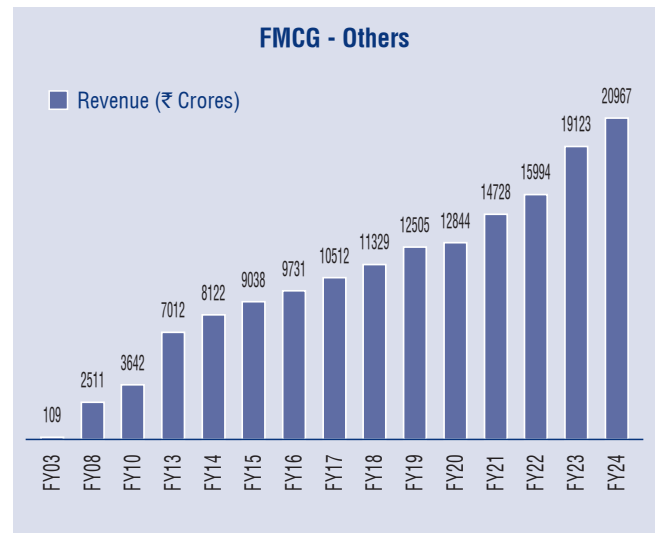
The Businesses continue to leverage the power of digital to drive superior consumer insights & innovation, deepen consumer engagement and enhance brand loyalty. Strategic interventions continue to be made towards delivering delightful brand experiences seamlessly across touchpoints through personalised journeys mapped to individual needs, preferences and context.

Your Company continues to leverage deep consumer insights and cutting-edge R&D capability to address present and emergent consumer need spaces.

Over 100 new products anchored on the vectors of Health & Nutrition, Hygiene, Protection & Care, Convenience & On-the-Go, Indulgence etc., were launched across target markets during the year, leveraging the R&D platforms of your Company's Life Sciences and Technology Centre (LSTC) and agile product development teams across Businesses.

Cutting-edge digital technologies including Industry 4.0, Advanced Analytics, Big Data and industrial Internet of Things (IoT) continue to be deployed towards strengthening your Company's real time operations and execution platform, enhancing productivity, driving efficiency and cost agility. These initiatives are anchored on the key pillars of synchronised planning and forecasting, agile, resilient & efficient supply chain, smart buying & value engineering, smart manufacturing and smart demand capture & fulfilment. Strategic investments have been stepped up to build platforms of insights by harmonising and integrating large and isolated datasets powered by AI/ML technologies and 'human-centred design' & visualisation tools.

The FMCG Businesses comprising Branded Packaged Foods, Personal Care Products, Education



and Stationery Products, Incense Sticks (Agarbattis) and Safety Matches have grown at an impressive pace over the past several years.

Your Company's vibrant portfolio of over 25 world-class Indian brands, largely built through an organic growth strategy leveraging institutional synergies in a relatively short period of time, represents an annual consumer spend of nearly ₹ 32500 crores and reach over 250 million households in India. These home-grown, purpose-led Indian brands, powered by agile innovation, support the competitiveness of domestic value chains, especially in the agri space, thereby ensuring creation and retention of value within the country.

Your Company's FMCG brands have achieved impressive market standing³ in a relatively short span of time in their respective categories viz. Aashirvaad is No. 1 in Branded Atta, Bingo! is No. 1 in the Bridges segment of Snack Foods, Sunfeast is No. 1 in the Cream Biscuits segment, Classmate is No. 1 in

³ Source: Nielsen, Kantar Household Panel

Cutting-edge digital technologies including Industry 4.0, Advanced Analytics, Big Data and industrial Internet of Things (IoT) continue to be deployed towards strengthening your Company's real time operations and execution platform, enhancing productivity, driving efficiency and cost agility.

Notebooks, YIPpee! is No. 2 in Noodles, Fiama is No. 2 in Bodywash and Mangaldeep is No. 2 in Agarbattis (No. 1 in Dhooop segment).

Your Company remains focused on rapidly scaling up the FMCG Businesses anchored on strong growth platforms and a future-ready portfolio. It is pertinent to note that the chosen categories, which are largely characterised by low household penetration levels and/or low per capita consumption, offer significant headroom for long-term growth. This is borne out by several reports which highlight that your Company's total addressable market expansion potential is amongst the highest in the Indian FMCG space. In this context, it is noteworthy that a key element of your Company's growth strategy is to foray into value-added adjacencies and categories of the future by leveraging the 25+ powerful mother brands it has established over the years. Recent examples of such brand extensions include Aashirvaad to Dairy, Ready-to-Eat, Vermicelli, Rava, Besan, Indian breads, Salt and Spices; Sunfeast to Dairy Beverages and Cakes; Bingo! to Namkeens; ITC Master Chef to Frozen Snacks and Cooking pastes; Classmate to Writing instruments; Savlon to Sanitisers, Wipes and Disinfectant sprays etc. Simultaneously, the FMCG Businesses continue to make strategic investments in building categories of the future and establishing your Company's 'right to win' by progressively scaling up nascent categories where beachheads have been created. Your Company is also proactively pursuing value accretive acquisition, joint venture and collaboration opportunities towards accelerating growth and value creation.

The FMCG Businesses continue to expand their export footprint leveraging the equity of their world-class brands – with a reach now spanning

over 70 countries. The PLI scheme continues to be leveraged to scale-up exports across Biscuits & Cakes, Snacks, Dairy and Ready-to-Eat categories. Your Company is also exploring strategic opportunities in proximal markets as a potential vector of growth going forward.

The FMCG Businesses continue to create structural competitive advantages and enhance profitability by leveraging world-class distributed manufacturing and logistics infrastructure, multi-channel distribution network and newer routes to market, smart buying & value engineering and smart manufacturing. Investments over the years in several state-of-the-art Integrated Consumer Goods Manufacturing and Logistics facilities (ICMLs) have laid a strong foundation to drive structural advantages such as ensuring product freshness, enhancing agility and responsiveness of the supply chain, reducing cost of servicing proximal markets through lower distance-to-market, etc. Capacity utilisation at the 11 operational ICMLs continues to be ramped up along with focused smart manufacturing interventions leveraging automation and Industry 4.0 technologies to drive operational efficiencies, yield and energy management and further enhance safety and quality. With growing scale, supply chain operations are being increasingly delayed through direct-to-market shipments thereby reducing freight costs and eliminating multiple handling. Your Company is confident that these strategic interventions which are already delivering substantial benefits will realise their full potential over the medium term and continue to create long-term value.

Your Company remains confident of rapidly scaling up its FMCG Businesses on the back of a strong

Your Company's vibrant portfolio of over 25 world-class Indian brands, largely built through an organic growth strategy leveraging institutional synergies in a relatively short period of time, represents an annual consumer spend of nearly ₹ 32500 crores and reach over 250 million households in India.

Report of the Board of Directors

future-ready portfolio powered by purpose-led brands, world-class quality, deep consumer insights, cutting-edge innovation and an agile, resilient and efficient supply chain. The Businesses will continue to leverage your Company's institutional strengths viz. strong backward linkages with the Agri Business, deep and wide multi-channel distribution network, cuisine knowledge resident in the Hotels Business, industry-leading packaging knowhow and access to robust R&D platforms nurtured by LSTC.

Branded Packaged Foods

Your Company sustained its position as one of the largest and fastest growing branded packaged foods businesses in the country, leveraging a robust portfolio of brands, a slew of first-to-market offerings, a range of distinctive products customised to address regional tastes and preferences, supported by an efficient supply chain and distribution network. This was achieved against the backdrop of subdued demand conditions and heightened competitive intensity across product categories.

The Branded Packaged Foods Businesses remain focused on addressing emerging consumer needs with innovations anchored on the vectors of health, nutrition, wellness, immunity, naturals, indulgence and convenience. Several innovative and first-to-market products were launched during the year, leveraging your Company's institutional strengths including superior consumer insights, capabilities of your Company's Life Sciences and Technology Centre (LSTC) and the cuisine expertise resident in your Company's Hotels Business. While strengthening their core portfolios, the Businesses continue to scale-up presence in value-added

adjacencies leveraging powerful mother brands and invest in categories of the future.

With the overarching vision to 'Help India Eat Better', your Company's Nutrition strategy seeks to create a sustainable ecosystem anchored on a portfolio of healthier, affordable & accessible 'Good For You/Free From' value-added products, supported by responsible policies in line with national priorities on nutrition. Your Company's institutional strengths, as aforesaid, are being leveraged to develop products providing consumers wholesome and enjoyable food experiences.

Encouraged by the Government of India's initiative of promoting millets, your Company continued to further augment its range of millet-based products comprising 'Ragi Flour', 'Gluten Free Flour', 'Multi-Millet Mix', 'Ragi Vermicelli' under the 'Aashirvaad' brand, 'Sunfeast Farmlite Super Millets', with two variants – 'Chocochip Millet' and 'Multi Millet' cookies and millet-based 'Fantastik Choco Sticks'. During the year, your Company introduced millet-based finger snacks under 'Bingo! Tedhe Medhe' and millet noodles under 'YiPPee!'. Your Company is focused on developing and promoting a comprehensive millets-based portfolio under its popular brands and in familiar formats to enable easier consumer adoption.

The Businesses continue to use a data driven approach to make sharp targeted brand investments, clutter-breaking communication and deepen consumer engagements across all touch points, along with focused market development efforts leading to reinforcement of market standing across operating categories. Several campaigns launched during the year received wide recognition and won

Your Company sustained its position as one of the largest and fastest growing branded packaged foods businesses in the country. The Branded Packaged Foods Businesses remain focused on addressing emerging consumer needs with innovations anchored on the vectors of health, nutrition, wellness, immunity, naturals, indulgence and convenience. Several innovative and first-to-market products were launched during the year.

prestigious awards across leading platforms, including a Gold from 'IAMA - India Digital Awards' in 'Tech Enabled Campaign' and a Bronze EMVIES from The Advertising Club in 'Best Media Innovation : Digital – Social Media' for 'Dark Fantasy - Fulfilling over a million fantasies' campaign; a Gold in Health and Wellness Marketing Award for 'New product launch' for 'Launch of Easy Digest Milk- Aashirvaad Svasti Milk' and a Silver IDMA Maddies Award in Promotion for 'Score Goals with Bingo! Tedhe Medhe' campaign, a Silver from Exchange4Media for 'Best Use of Influencer Marketing' for 'Aashirvaad Superior MP Atta - Try my recipe' campaign; and a Bronze from ET Brand Equity in 'Use of Data Analytics/Consumer Insights' for 'ITC B Natural - Amazon Super Value Days Campaign'.

During the year, the Businesses rolled out several unique interventions in brand marketing across the portfolio. Sufficiency based media planning, full funnel marketing, first party data usage, curated content for individual platforms and holistic social media strategy enabled strengthening of brand equity. AI and Gen AI were adopted at scale to bring efficiency in the core areas of content creation and media deployment. The Sunfeast Dark Fantasy #hardilkifantasy, an immersive personalised creative content campaign and Bingo! Tedhe Medhe Snack Attack, that used Gen AI extensively were well received across forums. The Businesses also revamped brand websites into personalised destinations, which are modular with quick go-to-market timelines and tailor-made to create immersive consumer experiences. Culture Centric Marketing has been successfully deployed by brands like Sunrise in Bihar, Sunfeast Supermilk in Tamil Nadu and Marie Light in Odisha.

Relentless focus on delivering superior quality products to consumers continues to be a key source of sustainable competitive advantage for the Branded Packaged Foods Businesses. In this context, the Businesses continue to leverage the agri-commodity sourcing expertise resident in your Company's Agri Business to procure high quality raw materials, thereby ensuring the highest level of quality, consistency and safety in its products. In addition, each of your Company's branded packaged food products is manufactured in HACCP/ISO-certified manufacturing locations ensuring compliance with all applicable laws and adherence to the highest quality norms.

- In the Staples Business, 'Aashirvaad' delivered robust growth on a high base. The value-added Atta portfolio, consisting of Multigrain, Select and Sugar Release Control Atta posted healthy growth driven by superior value proposition; the range was further augmented with the launch of 'Atta with Millets'. Millet products viz., ('Gluten Free Flour', 'Ragi Flour', 'Multi-Millet Batter Mix'), Organic portfolio ('Organic Atta' and 'Organic Dals'), 'Aashirvaad Vermicelli', 'Aashirvaad Rava' (Suji Rava, Bansi Rava, Samba Rava) continued to witness strong growth. 'Aashirvaad Besan', made from the finest 100% Bikaneri chana dal which mixes easily with water to provide smooth & lump-free batter, was extended across markets during the year and received excellent consumer feedback. The Organic portfolio was also augmented with the launch of 'Organic Rajma' and 'Organic Kabuli Chana'. With a focused approach towards product development, purposeful marketing inputs, consumer activations and region-specific interventions supported by

With the overarching vision to 'Help India Eat Better', your Company's Nutrition strategy seeks to create a sustainable ecosystem anchored on a portfolio of healthier, affordable & accessible 'Good For You/Free From' value-added products, supported by responsible policies in line with national priorities on nutrition.

Report of the Board of Directors

manufacturing excellence and sharply targeted media investments, especially across digital platforms, your Company is confident of further strengthening Aashirvaad's market leadership position, catering to all 'staple' needs of consumers in the future.

'Aashirvaad Salt' posted robust growth in focus markets during the year, supported by its distinctive positioning – 'Created by Sun and Sea - pure just like nature intended it to be'. The portfolio was further enriched with the launch of Aashirvaad Himalayan Pink Salt serving the needs of health-conscious consumers with the proposition of 'Purity which you can see and taste'.

In the Spices category, your Company continued to deliver strong growth with its endeavour to provide consumers unique and personalised experiences that meet their taste preferences and reflect the regional flavours of the state. During the year, the Business grew on the back of distribution expansion in focus states, sharp region-specific communication, and an enhanced portfolio with innovative new products. The 'Sunrise' brand strengthened its market leadership position in the core market of West Bengal and also made significant gains in newer launch markets of the Northeast region and Bihar. The brand continued to delight consumers by introducing unique and differentiated products catering to regional tastes and preferences, such as Sunrise 'Haah Salkumura' – a first-to-market product for duck curry, the 'Swaad Bihar ka' range of spices including 'Sunrise Chicken Masala', 'Sunrise Meat Masala', 'Sunrise Kitchen King Masala'

and 'Sunrise Rajshahi Garam Masala' in limited-edition packs featuring 'Madhubani' artwork, etc. 'Aashirvaad Spices' continues to enhance its presence in emerging channels and core markets to enable full portfolio play along with expansion of the blended portfolio. Together, the two brands are well positioned to leverage your Company's institutional strengths to progressively enhance their market standing in the Spices category.

- The Biscuits category witnessed resilient performance during the year on an elevated base. The Business continues to strengthen its core portfolio with investments behind powerful brand ideas, superior products, cultural marketing with local insights and unique innovations to drive higher growth. The 'Sunfeast Dark Fantasy' range of differentiated cookies sustained its leadership position in the premium segment. 'Mom's Magic' range of cookies also witnessed strong growth during the year. The recently re-launched 'Sunfeast Supermilk' biscuit harnessing the goodness of 'Naatu Maatu Paal' has received excellent consumer response and is being scaled up in target markets. The portfolio mix was further enriched with the launch of 'Bounce Day & Night', a delicious dark choco biscuit with soft vanilla cream and 'Sunfeast All Rounder Sweet and Salty' in the Differentiated Crackers category in select markets. Towards further deepening consumer engagement, the brand launched several innovative campaigns during the year. The highly innovative 'MyFantasyAdWithSRK' campaign, leveraging Gen AI technology, enabling consumers to live their #fantasy of starring in a personalised advertisement opposite the

With a focused approach towards product development, purposeful marketing inputs, consumer activations and region-specific interventions supported by manufacturing excellence and sharply targeted media investments, especially across digital platforms, your Company is confident of further strengthening Aashirvaad's market leadership position, catering to all 'staple' needs of consumers in the future.

iconic Shah Rukh Khan received overwhelming consumer response with more than 9 lakh engagements within a short span of time.

- The Snacks portfolio was augmented with an innovative first-of-its-kind millet-based offering, ‘Bingo! Tedhe Medhe Chatpata Twist’ in line with ITC’s Mission Millets, along with a slew of new launches including ‘Bingo! Nachos Chilli Limon’ and ‘Bingo! Tedhe Medhe Cream & Onion Style’ which have been well received by consumers and are being scaled up. The portfolio was further strengthened with the launch of ‘Bingo! 2X Hot and Spicy Korean-Style chips’ in three sizzling variants - Original, Hot & Spicy and Hashtag, blending the essence of fiery Korean spices with Bingo!’s classic crunch. Having forayed into traditional snacks in select markets through Bingo! Tedhe Medhe Namkeens last year, the Business continues to register robust growth in the segment. ‘Bingo!’ continued to be the market leader in the Bridges segment across the country, and in the potato chips segment in South India.
- ‘YiPPee!’ continues to strengthen its market standing leveraging a differentiated product portfolio and clutter-breaking marketing initiatives to generate consumer buzz. The product portfolio was augmented with the launch of millet-based noodles and a new line of ‘Wow Masala’ noodles, which is a ‘more masaledaar’ offering. During the year, the brand also entered into a collaborative arrangement with the Argentine Football Association to create excitement amongst consumers. In line with the purpose of creating ‘A better world’, the brand

continues to promote sustainability through plastic waste management and recycling. During the year, more than 30 lakh school children were educated on plastic waste recycling with an initiative to collect plastic equivalent to 2.83 crores YiPPee! Noodles wrappers across 6,000 schools. The Business also partnered with The Times of India in a unique plastic waste upcycling drive to deploy playground equipment in 16 parks across Delhi, Bengaluru, Mumbai and Kolkata.

- The Ready-to-Eat (RTE) category operates across domestic, export and institutional channels through a range of products in varied segments including gravies, instant meals & mixes, sauces & condiments etc. The exports business continued to remain focussed on key markets of USA, Canada and other select countries under the brand ‘Kitchens of India’. During the year, single serve Halwas (Moong Dal and Badam) were launched in Metro cities leveraging the e-Commerce and Modern Trade channels.
- The Frozen Foods Business operating under the ‘ITC Master Chef’ and ‘Farmland’ brands in Snacks, Prawns and Vegetables categories continued to grow at an accelerated pace, powered by a range of innovative and differentiated offerings in both veg and non-veg segments. A range of first-to-market products such as ‘ITC Master Chef Paneer Pakoda’ and ‘ITC Master Chef Crispy Onion Rings’ were launched in both Retail and Food Service channels. Over 60 high quality and differentiated products across both traditional and emerging channels are rapidly gaining consumer franchise. The portfolio offers a delectable range of Indian &

Towards further deepening consumer engagement, the Sunfeast brand launched several innovative campaigns during the year. The highly innovative ‘MyFantasyAdWithSRK’ campaign, leveraging Gen AI technology, enabling consumers to live their #fantasy of starring in a personalised advertisement opposite the iconic Shah Rukh Khan received overwhelming consumer response with more than 9 lakh engagements within a short span of time.

Report of the Board of Directors

Western snacks, Frozen Prawns and Frozen Vegetables. The Business strengthened its go-to-market strategy in both Food Service and Retail channels by implementing an industry-first sales force automation technology.

- ‘Aashirvaad Svasti’ fresh dairy portfolio continued its strong growth trajectory during the year, led by strengthening of its premium milk variant ‘Select’ and driving exponential growth in value-added products (curd, lassi and paneer) through superior and differentiated offerings and scaling up distribution. The fresh dairy portfolio, available across Bihar and West Bengal markets was also extended to the larger markets of Jharkhand during the year and gained strong consumer traction. Innovative offerings such as Paneer Slices, that received encouraging consumer response were extended to select e-Commerce and Modern Trade chains. The value-added portfolio continues to be enriched with launch of differentiated offerings such as ‘Shahi Lassi’ in East.
- The Beverages industry remained impacted by muted demand environment and irregular weather conditions across large parts of the country. Against a challenging operating environment, your Company’s Beverages portfolio demonstrated resilient performance. The Business continued to invest in the ‘Fruit and Fibre’ proposition of ‘B Natural’ to deepen consumer connect and increase brand affinity. Recent launches such as ‘B Natural Tender Coconut Water’ and ‘B Natural Masala Range’ have performed well and continue to be scaled up in target markets. The Dairy Beverages portfolio leveraged the strong equity of ‘Sunfeast’ and ‘Dark Fantasy’ to

provide differentiated offerings - with ‘smoothies’ containing fruit, milk and seeds. The Business also strengthened its presence in alternate trade channels including Canteen Stores Department, Travel (Hotels, Railways, Airlines & Airports) & Quick Service Restaurants leveraging several strategic partnerships and collaborations.

- The Confectionery Business continued to nurture its range of premium portfolio by leveraging ‘Fantastik Chocostick’, ‘Jelimals’ and ‘Candyman Fruitee Fun 3 in 1 chews’. The Business augmented its portfolio with the launch of ‘Candyman Paan’ candy and has received encouraging consumer feedback. Leveraging the buzz around the International Year of Millets, the range of ‘Fantastik Chocostick’ was fortified with the goodness of millets. ‘Fabelle’ chocolates continue to receive excellent response from discerning consumers, setting new benchmarks in the luxury and premium chocolate segments. The category continued to tap into e-Commerce platforms, food delivery aggregators and premium travel retail outlets to improve the availability of Fabelle range of chocolates beyond the luxury boutiques at ITC Hotels. During the year, the portfolio was further augmented with the launch of ‘Sunfeast Fantastik’ range of chocolates in select markets in two variants, viz. Choco Almond and Fruit & Nut at convenient price points. These have received excellent consumer response and are being scaled up across additional markets.
- Exports remain a key focus area for the Branded Packaged Foods Businesses; during the year, exports witnessed rapid growth across several categories. Having built a robust distribution

The Branded Packaged Foods Businesses export to more than 70 countries. With a robust distribution network overseas, your Company is confident of scaling up exports at an accelerated pace in focus markets across a range of categories, leveraging the equity of its core brands such as Aashirvaad, Sunfeast, ITC Master Chef and Kitchens of India.

network overseas, your Company's brands now reach more than 70 countries. The Business is confident of scaling up exports at an accelerated pace in focus markets by leveraging the equity of its core brands such as Aashirvaad, Sunfeast, ITC Master chef and Kitchens of India.

Over the years, your Company has made significant investments in setting up state-of-the-art Integrated Consumer Goods Manufacturing and Logistics facilities (ICMLs) proximal to large demand centres. These facilities are at the heart of your Company's strategy to create structural advantage by enhancing product freshness, elevating market agility, minimising the cost of servicing proximal markets, enabling scalability besides setting new benchmarks in safety and superior product quality. Your Company continues to leverage the benefits of the state-of-the-art Ancillary Manufacturing cum Logistics Facilities (AMLFs) at Pudukkottai and Kapurthala. These automated facilities are co-located with the ICMLs and provide several structural advantages including inventory optimisation, delayering operations and lowering cost of market servicing.

11 ICMLs are operational in locations proximal to large demand centres enabling delivery of fresher products, reduction in distance to market and delayering of operations. The capacity utilisation at ICMLs continues to be ramped up. With every successive ICML coming on-stream, the representation of diversity and inclusions in the workforce has progressively increased.

With its relentless focus on quality and manufacturing excellence, your Company became the first Indian company to win the prestigious Global Kaizen Award at the 5th Edition of Global KAIZEN™ Awards held in

November 2023 at Lisbon, Portugal. During the year, your Company received over 100 prestigious external awards & accolades in the areas of Safety, Sustainability, Quality & Food Safety, Manufacturing Excellence, Cost competitiveness, Manufacturing & Supply Chain and HR from prestigious institutions such as the Confederation of Indian Industry (CII), Integrated Manufacturing Excellence Initiative (IMexI) etc. The Ranjangaon ICML became the second food processing facility of your Company to have been awarded a Platinum level Certification under the Alliance for Water Stewardship Standards (AWS). These accolades are testament to your Company's unwavering commitment to providing products with the highest levels of quality while reducing the environmental impact of the same.

The Business has implemented several strategic cost management initiatives in areas such as supply chain optimisation, smart procurement and productivity improvement through automation leveraging new-age technologies such as Industry 4.0, Artificial Intelligence/Machine Learning, advanced visual analytics and smart utilities. These measures are instrumental in countering the significant input cost volatility witnessed during the year, as well as offsetting the gestation costs of new initiatives and strategic brand development investments in emerging categories.

With the growing importance of processed food products in the consumer basket, the food processing industry has significant potential to transform the agriculture sector through increased market linkages, improvement in the efficiency of resource use, enhancement in farmer incomes, expansion of exports and generation of employment opportunities.

11 ICMLs are operational in locations proximal to large demand centres enabling delivery of fresher products, reduction in distance to market and delayering of operations. With every successive ICML coming on-stream, the representation of diversity and inclusions in the workforce has progressively increased. With its relentless focus on quality and manufacturing excellence, your Company became the first Indian company to win the prestigious Global Kaizen Award held in November 2023 at Lisbon, Portugal.

Report of the Board of Directors

Development of the food processing sector will aid in addressing issues of food security and inflation, improved nutrition availability and prevention of wastage, amongst others.

Recognising this potential and headroom for growth in the Indian market, your Company has made significant investments in food processing and remains focused on establishing itself as the leading player in the branded packaged foods industry. The Government's Production Linked Incentives (PLI) Scheme for the food processing industry will incentivise fresh investments, enable building Indian brands for the global market, promote exports and boost farmer incomes. Your Company has been included under the PLI Scheme towards sales-based incentives in the Ready to Eat, Fruits & Vegetables and Marine categories respectively as well as for incentives towards expenditure incurred for branding and marketing in export markets. In line with the Government's initiatives towards promoting millets, a PLI scheme for millet-based products has also been introduced during the year. Your Company has been included under the PLI Scheme for millet-based products as well.

Your Company's strong farm linkages, procurement efficiencies, world-class brands and deep & wide multi-channel distribution network, with growing presence in emerging channels such as e-Commerce, Modern Trade, On-the-go and Institutional sales, continues to deliver competitive advantage through superior product availability, visibility and freshness. Recent investments in establishing a world-class distributed manufacturing footprint have created a solid foundation to secure structural advantage over time. Cutting-edge R&D platforms of your Company's

LSTC are driving agile innovation and faster turnaround times for introduction of differentiated & first-to-market products catering to constantly evolving consumer needs. Investments in leading-edge digital technologies and platforms continue to be stepped up across the value chain to drive competitive advantage.

Personal Care Products

The Personal Care industry remained under pressure during the year with consumer demand remaining muted across both urban and rural centres of consumption. Input prices, which had witnessed significant surge in the previous year, moderated in course of the year. Industry players stepped up marketing investments and also passed on the benefit of input cost moderation in a bid to spur demand. Your Company's Personal Care Products Business continued to strengthen its core strategic levers of building brands with purpose, introducing first-in-category innovations, focusing on categories of the future and rapidly scaling up presence in emerging channels. The Business continues to focus on identifying emerging trends and reinforcing its strategic pillars of distinctive brand positioning, innovative offerings, expansion into emerging channels and amplification of the premium portfolio. During the year, the Business witnessed acceleration in its premium portfolio, which grew significantly ahead of the overall portfolio.

The Business continued to leverage your Company's state-of-the-art LSTC facility to develop innovative and differentiated products backed by robust science-based claims, to meet emerging consumer needs.

In the Personal Wash segment, premiumisation continues to remain a key vector of growth.

Your Company's Personal Care Products Business continued to strengthen its core strategic levers of building brands with purpose, introducing first-in-category innovations, focusing on categories of the future and accelerating presence in emerging channels.

During the year, 'Fiama' registered strong growth and remained ahead of Industry largely fuelled by investments in brand building, wider distribution and channel-tailored assortments. Fiama gel bars range registered significant gains during the year, driven by innovative and differentiated offerings appealing to evolving consumer preferences; the range was further augmented with the launch of 'Fiama Golden Sandalwood Oil & Patchouli' and 'Fiama Men's Charcoal'. The brand partnered with Filmfare for a first-in-industry 'Best Portrayal of Mental Health in Cinema' at the Filmfare OTT Awards 2023 and also released a Mental Wellbeing Survey in association with MINDS Foundation, re-enforcing its commitment to the brand purpose of promoting mental wellness while improving access to mental health experts.

The 'Vivel' range of soaps and bodywash continued to build momentum and posted healthy growth during the year with strategic focus on alternate channels, superior formulation and competitive pricing. The core of Vivel's product portfolio remains rooted in its strong association with Aloe Vera and other natural ingredients, aligning with increasing consumer preference for naturals. The brand continued to strengthen its association with Women Empowerment with its collaboration with Azad Foundation, through 'Parvaz', a year-long leadership training programme that fosters women's empowerment and enables young women leaders to be catalysts of change in their communities.

The Fragrance category under the 'Engage' brand exhibited resilient performance in the face of heightened competitive intensity, especially at the value end. The premium perfume segment

witnessed strong growth fuelled by launch of disruptive gifting options and small pack variants reinforcing the brand vision of meeting a variety of consumer needs. The Business launched a premium EDP range with best-in-class fragrances for occasion-based use including a differentiated 'gender neutral' variant 'One Soul'. In the popular segment, Deo sprays were also launched in the mini-can format. Strong performance in Modern Trade and e-Commerce channels, along with new initiatives in the gifting space, reflects the Business' innovative approach to market expansion and consumer engagement. Leveraging robust R&D capabilities and in-house manufacturing capabilities, the Business will continue to deliver high-quality fragrances that resonate with discerning consumers.

The value proposition of 'Savlon' brand on the 'Skin Friendly germ protection' proposition in line with evolving needs of consumers, helped the brand's core categories of soaps and handwash scale-up during the year. Savlon powder handwash, in a convenient low unit pack format, witnessed strong traction amongst target consumers.

The Business continued to expand its presence in the Home Care segment by leveraging the 'Nimyle' brand's proposition of "Naturally safe floors and happy homes". Strong growth in Modern Trade and e-Commerce channels, refreshed & premium packaging along with improved penetration led to double digit revenue growth. The brand collaborated with 'Pet Fed', a convention for pets and pet lovers, to engage with pet parents to educate and raise awareness on eco-friendly floor cleaners which are safe for pets. Further, Nimyle maintained its leadership position in its core markets despite resurgence of regional brands and private labels.

During the year, 'Fiama' registered strong growth and remained ahead of Industry largely fuelled by investments in brand building, wider distribution and channel-tailored assortments. The 'Vivel' range of soaps and bodywash posted healthy growth with focus on alternate channels, superior formulation and competitive pricing.

Report of the Board of Directors

In the Skincare portfolio, 'Dermafique' continues to leverage AI powered smart skin advisor introduced last year to provide personalised skin health analysis, empowering individuals to know their skin better and adopt solutions suited to unique skin needs of Indian consumers. The brand also strengthened its equity through relevant product benefit communications, leveraging influencers to drive buzz and engagement, running digital campaigns etc., leading to strong conversions and repeat rates on digital platforms.

During the year, D2C platforms for Dermafique, Fiama and Engage continued to gain traction while deepening consumer engagement based on sharp consumer insights. A combination of Creatives, Performance Marketing and Data Analytics is being leveraged to scale-up these platforms with a wide range of innovative products.

Modern Trade and e-Commerce channels demonstrated robust performance led by strategic partnerships and right assortments tailored to consumer needs. Quick-Commerce emerged as a fast-growing platform demonstrating significant traction across categories and now accounts for a significant share of e-Commerce sales.

In order to meet the growing requirements in East markets and create capacities for the future, a state-of-the-art manufacturing unit in Uluberia, West Bengal is set to be operational shortly. The establishment of the facility is also in line with the strategic objective of reducing distance to market, enhancing supply chain agility and responsiveness, as well as optimising costs.

Fiama, Vivel and Savlon have been frontrunners in adopting sustainable packaging for the soap portfolio. PET bottles of Fiama Showergel and Handwash

contain 50% recycled plastic; Vivel and Fiama Soaps packaging is 100% recyclable; Engage perfume sprays are now made with 50% Post-Consumer Recycled (PCR) material. Further, plastic free cartons are being used for Engage Cologne and sustainable materials are being used for point-of-sale promotions across several brands.

In recognition of its clutter-breaking marketing and communication initiatives, the Business received several accolades in the field of Digital and Marketing excellence. Leveraging the power of PR and digital storytelling, Fiama's 'Talking Memes' campaign achieved significant traction and was awarded a Gold at the London International Advertising Awards, a Silver at Fulcrum Awards for 'Best use of Digital', eight trophies at the Kyoorius Creative Awards 2023 and was also shortlisted in Cannes Lions 2023. Savlon was recognised as the 'Top Resurgent Brand of the Year' by Exchange4Media's Pitch Top 50 Brands 2023 and Savlon's Swasth India Mission - Hand Ambassador campaign won seven trophies at the Kyoorius Creative Awards 2023.

Your Company's strategic focus continues to be on expanding the core categories of Personal Wash, Fragrance and Homecare through innovative, differentiated and consumer centric products, highest levels of product quality and impactful communication. Your Company's Personal Care Products Business, with its future-ready portfolio and purpose-led brands, is well positioned to seize growth opportunities and emerge as a significant player in this space.

Education and Stationery Products

The Education and Stationery Products industry witnessed strong growth during the year driven by increased household penetration on the back of

Fiama, Vivel and Savlon have been frontrunners in adopting sustainable packaging for the soap portfolio. PET bottles of Fiama Showergel and Handwash contain 50% recycled plastic; Vivel and Fiama Soaps packaging is 100% recyclable and Engage perfume sprays are now made with 50% Post-Consumer Recycled (PCR) material. Plastic free cartons are being used for Engage Cologne and sustainable materials are being used for point-of-sale promotions across several brands.

higher enrolment ratios and growing literacy. The year also witnessed heightened competitive intensity with a resurgence of regional players on the back of moderation in input prices.

During the year, the Business further strengthened its market leadership position in the industry, delivering a robust performance by fortifying its core categories and scaling up adjacencies through portfolio premiumisation, innovative product launches, and judicious pricing actions. The Business continued to leverage your Company's institutional strengths comprising paper manufacturing expertise, brand building capabilities and multi-channel distribution infrastructure. The Business also continued to leverage the capabilities of your Company's Life Sciences and Technology Centre to craft differentiated products of superior quality.

Premiumisation and product innovation continue to be key growth drivers for the Business. The 'Classmate Interaktiv' Notebook portfolio continued to witness strong consumer traction driven by a wide range of differentiated offerings. These included products that enable 'Do It Yourself' activities with a view to 'Enjoy Learning', immersive technologies such as augmented reality and interchangeable covers. The Business also accelerated the adoption of 'Classmate Pulse' spiral format through targeted activations and driving franchise of new customer segments such as high school students, in addition to college goers and the youth segment. The 'Paperkraft' portfolio was also strengthened with the launch of a new range of notebooks with differentiated design themes catering to both personal and professional usage. The Writing Instruments portfolio delivered a strong performance on the back of recent launches

with differentiated forms and features which received encouraging consumer response.

'Classmate All Rounder', an inter school initiative which was launched last year to promote holistic learning in line with the National Education Policy 2020, provides students with a platform to nurture and showcase their varied skills. The initiative continued to gain strong momentum in its second edition, with participation of over 4.5 lakh students from 2700+ schools.

The multi-channel capability of your Company's strong distribution network was leveraged to enhance availability and drive sales. The Business sustained its leadership position on e-Commerce platforms through consistent availability of a wide assortment of products, backed by focused interventions to enhance consumer traction. Consumer engagement was augmented through Classmateshop.com, a D2C platform, which provides consumers the opportunity to 'Personalise & Capture' memories on Classmate notebooks. Digital adoption through industry-first propositions such as personalised videos and AI (Artificial Intelligence) generated cover designs further enhanced consumer engagement. During the year, the Business re-launched myClassmate app, a gamified app focused on developing co-curricular skills, to make learning engaging and enjoyable; the app has garnered over two million downloads.

During the year, the Business enhanced its manufacturing capacity of spiral notebooks at its dedicated manufacturing facility at Vijayawada. Equipped with state-of-the-art technology, the facility enables the Business to develop differentiated notebook formats, drive cost reduction and address opportunities in overseas markets. During the year,

Your Company's Education and Stationery Products Business, with its strong brands – Classmate & Paperkraft, robust product portfolio, collaborative linkages with small & medium enterprises and superior distribution network, is well poised to sustain its leadership position in the industry.

Report of the Board of Directors

the Business expanded its footprint to newer geographies and introduced new product variants leveraging the aforesaid facility.

The Classmate and Paperkraft range of notebooks leverage your Company's world-class fibre line at Bhadrachalam - India's first ozone treated elemental chlorine free facility - and embody the environmental capital built by your Company in its paper business. The Business continued to scale-up the Paperkraft range of notebooks using Forest Stewardship Council (FSC) certified paper, made at your Company's paper mill.

With over 250 million school going students, India has one of the largest education systems in the world. The Indian Education and Stationery Products industry holds immense potential driven by growing literacy, increasing enrolment ratios, the Government's continued thrust on the education sector and a favourable demographic profile of the country's population. Your Company's Education and Stationery Products Business, with its strong brands, robust product portfolio, collaborative linkages with small & medium enterprises and superior distribution network, is well poised to sustain its leadership position in the industry.

Incense Sticks (Agarbattis) and Safety Matches

The Incense Sticks (Agarbattis) category continued to witness robust growth during the year. Your Company's flagship brand 'Mangaldeep' effectively leveraged market opportunities and continued to enhance its standing in the category. With its presence across multiple formats viz. Agarbattis, Dhoop and Sambrani, Mangaldeep provides discerning consumers a differentiated and superior

product experience with a strong devotional connect. The Business continued to drive brand salience through sharply focused marketing interventions. Product mix enrichment, cost optimisation initiatives and stability in prices of key ingredients enabled the Business to further improve operating margins during the year.

Based on superior consumer insighting, a number of new product offerings were launched by the Business during the year including, inter alia, a new sub-brand 'Scent' in the Popular segment. Built on the unique proposition 'Inspired by Fine Fragrances', Mangaldeep Scent offers three unique, modern and long lasting fragrances with superior sensorials. The brand also refreshed its core portfolio of Floral and Sandal fragrances with improved product experience and pack semiotics.

In the Dhoop segment, staying in tune with today's consumer's need for convenience and variety, the Business introduced multiple fragrances in the same pack through 'Dhoop 3in1' in North and East markets. A 'bamboo less' incense format was also launched for e-Commerce and Modern Trade channels in line with emergent consumer needs in these channels.

Mangaldeep aims to be an enabler of devotion and wellbeing through its fragrances. Over the last two years the brand has built a range of products on a differentiated consumer proposition of long lasting fragrances. The Business has co-created these superior fragrances with the help of 150 visually impaired fragrance evaluators as part of its 'Mangaldeep Sixth Sense' panel. It supports them with livelihood opportunities and empowers them with dignity and pride.

Mangaldeep aims to be an enabler of devotion and wellbeing through its fragrances. Over the last two years the brand has built a range of products on a differentiated consumer proposition of long lasting fragrances. The Incense Sticks Business has co-created these superior fragrances with the help of 150 visually impaired fragrance evaluators as part of its 'Mangaldeep Sixth Sense' panel. It supports them with livelihood opportunities and empowers them with dignity and pride.

Over the years, the Business has implemented several measures to enhance the competitiveness of the agarbatti value chain in India. These include import substitution and backward integration of sourcing raw materials and manufacturing raw battis using indigenous inputs. The Business has been a pioneer in developing domestic manufacturing capabilities for raw battis and is also working closely with manufacturers and nodal agencies of respective State Governments for sourcing Indian Bamboo sticks and for cultivating Bamboo plantations in the country.

The proactive measures implemented by your Company, as highlighted above, sub-serve the national priorities of employment generation and provide a source of competitive advantage to the Business while contributing towards enhancing income in the agarbatti stick and raw batti manufacturing value chain.

In the Safety Matches industry, the Business strengthened its market leadership position by leveraging the brand 'Homelites' – built on differentiated positioning of stronger, longer and karbonised sticks. The Business continues to focus on scaling up the share of value-added products in its portfolio and enhancing supply chain efficiency by sourcing products manufactured closer to markets. In order to build higher degree of interest in this category, the brand is also progressing on limited edition launches and matchbox collectibles, especially targeted at modern consumers.

TRADE MARKETING & DISTRIBUTION

Your Company's Trade Marketing & Distribution (TM&D) vertical continued to leverage emerging market trends such as premiumisation, growth of

Modern Trade & e-Commerce channels and rapid urbanisation ensuring effective market servicing and product availability addressing a wide range of consumer and trade needs. TM&D adopted a comprehensive approach encompassing the realignment of distribution infrastructure, deployment of innovative delivery models, forging strategic partnerships and leveraging digital technologies to accelerate growth across channels.

The dynamic interplay of varied and evolving consumer preferences, multiplicity of channels including rapid acceleration in new channels, diverse demographic profiles & socio-economic factors, and a vast geographical landscape pose a high degree of complexity for distribution of FMCG products in India. Recognising the multifaceted nature of these challenges, TM&D continues to sharpen channel-specific strategies to efficiently service consumer demand across the country. Valuable insights into consumer behaviour and channel/region specific trends gained over the years continue to be leveraged to deliver superior performance in terms of product availability, visibility and freshness.

The rapid growth of Modern Trade and e-Commerce channels, coupled with the emergence of several new players, has necessitated the deployment of tailored market/outlet specific strategies to seize the emerging opportunities. The Modern Trade channel continued to witness strong growth, driven by store expansions primarily in Tier 2 & Tier 3 cities. Omni-channel presence in urban markets enabled accelerated growth while shopper marketing insights and agile supply chain capabilities were leveraged to enhance operational and execution efficiencies.

TM&D continues to sharpen channel-specific strategies to efficiently service consumer demand across the country. Valuable insights into consumer behaviour and channel/region specific trends gained over the years continue to be leveraged to deliver superior performance in terms of product availability, visibility and freshness.

Report of the Board of Directors

The surge in internet usage particularly through smartphones, widespread adoption of digital payments, wide assortment of products and faster deliveries continue to drive the rising salience of e-Commerce channel. Your Company's collaborations with leading e-Commerce platforms on all aspects of operations viz. category development, supply chain, consumer offerings and customer acquisition has enabled it to significantly scale-up sales in this channel. This was augmented by development of exclusive pack assortments, channel-specific business plans and 'Digital First' brands. Joint Business Plans executed in coordination with e-Commerce platforms coupled with agile supply chain initiatives have further fortified your Company's market standing in this channel. Growth in the premium portfolio was accelerated through increased visibility, focus on target cohorts and jointly curated campaigning, including collaborating on topical events across accounts. Digitally enabled sales have grown rapidly in recent years and, together with Modern Trade, now account for 31% of your Company's FMCG⁴ portfolio (Vs. 17% in FY 2019-20).

Your Company's multi-channel distribution network, which facilitates availability of its products in nearly seven million retail outlets of which more than one-third are serviced directly, was further strengthened during the year with the addition of new markets and outlets to its direct servicing base. Market coverage was stepped up to appx. 2x of pre-pandemic levels.

During the year, urban markets witnessed heightened competitive intensity from regional/local players and accelerated channel shift with the increasing salience

⁴ Excluding Education and Stationery Products

of Modern Trade and e-Commerce. Automation, data-led insightful and machine-learning enabled solutions continue to be increasingly leveraged to drive field-force productivity and performance across urban markets. Further, emerging technologies like Generative AI are being leveraged to automate operations and increase efficiency. Customised servicing based on outlet potential and retail engagement programmes have been deployed to stimulate demand for your Company's products with enhanced focus on premium grocery outlets. Specific interventions were undertaken to drive premiumisation in General Trade outlets with store level missions led by sharper data analytics.

In rural markets, your Company continued to deploy market-specific interventions to enhance direct coverage on the basis of socio-economic indicators and market potential. This has been supported through a hub and spoke distribution model with the continued expansion of rural stockists network to 1.3x over the last two years. Leveraging the synergies arising out of the deep rural connect of your Company's Agri Business, extensive consumer activations continued to be undertaken in high potential rural areas during the year through concerted market development activities and further enhancements to the digital ecosystem for the stockist channel. These initiatives have substantially enhanced distribution reach of your Company's range of products in rural markets leading to sales growth significantly ahead of industry.

The Food Service and Institutional channels continued to witness robust growth during the year leveraging existing partnerships and your Company's wide product range. Strategic partnerships unlocked new

Your Company's multi-channel distribution network facilitates availability of its products in nearly seven million retail outlets of which more than one-third are serviced directly. The network was further strengthened during the year with the addition of new markets and outlets to its direct servicing base. Market coverage was stepped up to appx. 2x of pre-pandemic levels.

routes-to-market, catering to specialised segments including 'on-the-go' consumption, direct marketing and QSRs. Customised product portfolios were deployed for identified high potential segments of railways, airports and airlines to strengthen presence in this channel.

The Quick Commerce platform, offering ultrafast delivery, aligns seamlessly with the needs of convenience-seeking consumers and is rapidly gaining prominence within the overall e-Commerce channel. Your Company, leveraging its strategic partnerships, continues to scale-up its presence in the rapidly growing emerging channels and has further expanded availability of its products with existing and new trade partners on Quick Commerce and Social Commerce platforms.

TM&D continues to remain at the forefront of leveraging cutting-edge digital technologies and building a digital ecosystem to drive productivity, improve market servicing, draw actionable insights for sharp-focused interventions, augment sales force capability and deepen connect with retailers. Technology enablement in the form of customised mobility and routing solutions, machine learning algorithms, data science models, data analytics comprising insightful visualisation tools and predictive analysis are being increasingly leveraged to enable speedy and accurate data capture, enable real-time informed decisions and aid in optimisation of trade & marketing inputs to enhance sales. During the year, the machine learning models were augmented with several inputs including demographics, socio-economic indicators etc. to sharpen outlet level SKU recommendations. Use cases for self-service analytics tools have increased to analyse data and

present insights which are digitally integrated into business decisions, resulting in intelligent digitalisation of business processes.

The digitally powered eB2B platform of your Company, UNNATI, has been rapidly scaled up during the year, covering nearly seven lakh outlets with a large number of retailers placing orders directly on the platform. UNNATI facilitates sharp and direct engagement with retailers, superior analytics, personalised recommendations of hyperlocal baskets based on consumer purchase insights, and deeper brand engagement.

Your Company's strategic collaboration with banks and Fintech partners caters to the digital payments and financing needs of customers and retailers. These solutions have been seamlessly integrated with the UNNATI platform to digitally empower and unlock business growth for your Company's trade partners.

In line with your Company's credo of 'Nation First: Sab Saath Badhein', TM&D has partnered with Open Network for Digital Commerce (ONDC) to facilitate the digital transformation of small retailers. As a part of this industry-first initiative, your Company continues to assist traditional retailers to on-board the ONDC network enabling them to have an omni-channel presence. This intervention is expected to enhance ecosystem competitiveness in the growing digital marketplace as also enable such retailers to effectively cater to evolving consumer buying behaviour.

Your Company's Trade Marketing & Distribution highway has transformed into a smart omni-channel network. 'ITC e-Store', your Company's exclusive D2C platform, continues to receive excellent

In line with your Company's credo of 'Nation First: Sab Saath Badhein', TM&D has partnered with Open Network for Digital Commerce (ONDC) to facilitate the digital transformation of small retailers. As a part of this industry-first initiative, your Company continues to assist traditional retailers to on-board the ONDC network enabling them to have an omni-channel presence.

Report of the Board of Directors

consumer response. Powered by state-of-the-art digital technology and robust fulfilment infrastructure, the platform offers consumers on-demand access to a wide range of your Company's FMCG products across 45+ categories and over 800 products. Category specific D2C platforms such as Classmateshop.com, Dermafique.com, Aashirvaadchakki.com, Fiama.in etc. enable obtaining valuable consumer insights and augmenting franchise for your Company's products.

The scale and diversity of your Company's distribution network remains pivotal in enhancing market presence, gaining valuable insights into consumer & trade behaviour and facilitating the execution of product launches across geographies. In order to effectively leverage new routes-to-markets and meet the assortment needs of emerging channels, your Company executed over 100 new product launches across target markets besides extending distribution reach of several existing products in the portfolio.

Several interventions were undertaken by TM&D during the year to further improve operational effectiveness and productivity to strengthen competitive advantage in a structural manner. These include supply chain & network optimisation, smart buying including efficient freight procurement and layering of operations through direct shipments to customers. During the year, your Company continued to leverage the integrated planning and supply chain tool, powered by best-in-class algorithms for inventory optimisation and productivity enhancement to significantly improve supply chain agility and market servicing through enhanced forecast accuracy. The supply chain network was redesigned to enhance the premium portfolio availability both in existing and target markets across urban and rural landscapes.

An IoT based solution, which monitors stock movements on a real time basis, was leveraged to further improve vehicle turnaround time and enhance customer service through data analytics.

In line with your Company's commitment to the 'Triple Bottom Line', TM&D continued to focus its efforts for adoption of renewable sources in its operations. As part of your Company's Sustainability 2.0 agenda, TM&D is rapidly expanding its Green Logistics efforts for mid mile and last mile deliveries in key cities across the country. Collaborations with multiple Original Equipment Manufacturers (OEMs) and fleet aggregators facilitated adoption of Electrical Vehicles (EV) in TM&D operations. The number of EV trips increased by 2.7x over the previous year.

TM&D's distribution highway is a source of sustainable competitive advantage for your Company's FMCG Businesses and is well-positioned to support the rapid scale-up of operations in the ensuing years leveraging its best-in-class systems and processes, an agile and responsive supply chain, and a synergistic relationship with its channel partners.

HOTELS

The global Travel & Tourism industry, which had been severely impacted during the pandemic, has witnessed strong rebound in the last two years. According to estimates of the World Travel and Tourism Council (WTTC), the Travel & Tourism sector is expected to contribute US\$ 9.9 trillion to the global economy in 2023 (about 96% of pre-pandemic levels). The Indian Travel & Tourism sector also witnessed robust growth during the year, with domestic air travel exceeding 2019 (pre-pandemic) levels by 5%. The year also witnessed renewed focus on promoting

Your Company's Trade Marketing & Distribution highway has transformed into a smart omni-channel network. During the year, your Company continued to leverage the integrated planning and supply chain tool, powered by best-in-class algorithms for inventory optimisation and productivity enhancement to significantly improve supply chain agility and market servicing through enhanced forecast accuracy.

in-bound travel with the Ministry of Tourism declaring 2023 as 'Visit India Year', hosting of the G20 Presidency and celebrations of 'India@75 Azadi ka Amrit Mahotsav'. Foreign tourist arrivals improved over the previous year, while remaining below pre-pandemic levels (about 85% of 2019 levels), indicating significant headroom for growth.

The Travel & Tourism sector plays a vital role in the Indian economy and holds immense potential for growth. The extensive tourism value chain spanning hotels, travel agents, airlines, tour operators, restaurants, tourist transporters and guides, etc. results in a huge economic multiplier impact, ranking it amongst the highest across industries on this count. With growing per capita income, rapid urbanisation, increasing societal aspirations and low room supply penetration levels, the sector is poised to witness a long runway of growth. The Government's thrust on infrastructure and tourism including, inter alia, development of airports, upgradation of urban infrastructure, promotion of integrated tourist destinations, world-class convention facilities etc. is also providing support to the sector's accelerated growth trajectory.

The Hotels Business delivered stellar performance driven by strong growth in RevPAR across customer segments (Retail, Contracted, MICE, etc.) as well as leveraging marquee events hosted in the country. The Business continued to focus on its strategy of offering a host of curated propositions across accommodation, dining and banqueting services to augment revenues across properties. This included introduction of special packages offering distinct value propositions and flexibility, targeting short getaways/staycations, revamped packages for the MICE & wedding

segments and extension of exclusive privileges to members of the Club ITC Loyalty programme. Timely renovations and refurbishments aided in leveraging high season opportunities across multiple locations and properties.

The financial performance of the Business touched record highs - Segment Revenue for the year stood at ₹ 2989.50 crores while Segment EBITDA at ₹ 1049.88 crores exceeded the ₹ 1000 crore mark for the first time. Segment PBIT for the year stood at ₹ 753.77 crores, witnessing growth of appx. 39% over the previous year.

Your Company's Hotels Business continues to leverage its 'asset-right' strategy to be amongst the fastest growing hospitality chains in the country with over 130 properties and 12,000 rooms under distinctive brands – 'ITC Hotels' in the Luxury segment, 'Mementos' in the Luxury Lifestyle segment, 'Welcomhotel' in the Upscale segment, 'Storii' in the Boutique Premium segment, 'Fortune' in the Mid-market to Upscale segment and 'WelcomHeritage' in the Leisure & Heritage segment.

Over the years, your Company has expanded its footprint in the Luxury, Upper Upscale and Mid-market to Upscale segments of the Indian hospitality industry. Your Company's 'asset-right' strategy envisages a substantial part of incremental room additions, going forward, to accrue through management contracts. In the last 24 months, 25 hotels have been opened under the brand portfolio, out of which 24 are managed properties. All of these hotels have received excellent response from guests within a short span of time.

Continuing with the pursuit of its 'asset-right' strategy, the Business had recently launched

Your Company's Hotels Business continues to leverage its 'asset-right' strategy to be amongst the fastest growing hospitality chains in the country with over 130 properties and 12,000 rooms under distinctive brands – 'ITC Hotels' in the Luxury segment, 'Mementos' in the Luxury Lifestyle segment, 'Welcomhotel' in the Upscale segment, 'Storii' in the Boutique Premium segment, 'Fortune' in the Mid-market to Upscale segment and 'WelcomHeritage' in the Leisure & Heritage segment.

Report of the Board of Directors

two new brands - 'Mementos' in the Luxury Lifestyle segment and 'Storii' in the Boutique Premium segment.

- 'Storii by ITC Hotels' is positioned as a collection of handpicked properties offering unique bespoke experience-led stays and co-exists in harmony with the environment and the local community.
- 'Mementos by ITC Hotels' brings together a collection of unique hotels across varied destinations ranging from modern marvels, hidden retreats to historic treasures, leaving guests with experiences & memories which become prized mementos long after their visit.

Currently, the Business manages seven hotels under these brands.

The Welcomhotel brand now consists of 25 hotels and over 2,700 keys and is well positioned to scale-up rapidly on the back of a strong pipeline of management contracts.

The 'Fortune' brand continues to maintain its pre-eminent position in the Mid-market to Upscale segment, with a positioning of 'First-class, full-service hotels – an affordable alternative', comprising 51 operating properties and over 3,800 rooms.

The 'WelcomHeritage' brand continues to create best-in-class authentic experiences with an operational inventory of 38 hotels comprising over 1,000 rooms.

The Business is witnessing growing interest amongst property owners to partner with its iconic brands resulting in healthy generation of leads and pipeline of management contracts. The Business is confident of rapidly scaling up revenues through this route going forward.

Your Company's first international property ITC Ratnadipa, opened in April 2024 in Colombo, Sri Lanka. A jewel in the Colombo skyline that promises to enrich the tourism and hospitality landscape of Sri Lanka, the luxury hotel is poised to create the ultimate luxury hospitality experience for discerning business and leisure travellers. The hotel is meticulously designed to showcase the beauty and rich culture of Sri Lanka, seamlessly blending contemporary elegance with timeless charm. With 352 luxurious guest rooms, suites and service apartments, each adorned with private balconies with breath taking ocean views, this landmark property has already become an iconic feature of the Colombo skyline. Complementing its exquisite accommodations, the hotel also offers nine signature dining destinations that offer a repertoire of local, national and global cuisine, including marquee offerings from your Company's award-winning culinary brands.

Further, your Company's first hotel, Welcomhotel Chennai, was re-opened during the year after an extensive renovation in a whole new avatar. The iconic legacy hotel, with 90 well-appointed rooms, grander banquets and signature dining experiences is an embodiment of contemporary design and smart facilities. The property is certified as a LEED Platinum[®] and LEED[®] Zero Carbon hotel.

The Business has the highest number of hotels in the world to have been awarded the LEED Platinum[®] Certification by USGBC, with 23 of its hotels achieving this feat. Furthering your Company's Responsible Luxury ethos, 12 of its iconic hotels have received LEED[®] Zero Carbon Certification, the first in the world to achieve this feat. ITC Rajputana and ITC Maurya became the third and fourth hotels respectively to be

The Hotels Business has the highest number of hotels in the world to be awarded the LEED Platinum[®] Certification by USGBC, with 23 of its hotels achieving this feat. Furthering your Company's Responsible Luxury ethos, 12 of its iconic hotels have received LEED[®] Zero Carbon Certification, the first in the world to achieve this feat. First 4 Hotels in the World to be LEED[®] Zero Water Certified are from your Company.

awarded the LEED® Zero Water Certification by the USGBC, following ITC Mughal and ITC Sonar, which were the first and second hotel respectively to be awarded the certification globally.

The Business continues to evaluate avenues to further enhance the share of renewable energy in its portfolio, increase the number of LEED® Zero Carbon Certifications and reduce carbon emission levels.

ITC Hotels was recognised as the best Luxury Hotel Chain for the 5th consecutive year at ‘Travel + Leisure India’s Best Awards 2023’.

Leveraging its expertise and experience in the domain of sleep, the Business had launched its signature ‘Sleep’ Boutiques across the country, offering a wide range of premium home bedding products with both online and offline retail options. These boutiques, present across seven ITC Hotels, have received encouraging response and plans are on the anvil to scale-up operations going forward.

The world-class ambience of your Company’s luxury hotels continues to be leveraged for gourmet luxury chocolates under the ‘Fabelle’ brand with exclusive boutiques across nine ITC Hotels and kiosks at four Welcomhotels.

Digital investments continue to be leveraged towards enhancing guest experience, facilitating guest acquisition, augmenting revenue generation and driving operational efficiency. During the year, the Business continued to promote its full stack ITC Hotels App for Food Delivery, Room & Table Reservations, Room automation and entertainment control module, Loyalty Benefits, exclusive offers and achieved a milestone of 5 lakh downloads. Bookings on the brand website of the Business,

itchotels.com, witnessed significant traction during the year. The Business has fully digitised its loyalty programmes, ‘Club ITC’ and ‘Club ITC Culinaire’ – across enrolment, redemption and other key program essentials to ensure a seamless guest experience.

ITC Hotels is recognised for its award-winning culinary excellence, with illustrious brands, dishes and concepts revolving around indigenous ingredients and signature dining experiences. From bringing alive local flavours, cultures and age-old traditions to gourmet contemporary cuisine, the Business has been at the forefront of presenting gastronomical delights to food connoisseurs for decades. Sourcing local ingredients and using time-honoured techniques, the Business continues to remain ahead of peers in creating delectable dishes from humble ingredients and ensuring every meal is a celebration par excellence.

ITC Hotels was honoured to have exclusively curated and served from the best of India’s culinary heritage at the prestigious G20 summit held in New Delhi. ITC Maurya also had the honour of hosting the President of the United States of America and the entire US delegation to the Summit.

The Business continues to enhance its award-winning repertoire of culinary brands. In alignment with the Government’s initiative of promoting millets and in keeping with its ethos of producing sustainable cuisine, the Business has also created a range of millet-based gourmet cuisine across its signature restaurants. Further, it is also promoting easy-to-try recipes with millets depicted through short videos to encourage individuals to experiment with the taste and texture of millets.

ITC Hotels was honoured to have exclusively curated and served from the best of India’s culinary heritage at the prestigious G20 summit held in New Delhi. ITC Maurya also had the honour of hosting the President of the United States of America and the entire US delegation to the Summit.

Report of the Board of Directors

As you are aware, the Board of Directors of your Company at the meeting held on 14th August, 2023, subject to necessary regulatory approvals, has approved a Scheme of Arrangement amongst your Company and ITC Hotels Limited and their respective shareholders and creditors ('the Scheme') under Sections 230 to 232 read with other applicable provisions of the Companies Act, 2013 for demerger of the Hotels Business of your Company into ITC Hotels Limited. The Scheme has since been approved by the Stock Exchanges. Further, the National Company Law Tribunal, Kolkata Bench, vide Order dated 22nd April, 2024, has convened a Meeting of the Ordinary Shareholders of your Company on 6th June, 2024 for the purpose of seeking your approval to the Scheme.

PAPERBOARDS, PAPER AND PACKAGING

Paperboards & Specialty Papers

After achieving record highs in the previous year, global pulp prices witnessed steep decline in the first half of the year on account of subdued Chinese demand, recessionary conditions in Europe and progressive normalisation in global supply chain operations. Weakness in demand conditions in the Chinese economy also led to glut of low-priced Chinese supplies in global markets. Domestic demand for paperboard, which is largely derived from end-user demand for consumer goods, pharma, Quick Service Restaurants etc., remained subdued during the year leading to lower customer offtakes. The domestic market also witnessed excess supply due to higher net imports into the country including from China, leading to subdued realisations. The year also witnessed unprecedented surge in domestic

wood costs due to increased demand from competing wood-based industries.

The cumulative impact of subdued realisations, excess supply in domestic markets and sharp surge in wood costs exerted pressure on margins during the year, which was partially mitigated by leveraging structural advantages of the integrated business model, strong end-user engagements and Digital interventions.

Despite the headwinds as aforesaid, the Business further strengthened its leadership position in the Value-Added Paperboard (VAP) segment through focused innovations, development of customised solutions for end-use industries and superior end-user engagements. The Business also consolidated its leadership position in the eco-labelled products and premium recycled paperboards segments.

During the year, the Business delivered robust performance in the Specialty Papers segment. The Business successfully completed its capacity augmentation project, increasing Décor paper production capacity by 20000 tonnes per annum. Market standing in the segment continues to be driven by product mix enrichment and diversification of the customer base. The domestic industry remained under pressure due to cheap supplies from China. The recent introduction of Anti-dumping duty on Décor paper has partially provided a level playing field for domestic industry; which is critical towards fostering domestic value chains and enabling import substitution.

The paperboards and packaging industry is poised for transformative change in the medium term. Customers are increasingly seeking solutions that are bio-degradable, substitute single use plastic

The Paperboards & Specialty Papers Business further strengthened its leadership position in the Value-Added Paperboard (VAP) segment through focused innovations, development of customised solutions for end-use industries and superior end-user engagements.

and meet stakeholder and regulatory expectations across industries including food serving & delivery, pharmaceutical, beauty and electronics. The Business has adopted a multi-tiered strategy to build solutions that will replace single use plastics and meet emergent consumer needs.

Within the sustainable products portfolio, Platform 1 comprises a range of recyclable, compostable and barrier coated boards. This range includes the 'Filo' series - 'FiloBev' (for cups), 'FiloServe' (for QSR, bakeries, food retail) & 'FiloPack' (packaging for sweets and deep freeze applications) and is witnessing strong growth momentum in both domestic and international markets. The Filo series has been certified compostable by the Central Institute of Petrochemicals Engineering & Technology (CIPET) and the manufacturing unit at Bollaram has been registered with the Central Pollution Control Board (CPCB). During the year, Flustix (Less Plastic) certification also has been received for FiloPack. The Business is stepping up investments, including setting up a state-of-the-art coater, in this fast-evolving space which holds immense growth potential, supported by the R&D capabilities of your Company's Life Sciences & Technology Centre, and through external collaborations with global specialists.

Platform 2 comprises a range of first-to-market Fusion boards that are fully recyclable and replace plastic 'foam' board. End-use applications include indoor display solutions involving replacement of plastic signboards and shelves.

Platform 3 offers futuristic packaging solutions comprising premium Moulded Fibre Products (MFP) made from renewable natural fibres such as wood, bamboo, bagasse, waste paper etc. In order to cater

to this rapidly growing segment, your Company's wholly-owned subsidiary, ITC Fibre Innovations Limited (IFIL), forayed into the fast-growing MFP space with the commissioning of a state-of-the-art MFP manufacturing facility in Badiyakhedi, Madhya Pradesh in March 2024. IFIL will leverage the expertise of the Business in fibre value chain, manufacturing excellence and strong sustainability credentials to rapidly scale-up business going forward.

Over the years, the Business has continued to lay thrust on structural interventions to provide sustainable competitive advantage across the value chain and to enhance the margin profile of its portfolio. Such interventions include developing high yielding and disease-resistant clonal saplings, augmenting value-added paperboard and in-house chemical & mechanical pulp manufacturing capacities, enhancing energy efficiency, continuous improvement through product & process innovation, digital interventions including Industry 4.0, etc. These interventions have led to significant structural cost savings and enhanced productivity across all key operating nodes of the Business.

During the year, production of Bleached Chemical Thermo Mechanical Pulp (BCTMP) was ramped up subsequent to the recently concluded pulp capacity augmentation project. Further, record high production of in-house chemical pulp was achieved leveraging recent capacity expansion and Industry 4.0 initiatives.

The Business continues to procure wood, a key raw material, from sustainable sources. Research on clonal development has resulted in introduction

Your Company's wholly-owned subsidiary, ITC Fibre Innovations Limited (IFIL), forayed into the fast-growing Moulded Fibre Products (MFP) space with the commissioning of a state-of-the-art MFP manufacturing facility in Badiyakhedi, Madhya Pradesh.

Report of the Board of Directors

of high-yielding and disease-resistant clones that are adaptable to a wide variety of agro-climatic conditions. This has not only aided in increasing farmer incomes but has also enabled greater consistency in farmer earnings. In this context, your Company's Life Sciences & Technology Centre is engaged in developing higher yielding second generation clones with enhanced pest and disease resistant attributes. The Business continues to focus on scaling up wood sourcing from core areas. In addition, initiatives such as bund plantations and scaling up plantations in new catchment areas in Odisha and Chhattisgarh have enabled procurement of more than 1.73 lakh MT of wood from such new areas, with further potential for increasing cost-effective access to fibre in the future.

Your Company has the distinction of being the first in India to have obtained the Forest Stewardship Council-Forest Management (FSC[®]-FM) certification, which confirms compliance with the highest international benchmarks of plantation management across the dimensions of environmental responsibility, social benefit and economic viability. Till date, your Company has received FSC[®]-FM certification for over 1.49 lakh acres of plantations involving over 25000 farmers. During the year, nearly 4.85 lakh tonnes of FSC[®]-certified wood was procured from these certified plantations. Your Company sustained its position as the leading supplier of FSC[®]-certified paper and paperboards in India.

Your Company's Paperboards & Specialty Papers Business is a pioneer in the adoption of Digital technologies. In recent years, the Business has embarked upon a comprehensive Digital

Transformation Programme across the vectors of manufacturing, supply chain and support services to achieve operational excellence, enable decarbonisation of operations, drive improvement in profitability and improve safety across the value chain. The multi-dimensional digital interventions encompass Industrial IoT for Smart Operations, Integrated Data Platform, AI/ML algorithms for optimisation in the manufacturing process, AI/ML based image analytics and IoT based crop monitoring & advisory, and computer vision-based solutions to improve workforce safety. The Business continues to collaborate with partners from the start-up ecosystem, as well as established solution providers, in building scalable solutions that are custom-fit to business requirements.

The Business has been practising the principles of Total Productive Maintenance (TPM), Lean and Six Sigma for over a decade and continues to reap substantial benefits through its Business Excellence initiatives.

All manufacturing units of the Business continue to recycle nearly 100% of the solid waste generated during operations by converting the same into lime, fly ash bricks, cement, grey boards, egg trays etc. In addition, the Business recycled around 1.1 lakh tonnes of waste paper during the year, thereby sustaining positive solid waste recycling footprint of the Business.

In line with the objective of enhancing the share of renewable energy in its operations, the Business has implemented several initiatives including investments in a green boiler, high efficiency circulating fluidised bed boiler, solar & wind energy and increased usage

Your Company's Paperboards & Specialty Papers Business is a pioneer in the adoption of Digital technologies in the industry. The multi-dimensional digital interventions encompass Industrial IoT for Smart Operations, Integrated Data Platform, AI/ML algorithms for optimisation in the manufacturing process, AI/ML based image analytics and IoT based crop monitoring & advisory, and computer vision-based solutions to improve workforce safety.

of bio-fuel. The recently commissioned state-of-the-art and future-ready High Pressure Recovery Boiler at the Bhadrachalam mill is progressively enhancing energy efficiency and reducing the carbon footprint of the unit's operations by significantly lowering coal consumption by appx. 25%. These investments are a testament to your Company's commitment towards embedding sustainability in its operations and supporting the 'Make in India' initiative. With these initiatives, renewable sources presently account for more than 50% of total energy consumed at the four manufacturing units of the Business.

The Business continues to strengthen its safety management processes, adopt globally recognised best practices and ensure that facilities are designed, constructed, operated and maintained in an inherently safe manner. Business continues to deploy various measures including the use of Data Analytics Tools to identify risk prone areas for proactive mitigation of incidents, video analytics etc.

The manufacturing facilities at Bhadrachalam, Kovai, Tribeni and Bollaram continue to receive industry recognition for their green credentials and safety standards in line with the focus on sustainable business practices. The Bhadrachalam unit is the first pulp & paper plant and the second in the country overall, to be rated 'GreenCo Platinum+' by CII, as part of the Green Company rating system. The Kovai unit has also been rated GreenCo Platinum+ by CII. The unit is the first site in India and the first paper mill in the world to achieve the highest platinum rating under the 'Alliance for Water Stewardship Standards'. The Business was also recognised as

the Asia-Pacific winner of the Special Award for Sustainability at the IDC Future Enterprise Awards 2023 for exemplary digital business models.

With structural drivers of demand in the Indian economy remaining strong over the medium term, paperboards demand is expected to remain firm in spite of near-term industry headwinds. Going forward, end-user segments such as Pharmaceuticals, Apparels, QSR, FMCG, consumer durables and e-Commerce are projected to register strong growth. Writing & Printing paper demand is also expected to remain firm on the back of demand from the publishing and notebooks industries driven by the Government's thrust on primary and secondary education. While cheap imports from China as well as from ASEAN countries remain a potential threat in the short run, the Business remains confident of leveraging its competitive strengths to mitigate the impact thereof. Representations continue to be made at appropriate forums for suitable measures to safeguard domestic industry.

The integrated nature of your Company's business model - comprising access to high-quality, cost competitive and renewable fibre supply chain, in-house pulp manufacturing capability, imported pulp substitution, world-class product quality, state-of-the-art manufacturing facilities, increasing usage of data analytics and Industry 4.0 technologies along with robust forward linkages with the Education and Stationery Products Business and the Packaging and Printing Business - is a key source of competitive advantage for your Company's Paperboards & Specialty Papers Business.

The recently commissioned state-of-the-art and future-ready High Pressure Recovery Boiler at the Bhadrachalam mill is progressively enhancing energy efficiency and reducing the carbon footprint of the unit's operations by significantly lowering coal consumption by appx. 25%. These investments are a testament to your Company's commitment towards embedding sustainability in its operations and supporting the 'Make in India' initiative.

Report of the Board of Directors

Your Company is confident of further consolidating its leadership position in the Indian Paper and Paperboards industry leveraging recent investments in innovation platforms anchored on the development of sustainable products and cutting-edge digital technologies to set new benchmarks in customer satisfaction, operational excellence and sustainability.

Packaging and Printing

Your Company's Packaging and Printing Business is a leading provider of superior, differentiated and innovative packaging solutions catering to a variety of functional and aesthetic requirements. The Business derives competitive advantage by leveraging world-class manufacturing infrastructure, including in-house cylinder making and blown film manufacturing lines, and a comprehensive capability-set spanning multiple technology platforms for high-end applications both for cartons and flexibles packaging. The recent capacity addition at Nadiad, Gujarat, with state-of-the-art equipment to cater to markets in Western region, has further augmented the Business' capabilities in Cartons packaging. Capacity utilisation at the facility was progressively ramped up during the year.

The Business caters to the packaging requirements of leading players across several industry segments viz. Food & Beverage, Personal Care, Home Care, Footwear, Consumer Electronics & Electricals, QSR, Pharma, Liquor and Tobacco. The Business also provides strategic support to your Company's FMCG Businesses and Cigarettes Business by facilitating faster turnaround for new launches, innovative packaging solutions, design changes, ensuring

security of supplies and delivering benchmarked international quality at competitive cost.

During the year under review, the packaging and printing industry witnessed several headwinds. Subdued demand in certain key end user industry segments, progressive de-cartonisation in the liquor industry and volatility in input costs rendered the operating environment extremely challenging. The Business continued to aggressively pursue new business development opportunities across segments and acquired several key accounts during the year which have significant potential to scale-up going forward.

Recognising the growing need for sustainable packaging, the Business continued to craft innovative packaging solutions leveraging its deep understanding of end-user needs and the capabilities of your Company's Life Sciences and Technology Centre. During the year, the flagship 'InnovPack' campaign was further scaled up. Collaborations with several end-use customers aided accelerated adoption of sustainable packaging and plastic substitution solutions. A pipeline of products developed through proprietary solutions such as 'Bioseal' (compostable coating to replace plastics), 'Oxyblock' (recyclable coating solution to enhance barrier properties in packaging) and 'Germ free coating' (solution for microbial free packaging surface addressing the consumer consciousness towards hygiene and safety) have been introduced, with increasing adoption levels across end use segments. The Business continues to focus on developing/scaling up several innovative solutions towards 'Reducing, Reusing and Recycling' of plastics; these are under various stages of commercialisation.

The recent capacity addition at Nadiad, Gujarat, with state-of-the-art equipment to cater to markets in Western region, has further augmented the Business' capabilities in Cartons packaging. Capacity utilisation at the facility was progressively ramped up during the year.

The Business continues to be acknowledged as a ‘first choice packaging partner’ by several reputed FMCG companies in the country for providing superior and cost-effective packaging solutions incorporating superior structural design, print embellishments, enhanced security features and design-for-recyclability.

The Business augmented cigarette packaging capacity by adding a gravure line in Nadiad. The Business has also invested in a custom-built line which will help expand offerings for sustainable packaging structures using barrier coatings.

The Business continues to deploy several operational excellence tools along with focused interventions in the areas of efficiency improvement, waste reduction, quality improvement and employee skill building.

All four units of the Business are certified as per the Integrated Management System, consisting of ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. Cartons Packaging lines at Tiruvottiyur and Haridwar units received the ‘Grade A’ and the Nadiad unit received Grade AA - Brand Reputation Compliance Global Standards (BRCGS) certification, for achieving global standards in packaging materials - a key enabler for supplies to the packaged foods industry.

During the year, the Business won the prestigious WorldStar awards in several categories of pack premiumisation, structural innovation & sustainability. The Business also won several national level awards such as the IFCA Star awards and SIES SOP Star Awards for excellence in Packaging. The Business was also awarded the Innovative Printer of the year 2023 & Packaging Converter of the Year 2023 (Foods & Beverages) awards by PrintWeek.

Notwithstanding the recent headwinds in the sector, the Indian packaging industry is poised for significant growth considering the low per capita packaging consumption of appx. 10 kgs per annum as against per capita consumption of 60 to 100 kgs per annum in Advanced Economies. Demand for consumer linked packaging in India is expected to be further benefited by rising affluence, favourable demographics and growing share of Modern Trade and e-Commerce. Additionally, increasing consumer awareness coupled with higher regulatory focus on plastic packaging is set to catalyse growth in sustainable packaging encompassing recyclable and circular solutions.

With world-class technology across a diverse range of platforms, leadership in sustainable packaging solutions and best-in-class quality management systems, the Packaging and Printing Business has established itself as a one-stop packaging solutions provider to several industry segments viz. Food & Beverage, Personal Care, Home Care, QSR, Footwear, Consumer Electronics, Pharma and Tobacco. With focused investments in skill development and a distributed manufacturing footprint, the Business is well positioned to grow its marquee customer base while continuing to service the requirements of your Company’s FMCG Businesses.

AGRI BUSINESS

Leaf Tobacco

Global demand for leaf tobacco surpassed supply during the year, in view of international manufacturers rebuilding inventory levels which had reduced due to crop shortages in previous years due to

The Indian packaging industry is poised for significant growth considering the low per capita packaging consumption of appx. 10 kgs per annum as against per capita consumption of 60 to 100 kgs per annum in Advanced Economies. Demand for consumer linked packaging in India is expected to be further benefited by rising affluence, favourable demographics and growing share of Modern Trade and e-Commerce. Additionally, increasing consumer awareness coupled with higher regulatory focus on plastic packaging is set to catalyse growth in sustainable packaging encompassing recyclable and circular solutions.

Report of the Board of Directors

pandemic-led disruptions and adverse weather events. Despite growth in Indian Flue Cured Virginia (FCV) tobacco crop production during the year, the surge in global demand caused heightened competitive intensity amongst leaf exporters resulting in sharp rise in FCV procurement prices for the second consecutive year.

The Business continued to leverage its crop development expertise, superior product quality, world-class processing facilities and strong sustainability credentials to strengthen its position as a reliable supply chain partner for global customers. During the year, the Business also increased its share of business with international buyers of Indian Burley tobacco by growing the crop size through geographic expansion leveraging its sustainable tobacco programme. Deeper farmer & customer engagement, operational agility and supply chain efficiency enabled the Business to deliver enhanced value to its customers and consolidate its pre-eminent position as the largest Indian exporter of unmanufactured tobacco.

The Business continues to make focused investments across the tobacco value chain anchored on the key vectors of Quality, Consistency, Compliance, Climate risk mitigation and Sustainability. Crop and region-specific agronomic practices continue to be deployed to cater to emerging customer requirements.

The Business continues to set benchmarks in leaf threshing operations through focused initiatives and innovative technological & digital solutions. Investments continue to be made in your Company's Green Leaf Threshing plants (GLT) at Anaparti, Chirala and Mysuru towards delivering world-class quality and upgrading processing technology.

Strategic cost management across the value chain continues to be a key focus area for the Business. Utilisation of the AI/ML powered real-time price discovery system continues to be scaled up facilitating efficient leaf tobacco buying across auction platforms. Several initiatives implemented across the value chain in recent years have led to improved operating efficiencies in areas of leaf procurement, capacity utilisation and supply chain.

Synergistic R&D initiatives with focus on varietal development, climate smart farming techniques, farm level digital interventions and usage of water efficient technologies are being scaled up towards enhancing productivity & product quality, reducing cultivation costs and strengthening resilience of the value chain in order to increase crop security and enhance farmer incomes.

The Business enabled farmers to successfully implement integrated energy management initiatives spanning energy conservation, increasing alternative fuel usage and energy plantations, towards achieving fuel self-sufficiency in the curing process of FCV tobacco. During the year, the Business also developed a comprehensive decarbonisation strategy covering Farms, GLTs & Supply Chain operations. The electrical energy needs of all three GLTs are substantially met from renewable sources in line with your Company's philosophy of adopting a low-carbon growth path. In addition to these initiatives, your Company is taking up integrated watershed management programmes to ensure availability of water for irrigation during critical phases of the crop cycle.

The Leaf Tobacco Business continued to leverage its crop development expertise, superior product quality, world-class processing facilities and strong sustainability credentials to strengthen its position as a reliable supply chain partner for global customers.

In recognition of its relentless commitment to the highest standards of Sustainability, EHS (Environment, Health, Safety) & Quality, the Business received several awards during the year including the award for 'Most Innovative Best Practices' from Confederation of Indian Industry (CII), 'AWS' Certification of its Mysuru GLT with Platinum rating from Alliance for Water Stewardship, various awards at events organised by the Quality Circle Forum of India and CII for operational excellence, etc.

During the year, Indian leaf tobacco crop witnessed growth in export demand, driven by post-pandemic consumption recovery, supply chain disruptions coupled with pipeline build-up by international manufacturers and lower global inventories due to extreme weather events in prior years. Domestic demand also increased during the year, with the recent stability in taxes on cigarettes, which enabled the legal cigarette industry in India to combat illicit trade, leading to higher domestic demand for Indian tobacco crop.

It is imperative to address certain structural factors to facilitate sustained growth and competitiveness of leaf tobacco exports from India. Punitive taxes on the legal cigarette industry in earlier years have resulted in elevated levels of illicit cigarette trade – impacting demand for Indian leaf tobacco as illicit products do not use significant levels of leaf tobacco grown in India. Lower export incentives in India and high import duty levied in several markets, including the USA and Europe, also continue to weigh on the competitiveness of Indian leaf tobacco exports.

As stated in earlier years, a more balanced regulatory and taxation regime that cognises for the unique tobacco consumption pattern prevalent in India and the economic realities of the country is the need of the

hour to support the Indian tobacco farmer and the 46 million livelihoods dependent on tobacco.

It is also imperative that the Indian leaf tobacco sector receives necessary policy support, including restoring export incentives to earlier levels, to enhance the competitiveness of unmanufactured tobacco exports from India and contribute to increase in farmer incomes. Your Company continues to engage with policy makers on these matters.

The Business will continue to provide strategic sourcing support to your Company's Cigarettes Business and consolidate its leadership position as a major exporter of quality Indian tobacco thereby catalysing the multiplier impact of increased farmer incomes on the rural economy. With its strong R&D capability, sustainability leadership, digital expertise, unique crop development & extension expertise, state-of-the-art processing facilities and deep understanding of customer & farmer needs, your Company is well positioned to meet the current and emerging requirements of global customers and sustain its position as a world-class leaf tobacco organisation.

Other Agri Commodities

Geopolitical tensions and climate emergencies have led to significant concerns over food security and food inflation globally as well as in India. To ensure India remains food secure, the Government has had to impose trade restrictions on agri commodities; consequently limiting business opportunities for your Company's Agri Business during the year.

As reported in earlier years, the scope and scale of operations of your Company's Agri Business have grown manifold over the years and currently

It is imperative to address certain structural factors to facilitate sustained growth and competitiveness of leaf tobacco exports from India. Punitive taxes on the legal cigarette industry in earlier years have resulted in elevated levels of illicit cigarette trade – impacting demand for Indian leaf tobacco as illicit products do not use significant levels of leaf tobacco grown in India.

Report of the Board of Directors

encompasses nearly 3 million tonnes of annual volume throughput in 22 states and over 20 agri-value chains. The strategic focus of the Business in recent years has been to accelerate growth by rapidly developing and scaling up Value-Added Agri Products (VAAP), straddling multiple value chains comprising Spices, Coffee, Frozen Marine Products and Processed Fruits amongst others. Amidst the extremely challenging operating environment as aforesaid, your Company leveraged its strong farm linkages, extensive sourcing expertise enabling traceable, attribute based and identity-preserved sourcing of agri-commodities, multi-modal logistics capability, agile supply chain operations, deep customer relationships and focus on scale-up of the VAAP portfolio to sustain business operations during the year.

- Your Company is a leading player in spices such as Chilli, Turmeric, Coriander and Cumin. In line with its strategy of enhancing value addition and ‘producing the buy’, the Business has, in recent years, scaled up its presence in ‘food safe’ markets viz. USA, EU and Japan, leveraging its key strengths such as identity-preserved sourcing expertise, strong backward integration, custody of supply chain and customer focused strategies. During the year, the Business consolidated its position as a preferred supplier in ‘food safe’ markets (private labels, steam sterilised, organic products etc.) leveraging deep customer relationships, portfolio augmentation and agile execution. The Business scaled up its Organic and Integrated Crop Management (ICM) programmes, thereby enhancing its ability to produce ‘food safe’ spices in a sustainable

manner. The Business continues to partner with various State Governments for production of ‘food safe’ spices and has maintained an unblemished track record over the years in terms of compliance with stringent food safety parameters. The Business continues to pursue sustainable farm management practices anchored on Rainforest Alliance and Global GAP accreditation.

Capacity utilisation of the state-of-the-art Spices processing facility in Andhra Pradesh has been ramped up to enable your Company to expand its customer base in food safe export markets, besides promoting inclusive spices value chains benefiting thousands of Indian farmers.

- During the year, Coffee prices witnessed sharp increase in the international markets primarily due to lower crop output in Vietnam. The tightness in supply, in anticipation of further price increases, resulted in lower export volumes of Indian Coffee. Notwithstanding these challenges, the Business registered strong growth in exports leveraging its strategic presence in key coffee producing regions of India, deep understanding of estate and region-specific varieties and focus on premium grades of Arabica, Certified Coffees, Specialty and Monsooned Coffee.
- Your Company is one of the leading exporters of value-added frozen marine products from India with expertise in processing individually quick-frozen (IQF), raw and cooked products, adhering to the highest standards of safety and hygiene prevalent in developed markets such as the US, EU and Japan. During the year, your

The scope and scale of operations of your Company’s Agri Business have grown manifold over the years and currently encompasses nearly 3 million tonnes of annual volume throughput in 22 states and over 20 agri-value chains.

Company has emerged as one of the top 3 exporters of frozen shrimps from India to the EU market by expanding its footprint in sustainably sourced shrimps leveraging the Aquaculture Stewardship Council (ASC) programme. The Business also provides sourcing support to the 'ITC Master Chef' range of 'Super Safe' frozen prawns in the domestic market and supplies high-quality shrimps to your Company's Hotels Business.

- In the Processed Fruits & Vegetables segment, the Business continues to expand its footprint in the fruit pulp and tomato paste categories through a robust network comprising a large number of small and marginal farmers in four states.
- The Business continues to focus on its strategy of moving up the value chain by scaling up its customised crop development and cultivation programme in Madhya Pradesh to further enhance its expertise in Medicinal and Aromatic Plant Extracts (MAPE). Collaborations with farmers are being strengthened with the Business providing necessary inputs, advisory, on-field support and enabling farmers to 'produce the buy'.

The Business remains focused on expanding its scope of operations across identified agri-commodities, including both fresh and processed products.

The Business is also scaling up end-to-end presence across the value chain, supported by the R&D capabilities of your Company's Life Sciences and Technology Centre, ITCMAARS network and external collaborations.

Towards enhancing the competitiveness of domestic agri-value chains, strengthening market linkages and building traceable & climate smart value chains,

your Company has successfully scaled up ITCMAARS – a crop-agnostic full stack AgriTech digital platform, together with a physical ecosystem, across ten states. The ITCMAARS 'Phygital' platform now spans more than 1,650 Farmer Producer Organisations (FPOs) encompassing more than 1.5 million connected farmers and several industry partners including agri input manufacturers, banks, financial institutions and agri-tech startups. By synergistically integrating NextGen agri technologies, ITCMAARS is developing a robust ecosystem to seamlessly deliver hyperlocal and personalised solutions to the Indian farming community leveraging world-class digital tools (including IoT) to develop new and scalable revenue streams, strengthen sourcing efficiencies and power your Company's world-class Indian brands.

The ITCMAARS platform provides hyperlocal e-market services for agri inputs and farm outputs, enables access to credit and provides a wide range of predictive and prescriptive advisory services covering weather forecasts, agronomy, best practices for improved productivity, quality assurance, etc.

The integration of these package of practices enables the agri ecosystem to make a transformational shift towards superior value creation for all stakeholders.

The ecosystem also provides access to sustainable Agri-inputs such as biologicals and nano-nutrients to farmers. New age functionalities such as 'KrishiMitra' – the world's first Gen AI based voice chatbot for farmers, enables innovative user-interface in vernacular languages deploying voice to text technology, thereby easing the adoption of digital technology by farming communities.

Your Company leveraged its strong farm linkages, extensive sourcing expertise enabling traceable, attribute based and identity-preserved sourcing of agri commodities, multi-modal logistics capability, agile supply chain operations, deep customer relationships and focus on scale-up of the Value-Added Agri Products (VAAP) portfolio to sustain business operations during the year.

Report of the Board of Directors

Over the years, your Company has invested significantly in building competitively superior agri-commodity sourcing expertise comprising multiple business models, wide geographical spread and customised infrastructure. Your Company is rapidly building expertise in data-science led decision support systems to deepen its sourcing capability. These include development of AI/ML models that dynamically respond to evolving conditions across multiple sourcing dimensions and aid in optimal sourcing decisions. These capabilities and infrastructure have created structural advantages by facilitating competitive sourcing of agri commodities for your Company's Branded Packaged Foods Businesses

- The Business continues to leverage its strong farm linkages and wide sourcing network across geographies to secure supplies of critical grades of wheat of benchmark quality towards meeting the growing requirements of 'Aashirvaad' atta. During the year, the Business further scaled up its strategic sourcing and supply chain interventions. These include focused crop development towards securing the right varieties for 'Aashirvaad' atta to provide consumers best-in-class product quality and experience, use of multi-modal transportation, cost optimisation through geographical and varietal arbitrage as also enabling supply of attribute based/identity preserved grades.
- Similarly, such capabilities are also being leveraged to source high-quality fruit pulp and frozen vegetables for your Company's 'B Natural' and 'Farmland' brands.
- Milk procurement network in Bihar and West Bengal was strengthened towards meeting the growing requirements of your Company's Fresh Dairy portfolio under the 'Aashirvaad Svasti' brand, and in Punjab for 'Sunfeast' Dairy Beverages. The network was expanded during the year to support the launch of the fresh dairy portfolio in Jharkhand. The Business continues to empower farmers by providing infrastructure such as automated milk collection units, milk chillers

and imparting best animal husbandry practices to improve operational efficiency, maintain high quality of milk, while ensuring traceability.

- The Business continues to scale-up sourcing of spices to meet the growing requirements of Sunrise and Aashirvaad brands.

In recognition of the various initiatives undertaken by the Business to enable an agile, resilient and responsive sourcing and supply chain, your Company was recognised for its excellence under the Food, Perishables, Beverages & FMCG category at the CII SCALE Awards, 2023. Your Company also secured first position in FICCI Sustainable Agriculture Awards 2023 for its programmes in Natural Resource Management and Climate Resilient Agriculture.

The Business continues to collaborate with reputed research organisations such as the Indian Agricultural Research Institute, Indian Institute of Wheat & Barley Research, Indian Institute of Rice Research, Indian Institute of Soybean Research, Indian Institute of Vegetable Research, Punjab Agricultural University and Agharkar Research Institute towards building an efficient and cost competitive agri-value chain. During the year, the Business further scaled up its crop development programmes and introduced location-specific, new and superior seed varieties along with appropriate package of practices in Rajasthan, Uttar Pradesh, Bihar, West Bengal, Punjab, Madhya Pradesh and Maharashtra. Sharp focus on deepening capabilities in proprietary crop intelligence, scaling up the sourcing & delivery network and developing customised blends will support your Company's Branded Packaged Foods Businesses in the years to come.

Your Company remains committed to supporting the Government's efforts to promote millets given their immense benefits in terms of nutritional properties and attributes as a planet friendly and climate resilient crop. Your Company has extended the ITCMAARS ecosystem to promote FPOs engaged in millets farming and has also partnered with the Indian Institute of Millets Research (IIMR), Hyderabad to

promote high yielding varieties and advanced package of practices among millet farmers.

Recognising that the agriculture sector faces colossal challenges of ensuring food security, addressing climate change and enhancing productivity & farm incomes, your Company has pioneered several interventions to strengthen the competitiveness and build resilience of agri value chains. A comprehensive Climate Smart Agriculture programme has been launched across 19 states to enable a transformation journey from Low Yield Low Resilient areas to High Yield and High Resilient villages through a package of agronomy practices, climate resilient varieties, precision farming, water management and appropriate mechanisation. Powering NextGen Agriculture, your Company has accelerated digital adoption in agriculture enabling farmers to benefit from its advanced solutions. Regenerative agri-practices, farm mechanisation and adoption of climate smart agriculture is bolstered by the efficient aggregation of farmers to future-ready FPOs.

Your Company's focus on exports has led to strategic investments in world-class facilities that help link farmers to global markets. The wide range of interventions of your Company in empowering farmers through climate resilient agriculture, natural resource augmentation, development of competitive agri-value chains, focus on VAAP, leveraging advanced digital technology and strong market linkages reflect your Company's commitment to catalyse a transformational shift of the agri eco system from the conventional production-centric to demand-responsive value chains, while also serving national priorities.

NOTES ON SUBSIDIARIES

The following may be read in conjunction with the Consolidated Financial Statements of your Company prepared in accordance with Indian Accounting Standard 110. Shareholders desirous of obtaining the Report and Accounts of your Company's subsidiaries may obtain the same upon request. Further, the Report and Accounts of the subsidiary companies is also available under the 'Investor Relations' section

of your Company's website, www.itcportal.com, in a downloadable format. Your Company's Policy for determination of a material subsidiary, as adopted by your Board, in conformity with Regulation 16 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, can be accessed on your Company's corporate website at <https://www.itcportal.com/material-subsi-dary-policy>. Presently, your Company does not have any material subsidiary.

Surya Nepal Private Limited

The Nepalese economy witnessed a slowdown in GDP growth to 1.9% during the fiscal year ended July 2023 as against the 5.6% growth in the previous year. The operating environment remained challenging with high inflation, low credit growth and high interest rates leading to subdued economic activity reflecting in muted performance across sectors.

The Central Bank's intervention through the new Monetary Policy, aimed at fostering economic growth, aided in progressive moderation of interest rates during the current fiscal year. Consumer price inflation eased to 4.8% in mid-March 2024 Vs. 7.4% in mid-July 2023, largely on account of moderation in commodity prices. Remittance inflows continue to be robust, growing at 18.8% during the period from July, 2023 to March, 2024 over the previous year. The tourism sector also continues to strengthen with tourist arrivals recovering to pre-COVID levels.

While the economy is on the path of gradual recovery from the macroeconomic stress witnessed since 2022, overall economic activity remains subdued and domestic demand, especially in the FMCG sector, remains weak. Private investment remained muted as evidenced by lower imports of capital and intermediate goods. Public consumption and investments also contracted, on the back of lower revenue collections. Measures towards encouraging domestic and foreign investments, incentivising the manufacturing sector to enable import substitution and job creation, supporting the hospitality sector with its large economic multiplier effect, on-ground implementation of reforms and

Report of the Board of Directors

promulgation of industry-friendly policies remain the key imperatives for sustained revival of the economy.

The legal cigarette industry provides livelihoods to over five lakh individuals involved in tobacco cultivation, manufacturing & trade and makes a significant contribution to the revenue collection of the Government of Nepal. Despite its far-reaching economic impact, the legal cigarette industry continues to face significant challenges from an increasingly punitive and discriminatory taxation and regulatory regime. The company continues to engage with policy makers for equitable, non-discriminatory, pragmatic, evidence-based regulations and taxation policies that balance the economic imperatives of the country and tobacco control objectives.

Amidst a challenging economic environment as aforesaid, the company reinforced its market standing in the Cigarettes business by leveraging its robust portfolio, superior product quality and wide distribution network. Differentiated and innovative offerings under 'Striker' and 'Surya' brands were launched during the year, further fortifying the portfolio.

The company's manufacturing systems continue to set new benchmarks in responsiveness, quality and productivity. Various initiatives such as installation of state-of-the-art technologies and process automation were implemented during the year, which further strengthened the manufacturing capability of the company. Relentless focus on developing world-class products anchored on innovation and benchmarked against international quality standards remains a key source of sustainable competitive advantage for the company.

During the year, the company continued to strengthen its market standing in the Agarbatti business, leveraging its differentiated product portfolio, sharply focused marketing investments and best-in-class product availability across target markets. New 'Marigold' offering introduced during the year, strengthened its presence in the premium segment.

During the year, the company forayed into the Biscuits category with the launch of premium biscuits under the trademark 'Sunfeast Dark Fantasy Choco Fills' licensed from your Company. A state-of-the-art biscuits manufacturing line has been commissioned at the company's facility near Biratnagar in eastern Nepal with commercial production commencing in August 2023. The brand has received encouraging consumer response.

In the Confectionery business, the company further augmented its portfolio through new launches such as 'Toffichoo Eclairs' and 'Toffichoo Cola Fun' and continues to make focused investments towards strengthening its market standing.

During the year, Surya Nepal Ventures Private Limited, a wholly-owned subsidiary of the company was incorporated to carry out manufacturing and distribution of FMCG products, commencing with Agarbattis. The company commenced operations in March 2024.

The company continues to make multi-dimensional contributions towards building the societal and economic capital of Nepal. In line with the applicable regulations and CSR policy, the company carried out initiatives under four distinct CSR Platforms, namely, Surya Nepal *Asha*, Surya Nepal *Prakriti*, Surya Nepal *Adharshila* and Surya Nepal *Gatha* during the year. Key interventions include:

- providing assistance to farmers in areas proximal to the company's operations,
- creation of agri-infrastructure such as vermicompost pits, harvesting sheds etc.,
- providing training to improve productivity and enhance income generation for farmers through animal husbandry,
- improvement in the quality of education in public schools in the vicinity of the company's operating locations,
- development of public infrastructure in the catchment areas of operating locations,
- assistance in various environment preservation measures like urban plantation and preservation of biodiversity,

- support in organising the largest Nepali literature festival and assistance in promotion and revival of the local Nepali folk musical instrument – ‘Sarangi’ through various training programs and workshops,
- supported the Nepal Army in its ‘Safa Himal Abhiyan’ initiative aimed at minimising the impact of environmental pollution by collecting degradable and non-degradable wastes strewn in the Himalayas.

During the year, the company recorded Revenue from Operations of NRs. 4979 crores (previous year NRs. 4953 crores) and Net Profit of NRs. 1118 crores (previous year NRs. 1088 crores).

The company declared a dividend of NRs. 563 per equity share of NRs. 100 each for the year ended 16th July, 2023 (31st Asadh, 2080), amounting to NRs. 1135 crores (previous year NRs. 516 per equity share amounting to NRs. 1040 crores).

The company continues to be the largest contributor to the exchequer in Nepal and is well-positioned to consolidate its leadership position by leveraging its robust portfolio of products, deep & wide distribution network, best-in-class manufacturing facilities and execution excellence. The company continues to explore opportunities to rapidly scale-up the newer FMCG businesses and evaluate emerging opportunities in this space.

ITC Infotech India Limited and its subsidiaries

The global technology industry witnessed a slowdown in growth in FY 2023-24 on the back of macro-economic and geo-political uncertainties. According to NASSCOM, the Indian IT Services Industry grew at only 2% in FY 2023-24, compared to 8.3% in the previous year. With companies rationalising their discretionary IT spend, cost-optimisation strategies continue to drive global technology spending.

In the backdrop of muted growth in the IT Services Industry, the company recorded robust revenue growth during the year driven by an expanded global footprint and capability-led partnerships across key clients. The business strategy remains centred around sustaining the organisational growth momentum

leveraging the core pillars of ‘Customer Centricity’, ‘Employee Centricity’ and ‘Operational Excellence’, augmented by inorganic growth levers aligning to strategic priorities of the Business. The company stayed relevant to the evolving business needs of its clients and co-invested in the growth and transformation agendas of key customers. With technology clients increasingly looking for strategic partners to streamline distributed portfolio of services and drive efficiencies, the company leveraged an integrated global service delivery structure and strengthened operational efficiencies through a structured delivery excellence framework.

The company continued to invest in institutionalising best-in-class delivery excellence and building focused capabilities to drive client relevance, scale and differentiation. The company’s portfolio of client and industry-focused capabilities include Data & Analytics, Direct to Consumer (D2C), Open Hospitality (Hotels-in-a-Box), PLM-led Digital Thread Solutions, Digital Manufacturing, SAP S/4 HANA, and Cloud amongst others. The company’s focus on large deals enabled it to strengthen its portfolio of capabilities, bolster its mid-term revenue growth prospects and expand globally. The company started a new Service Line – ‘DxP Services’ – pursuant to the Strategic Partner Agreement with PTC Inc. in FY 2022-23. The company has also won two multi-year, large strategic deals in FY 2023-24 from existing marquee clients.

Attracting, training and retaining high-quality talent, particularly in niche and future-focused technologies remains a top priority to succeed in the global technology landscape and support Business’ growth imperative. The company continues to foster an employee-centric, high-performance work culture, driving holistic well-being and growth as part of its comprehensive employee value proposition. The company continues to strengthen leadership through curated leadership development programs and employee competencies through domain & technology-led training and career development programs.

During the year, the company’s consolidated Total Income stood at ₹ 3784.17 crores (previous year

Report of the Board of Directors

₹ 3363.06 crores), clocking a resilient growth of 12.5% driven by its expanded global presence and the increasing traction in the company's strategic accounts. Profit Before Tax stood at ₹ 628.61 crores (previous year ₹ 529.66 crores) and Net Profit stood at ₹ 463.13 crores (previous year ₹ 405.25 crores). The aforesaid financial metrics are after considering certain costs associated with the Strategic Partner Agreement with PTC Inc., resource augmentation and accelerated investments in capability building in strategic focus areas and infrastructure.

For the year under review:

- a. ITC Infotech India Limited recorded Revenue from Operations of ₹ 2869.29 crores (previous year ₹ 2632.30 crores) and Net Profit of ₹ 382.21 crores (previous year ₹ 353.38 crores). The company paid a total dividend of ₹ 55.50 per Equity Share of ₹ 10/- each aggregating ₹ 488.40 crores (previous year ₹ 17.00 per Equity Share of ₹ 10/- each aggregating ₹ 149.60 crores).
- b. ITC Infotech Limited, UK, a wholly-owned subsidiary of the company, recorded Revenue of GBP 34.11 million (previous year GBP 30.30 million) and Net Profit of GBP 1.49 million (previous year GBP 1.45 million).
- c. ITC Infotech (USA), Inc., a wholly-owned subsidiary of the company, together with its wholly-owned subsidiary Indivate Inc., recorded Revenue of US\$ 158.58 million (previous year US\$ 149.28 million) and Net Profit of US\$ 6.69 million (previous year US\$ 4.68 million).
- d. ITC Infotech Do Brasil LTDA., a wholly-owned subsidiary of the company incorporated in October 2022, recorded Revenue of BRL 7.59 million (previous year BRL 1.37 million) and Net Profit of BRL 0.60 million (previous year BRL 0.12 million).
- e. ITC Infotech de México, S.A. de C.V., a wholly-owned subsidiary of the company incorporated in April 2023, recorded Revenue of MXN 5.90 million and Net Profit of MXN 0.75 million.
- f. ITC Infotech France SAS, a wholly-owned subsidiary of the company incorporated in February 2023, recorded Revenue of EUR 6.05 million and Net Profit of EUR 0.43 million.
- g. ITC Infotech GmbH, a wholly-owned subsidiary of the company incorporated in March 2023, recorded Revenue of EUR 14.25 million and Net Profit of EUR 2.80 million.
- h. ITC Infotech Malaysia SDN. BHD., a wholly-owned subsidiary of the company incorporated in February 2023, recorded Revenue of MYR 7.95 million and Net Profit of MYR 0.37 million.
- i. ITC Infotech Arabia Limited, a wholly-owned subsidiary of the company incorporated in December 2023 is expected to be fully operational in FY 2024-25.

The company's investments in building technology-led solutions and offerings in future-focused capabilities were acknowledged in global benchmarking reports across analyst firms. In FY 2023-24, the company was recognised as 'Disruptor' across several Avasant RadarView™ service provider benchmarking reports, including 'Digital CX Services', 'Data Management and Advanced Analytics', 'Manufacturing Smart Industry', 'Internet of Things', 'End-user Computing', 'Digital Workplace', and 'Intelligent Automation'. The company was recognised as 'Disruptor' by HFS in 'Horizons: Retail and CPG Service Providers, 2023'. The company received two ISG 'Star of Excellence™' Awards in the categories of 'Universal ISV/Cloud Vendor Ecosystem' and 'Industry Award for CPG + Retail'.

In April 2024, the company signed a definitive agreement to acquire 100% shareholding of Blazeclan Technologies Private Limited – a born-in-the-cloud consulting company providing Cloud services on AWS, Azure and GCP. The acquisition reiterates the company's commitment to help clients steer their digital transformation journey and deliver business outcomes built on the foundation of strong Cloud capabilities.

Going forward, the company will continue to invest in strengthening key client relationships to accelerate

their journey of growth and differentiation. The company will also expand its portfolio of technology-focused capabilities across select industry verticals and sharpen its alliance ecosystem with future-ready Software Vendors in identified capability areas such as Digital, Data & Analytics, Cloud, and Infrastructure Services amongst others. Investments in hiring and training the right talent would also be sustained, with a focus on strengthening the company's employee-centric, high-performance culture, driven by continuous learning. The company is poised to fulfil its vision of being a leading technology provider to global enterprises for building business friendly solutions.

Technico Agri Sciences Limited

During the year under review, potato production in India stood at 60.1 million MT, which was higher by 7% compared to the previous year. Availability of seed potatoes with farmers was also higher due to favourable weather conditions during the crop year 2022-23, leading to surplus stocks in cold stores and lower potato prices.

Leveraging its institutional strengths, the company continued to take proactive measures to consolidate its relationship with farmers, enter new potato growing markets and expand distribution in existing markets to achieve record high levels of seed sales during the year.

The company's leadership in production of early generation seed potatoes and strength in agronomy continue to support the 'Bingo!' range of potato chips of your Company and in servicing the seed potato requirements of the farmer base of your Company's Agri Business.

The company's Revenue from Operations stood at ₹ 323.95 crores (previous year ₹ 257.77 crores) with Net Profit of ₹ 37.81 crores (previous year ₹ 41.38 crores). Total Comprehensive Income for the year stood at ₹ 37.82 crores (previous year ₹ 41.42 crores).

The company continues to build on a strong foundation for the future and remains confident of effectively leveraging its deep domain expertise to fortify its market standing in the seed potato industry.

Technico Pty Limited and its subsidiaries

The company continues to focus on upgradation and commercialisation of its TECHNITUBER® Seed Technology and customising the agronomy practices for deployment across various geographies. Further, the company is also engaged in the marketing of TECHNITUBER® seed produced at the facilities of its subsidiary in China and Technico Agri Sciences Limited, India, a wholly-owned subsidiary of your Company, to global customers. For the year under review:

- a. Technico Pty Limited, Australia registered a turnover of Australian Dollars (A\$) 1.69 million (previous year A\$ 1.83 million) and a Net Profit of A\$ 0.81 million (previous year A\$ 1.04 million).
- b. Technico Technologies Inc., Canada has wound down its Seed Potato business operations and sold the assets related to the business during the year.
- c. Technico Asia Holdings Pty Limited, Australia, and Technico Horticultural (Kunming) Co. Limited, China – there were no significant events to report with respect to the above companies.

WelcomHotels Lanka (Private) Limited

WelcomHotels Lanka (Private) Limited (WLPL), a wholly-owned subsidiary of your Company, was incorporated in Sri Lanka in April 2012 with the objective of developing and operating a mixed-use development project ('Project') comprising a luxury hotel and a super-premium residential apartment complex situated on 5.86 acres of prime sea-facing land in Colombo.

The Project has been accorded the status of a 'Strategic Development Project' entitling the company to various fiscal benefits in Sri Lanka. Further, the Project is also exempt from Sri Lankan foreign exchange regulations.

Consequent to the IMF bailout programme and the various measures undertaken by the Government of Sri Lanka including restructuring and divestment of state-owned enterprises, tax reforms to boost government revenues etc., the Sri Lankan economy

Report of the Board of Directors

continues to be on the recovery path with tourist arrivals, worker remittances and forex reserves showing healthy growth with stability in the currency exchange rate and moderation in inflation. Discussions on restructuring of foreign debt are currently underway and the Government of Sri Lanka expects the same to be concluded shortly.

The company's hotel at Colombo, 'ITC Ratnadipa', situated along the shores of the Indian Ocean on one side and Beira Lake on the other, was inaugurated on 25th April, 2024 by the President of Sri Lanka in the presence of other dignitaries including the Prime Minister of Sri Lanka and the Indian High Commissioner to Sri Lanka. The hotel, a magnificent icon of responsible luxury with guest rooms, suites and service apartments each offering breathtaking views of the Indian ocean from private balconies, elegantly portrays Sri Lankan architecture and draws inspiration from the national flower of Sri Lanka, the floating water lily. Complementing its exquisite accommodations, ITC Ratnadipa shall also present nine signature dining destinations that offer a repertoire of local, national and global cuisine. The hotel is being operationalised in a phased manner.

Construction of the residential apartment complex is in the final stages and is expected to be completed in the first half of FY 2024-25. While the recent increase in tax rates on real estate has impacted the sales velocity of 'The Sapphire Residences' luxury apartments, the company expects the same to gain momentum given its unique positioning in the market and superior value proposition coupled with improved stability in the macro-economic environment and the launch of ITC Ratnadipa, in line with the trend in other mixed-use projects in Colombo.

Your Company's investment in WLPL stood at ₹ 3480 crores as at 31st March, 2024.

Landbase India Limited

The company owns and operates the Classic Golf & Country Club, a 27-hole Jack Nicklaus Signature Golf Course – which continues to enjoy strong brand equity with its members, guests and the golfing fraternity.

During the year, the Club reaffirmed its position as one of the leading golf courses in Asia and hosted various prestigious tournaments & events ranging from Junior, Professional and Corporate tournaments. The Club continues to be a member of the 'Asian Tour Destinations', which is an exclusive network of world-class golf venues with direct ties to the Asian Tour. The Club also hosted the European Challenge Tour Event, drawing participation from over 100 international players.

The Club registered robust increase in footfalls driving revenue growth during the year, with several initiatives to widen the membership base. These include initiatives to promote Junior Golf for young golfers as well as measures for promotion of the sport amongst corporates and communities in Delhi and NCR.

The company also owns 'ITC Grand Bharat', a 104-key all-suite luxury retreat at Gurugram, which has been licensed to your Company. The retreat, an oasis of unhurried luxury, is co-located with the Classic Golf & Country Club. During the year, 'ITC Grand Bharat' strengthened its position as one of the leading luxury wedding destinations in the country and was also the destination of choice for several milestone celebrations among leading corporates. The retreat was also chosen for the G20 Sherpa meet and proudly hosted diplomats from all G20 nations, an acknowledgement of the exceptional quality of hospitality offered by the hotel.

During the year ended 31st March, 2024, the company recorded Total Income of ₹ 44.01 crores (previous year ₹ 37.21 crores) and Net Profit of ₹ 10.00 crores (Previous year ₹ 9.68 crores). Total Comprehensive Income for the year stood at ₹ 10.00 crores (Previous Year ₹ 9.60 crores).

Srinivasa Resorts Limited

The company owns 'ITC Kakatiya' – a 188-key luxury hotel located in Hyderabad, which is operated and marketed by your Company. ITC Kakatiya is a USGBC LEED Platinum® Certified Hotel and is one of the finest luxury hotel and F&B destination in the

city. 'Dakshin' was adjudged the 'Best South Indian Premium Dining Restaurant' at the Times Food Guide Nightlife Awards 2024 for the 14th consecutive year.

The travel and tourism industry continues to remain buoyant on the back of rising demand and robust economic growth. The company is well-positioned to capitalise on the expected growth momentum leveraging its iconic cuisine brands and best-in-class service levels.

During the year, the company experienced a strong resurgence in demand, which led to consistent increase in average room rates and occupancy levels. The company invested in enhancing guest experience by upgrading its rooms to best-in class luxury levels.

During the year ended 31st March, 2024, the company recorded Total Income of ₹ 74.72 crores (previous year ₹ 72.46 crores) with Net Profit of ₹ 8.10 crores (previous year ₹ 7.55 crores). Total Comprehensive Income for the year stood at ₹ 8.15 crores (previous year ₹ 7.51 crores).

Fortune Park Hotels Limited

The company, which caters to the 'Mid-market to Upscale' segment through a chain of hotels under the brand 'Fortune', continues to forge new alliances and expand its footprint. During the year, eight new hotels with 500+ rooms commenced operations across the country and cater to both the business and leisure segments. The company has also signed up 12 new properties during the year, taking the total property count to 66 hotels with over 5,000 rooms across 55 cities in India. Of these, 51 hotels (with over 3,800 rooms) are in operation while the remaining 15 hotels (over 1,200 rooms) are in various stages of development, and are slated to be commissioned in the near term.

The company has been awarded multiple recognitions during the year including SATTE Award 2024 for 'Hotel chain of the year - Mid-market segment', Today's Traveller Awards 2023 for 'Premier Upscale Hotel chain' and India Travel Awards North 2023 for 'Best Upscale Hotel chain in India'.

During the year ended 31st March, 2024, the company recorded Total Income of ₹ 54.92 crores (previous year: ₹ 44.35 crores) and Net Profit of ₹ 11.22 crores (previous year: ₹ 5.34 crores). Total Comprehensive Income for the year stood at ₹ 11.09 crores (previous year ₹ 5.20 crores).

The Board of Directors of the company has recommended a dividend of ₹ 15.00 per Equity Share of ₹ 10 each for the year ended 31st March, 2024 (previous year ₹ 12.50 per Equity Share).

Bay Islands Hotels Limited

The company's hotel in Port Blair, licensed to your Company, continues to offer a unique gateway to the Andamans with its strategic location, excellent architectural design and superior product & service quality.

Tourism in the Andamans received impetus from completion of airport renovation and launch of a new terminal during the year. Increase in tourist footfalls has led to improvement in occupancy and increase in average room rates during the year.

During the year ended 31st March, 2024, the company recorded Total Income of ₹ 3.79 crores (previous year ₹ 2.75 crores) and Net Profit and Total Comprehensive Income of ₹ 2.70 crores (previous year ₹ 1.92 crores).

The Board of Directors of the company has recommended a dividend of ₹ 100.00 per Equity Share of ₹ 100 each for the year ended 31st March, 2024 (previous year ₹ 80.00 per Equity Share).

ITC Hotels Limited

ITC Hotels Limited was incorporated as a wholly-owned subsidiary of your Company in July, 2023 with its main object being hotels and hospitality business. The company has been incorporated to carry on the Hotels Business of your Company post its demerger, pursuant to a Scheme of Arrangement amongst your Company and ITC Hotels Limited and their respective shareholders and creditors under Sections 230 to 232 read with other applicable provisions of the

Report of the Board of Directors

Companies Act, 2013 ('the Scheme'). The Scheme was approved by the Board of Directors of your Company and ITC Hotels Limited at their respective meetings held on 14th August, 2023, subject to necessary approvals. As stated above, pursuant to Order of the Honourable National Company Law Tribunal, Kolkata Bench, a meeting of the Ordinary Shareholders of your Company has been convened on 6th June, 2024 for the purpose of considering, and if thought fit, approving the Scheme.

Wimco Limited

The company's business activities comprise fabrication and assembly of machinery for tube filling, cartoning, wrapping, material handling including conveyor solutions and engineering services for the FMCG and Pharmaceutical industries.

During the year, the company's order book remained muted amidst a challenging operating environment. The company's Revenue from Operations for the year stood at ₹ 3.47 crores (previous year ₹ 11.46 crores) with a Net Loss of ₹ 1.88 crores (previous year Net Profit of ₹ 0.16 crore). Total Comprehensive Income for the year stood at (-) ₹ 1.93 crores (previous year ₹ 0.21 crore).

North East Nutrients Private Limited

Your Company holds 76% equity stake in North East Nutrients Private Limited, which has set up a food processing facility in Mangaldoi, Assam, to cater to the biscuits market in Assam and other north-eastern states.

The company continues to focus on consistently improving operational efficiency and productivity. In recognition of its high standards of quality, the company received three Gold Awards at the 'Convention on Quality Concepts', 2023 organised by the Quality Circle Forum of India, Kolkata Chapter.

The company's Revenue from Operations for the year stood at ₹ 154.07 crores (previous year ₹ 160.69 crores), while Net Profit for the year was ₹ 14.90 crores (previous year ₹ 15.98 crores). Total Comprehensive Income for the year stood at ₹ 14.89 crores (previous year ₹ 16.14 crores).

For FY 2023-24, the Board of Directors of the company has recommended a final dividend of ₹ 2 per equity share of ₹ 10 each, aggregating ₹ 14.60 crores (previous year final dividend of ₹ 1.31 per equity share of ₹ 10 each, aggregating ₹ 9.56 crores).

ITC IndiVision Limited

ITC IndiVision Limited (IIVL) was incorporated as a wholly-owned subsidiary of your Company on 9th July, 2020. Construction of the company's facility situated near Mysuru, Karnataka, was completed during the year and the plant was commissioned in March 2024. The facility, set up primarily for manufacture and export of nicotine and nicotine derivative products, has the capability to produce purest nicotine derivatives conforming to US and EU pharmacopoeia standards. Customer trials and approval of product samples are currently underway.

During the year, the company recorded Total Income of ₹ 1.19 crores (previous year ₹ 0.01 crore) and Net Loss of ₹ 31.12 crores (previous year ₹ 1.68 crores), primarily on account of pre-operating revenue expenditure.

Your Company's investment in IIVL stood at ₹ 340 crores as at 31st March, 2024.

ITC Fibre Innovations Limited

The company was incorporated as a wholly-owned subsidiary of your Company in March 2023 with the objective of foraying into the Moulded Fibre Products space. Moulded Fibre Products, made from renewable natural fibres such as wood, bamboo, bagasse and waste paper, offer sustainable packaging solutions across industries including food service & delivery, pharmaceutical, beauty and electronics.

The company has set up a state-of-the-art manufacturing facility at Badiyakhedi, Madhya Pradesh, to pursue opportunities in this rapidly evolving space. The facility commenced commercial production in March 2024. For the period ended 31st March 2024, the company recorded Total Income of ₹ 1.26 crores with Net Loss of ₹ 3.56 crores. Your Company's investment in IFIL stood at ₹ 200 crores as at 31st March, 2024.

Russell Credit Limited

The company recorded Total Income of ₹ 60.91 crores (previous year ₹ 48.61 crores) and Net Profit of ₹ 39.39 crores (previous year ₹ 38.30 crores). Growth in Total Income was driven by increase in yield of the company's investments due to higher market interest rates during the year.

Total Comprehensive Income for the year stood at ₹ 442.67 crores (previous year ₹ 55.24 crores), reflecting higher mark-to-market gains from long-term strategic investments vis-a-vis the previous year. The company continues to closely monitor its investments in line with market interest rate movements and explore opportunities to make strategic investments for the ITC Group.

Temporary surplus liquidity of the company is mainly deployed in bonds, government securities, debt mutual funds, bank fixed deposits, certificate of deposits, etc. For FY 2023-24, the company declared final dividend of ₹ 0.30 per Equity Share of ₹ 10 each, aggregating ₹ 19.39 crores (previous year final dividend of ₹ 0.29 per Equity Share of ₹ 10 each, aggregating ₹ 18.75 crores).

Gold Flake Corporation Limited

The company holds 50% equity stake in ITC Filtrona Limited (Formerly known as ITC Essentra Limited).

During the year, the company recorded Total Income of ₹ 24.82 crores (previous year ₹ 19.97 crores) and Net Profit of ₹ 23.12 crores (previous year ₹ 18.42 crores). The company declared interim dividend of ₹ 14.10 per Equity Share of ₹ 10 each, aggregating ₹ 22.56 crores (previous year ₹ 11.30 per Equity Share of ₹ 10 each, aggregating ₹ 18.08 crores).

Greenacre Holdings Limited

The company provides maintenance services for commercial office buildings, engineering, procurement and construction management services, and project management consultancy services.

During the year, the company recorded Total Income of ₹ 11.61 crores (previous year ₹ 8.30 crores) and Net Profit of ₹ 2.82 crores (previous year ₹ 1.99 crores).

ITC Integrated Business Services Limited (formerly known as ITC Investments & Holdings Limited)

The company is in the business of providing support to the Business Shared Services operations of your Company.

During the year, the company recorded Total Income of ₹ 12.78 crores (previous year ₹ 0.65 crore) and Net Profit of ₹ 0.60 crore (previous year ₹ 0.04 crore).

MRR Trading & Investment Company Limited

The company, a wholly-owned subsidiary of ITC Integrated Business Services Limited, holds tenancy rights in a commercial building located in Mumbai and also provides estate maintenance services. During the year, the company recorded Total Income of ₹ 7.38 lakh (previous year ₹ 7.25 lakh) and Net Profit of ₹ 0.66 lakh (previous year ₹ 0.28 lakh).

Pavan Poplar Limited

The operations of the company continue to be adversely impacted pursuant to the Order of the Honourable High Court of Uttarakhand at Nainital in February 2014 dismissing the Writ Petition filed by the company against the Order of the District Magistrate authorising the State authorities to take possession of the land leased to the company. The appeal filed by the company against the aforesaid Order was admitted in April 2014 and the matter is pending before the Honourable High Court. During the year, the company recorded Total Income of ₹ 0.14 crore (previous year ₹ 0.12 crore) and Net loss of ₹ 0.03 crore (previous year loss of ₹ 0.03 crore).

Prag Agro Farm Limited

The operations of the company continue to be adversely impacted pursuant to the Order of the Honourable High Court of Uttarakhand at Nainital in February 2014 dismissing the writ petition filed by the company against the Order of the District Magistrate authorising the State authorities to take possession

Report of the Board of Directors

of the land leased to the company. The appeal filed by the company against the aforesaid Order was admitted in April 2014 and the matter is pending before the Honourable High Court. During the year, the company recorded Total Income of ₹ 0.10 crore (previous year ₹ 0.11 crore) and Net loss of ₹ 0.02 crore (previous year net loss of ₹ 0.05 crore).

NOTES ON JOINT VENTURES

ITC Filtrona Limited (formerly known as ITC Essentra Limited) – a joint venture of Gold Flake Corporation Limited

The company registered strong growth during the year aided by agility in execution and effective customer service, despite significant volatility in the supply chain for certain input materials.

The company retained its leadership position in the industry and remain the preferred supply chain partner for several well-known national brands. The company continues to leverage its core strengths of focused innovation, best-in-class quality, consistent delivery and strong customer relationships.

The company continues to partner with its customers and invest in technology upgradation and capability building towards sustaining its position as the 'innovation and quality benchmark' in the Indian cigarette filter industry. The company expanded its specialty filters manufacturing capacity during the year in line with its strategy of offering a wide range of innovative products to its customers.

During the year ended 31st March, 2024, the company's Revenue from Operations stood at ₹ 743.45 crores (previous year ₹ 545.66 crores). Net Profit during the year stood at ₹ 80.80 crores (previous year ₹ 64.77 crores).

The Board of Directors of the company has recommended a dividend of ₹ 100 per equity share of ₹ 10 each for the year ended 31st March, 2024 (previous year ₹ 100 per equity share).

Maharaja Heritage Resorts Limited

Maharaja Heritage Resorts Limited (MHRL), a joint venture of your Company with Jodhana Heritage Resorts Private Limited, currently operates 38 properties across 14 States/Union Territories in India under the 'WelcomHeritage' brand. During the year, the company has added three new hotels.

The company's portfolio consists of palaces, forts and resorts in popular historical, nature and wildlife destinations, providing guests with distinct and differentiated experiences.

During the year, your Company purchased the entire investment in MHRL held by Russell Credit Limited, a wholly-owned subsidiary, consequent to which your Company's shareholding in MHRL aggregated 50% of its paid-up share capital.

During the year ended 31st March, 2024, the company recorded Total Income of ₹ 8.12 crores (previous year ₹ 7.20 crores) and Net Profit of ₹ 0.93 crores (previous year ₹ 0.51 crores).

Total Comprehensive Income for the year stood at ₹ 0.90 crores (previous year ₹ 0.49 crores).

Espirit Hotels Private Limited

Espirit Hotels Private Limited (EHPL) was set up as a joint venture between your Company and the Ambience Group, Hyderabad, for developing a luxury hotel complex at Begumpet, Hyderabad. Your Company held 26% equity stake in EHPL with a total investment of ₹ 46.51 crores as at 31st March, 2023.

As reported in prior years, the JV partner had been citing concerns about the viability of the project and expressed inability to make further financial commitments, pursuant to which, your Company had been exploring options regarding its investment in the Joint Venture.

On 7th April, 2023, your Company divested its entire shareholding i.e. 26% of the paid-up share capital, held in EHPL, consequent to which EHPL ceased to be a joint venture of your Company with effect from the said date.

Logix Developers Private Limited

Logix Developers Private Limited (LDPL) is a joint venture between your Company and Logix Estates Private Limited for developing a luxury hotel-cum-service apartment complex at the company's leasehold site located at Sector 105 in New Okhla Industrial Development Authority (NOIDA). Your Company presently holds 27.9% equity stake in LDPL.

As reported in prior years, your Company reiterated its position with the JV partner that it was committed to developing a luxury hotel-cum-service apartment complex as envisaged under the JV Agreement and that it was not interested in progressing with any alternative project plans proposed by the JV partner.

However, the JV partner refused to progress the project and instead expressed its intent to exit from the JV by selling its stake to your Company. Subsequently, the JV partner proposed that both parties should find a third party to sell the entire shareholding in LDPL. In view of these developments, your Company had filed a petition before the erstwhile Company Law Board submitting that the affairs of the JV entity were being conducted in a manner that was prejudicial to the interest of your Company and the JV entity. The matter is currently before the National Company Law Tribunal (NCLT). The JV partner had also filed a petition before the Honourable Delhi High Court for winding up the JV company, which was transferred to the NCLT by the Honourable Delhi High Court. The matter was heard before the NCLT on several occasions in the past but could not be concluded. On 21st January, 2020, the matter was assigned to a new bench, post which hearings on the matter are being held.

In July 2022, LDPL received a communication from NOIDA authorities intimating cancellation of the sub-lease for the land on which the project was to be constructed on account of non-payment of lease

instalments and non-fulfilment of the conditions of the sub-lease, including forfeiture of the amount deposited. The company is evaluating all options to pursue its rights in the matter. Consequently, as a matter of prudence, the company had derecognised the leasehold land/assets as well as adjusted/reversed the lease liabilities towards NOIDA in accordance with the terms of the sub-lease deed, in its financial statements for the year ended 31st March 2022.

During the year ended 31st March, 2024, the company recorded a Net Profit of ₹ 0.21 crore (previous year ₹ 0.16 crore). The Net Worth of the company stood at ₹ 5.31 crores as at 31st March, 2024 (previous year ₹ 5.10 crores).

Your Company's total investment in LDPL was ₹ 41.95 crores. Your Company had made provision of the entire investment amount as diminution in the carrying value of investment in the previous years and consequently the carrying value of your Company's investment in LDPL as at 31st March, 2024, is Nil.

The financial statements of LDPL for the year ended 31st March, 2024, are yet to be approved by its Board of Directors. In the absence of audited financial statements of LDPL, the Consolidated Financial Statements of your Company for the year ended 31st March, 2024, have been prepared based on the financial statements prepared by the management of LDPL.

NOTES ON ASSOCIATES

ATC Limited (an associate of Gold Flake Corporation Limited)

The company is a contract manufacturer of cigarettes. The company has continued to maintain high levels of operational efficiency and benchmark quality in its manufacturing operations to service its customers. During the year, the company received 'FICCI Gold Award for Excellence in Safety Systems', 'Star Award of Occupational Health, Safety and Environment Excellence from National Safety Council', Tamil Nadu

Report of the Board of Directors

and 'IGBC Green Factory Building – Platinum' Recertification.

International Travel House Limited (ITHL)

The company provides complete business travel management solutions including air ticketing, car rental services, hotel arrangements, meetings & events as well as leisure travel and foreign exchange. The sector witnessed robust growth during the year with domestic air travel exceeding pre-pandemic levels. The company's revenue also surpassed pre-COVID levels driven by higher business volumes and improved yields. Further, focused interventions in recent years to optimise the cost structure have enabled improvement in margins. The company continues to provide mobility services with exemplary standards of safety and hygiene and is expanding its fleet of electric vehicles in line with its initiatives towards embedding sustainability in operations. Multiple digitalisation projects were implemented across mobility & travel related services to enhance productivity, efficiency and improve customer experience.

During the year, your Company purchased the entire investment in ITHL held by Russell Credit Limited, a wholly-owned subsidiary, consequent to which your Company's shareholding in ITHL aggregated 48.96% of its paid-up share capital.

The Board of Directors of the company has recommended a dividend of ₹ 5.00 per Equity Share of ₹ 10 each for the year ended 31st March, 2024 (previous year ₹ 3.50 per equity Share).

Gujarat Hotels Limited

The company's hotel, 'Welcomhotel Vadodara', is operated by your Company under an Operating License Agreement.

The Board of Directors of the company has recommended a dividend of ₹ 2.50 per Equity Share of ₹ 10/- each for the year ended 31st March, 2024 (previous year ₹ 2.00 per Equity Share).

Delectable Technologies Private Limited

Delectable Technologies Private Limited (Delectable) is, inter alia, engaged in the sale of FMCG products leveraging app-based technology through vending machines, primarily installed across office locations. During the year, your Company invested ₹ 3.50 crores in the Equity capital of Delectable. Consequently, your Company's shareholding in Delectable increased to 39.32% (previous year 33.42%) on a fully diluted basis. The company continues to expand its footprint through installation of new vending machines.

Sproutlife Foods Private Limited

Your Company fortified its presence in the fast growing, nutrition-led health food space with a strategic investment in Sproutlife Foods Private Limited (Sproutlife), which owns the 'Yogabar' brand. During the year, investment in Sproutlife was made in two tranches aggregating ₹ 225 crores taking the overall stake of your Company in Sproutlife to 44.74% on a fully diluted basis.

The brand continues to garner robust traction across its target markets and customer segments. Apart from growing its core categories of Muesli and Bars, the company also expanded its healthy snacking portfolio with launch of several differentiated offerings including an oats range, corn flakes, dry fruits and 'no-maida' choco cereal. Additionally, the company also launched Yoga Baby - a range crafted to meet the nutritional needs of children with recipes inspired by the traditional knowledge and wisdom of grandmothers.

Mother Sparsh Baby Care Private Limited

Mother Sparsh Baby Care Private Limited (Mother Sparsh), is a premium ayurvedic and natural personal care brand in the D2C space offering a wide range of personal care products inspired by a blend of traditional values, practices and products with focus on baby and mother care segments.

During the year, your Company invested ₹ 11.54 crores in Mother Sparsh; consequently your Company's stake

now stands at 26.5% (previous year 22%) on a fully diluted basis. Cumulative investment in Mother Sparsh stood at ₹ 45 crores as at 31st March, 2024.

Associates of Russell Credit Limited

Russell Investments Limited, Divya Management Limited and Antrang Finance Limited

The above companies are associates of Russell Credit Limited. These companies are Non-Banking Financial Companies (NBFCs) registered with the Reserve Bank of India and continue to explore opportunities for strategic investments.

For further details on performance of the above-mentioned associate companies, please refer to Form AOC-1 (Statement containing salient features of the financial statements of Subsidiaries / Associate companies / Joint Ventures), forming part of the Report and Accounts.

INTERNAL FINANCIAL CONTROLS

The Corporate Governance Policy guides the conduct of affairs of your Company and clearly delineates the roles, responsibilities and authorities at each level of its three-tiered governance structure and key functionaries involved in governance. The ITC Code of Conduct commits management to financial and accounting policies, systems and processes. The Corporate Governance Policy and the ITC Code of Conduct stand widely communicated across the enterprise at all times and together with the Strategy of Organisation, Planning & Review Processes and the Risk Management Framework provide the foundation for Internal Financial Controls with reference to your Company's Financial Statements.

Such Financial Statements are prepared on the basis of the Significant Accounting Policies that are carefully selected by management and approved by the Audit Committee and the Board. These Policies are supported by the Corporate Accounting and Systems Policies that apply to the entity as a whole to implement the tenets of Corporate Governance

and Significant Accounting Policies uniformly across your Company. The Accounting Policies are reviewed and updated from time to time. These, in turn, are supported by a set of Divisional policies and Standard Operating Procedures (SOPs) that have been established for individual Businesses.

Your Company uses Enterprise Resource Planning (ERP) systems as a business enabler and also to maintain its books of accounts. The SOPs, in tandem with transactional controls built into the ERP systems, ensure appropriate segregation of duties, tiered approval mechanisms and maintenance of supporting records. The Information Management Policy reinforces the control environment. The systems, SOPs and controls are reviewed by Divisional management and audited by Internal Audit, whose findings and recommendations are reviewed by the Audit Committee and tracked through till implementation.

Your Company has in place adequate internal financial controls with reference to the Financial Statements. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial information; complying with applicable statutes; safeguarding assets from unauthorised use; ensuring that transactions are carried out with adequate authorisation and complying with Corporate Policies and Processes. Such controls have been assessed during the year, after taking into consideration the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by The Institute of Chartered Accountants of India. Based on the results of such assessment carried out by management, no reportable material weakness or significant deficiency in the design or operation of internal financial controls was observed. Nonetheless, your Company recognises that any internal control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

Report of the Board of Directors

RISK MANAGEMENT

As a diversified enterprise, your Company 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 opportunities in domestic and international markets, developing capabilities and competencies for the future in order to enhance competitiveness and win in the markets of tomorrow. Accordingly, management of risk has always been an integral part of your Company's 'Strategy of Organisation' and straddles its planning, execution and reporting processes & systems. Backed by strong internal control systems, the current Risk Management Framework consists of the following key elements:

- The Corporate Governance Policy, approved by the Board, clearly lays down the roles and responsibilities of the various entities in relation to risk management covering a range of responsibilities, from the strategic to the operational. These role definitions, inter alia, provide the foundation for appropriate risk management procedures, their effective implementation across your Company and independent monitoring and reporting by Internal Audit.
- The Risk Management Committee, constituted by the Board, monitors and reviews the strategic risk management plans of your Company as a whole and provides necessary directions on the same.
- The Corporate Risk Management Cell, through focused interactions with Businesses, facilitates the identification and prioritisation of strategic and operational risks, development of appropriate mitigation strategies and conducts periodic reviews of the progress on the management of identified risks.
- A combination of centrally issued policies and Divisionally-evolved procedures brings robustness to the process of ensuring 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.
- Foreign currency exposures continue to be managed within the framework of the Forex Manual.
- 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 your 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.
- A robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives based on effective strategy implementation. The annual planning exercise requires all Businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountabilities. Businesses are required to confirm periodically that all relevant risks have been identified, assessed, evaluated and that appropriate mitigation plans have been implemented.

Your Company endeavours to continuously sharpen its Risk Management systems and processes in line with a rapidly changing business environment. In this regard, it is pertinent to note that some of the

key Businesses of your Company have adopted the ISO 31000 Risk Management Standard and accordingly, the Risk Management systems and processes prevalent in these Businesses have been independently assessed to be compliant with the said global Standard. During the year, the large categories within the Branded Packaged Foods Businesses were assessed for compliance with ISO 31000 Risk Management Standard. With this, most Businesses of your Company have been assessed for such compliance. The centrally anchored initiative of conducting independent external reviews of key business processes with high 'value at risk' continued during the year. These interventions continue to provide further assurance on the robustness of risk management practices prevalent in your Company.

Recognising Digital as a megatrend shaping the future, your Company remains focused on building a dynamic 'Future-Tech' enterprise powered by state-of-the-art digital technologies and infrastructure across the value chain adding significant impetus to digital marketing, digital commerce and digital operations. Your Company has made several interventions straddling strategic impact areas such as Intelligent new-age insights that reimagine Consumer Experience, Business Model Transformation, Smart Operations and Employee Experience, which continue to be scaled up across your Company. Cutting-edge digital technologies such as Internet of Things (IoT), Cloud, Data Analytics, Artificial Intelligence, Machine Learning, Augmented/Virtual Reality, Robotic Process Automation, mobile applications etc., are being embraced by your Company's Businesses. Cumulatively, these are resulting in changes in the risk profile of your Company in a heightened cyber threat environment. The ever-evolving nature of cyber threats and the increasing sophistication of attackers make cyber security risk management a critical focus area for the organisation.

A Cyber Security Committee, chaired by the Chief Information Officer, is in place to provide specific focus on cyber security related risks, with the primary

responsibility of tracking emerging practices & technologies and providing suitable recommendations for enhancing security of the IT systems and infrastructure.

A multi-tier cyber defence architecture comprising firewalls, anti-virus and anti-malware systems is in place to detect, protect and respond to cyber incidents at various access and data processing points across the organisation. The security policies and practices of the organisation are built on industry standard frameworks such as NIST Cyber Security Framework and ISO 27001. The robustness of the security posture is also premised on end user awareness of safe and secure practices.

In the previous year, a maturity assessment of your Company's cyber security architecture was undertaken by a global network and security solutions provider. The study found that your Company's cyber security systems and processes are on par with global leaders and outperformed local peers.

Further interventions are underway to enhance surveillance and response capabilities with augmentation of cutting-edge technologies and skills of a NextGen Cyber Security Operations Centre (SOC). With progressive transitioning of mission-critical data and transaction processing workloads to the Cloud, the network infrastructure of the organisation is also being transformed using contemporary network and security technologies into a Digital-Ready, Cloud-Secure wide area network, to provide all authorised users fast, reliable and safe connections from anywhere through any device and at any time.

Information Technology-Operational Technology (IT-OT) integration for Industrial Control Systems has been identified as a focus area as the convergence and integration between IT and OT is increasing exponentially. Related guidelines have been formulated towards ensuring that your Company's systems & processes remain contemporary and have best-in-class capabilities. In this regard, a Continuous Threat Detection and Response (CTDR) platform is in the process of being progressively rolled out across

Report of the Board of Directors

your Company that will provide real-time monitoring and analysis of network traffic, system logs and other data sources to detect and respond to cyber threats.

The use of Artificial Intelligence (AI) is becoming increasingly prevalent in various business domains. As the technology and its applications continue to evolve, guidelines for AI security governance are being implemented to ensure that its usage is secure and adheres to emerging safety, privacy and regulatory standards.

India ranks amongst the most vulnerable countries in the world in terms of climate change impact. Accordingly, to mitigate the impact of climate change on the operations of your Company, as part of its Sustainability 2.0 vision, your Company is pursuing a multi-pronged climate strategy that entails extensive decarbonisation and building resilience against climate risk across the value chain. Your Company's low carbon growth approach focuses on increasing the share of renewable energy, improving energy productivity, construction of green buildings, greening logistics, optimising 'distance-to-market' and promoting regenerative agriculture practices in agri-value chains, thus enabling transition to a net zero economy. At the same time, your Company is actively working towards climate proofing its operations and agri-value chains by using latest climate risk modelling techniques, and developing site-specific adaptation strategies.

Water stress – a critical fallout of climate change – is being systematically managed by your Company's integrated water stewardship approach. This approach addresses water risk at the catchment level by focusing on demand side management (i.e. improving water use efficiency in operations and promoting water-efficient agronomical practices) as well as supply side measures (including managed aquifer recharge and soil & moisture conservation measures). Interventions in this regard have been implemented across your Company's Units in water stressed areas and key agri catchments.

Your Company sources several commodities for use as inputs in its Businesses and engages in

agri-commodity trading as part of its Agri Business. In respect of commodities sourced for use as inputs in its Businesses, your Company has well laid out policies to manage risks arising out of the inherent price volatility associated with such commodities. This includes robust mechanisms for monitoring market dynamics towards making informed sourcing decisions, well defined inventory holding norms based on considerations such as seasonality and the strategic nature of the commodity concerned, long-term contracts with suppliers and continuous diversification of the supplier base to secure supply of critical items at competitive costs. Multiple sourcing models, wide geographical spread, extensive sourcing and supply chain network and associated infrastructure in key growing areas coupled with deep-rooted farmer linkages and use of digital technologies ensure sourcing of high quality agri-commodities at competitive costs.

In respect of Agri-commodity trading, your Company has a well defined policy to manage risks associated with sourcing of such commodities. This includes:

- segregation of duties and robust internal controls through a system of checks and balances embedded in the organisation and governance structure;
- clearly defined limits for trading positions (long and short) and net cash loss for specific commodities/commodity groups;
- mitigation of price, liquidity and counter party risks through hedging on commodity exchanges (mainly NCDEX) for certain commodities, as applicable. Correlation between prices prevailing in the physical market and those on the commodity exchange is analysed regularly to ensure effectiveness of hedging;
- robust monitoring and review mechanisms of net open positions and 'value at risk';
- ECGC cover for exports (covering commercial & political risks) and credit insurance for large domestic customers.

The combination of policies and processes as outlined above adequately addresses the various risks associated with sourcing of commodities for your Company's Businesses.

Your Company's strategy of backward integration in sourcing of agri-commodities such as wheat, potato, fruit pulp, spices, milk and leaf tobacco; in-house manufacturing of paperboards, paper and packaging (including pulp production and print cylinder making facilities); wood procurement from the economic vicinity of the Bhadrachalam unit, facilitates access to critical inputs at benchmark quality and competitive cost besides ensuring security of supplies. Further, each of your Company's Businesses continuously focuses on product mix enrichment and yield improvement towards protecting margins and insulating operations from spikes in input prices.

The Risk Management Committee met thrice during the year and was updated on the status and effectiveness of the risk management plans. The Audit Committee was also updated on the effectiveness of your Company's Risk Management systems and policies.

The risk management practices of your Company, as reviewed through the Risk Management Cell and Internal Audit processes, have been found to be relevant and commensurate with the size and complexity of its operations.

AUDIT AND SYSTEMS

Your Company believes that strong internal control systems that are commensurate with the scale, scope and complexity of its operations are concomitant to the principle of governance that freedom of management should be exercised within a framework of appropriate checks and balances.

Your Company remains committed to ensuring a mature and effective internal control environment that, inter alia, provides assurance on orderly and efficient conduct of operations, security of assets, prevention and detection of frauds/errors, accuracy and completeness of accounting records and Management Information Systems, timely preparation of reliable financial information, adherence with relevant statutes and compliance with related party transactions.

Your Company's internal control systems include documented policies and procedures, segregation of duties and careful selection and development of employees.

Your Company's independent and robust Internal Audit processes, both at the Business and Corporate level, provide assurance on the adequacy and effectiveness of internal controls, compliance with operating systems, internal policies and regulatory requirements. The role of Internal Audit is to enhance and protect organisational value by providing risk-based assurance, advice and insight while enabling continuous improvement of your Company's control systems.

The Internal Audit function, consisting of professionally qualified accountants, engineers and Information Technology (IT) specialists, is adequately skilled and resourced to deliver audit assurances at highest levels. Targeted Learning and Development programmes on contemporary topics are periodically organised to enhance knowledge and skill sets.

In the context of your Company's IT environment, systems and policies relating to Information Management are periodically reviewed and benchmarked for contemporariness. Compliance with the Information Management policies receives focused attention of the Internal Audit function.

With the increased importance of information security, cyber security and adoption of emerging technologies, focused reviews are carried out for IT applications and processes across Businesses. These primarily focus on assessment of controls pertaining to confidentiality, integrity and availability of business information and systems covering General IT Controls and security of your Company's IT Infrastructure. All critical Business-led Information Technology systems undergo pre-implementation audit before being deployed in the operating environment, thereby delivering assurance with respect to the rigour of implementation and operational readiness of the proposed systems.

The scope and coverage of Internal Audit remains contemporary and cognises, inter alia, for the rapid digitalisation of your Company's business operations. In recent years, Internal Audit has enhanced focus on systems and controls pertaining to your Company's digital assets including brand websites, social media

Report of the Board of Directors

handles, mobile and cloud applications, IT-OT integration, and protection of sensitive personal data and information.

Qualified engineers in the Internal Audit function review the quality of design, planning and execution of all ongoing projects involving significant expenditure to ensure that project management controls are adequate and yield 'value for money'. Internal Audit continues to use state-of-the-art tools and technology for conducting project audits.

In line with your Company's 'Digital First' Strategy, the Internal Audit function has evolved into an agile, multi-skilled and technology enabled function to provide assurance at the highest levels along with valuable insights towards strengthening systems and controls. Processes in the Internal Audit function continue to be strengthened for enhanced effectiveness and productivity by leveraging best-in-class tools for audit analytics, intelligent automation and AI-enabled BOTs. A Digital Audit Management System was implemented during the year for end-to-end digitalisation of audit life cycle management, thereby enhancing the efficiency and productivity of the function.

Your Company's Internal Audit processes are certified as complying with ISO 9001:2015 Quality Standards. Further, systems and processes are in accordance with the Standards on Internal Audit (SIA) issued by The Institute of Chartered Accountants of India.

The Audit Committee of your Board met eight times during the year. The Terms of Reference of the Audit Committee, inter alia, include reviewing the effectiveness of the internal control environment, evaluation of your Company's internal financial controls and risk management systems, monitoring implementation of the action plans emerging out of review of significant Internal Audit findings including those relating to strengthening of your Company's risk management systems and discharging of statutory mandates. Material observations (as defined in Terms of Reference) are reviewed at the highest level by the Audit Compliance and Review Committee (ACRC) and the Audit Committee.

HUMAN RESOURCE DEVELOPMENT

The talent management strategy of your Company is to attract, retain and develop human capital that enables your Company to sustain its position as one of India's most valuable corporations, remaining customer-centric, nimble and performance driven whilst continuing with its mission of building a responsible 'Future-Tech' enterprise. Your Company's thought, strategy and action are inspired by a larger purpose of being an exemplary Indian enterprise that not only delivers superior competitive performance, but also embeds sustainability and inclusiveness at the core of its Businesses. This approach enables your Company to delight consumers and customers with a vibrant portfolio of industry leading products and services while generating enduring value for the Indian economy and the larger community of stakeholders. Your Company's employees relentlessly strive to deliver world-class performance, collaborating with each other and discharging their role as 'trustees' of all stakeholders. Your Company is committed to perpetuating this vitality – its growth as a value generating engine and also as an exemplary institution – so that it continues to succeed in its relentless pursuit of creating enduring value.

Your Company's Human Resources development approach spans four key organisational dimensions of Agility, Alignment, Ability and Architecture which are supported through strategies crafted in areas of impact such as talent acquisition, engagement, diversity & inclusion, capability building, employee relations, performance & rewards and employee well-being. The initiatives and processes of your Company strive to deliver the unique talent promise of 'Building Winning Businesses, Building Business Leaders and Creating Value for India'. The talent development practices help create, foster and strengthen the capability of human capital to deliver critical outcomes on the vectors of strategic impact, operational efficiency and capital productivity while reimagining consumer experience, driving business model transformation and enhancing employee experience.

Your Company's 'Strategy of Organisation' is designed to promote agility through a culture and

practice of distributed leadership enabled by a three-tier governance structure. This is manifested in market and consumer facing Businesses, which are driven by empowered, cluster-based teams and supported by shared assets and capabilities, enabling strategic relevance, speed, responsiveness, and operational excellence. This approach allows Businesses, through their Management Committees, to focus, develop and execute Business Plans relevant to their product-market spaces while leveraging the institutional strengths of your Company and harvesting internal synergies.

The year under review witnessed a significant shift towards a more agile, tech-savvy and people-centric approach to talent management. Key talent trends include a continued focus on hybrid work arrangements, an increased emphasis on Diversity, Equity & Inclusion initiatives, the adoption and integration of digitisation and automation tools to enhance productivity and application of AI tools across workstreams including talent acquisition, employee sentiment analysis and employee query resolution. Companies are also prioritising employee well-being & mental health support, and designing an inclusive & flexible work environment to attract and retain top talent. Industry attrition levels decreased during the year and are expected to continue to be low in most sectors.

Your Company's unique employer equity as an exemplary Indian enterprise creating world-class brands, building business leaders and generating economic, social and environmental capital for the Indian economy, continues to play a pivotal role in the attraction and retention of high-quality talent. The management trainee programme, augmented with recruitment of experienced talent from the market, is an integral part of building a deep pipeline. Your Company continues to draw the finest management, technical and commercial talent from premier institutions in the country and is ranked amongst the leading companies in these institutions. Intensive engagement with the country's premier academic institutions over the years to communicate your Company's talent proposition through

case-study competitions, knowledge-sharing programmes by senior managers, on-ground exposure and factory visits for students and the annual internship programmes have all contributed to creating a compelling proposition for the best candidates to aspire for a career with your Company. Your Company continues to enthuse talent with high-impact roles, competitive and performance driven remuneration with an emphasis on long-term incentives, a wealth of learning opportunities, a commitment to enhancing diversity, equity & inclusion, an employee-centric climate, well-being focused infrastructure and support that promotes fellowship and commitment amongst employees.

Your Company's talent development approach is founded on the belief that learning initiatives must remain synergistic and aligned to business outcomes. Towards this end, your Company has built a culture of application-focused continuous learning, innovation and collaboration. Your Company provides managers with contemporary and relevant learning and development support through a combination of self-paced e-learning modules, classroom programmes and application projects with emphasis on experiential learning, on-the-job assignments and exposure to nationally and globally renowned faculty. Deep functional expertise is fostered early in one's career through immersion in complex problem-solving assignments requiring the application of domain expertise. Managers are assessed on your Company's behavioural competency framework and provided with learning and development support to address areas identified for improvement. Key talent is provided critical experiences in high-impact roles and mentored by senior managers, promoting the development of a steady pool of high-quality talent.

Your Company has identified three capability vectors for making Businesses future-ready – Business Critical Functional Competencies, Leadership Development and Organisation Identity & Pride. Globally benchmarked curriculum is made available in domains of digitalisation, data science and analytics, contemporary and best-in-class marketing

Report of the Board of Directors

practices, manufacturing strategy with a focus on the emerging digital landscape, business strategy and commercial acumen. All of these interventions are delivered through subject matter experts, domestic and international, and supplemented with business-critical application projects. As a part of leadership development initiatives, the Reflections 360 programme provides leaders with feedback from team members, peers and managers, enabling self-driven personal development. This is supplemented by immersive workshops and personalised one-on-one coaching being made available for senior managers. This approach, ensures relevance and impact, thereby enhancing the capability index of your Company's human capital. Periodic induction programmes, anchored by senior leaders, enable new entrants to appreciate your Company's Vision, Mission, Culture, Values and Strategies while fostering pride in affiliation with your Company.

Your Company continues to strengthen its performance management system and its culture of accountability through the widespread adoption of the system of Management-by-Objectives. Performance planning through clearly defined goals, outcome-based assessment, and alignment of rewards for achievement of results have all contributed to a robust culture of ownership and accountability. 'Career Conversations' and succession planning processes have contributed to helping employees realise their potential, craft their careers while recognising their strengths and areas of development and ensuring a sound workforce planning system.

In the spirit of continuous improvement, your Company maintains a practice of periodically assessing employee engagement through a Company-wide survey. The recent survey in 2024 affirms high levels of employee engagement and reflects significant consolidation of gains achieved over recent years. The employee engagement, managerial effectiveness and performance enablement indices have all improved, ranging from 10 to 16 percentage points since the survey's inception in 2016. Employees have expressed overwhelming appreciation on several dimensions

with over 96% of employees reporting a deep sense of pride and association with your Company, 94% of employees reporting a belief in your Company's overarching goals & leadership and 94% of employees reporting optimism for the future. These sentiments are reflected in your Company's superior standing in terms of voluntary attrition across Businesses. During the year, a range of engagement programmes were undertaken including initiatives such as leadership outreach through extensive communication, recognition programmes acknowledging exceptional contributions of employees and teams, career conversations and development planning for robust positioning and progression decisions and investments in employee wellbeing. The year witnessed the Cigarettes Business winning the Economic Times - Human Capital Award (Gold) for 'Excellence in Communication Strategy' and the Hotels Business winning the 'Skill India Industry Partner Award – 2024' and 'Golden Peacock National Training Award – 2024'.

Your Company's efforts to enhance Diversity, Equity and Inclusion are founded on the conviction that a diverse workforce contributes to rich discourse, promotes holistic perspectives, fosters creative solutions and is integral to serving customers better while creating value for all stakeholders. Your Company's policy on Diversity, Equity and Inclusion articulates and institutionalises this conviction. Your Company is committed to enhancing gender diversity and participation of the differently abled in the workforce. Such concerted actions span three vectors, i.e. Representation, Inclusion & Enablement and Commitment & Assurance

Measures to enhance diversity include ensuring sufficient representation of women in selection pools and deployment of the differently abled across suitable opportunities in the value chain. Through progressive policies offering flexible work arrangements, extended child-care leave, travel support for infants and care-givers, secure transport, paternity leave, same gender partner medical benefits, infrastructure support coupled with various sensitisation programmes, Employee Resource Groups, development interventions tailored for

women talent, and the commitment and sponsorship of leaders; your Company provides an enabling environment to further its Diversity, Equity and Inclusion goals. To ensure a safe and progressive work environment, Internal Committees have been institutionalised as per provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The focused efforts across these dimensions have resulted in a 25% increase of women managers in your Company since FY 2021-22.

Your Company continued its practice of active leadership outreach to employees. Periodic communication with the ITC community through ‘StudioOne Townhalls’ led by the Chairman, provided employees avenues to hear from and engage with leaders about your Company’s vision, strategy and milestones. This was supplemented by a more personalised engagement through the ‘StudioOne Xchange’ initiative. The Chairman and other members of the Corporate Management Committee interacted with managers across Businesses in small groups, sharing your Company’s vision and strategies while also inviting suggestions and feedback. Your Company believes that alignment of all employees to a shared vision and purpose is vital for winning in the marketplace. It also recognises the mutuality of interests with key stakeholders and is committed to continue building harmonious employee relations. Your Company remains dedicated to an Employee Relations climate of partnership and mutuality while ensuring operations are competitive, flexible and responsive. The Employee Relations philosophy of your Company, anchored in the tenets of Scientific Management, Industrial Democracy, Human Relations and Employee well-being, has contributed towards building a robust platform which has aided the conclusion of collective bargaining agreements at several of its manufacturing units and hotel properties, ensuring smooth commencement of operations at greenfield locations and the execution of productivity improvement practices.

In its relentless pursuit of excellence and value creation, your Company offers an abundance of

opportunities for employees to grow and thrive in an environment of trust, empowerment and continuous learning. The access to best-in-class resources, technology and infrastructure, the prospect of building businesses rooted in value chains in India, the deployment of deep consumer insights to create and shape Indian brands are the defining hallmarks of ‘The ITC Way’. This unique blend of a high-performance culture coupled with care and respect for people remain vital to realizing your Company’s vision of sustaining its position as one of India’s most valuable and admired corporations.

WHISTLEBLOWER POLICY

Your Company’s Whistleblower Policy encourages Directors and employees to bring to your Company’s attention, instances of illegal or unethical conduct, actual or suspected incidents of fraud, actions that affect the financial integrity of your Company, or actual or suspected instances of leak of unpublished price sensitive information, that could adversely impact your Company’s operations, business performance and/or reputation. The Policy requires your Company to investigate such incidents, when reported, in an impartial manner and take appropriate action to ensure that the requisite standards of professional and ethical conduct are always upheld. Anonymous complaints are also entertained if the same is backed by specific allegations & verifiable facts and is accompanied with supporting evidence. It is your Company’s Policy to ensure that no complainant is victimised or harassed for bringing such incidents to the attention of your Company, and to keep the information disclosed during the course of the investigation as confidential. The practice of the Whistleblower Policy is overseen by the Audit Committee and no employee was denied access to the Committee during the year. The Whistleblower Policy is available on your Company’s corporate website at <https://www.itcportal.com/whistleblower-policy>.

During the year, your Company received five complaints in terms of the Whistleblower Policy, out of which four complaints were investigated and

Report of the Board of Directors

appropriate action(s) were taken. Investigation is underway for the remaining complaint.

SUSTAINABILITY 2.0

Your Company believes that when enterprises make societal value creation an integral part of their corporate strategy, powerful drivers of innovation emerge that make growth more enduring for all stakeholders. This paradigm is called '*Responsible Competitiveness*' - an abiding strategy that focuses on extreme competitiveness but in a manner that replenishes the environment and supports sustainable livelihoods.

Your Company's innovative business models synergise the building of economic, environmental and social capital, thus embedding sustainability at the core of its corporate strategy. Today, this strategy has not only contributed to building strong businesses of the future as well as a portfolio of winning world-class brands, but also in making your Company a global exemplar in 'Triple Bottom Line' performance. Your Company is the only enterprise in the world of comparable dimensions to have achieved and sustained the three key global indices of environmental sustainability of being 'water positive' (for 22 years), 'carbon positive' (for 19 years), and 'solid waste recycling positive' (for 17 years). This approach has enabled your Company and its businesses to support sustainable livelihoods for more than six million people.

Your Company is actively working towards *Sustainability 2.0*, an agenda which reimagines sustainability under the pressing challenges of climate change and social inequity. Sustainability 2.0 calls for inclusive strategies that can support sustainable livelihoods, pursue newer ways to fight climate change, enable the transition to a net zero economy, work towards ensuring water security for all and create an effective circular economy for post-consumer packaging waste. It also entails protecting and restoring biodiversity and ecosystem services through adoption of nature-based solutions. Your Company believes that agility in thought and action, meaningful public-private-people partnerships

and Responsible Competitiveness will act as core enablers of this new agenda. Your Company has the potential to make a large-scale impact not only from an economic standpoint, but also from the perspective of supporting livelihoods and social enablement because of its presence across several critical sectors of the economy. With its bold Sustainability 2.0 agenda, your Company is setting the bar higher and remains committed to making meaningful contribution to the Nation's future while retaining its status as a sustainability exemplar. The Sustainability 2.0 ambitions include:

Climate Change

- Enhancing the share of renewable energy usage to 50% of total energy consumption by 2030.
- Meeting 100% of purchased grid electricity requirements from renewable sources by 2030.
- Reducing specific energy consumption by 30% and specific Greenhouse Gases (GHG) emissions by 50% by 2030 as compared to the FY 2018-19 baseline.
- Sustain and enhance carbon sequestration by expanding forestry projects through your Company's Social and Farm Forestry programme and other such initiatives covering over 1.5 million acres by 2030.

Water Stewardship

- Achieving 40% reduction in specific water consumption by 2030 as compared to the FY 2018-19 baseline.
- Creation of rainwater harvesting potential equivalent to over five times the net water consumption by 2030.
- Certification of all sites in high water stressed areas as per the international water stewardship standard by Alliance for Water Stewardship (AWS) by 2035.
- Improve crop water-use efficiency in agri-value chains through demand side management interventions and enable savings of 2,000 million kl of water by 2030.

Plastic Waste and Circular Economy

- 100% of your Company’s Packaging to be Reusable, Recyclable or Compostable/ Biodegradable by 2028.
- Sustain plastic neutrality (attained in FY 2021-22) by enabling sustainable management of waste in excess of the amount of packaging utilised.

Sustainable Agriculture

- Promote climate smart village approach in core Agri Business catchments covering over 3 million acres by 2030 to build climate resilience across agri value chains.

Biodiversity Conservation

- Revive & sustain ecosystem services and products provided by nature, through adoption of nature-based solutions and biodiversity conservation covering over one million acres by 2030.

Sustainable Livelihoods

- Supporting sustainable livelihoods for 10 million people by 2030.

Your Company’s Businesses are actively working towards achieving your Company’s Sustainability 2.0 vision. During the year, over 50% of your Company’s total energy requirements were met from renewable sources. With this, your Company has already met its 2030 commitment of achieving 50% renewable energy share in FY 2023-24 itself i.e., seven years in advance. Commendable progress has been made in line with 2030 targets relating to specific energy, specific GHG emissions and specific water consumption across Businesses as well. In line with its commitment, your Company continued to remain plastic neutral during FY 2023-24 by sustainably managing more plastic packaging waste than the amount of plastic packaging utilised. During the year, your Company’s large-scale programmes on Sustainable Agriculture were augmented to cover 2.7 million acres. A detailed performance dashboard against 2030 commitments is available in your Company’s Sustainability Report, 2024.

To achieve its Sustainability 2.0 vision, your Company continues to strengthen its management approach which is guided by a comprehensive set of sustainability policies and is being implemented across the organisation. Your Company has put in place robust mechanisms for engaging with key stakeholders, identification of material sustainability issues and progressively monitoring and mitigating the impacts along the value chain of each Business. Your Company will continue to update these systems and processes in line with evolving disclosure standards and Environmental, Social and Governance (ESG) requirements.

Your Company’s 20th Sustainability Report published during the year detailed the progress made across all dimensions of the ‘Triple Bottom Line’ for FY 2022-23. This report was prepared in conformance with ‘In Accordance – Comprehensive’ criteria of the Global Reporting Initiative (GRI) standards and is third-party assured to ‘Reasonable Level’ as per International Standard on Assurance Engagements (ISAE) 3000. The report continues to be aligned to the requirements of the Integrated Reporting Framework as well.

Your Company’s Sustainability Report for FY 2023-24 is being prepared and will be made available on your Company’s corporate website in due course. In addition, the Business Responsibility & Sustainability Report (BRSR), as mandated by the Securities and Exchange Board of India (SEBI) for the year under review is annexed to the Report and Accounts. The BRSR maps the sustainability performance of your Company against the nine principles forming part of the National Guidelines on Responsible Business Conduct (NGRBC) issued by the Ministry of Corporate Affairs, Government of India.

During the year, your Company sustained its ‘AA’ rating by MSCI-ESG for the sixth consecutive year, the highest rating among global tobacco majors, and has also been included in the Dow Jones Sustainability Emerging Markets Index for the fourth year in a row. Additionally, your Company entered the prestigious ‘A List’ for CDP Water by achieving the highest ‘A’ rating (Leadership Level),

Report of the Board of Directors

which is higher than the Asia and Global average of 'C'. For CDP Climate, your Company retained its 'A -' (Leadership Level) rating, which is higher than the Asia and Global average of 'C'.

Contribution to the United Nations Sustainable Development Goals (UN SDGs)

Your Company's Sustainability strategies and Social Investment Programmes & interventions, in addition to their alignment with national priorities, are also well positioned to contribute to the achievement of India's commitment under the UN SDGs. Your Company's multi-dimensional environmental and social interventions which have been scaled up over the years contribute favourably to all 17 UN SDGs. For instance, your Company's programme on Climate Smart Agriculture is aligned to the Government's National Mission for Sustainable Agriculture, and also contributes to the achievement of multiple SDGs, including SDG 13 (Climate Action), SDG 15 (Life on Land), SDG 1 (No Poverty), SDG 2 (Zero Hunger) and SDG 12 (Responsible Consumption and Production). A comprehensive statement linking your Company's interventions to the SDGs including corresponding targets will be available in your Company's Sustainability Report for FY 2023-24.

Building Climate Resilience

Your Company recognises the urgent need to combat climate change for building a more secure future and the role it can play in enabling a net-zero economy. To address the risks of climate change, your Company's climate strategy places equal emphasis on transitioning to a low carbon economy and adapting to the worst impacts of climate change.

Your Company is pursuing a low carbon growth strategy through extensive decarbonisation programmes across its value chain. These include increasing the share of renewable energy, continuous reduction of specific energy, construction of green buildings, greening logistics & optimising distance-to-market, and promoting regenerative agriculture practices in agri-value chains. Your Company is also conducting life-cycle analysis (LCA) studies for developing a portfolio of innovative and

sustainable products in line with growing consumer preference for climate friendly products.

Additionally, in order to address short-medium term as well as long-term physical risks of climate change, your Company is working with climate experts to conduct comprehensive climate risk and vulnerability assessments using climate models across its key agri value chains and operating locations (factories, hotels and warehouses). These assessments utilise latest AI-enabled climate modelling tools for projecting the extent of risk from climate hazards related to changes in temperature, precipitation, sea level rise, flooding and other extreme weather events over decadal time frames covering the period till 2100 under various Shared Socioeconomic Pathways (SSPs) scenarios (SSP1-2.6, SSP2-4.5 and SSP5-8.5). Detailed farm-level studies have been conducted to understand the potential adverse impacts of climate change on your Company's key agri-value chains. These risk assessments help further calibrate the climate resilience measures that are being implemented across your Company's value chains. For major crops like wheat, pulpwood and leaf tobacco among others, there is significant and sustained work being done by your Company on the development of climate-tolerant varieties as well as dissemination of climate-resilient and regenerative agronomic practices in the growing areas. Over 140 locations of your Company, encompassing both owned as well as key value chain facilities have been assessed for climate risk. Based on the findings of these assessments, detailed site-specific studies are undertaken for developing contextual location-specific adaptation plans and strategies.

Energy Conservation and Renewable Energy

As a responsible corporate citizen, your Company has made a commitment to reduce dependence on energy from fossil fuels. Accordingly, all factories incorporate appropriate green features and premium luxury hotels, and office complexes continue to be certified at the highest level by either the US Green Building Council (USGBC) or Indian Green Building Council (IGBC). During the year, despite significant increase in scale

of operations, over 50% (previous year: 43%) of your Company's total energy requirements were met from renewable sources such as biomass, wind and solar. In line with your Company's continuous thrust on expanding renewable footprint across both thermal and electrical energy, this achievement was driven by the commissioning of state-of-the-art and future-ready High Pressure Recovery Boiler at the Bhadrachalam mill of your Company's Paperboards & Specialty Papers Business in the previous year which replaced conventional soda recovery boilers thereby reducing carbon footprint through lower coal consumption. In addition to this, your Company has installed and commissioned 205 MW of solar and wind power capacity across the country to meet its electrical energy requirements.

Your Company continues its efforts towards meeting 100% of purchased grid electricity requirements from renewable sources by 2030 and sustaining 50% renewable energy share in its total energy consumption based on a mix of energy conservation and renewable energy investments, despite significant enhancement in its scale of operations going forward.

GHG and Carbon Sequestration

The GHG inventory of your Company for FY 2023-24 compiled according to the ISO 14064 Standard has been assured, as in the earlier years, at the 'Reasonable Level' by an independent third party. The GHG inventory covers emissions from your Company's operations and GHG removals from your Company's large-scale forestry programmes. Your Company's Social and Farm Forestry initiatives, besides sequestering carbon from the atmosphere, help towards greening of degraded wasteland, prevent soil erosion, enhance organic matter content in soil and increase ground water recharge.

Towards Water Security for All

With water scarcity increasingly becoming an area of global and national concern, your Company continues to focus on an integrated water management approach that includes water conservation and

harvesting initiatives at its units – while at the same time working towards meeting the water security needs of all stakeholders at the local watershed level. Several interventions have been rolled out to improve water-use efficiencies such as adopting latest technologies and increasing reuse and recycling practices within the fence while also working with farmers and other community members towards improving water-use efficiencies.

Demand side management is a critical component of your Company's Water Stewardship programme. Recognising the critical imperative of reducing water use, especially in agriculture, your Company continues to work with farmers to achieve 'more crop per drop' and improve farmer incomes. Over 15 lakh acres have been covered during the year across 12 states through micro irrigation technologies and crop-specific agronomical practices. Basis parameters established earlier, there has been potential water savings to the tune of 1,090 million kl during the year. These interventions are spread across 15 crops including four key agri value chains – wheat, tobacco, pulpwood and spices, and result in water savings in the range of 15-50% as compared to conventional practices.

The water-use efficient practices promoted also help in reducing GHG emissions as compared to the conventional practices followed.

The demand side measures are implemented along with augmenting supply at the sub-catchment level through various interventions focused on harvesting rainwater based on the recommendations of hydro-geological studies. The supply side interventions include enhancing capture and storage of rainwater (within soil surface and storage structures) and recharging aquifers. In the process, traditional water bodies are restored, and wetland eco-systems are conserved. To have a long-lasting impact and balance out the competing demands on water resources, your Company has also extended work to river basin level as per requirements. During the year, work has been done in four river basins viz. Maharashtra (Ghod basin), Madhya Pradesh (Kolans basin),

Report of the Board of Directors

Tamil Nadu (Upper Bhawani basin) and Telangana (Murreru basin) and recently work has been initiated in Karnataka (South Pennar basin).

Considering the increasing water stress in urban catchments, your Company is implementing water security programmes in Bengaluru and Chennai catchments. These programmes focus on restoring urban water bodies, roof water harvesting, groundwater recharge and piloting technologies like 'Bore Charger systems' to recharge shallow aquifers and are aimed at addressing major water related challenges such as groundwater depletion and flooding during heavy rains.

Your Company also conducts efficacy studies to assess the impact of the watershed work carried out, and to ensure that maximum benefits accrue in the long-term. As on 31st March, 2024, your Company's integrated watershed development projects covering over 1.6 million acres of land have created a total rainwater harvesting potential (RWH) of over 54 million kl. In total, nearly 55 million kl of rainwater has been harvested, including within the fence, which is over four times the net water consumed by your Company's operations in FY 2023-24.

In addition, your Company is spearheading the implementation of Alliance for Water Stewardship (AWS) Standard which is a credible, globally-applicable and recognised framework for ensuring sustainable water management within the wider water catchment context.

During the year, five units of your Company i.e. Branded Packaged Foods unit at Ranjangaon; Cigarette units at Ranjangaon, Bengaluru and Saharanpur and Green Leaf Threshing unit at Mysuru, received the AWS Platinum level certification, the highest recognition for water stewardship awarded by AWS. Till date, seven units of your Company have achieved Platinum level certification under the AWS Standard. Your Company is in the process of implementing the AWS Standards at other units in high water stress areas and will progressively obtain AWS certification for these sites.

In addition to AWS certification, four ITC Hotels – ITC Mughal, ITC Sonar, ITC Rajputana and ITC Maurya have the distinction of being the first four LEED® Zero Water certified hotels in the world.

Pioneering the Green Building Movement in India

In order to continuously reduce your Company's energy footprint, green features are being integrated in all new and old constructions including hotels, manufacturing units, warehouses and office complexes. Your Company is a pioneer in the green building movement, with 40 buildings having received Platinum certification by USGBC/IGBC.

Several of your Company's factories and office complexes have received the Green Building certification from IGBC and the Leadership in Energy & Environmental Design (LEED®) certification from USGBC. In 2004, the ITC Green Centre at Gurugram received LEED Platinum® certification by USGBC, making it the largest Platinum rated building in the world at that point in time. The data centre at Bengaluru, ITC Sankhya, is the first data centre in the world to receive the LEED Platinum® certification by USGBC. Large infrastructure investments such as the ITC Green Centre at Guntur and the ITC Green Centre at Bengaluru (both LEED Platinum® certified) continue to demonstrate your Company's commitment to green buildings. Virginia House, Kolkata and ITC Centre, Kolkata – the headquarters of your Company, are also certified at the highest 'LEED Platinum®' rated Green Building by USGBC.

Reaffirming your Company's commitment to the ethos of 'Responsible Luxury', 23 of its hotels have been awarded the LEED Platinum® Certification by USGBC, the highest number of hotels in the world to have achieved this feat, making your Company a trailblazer in green hoteliering globally. ITC Grand Chola, the 600-key super-premium luxury hotel complex in Chennai, is amongst the world's largest LEED Platinum® certified green hotels.

Furthering your Company's Responsible Luxury ethos, 12 of its iconic hotels have received LEED® Zero Carbon Certification, the first in the world to

achieve this feat. Further, your Company's Sankhya data centre in Bengaluru became the first data centre in the world to be awarded the LEED® Zero Carbon certification.

Enabling a Circular Economy

Your Company continues to make significant progress in improving the circularity of waste generated in operations. The focus is on reducing waste through constant monitoring, improvement of efficiencies in material utilisation and adequate waste segregation thereby improving recycling rates. During the year, your Company achieved over 99% recycling of waste generated in course of its operations. This has prevented waste from reaching landfills, with the associated problems of soil & groundwater contamination and GHG emissions, all of which can adversely impact public health. In addition, your Company's Paperboards & Specialty Papers Business recycled nearly 89,000 tonnes of externally sourced post-consumer waste paper, thereby creating yet another positive environmental footprint.

Your Company aims to go beyond the requirements of Plastic Waste Management Rules, 2022 to ensure that over the next decade, 100% of packaging is reusable, recyclable or compostable/biodegradable. Your Company is working towards optimising packaging in a way that reduces the environmental impact arising out of post-consumer packaging waste without affecting product integrity. This is being addressed in a comprehensive manner by optimising packaging design, introducing recycled content in packaging, identifying alternative packaging material with lower environmental impact and supporting development of suitable end-of-life solutions for packaging waste.

Your Company has successfully implemented multiple large-scale models of solid waste management across the country. These models, based on principles of circular economy, are scalable, replicable and sustainable, and have enabled your Company to sustain its plastic neutral status since FY 2021-22. The approach is centred around treating waste as a resource and ensuring that minimal waste goes to landfill, which can be achieved only when waste

is segregated at source. The initiatives focus on educating citizens on segregating waste at source into dry & wet streams and ensuring that value is derived from these resources and in the process support sustainable livelihood for waste collectors. These models operate on a public-private partnership basis with active involvement of urban local bodies, civil society and the informal sector of waste collectors.

Your Company has exceeded its commitment on plastic neutrality for the third consecutive year by collecting and sustainably managing around 70,000 tonnes of plastic waste, which is more than the plastic packaging utilised by your Company. Your Company has also obtained independent third-party assurance for its plastic neutrality status since FY 2022-23.

Your Company's waste recycling programme, 'WOW – Well Being Out of Waste', enables the creation of a clean & green environment and promotes sustainable livelihoods for waste collectors. During the year, the programme continued to be executed in Bengaluru, Mysuru, Hyderabad, Coimbatore, Chennai, Delhi, major towns of Telangana and several districts of Andhra Pradesh. The quantum of dry waste collected during the year was about 63,700 MT from over 1,500 wards. The programme has covered over 2.5 crore citizens in over 64 lakh households, 67 lakh school children and around 2,200 corporates since its inception. It has promoted sustainable livelihood for over 17,800 waste collectors by facilitating an effective collection system in collaboration with Municipal Corporations. The intervention has also created over 150 social entrepreneurs who are involved in optimising value capture from the collected dry waste.

Your Company's 'YiPPee! Better World programme' is aimed at creating awareness about plastic waste and ways to reduce, recycle and reuse it among students. During the year, more than 30 lakh school children were educated on plastic waste recycling with an initiative to collect plastic equivalent to 2.83 crores YiPPee! Noodles wrappers across 6,000 schools. This programme along with Company's Social Investments Programme has provided schools with over 3,950 benches and tables made from recycled plastic.

Report of the Board of Directors

In addition to WOW, a separate community-driven programme on decentralised Solid Waste Management (SWM), including closed loop Green Temple programme in collaboration with Swachh Bharat Mission, is operational in 33 districts across 10 states covering over 25 lakh additional households, taking the cumulative coverage to over 50 lakh households. This programme deals with both wet and dry waste and focuses on minimising waste to landfill by managing waste at source. Under the programme, more than 4 lakh MT of waste was collected during FY 2023-24, out of which around 2.5 lakh MT of wet waste was composted, and 90,000 MT of dry waste recycled, and thus 87% of the total waste was avoided from being sent to landfills. Further, home composting was practiced by over 6.4 lakh households cumulatively.

In Uttar Pradesh, your Company entered into the second phase of partnership with the Urban Development Department for 85 Urban Local Bodies (ULBs) including 25 new ULBs, after successfully completing first phase by training over 3,300 Government officials from 62 municipalities on decentralised SWM, thus enabling the extension of coverage of decentralised waste management to over 28.54 lakh households. Your Company had also signed an MoU with Lohiya Swachh Bihar Abhiyan (LSBA), Rural Development Department, Government of Bihar to train officials on implementation of decentralised SWM in 456 villages of Ganga region ('Ganga Gram') across 12 districts of Bihar. During the year, refresher training and handholding support was provided to 1,881 Panchayat officials of 456 Ganga Gram villages through a cascade approach, who then initiated focused waste management activities in their villages and covered over 4.6 lakh households.

Your Company had also collaborated with Department of Drinking Water and Sanitation (DDWS), Government of India, and India Sanitation Coalition (ISC), FICCI, to develop 36 Gram Panchayats (GPs) across 10 states as Lighthouses, demonstrating best practices in sanitation and waste management, which will be adopted by other GPs gradually. The partnership is part of the DDWS's plan of creating

75 Lighthouse Gram Panchayats across India. During the year, of the 36 GPs, 22 GPs were declared Model by Government, with the balance 14 GPs on track to become Model in the coming months.

Your Company's approach of involving SHGs as service provider for GPs for SWM and the use of Swachhata Mitra App for monitoring waste management in partnership with Bihar Government has got high appreciation as best practices.

Biodiversity Management

Given the linkages between agriculture and the essential ecosystem services that nature provides, your Company recognises that the preservation and nurturing of biodiversity is crucial for long-term sustainability of its business and is committed to conducting its operations in a manner that protects, conserves and enriches biodiversity in line with the Board-approved Policies on Biodiversity Conservation and Deforestation.

For both greenfield and brownfield operations, processes are in place for assessing any actual or potential biodiversity related risk or impact including conducting environmental impact assessments wherever required by environmental regulations. Moreover, location-specific exposure including proximity to Key Biodiversity Areas is assessed periodically. Basis these assessments, key nature-related risks that are material to your Company's businesses/locations are identified, and mitigation plans are developed and implemented. Location specific risks covered in these assessments include water stress, climate risks including extreme weather events like droughts and floods, land-use changes, soil quality and productivity, among others. Your Company also recognises the potential of nature-based solutions for carbon sequestration and building climate resilience, and prioritises actions to minimise impacts across ecosystems and manage dependencies in a sustainable manner. Your Company also has large scale programmes in place for ensuring deforestation-free leaf tobacco and wood value chains. For more information, refer to the Corporate Social Responsibility section.

Sustainable Supply Chain and Responsible Sourcing

Your Company, with its diverse and expanding portfolio of businesses, is working towards scaling up its sustainable supply chain initiatives as part of its Sustainability 2.0 Vision. Your Company has a Board-approved Policy on ‘Sustainable Supply Chain and Responsible Sourcing’ and a ‘Code of Conduct for Suppliers and Service Providers’ that together lay down the foundation for your Company’s engagement with its suppliers. In line with this policy, your Company engages with its supply chain members for building their capacity, assessing sustainability risks, and supporting them in building resilience against such risks. The policy also encourages suppliers to work towards resource-use efficiency, including sustainable natural resource management, GHG emission reduction and sustainable waste management. For focused engagement with key suppliers, your Company has created a framework for identifying its critical suppliers based on multiple criteria like value of the business with these suppliers, ESG risk exposure and substitutability of the supplier, among others. Till FY 2023-24, 100% of your Company’s Critical Tier-I suppliers have been trained on ESG related aspects and 40% have undergone an ESG assessment by a third party.

For key agri value chains, your Company has implemented large scale sustainable and Climate Smart Agriculture programmes. Till date, 27.94 lakh acres and over 10.5 lakh farmers including 1.95 lakh women farmers have been covered under your Company’s Climate Smart Agriculture programme. Your Company also supports farmers with adoption of sustainable farm certifications like Rainforest alliance (RFA), Forest Stewardship Council® (FSC®), Global Agricultural Practices (G.A.P) for identifying and addressing environmental risks and human rights related issues. For more information, refer to the Corporate Social Responsibility section.

Nutrition

Your Company’s Branded Packaged Foods Businesses have developed a 4-pillar model that uniquely combines the strategic commitments to

deliver on its nutrition strategy – ‘Help India Eat Better’. The strategy has been developed to create an ecosystem and guide the organisation towards supporting the dream of a healthier nation via value-added products, sustainable food system initiatives, empowered people and healthy communities. This also includes focus on diet diversity, food fortification, leveraging traditional systems of knowledge and use of millets. The strategy is also in line with Government of India initiatives such as Mission Poshan 2.0, Anemia Mukh Bharat, Kuposhan Mukh Bharat, Surakshit Matritva Abhiyan and the Aspirational Districts Programme. Robust science-based nutrition targets have also been developed and are continuously tracked and communicated to your Company’s stakeholders. Your Company also achieved the first rank in ATNI India Index 2023 amongst 20 of the largest Indian food & beverage manufacturers as assessed by the globally recognised Access to Nutrition Initiative (ATNI). The index is published every 2-3 years and evaluates companies on their governance and management, production and distribution of healthy products, influence on consumer choices, and policies and actions targeting priority populations at high risk of malnutrition.

Promoting Thought Leadership in Sustainability

To ensure wider adoption of the ‘Triple Bottom Line’ philosophy across the Industry, your Company established the ‘CII – ITC Centre of Excellence for Sustainable Development’ (CESD) in 2006 in collaboration with the Confederation of Indian Industry (CII). The Centre continues to focus on its endeavour to promote sustainable business practices amongst Indian enterprises. The major highlights during the year include the following:

Climate Change

- The CII Climate Action Charter (CCAC) provides a platform for Indian businesses to map Climate Change as a material risk across value chains and develop long-term actions to build resilience. Currently, the Charter has more than 300 signatories across industry sectors.

Report of the Board of Directors

- The Centre launched the ‘Industry’s Priorities for COP28, Dubai: Indian Industry Perspective Report’ during the Round Table on ‘Decentralised Renewable Energy (DRE) for SDG7: Powering livelihoods with clean energy’ in December 2023, organised by the Centre, Ministry of New and Renewable Energy (MNRE) and International Solar Alliance (ISA).
- In collaboration with Ministry of Environment, Forest and Climate Change of India (MoEFCC), the Centre actively contributed to the formulation of the National Inventory of Greenhouse Gases related to the Industrial Processes and Product Use (IPPU) sector. This collaborative effort was part of India’s Third National Communications (NATCOM) to the United Nations Framework Convention on Climate Change (UNFCCC).
- The Centre led efforts to frame a policy paper under the B20 Taskforce on Energy, Climate Change, and Resource Efficiency. The paper was finalised through consultations and shared with the G20 representatives for consideration. 160+ members shared their suggestions for the policy paper. The Taskforce also developed a policy brief on Decarbonisation of Emerging G20 Countries.
- During the B20 Summit 2023, two sessions on Environment, Social and Governance (ESG) were organised by the Centre including a session on ‘Sustainability & Development Imperatives and the Role of Standards’. The session highlighted the need for sustainability reporting for companies with a simple, clearly defined sustainability standard, ensuring that standards, KPIs, thresholds and ratings consider applicability, relevance, and prioritisation of the Global South. The Centre also released the Policy Paper under B20 India Action Council on ESG in Business emphasising the imperative for convergence on ESG standards and underscoring the role of private sector in driving these transformations.

Circular Economy

- The **India Plastics Pact (IPP)**, launched in September 2021, is uniting businesses, NGOs,

and citizens behind four ambitious time-bound targets to help realise a vision of a world where plastic is valued and doesn’t pollute the environment. The Pact is the first in Asia and joins a global network of 13 Plastics Pacts. 53 organisations are signatories to the Pact. The first Annual Report providing a baseline to measure the actions of the Pact was launched in June 2023.

- The Pact’s Second Annual Conference was held on the side-lines of the 18th Sustainability Summit. 60 participants from across the plastics value chain attended the Conference.
- 138 sites of 18 organisations were certified with Single-use Plastic (SuP) Free Certification.
- Five facilities were verified to ensure that the waste generated by the facility is being diverted from landfill disposal. Zero Waste to Landfill Certification was awarded to three organisations.

Biodiversity

- The Convention on Biological Diversity’s Global Biodiversity Framework (GBF) has been integrated into the development of India Business & Biodiversity Initiative (IBBI) members’ roadmap for addressing biodiversity risk. 20 business members have developed a biodiversity-based GBF and set measurable targets for addressing nature-related risks by 2030.
- In 2023, a National Consultation Group on the Taskforce on Nature-related Financial Disclosure (TNFD) Framework was established in India to provide inputs for the global TNFD Framework development. 50 business members contributed by providing inputs, and seven companies have piloted the TNFD Framework.
- About 100 Business representatives have been trained on GBF to mainstream biodiversity in business planning.

Air Pollution

- ‘India CEO Forum for Clean Air’ is a dedicated platform aiming to galvanise Indian businesses to take forward clean air agenda in India and promote

focused actions through collective leadership of Industry sub-sectors. The Forum started in 2019 with 17 founding members and is now 105 members strong with signed 'Clean Air Declaration' by top leaders of member companies.

- In 2023-24 cropping season, the Crop Residue Management (CRM) Programme scaled to 432 villages in Punjab and Haryana covering appx. 4,83,196 acres, engaging with 86,000 farmers to promote sustainable crop residue management practices.

Excellence in Sustainability

- The 18th Sustainability Summit, with the theme of Strengthening Global Partnerships for Sustainable, Equitable and Inclusive Development was organised with the support of 25 partner organisations.
- The Summit witnessed over 150 eminent national and international speakers who shared their perspectives, representing diverse sectors from across the globe. It was attended by around 400 participants and over 160 B2B meetings took place during the Summit.
- During the 18th Sustainability Summit, the CCI Climate Action Charter (CCAC) Insights Report with key findings from the seven clusters was also released.

ESG Intelligence & Analytics

- The Centre has helped companies understand their status in the ESG space, identify key ESG gaps and areas for improvement. Leveraging the Centre's in-house SaaS-based tools, 10 organisations across industry sectors have undertaken ESG gap assessments.
- The Eco Edge initiative of the Centre aims at integrating sustainability in the value chains of companies. The focus areas include Decarbonisation, Circularity, Health & Safety, and Human Rights. The programme evaluates the performance of sourcing companies and their value chain partners. The programme was piloted with two automobile companies.

- The Centre conducted over 35 ESG awareness sessions with value chain partners.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company's overarching commitment towards creating significant and sustainable societal value is manifest in its CSR initiatives that embrace the most disadvantaged sections of society, especially in rural India, through economic empowerment based on grassroots capacity building. Your Company has a comprehensive CSR Policy outlining programmes, projects and activities that your Company undertakes to create a significant positive impact on identified stakeholders. All these programmes fall within the purview of Section 135 read with Schedule VII of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

The key elements of your Company's CSR interventions are to:

- deepen engagement in identified core operational geographies to promote holistic development and design interventions in order to respond to the most significant development challenges of your Company's stakeholder groups.
- strengthen capabilities of Non-Government Organisations (NGOs)/Community Based Organisations (CBOs) in all project catchments for participatory planning, ownership and sustenance of interventions.
- drive the development agenda in a manner that is inclusive and empowers women and the poor & marginalised communities in the vicinity of your Company's factories and agri-catchments, thereby significantly improving Human Development Indices (HDI).
- ensure behavioural change through focus on demand generation for all interventions, thereby enabling participation, contribution and asset creation for the community.
- strive for scale with impact by leveraging Government partnerships & collaboratives and also accessing the most contemporary knowledge/technical know-how.

Report of the Board of Directors

Your Company's stakeholders are confronted with multi-dimensional and inter-related concerns, at the core of which is the challenge of securing sustainable livelihoods. Your Company undertakes periodic stakeholder engagements in the form of community need assessments, impact assessments and other evaluations. During the year, your Company undertook 42 community engagements across 13 states where your Company's Social Investments Programme is being implemented, for the purpose of understanding grievances if any, of the community members. Further, over 6,000 household surveys were also conducted during the year. Accordingly, interventions under your Company's Social Investments Programme have been appropriately designed to build capacities and promote sustainable livelihoods.

Your Company's Social Investments Programme follows the Two Horizon approach that focuses on inclusive growth and holistic development of households; with women and poor & vulnerable communities at the core. In addition to being beneficiaries of several programmes, women are also influencers and active participants in grassroots institutions. Several progressive women beneficiaries also act as change makers in the society.

The Two Horizon approach provides an integrated and affirmative response to development with Horizon-I focusing on strengthening and sustaining livelihoods of communities (primarily agriculture and allied sector livelihoods) and Horizon-II focusing on building capabilities and capacities to empower beneficiaries for a better life for the future.

The footprint of your Company's CSR projects is spread across 26 States/Union Territories covering over 300 districts.

Your Company's CSR interventions were conferred with two prestigious awards and recognitions during FY 2023-24:

- Winner of 1st UNDP-Mahatma Biodiversity Award for 'Human Centric Approaches to Biodiversity'
- 'Winner' under 'Empowerment (large corporate) category' for its Targeting Hardcore Poor (THP) Programme in the Second edition of Social

Leadership Awards organised by Bengal Chamber of Commerce & Industry.

Natural Resources Management - Water Stewardship Programme

The Water Stewardship programme aims to facilitate water security for all dependents in the factory catchments and to drought-proof the agri-catchments to minimise risks to agricultural livelihoods arising from drought and moisture stress. The programme promotes the development and management of local water resources in moisture-stressed areas by facilitating community participation in planning and implementing such measures, as well as building, reviving and maintaining water-harvesting structures and thus conserving the wetland ecosystems.

In addition to rural and agri focus, two urban water programmes are also being implemented in Bengaluru and Chennai aimed at addressing the challenges associated with urban water. These programmes facilitate revival of urban water bodies, roof water harvesting and target recharge of shallow aquifers.

To address the magnitude of water stress, your Company has also extended water stewardship work to river basin level interventions so that the competing demands from neighbouring areas of our catchments are addressed and a more holistic and sustainable impact created. Work has been done in four river basins till date in Maharashtra (Ghod basin), Madhya Pradesh (Kolans basin), Tamil Nadu (Upper Bhawani basin) and Telangana (Murreru basin) and work initiated in the fifth basin in Karnataka (South Pennar basin).

The coverage of water stewardship programme currently extends to 55 districts of 17 states. During the year, the area under watershed increased by over 1.68 lakh acres, taking the cumulative coverage area to over 16.38 lakh acres. Over 4,100 water-harvesting structures including ground water recharge structures were built during the year, creating nearly 5.5 million kl of rainwater harvesting potential. The total number of water-harvesting structures reached to over 32,400 and the net water storage to over 54 million kl. In addition, as part of demand management intervention, your Company

continues to work with farmers to achieve ‘more crop per drop’ by promoting agronomic practices and micro irrigation techniques targeted towards saving water in cultivation and improving farmer incomes. Over 15 lakh acres across 15 crops have been covered across 12 states during the year as part of demand management. Studies had been conducted by Indian Institute of Rice Research, Tamil Nadu Agricultural University and Vasantdada Sugar Institute to estimate water savings in rice, sugarcane, coconut and banana in your Company’s programme locations. Basis these studies and other research documents, it is estimated that the demand management practices promoted by your Company have led to potential water savings to the tune of nearly 1,090 million cubic metres during the year.

Additionally, your Company is continuing partnerships with multiple State Government departments for Water Stewardship. Under the partnership with Watershed Development Department, Government of Karnataka, the Government is now implementing drought proofing plans using your Company’s Water Stewardship approach for which capacities were created. The Government has initiated work on 142 watersheds covering three lakh acres and has already constructed 1,050 water harvesting and ground water recharge structures based on the training provided by your Company.

Driven by your Company’s Water Stewardship programme, three Cigarette units at Pune, Bengaluru and Saharanpur, two Branded Packaged Foods units at Mysuru and Pune, Paperboards unit at Kovai and GLT unit at Mysuru have received AWS certifications in Platinum category till date.

Natural Resources Management - Biodiversity

The focus of the programme is on reviving ecosystem services provided to agriculture such as natural regulation of pests, pollination, nutrient cycling, soil health retention and genetic diversity, which have witnessed considerable erosion over the past few decades. Biodiversity conservation is done through restoration of degraded village commons and native species tree planting in the catchments. During the

year, your Company’s biodiversity conservation initiative covered over 1.8 lakh acres in over 38 districts across 10 states, taking the cumulative area under biodiversity conservation to over 4.7 lakh acres. While the conservation work is being carried out in village commons, this intervention significantly benefits agricultural activity in the vicinity of these plots through soil moisture retention, carbon sequestration and by acting as hosts to insects and birds beneficial to agriculture. Two technical studies done earlier by ‘The Energy and Resources Institute’ (TERI) & ‘IORA Ecological Solutions’ have recorded improvement in carbon stocks, i.e., carbon sequestered by trees, as well as floral and faunal biodiversity compared to control areas. A project has also been taken up for mangroves conservation as they are important biodiversity reservoirs in coastal areas.

To increase the coverage for pastureland development and biodiversity conservation, during the year, your Company partnered with AP Panchayat Raj and Rural Development Department to improve livelihoods and conserve village commons in 9 districts.

In this context, your Company had earlier partnered with Wasteland & Pastureland Development Board (WPDB), Rajasthan targeting coverage of 2.5 lakh acres across 8 districts. Till date, 1.32 lakh acres have been covered across 5,800 villages leveraging Government resources. In the partnership with Forest Department of Maharashtra, efforts towards soil and moisture conservation in the forest and fringe areas of Pune district was progressed with Department staff trained by your Company implementing the work. Post training, Forest Department took up soil and moisture conservation works and tree plantation, covering over 9,000 acres.

Climate Smart Agriculture

The Climate Smart Agriculture programme attempts to de-risk farmers from erratic weather events through the promotion and adaptation of climate-smart agriculture premised on dissemination of relevant package of practices, adoption of appropriate

Report of the Board of Directors

mechanisation and provision of institutional services. Currently, 27.94 lakh acres spread over 85 districts across 19 states and 10.5 lakh farmers including 1.95 lakh women farmers are covered under the programme. In pursuit of your Company's long-term sustainability objective of increasing Soil Organic Carbon (SOC), more than 6,400 compost units were constructed during the year, taking the total number till date to over 61,000 units. In addition to promotion of Climate Smart Agri practices at scale, in core agricultural catchments, your Company also has a Climate Smart Village (CSV) programme, wherein support is provided to majority of village population to enable adaptation to climate risks, mitigating the same through knowledge, livelihood diversification, natural resources management and institutional support. 6,755 CSVs covering major crop value chains are currently part of the programme. To provide additional support to farmers in dealing with climate risks, 15.24 lakh linkages were facilitated for farmers with six major Government schemes.

Details of Climate Smart Agriculture interventions are also provided in the section on 'Socio-Economic Environment'.

During the year, your Company has signed two new partnerships, one with Rajiv Gandhi Mission for Watershed Management covering 35 districts of Madhya Pradesh for Climate Smart Watersheds and the other with Farmer Welfare and Agriculture Development, Department of Madhya Pradesh covering six districts for Climate Smart Villages in a phased manner.

During the year, knowledge was disseminated through more than 13,500 Farmer Field Schools and over 11,750 Choupal Pradarshan Khets (CPKs). Over 1,150 Agri Business Centres (ABC) including 349 exclusive women ABCs delivered extension services, arranged agri-credit linkages, established collective input procurement and provided agricultural equipment for hire.

Your Company, with its presence across multiple commodities and geographies including e-Choupal network and agri extension programmes network, undertook an initiative to facilitate formation of new

FPOs and/or strengthening existing FPOs, thus enhancing farm incomes, rural livelihood and partnering in other relevant rural development initiatives. During the year, your Company supported additional 510 FPOs taking the cumulative number to 1,660 FPOs.

The 'Adarsh Gram Programme' pioneered by your Company's Agri Business presently covers 361 model villages in the states of Andhra Pradesh and Karnataka. Under this initiative, your Company supports villages to become economically, ecologically and socially sustainable. Your Company is also addressing the human rights and farm safety challenges in these villages by educating the farmers, labour & community, providing access to Personal Protective Equipment (PPE) kits and adopting smart technologies like drones for spraying activities on the farms.

The 'Baareh Mahine Hariyali' programme in select districts of Uttar Pradesh (Chandauli, Ghazipur, Prayagraj and Varanasi) is a pioneering initiative to facilitate farmers to enhance their incomes. This programme is founded on a 360-degree, multipronged approach with interventions such as increased cropping intensity with a third crop during summer, enhancement of productivity through context-specific agronomic practices demonstrated through Choupal Pradarshan Khets (on-farm demonstrations) and provision of market linkages with transparency in assessment of quality, price and weightment. In some regions, taking a holistic approach to income diversification as an adjacency, livestock development, women empowerment and agro-forestry are also included. Over 50,000 farmers have direct linkages and another 5,00,000 farmers have benefited from the interventions under this programme. Farmers have reported increase in their incomes and also resilience to weather vagaries.

Off-farm Livelihood Diversification - Livestock Development

The purpose of the programme was to improve income and de-risk livelihoods of rural households by strengthening animal dependant livelihood options. Capability building on improved package of

practices, breed improvement, provision of extension services and creation of rural entrepreneurs to provide doorstep services are the key components. The programme covered livelihoods linked to large ruminants (cow & buffalo), small ruminants (goat & sheep), piggery, fishery, poultry and apiary in 14 states and 53 districts. During the year, appx. 1.2 lakh artificial inseminations (AIs) were carried out which led to the birth of 0.45 lakh high yielding progeny and indigenous breeds. Cumulatively, the figures for AIs and calving stand over 29.6 lakh and 10.4 lakh respectively. Under the programme, over 1,040 women trained as 'Pashu Sakhis' have provided extension services to animal owners of the villages. As per field studies, the average monthly income of goat owners improved from a baseline of ₹ 6,000/- to ₹ 13,000/-. The services provided by Pashu Sakhis helped in reduction in mortality, increase in animal weight and increase in herd size, thereby resulting in significant increase in income for goat owners, mostly women.

Your Company is also working with dairy farmers in Bihar, Jharkhand and West Bengal to improve productivity of animals through several extension services and to facilitate higher milk production. Qualified teams comprising veterinarians and para-veterinarians have been deployed to facilitate animal nutrition, animal health services, training and capacity building towards improving productivity, clean milk production and promoting commercial dairy farming among farmers. During the year, about 66,495 cattle of over 43,212 dairy farmers across 483 villages in nine districts of Bihar, three districts of West Bengal and one district in Jharkhand were supported through cattle feed distribution, training programmes on clean milk production, mastitis control and animal husbandry services like deworming, ectoparasite control, etc.

On-farm Livelihood Diversification – Tree plantations

Your Company's pioneering afforestation initiative through the Social Forestry programme greened over 33,900 acres during the year. It is currently spread across 16 districts in 6 states covering

over 4.9 lakh acres in 7,400 villages, impacting over 1.87 lakh poor households. Together with your Company's Farm Forestry programme, this initiative has greened over 11.66 lakh acres till date and generated about 212 million-person days of employment for rural households, including women, poor tribal and marginal farmers. Further, fast growing, high yielding and disease resistant hybrid clones and saplings of eucalyptus pulpwood developed by your Company deliver significantly higher productivity vis-a-vis earlier clones. The clones have been developed to grow under varying ecological conditions, thereby building resilience and contributing towards increasing income for the farming community. Integral to the Social Forestry programme are the Agro-Forestry and bund plantation models that help small and marginal farmers to cultivate field crops and trees together in the same field and realise both benefits. These two models cumulatively extend to over 2.36 lakh acres and enable food, fodder and wood security. To create an additional income source and improve resilience towards climate change, fruit and other commercial species tree plantations have also been initiated with farmers, which has covered over 16,200 acres till date.

Besides enhancing farm level employment, generating incomes and increasing green cover, these large-scale initiatives also contribute meaningfully to the nation's endeavour to create additional carbon sinks for tackling climate change.

In addition to the above, the Social and Farm Forestry initiative of your Company, through a multiplier effect, has led to improvement in pulpwood and fuelwood availability in Andhra Pradesh, Telangana, Karnataka and Odisha.

Women Empowerment

During the year, this initiative provided a range of gainful livelihood opportunities to appx. 71,000 poor women, taking the cumulative coverage to over 1.92 lakh. Of the beneficiaries till date, about 36,900 ultra-poor women in your Company's core catchments were provided with assets and supported to initiate enterprises of their choice as part of a

Report of the Board of Directors

two-year intervention, and who now have access to sustainable sources of income through various livelihood opportunities. Studies have shown that the income of these ultra-poor women beneficiaries has increased by more than five-fold, aided by the programme. Currently, the programme is operational in five districts in four states.

The financial literacy and inclusion project, in partnership with Madhya Pradesh State Rural Livelihood Mission (MPSRLM) and CRISIL Foundation continued in its second phase of partnership covering all 52 districts of Madhya Pradesh. 2,013 Master Trainers were trained directly; the training was thereafter cascaded to over 63,000 Self-Help-Groups (SHGs) covering more than 6.2 lakh women during the year. Basis the learnings in MP, the programme was expanded to other states covering over 16,600 existing SHGs with 1.8 lakh members. The Financial Literacy programme has cumulatively covered over 2.90 lakh SHGs benefiting over 28.50 lakh women spread across 71 districts in 15 states. Over 24 lakh trained women have also been facilitated with access to bank accounts and Government social security schemes till date.

Your Company's 'Aashirvaad Raho 4 Kadam Aage' programme is encouraging women empowerment by providing skills related to food processing sector. Spread across seven states, the programme has covered over 70,000 women beneficiaries.

Education

The Primary Education programme aims to provide children from weaker sections of society access to education with focus on learning outcomes and retention. Operational in 34 districts of 15 states, the programme covered over 4.1 lakh children during the year, taking the cumulative coverage to over 15.31 lakh children. Under the Read India Programme, the proportion of primary level children who were able to perform basic mathematical computations increased from 20% to 90%. Considering importance of Early Childhood Care and Education (ECCE) as per National Education Policy 2020, building capabilities of Anganwadi Sevikas on ECCE has also been one of the focus areas. Your Company

has successfully completed the first phase of partnership on ECCE with Women Development and Child Welfare Department in Andhra Pradesh, covering over 25,700 Anganwadis and 4.03 lakh children in 13 districts by building the capacities of Integrated Child Development Services supervisors who further train Anganwadi Sevikas. Your Company has entered into the second phase of partnership during the year to expand the programme to the entire state across 26 districts. Additionally, your Company has also signed an MoU with the Child Development Services and Nutrition Department, Saharanpur, Uttar Pradesh, for improving ECCE (*Poshan Bhi, Padhai Bhi*) of children by combining nutrition and education interventions and will cover all the Anganwadi Centres of Saharanpur district.

Over 590 Government primary schools and Anganwadis were provided infrastructure support comprising boundary walls, additional classrooms including operationalising smart classrooms, solarisation, sanitation units and furniture, taking the total number of Government primary schools and Anganwadis covered till date to over 3,900. Infrastructure support to Government schools has helped in increasing enrolment, particularly of girls, in schools. To ensure sustainable operations and maintenance of infrastructure provided, more than 970 School Management Committees and more than 920 Child Cabinets and Water and Sanitation (WATSAN) Committees were operational in various schools during the year with active involvement of students and teachers. Further, 125 Supplementary Learning Centres (SLCs) were operational during the year, mainstreaming more than 2,500 out-of-school children into the formal education system taking the cumulative number to over 12,800.

Your Company's Bounce of Joy programme is aimed to create a positive impact on children's lives through sports. Execution of the programme is done by collaborating with schools for training of Physical Education (PE) teachers to help them foster holistic development amongst students through sports like football. Through the trained teachers, the programme has reached out to over 3 lakh students across 300 schools.

Skilling & Vocational Training

This programme provides training in market linked skills to youth from marginalised sections including differently abled, to enable them to engage in decent livelihoods. 12,500 youth across 33 districts in 16 states were trained under different courses during the year, of which 49% were female. This includes, about 1,300 youth who were trained through Government and other centres. Cumulatively, over 1.12 lakh youth have been trained under the skilling programme. Further, the pilot programme for skilling differently abled youth that was initiated in Bengaluru was also expanded in Kolkata and Howrah during the year training more than 200 such youth till date.

Sanitation

Your Company continues to adopt a multi-pronged approach towards improving public health and hygiene across 34 districts and 13 states. The programme focused on sustaining Open Defecation Free Status (ODF) by ensuring access to toilets to residual households through construction of individual toilets and community toilets for households with space constraints; and retrofitting for twin pits in households where single pit toilet was constructed earlier with Swachh Bharat Mission (SBM) support. In addition, during the year, 62 community toilets were constructed/renovated for households without land, taking the cumulative to 219. 4,200 Individual Household Toilets (IHHTs) were constructed with the support of State Government/District sanitation departments, taking the total to over 43,800 IHHTs constructed so far in your Company's catchment areas. Cumulatively, IHHTs and community toilets are estimated to be benefiting over 1.22 lakh community members. Tracking of Operations & Maintenance of existing community toilets was also done, along with behaviour change communication to ensure that catchment areas remain open defecation free.

Water, Sanitation and Hygiene (WASH) programme was implemented in schools that included construction of sanitation units in schools, separate for girls and boys, and also focused on driving behaviour change among over 98,400 school students through 2,145 WASH campaigns.

Health & Nutrition

Your Company's 'Swasth India Mission' programme has been a front runner in driving behavioural change in hand hygiene through innovative experiential training in primary schools. The Swasth India Mission drove a range of initiatives to aid and enable the country in its fight against preventable infections that create huge economic burden on the country.

- Swasth India mission believes in 'Swasth Bacche, Mazboot Desh' – healthier children are the pillars for building a strong nation. The programme deploys story-telling and jingles to teach children about where germs are, what do they do, how can we stay protected, eight steps of handwashing ending with a small quiz about the learnings of the session. The school programme covered ~12,500 schools reaching out to appx. 26 lakh students in FY 2023-24.
- The school programme created positive impact as measured in a pre-post study. There is high recall for the message and the compliance to handwashing with soap increased post the activity from 4.8 occasions to 6.8 occasions on an average.
- Additionally, the programme addressed specific seasonal issues that required awareness creation for example Leptospirosis and Nipah virus. Awareness generation was done through media tools utilising print media and digital media.
- The programme also had presence of admired public figures like Sachin Tendulkar to urge people to follow hand hygiene as a preventive health practice. The messaging on the same was deployed across various media platforms.

Around 14.61 lakh beneficiaries spread across 22 districts in eight states were covered under your Company's Mother and Child Health and Nutrition initiative aimed at improving the health-nutrition status of women, adolescents and children in the catchments of a few of your Company's factories with high maternal and infant mortality indices. Recognising the problem of Anaemia among women and children, focused intervention was initiated and over 36,000 women, adolescents and children screened in collaboration

Report of the Board of Directors

with Anaemia Mukht Bharat Abhiyan. After screening, awareness creation on localised nutrition and linkages with Government programmes for supplements was initiated. Your Company has collaborated with Directorate of Social Welfare, Government of Assam to help address challenges of malnutrition in eight districts including seven Aspirational Districts in the state. In this partnership, 541 Integrated Child Development Services (ICDS) supervisors were trained during the year which in turn have cascaded it to 15,883 Anganwadis. Trained Anganwadi Sevikas created awareness among 9.5 lakh pregnant women, mothers, adolescents in the area of antenatal check-ups, preventive vaccinations, timely breast feeding, nutrition management through locally available five food groups including millets. Additionally, your Company has entered into a partnership with Child Development Services and Nutrition Department in Saharanpur, Uttar Pradesh for building capability of Anganwadi Sevikas in promoting Maternal and Child Health and creating awareness on nutrition by focusing on the first 1,000 days of life.

Project Samposhan was undertaken during the year to address the issue of anaemia amongst 1.7 lakh adolescent girls, pregnant & lactating women and trained 2,500 staff from various Government departments (Community Health Officers, Accredited Social Health Activists (ASHA) facilitators, Anganwadi workers) in the districts of Chikkaballapur and Raichur in Karnataka and Gorakhpur in Uttar Pradesh. Similarly, Project Balposhan was undertaken in Valsad district of Gujarat to create awareness on child nutrition.

To bridge the gaps in primary and secondary healthcare delivery and to address the challenges of awareness, availability, accessibility and affordability, your Company has undertaken several Rural Healthcare interventions that are being implemented in a phased manner. After starting with the Mother and Child Health initiative in FY 2016-17, your Company is now adopting a holistic approach focusing on two major components - preventive health care and curative services. The objective of the initiative is to improve health and nutrition by strengthening institutional capacity, supplementing

existing infrastructure, promoting greater convergence with existing Government schemes, leveraging technology and increasing access to basic primary and secondary healthcare services. As part of this project, 'ITC Swaasth Kiran' initiative was launched during FY 2021-22 in Saharanpur and Munger districts. Under the initiative, during FY 2023-24, five new Mobile Medical Units (MMU) were added (three in Saharanpur & two in Munger) thus taking the total to 13 MMUs as on date. These MMUs provided free medical consultation and medicines to the rural community at their doorstep. During the year, more than 1.74 lakh individual engagements were made with community members across 800 villages, 58% of which were with women. Further, 22,500 diagnostic tests were conducted, and 5,200 referrals were made during the year. Upgradation of Public Healthcare Centres was also initiated with the involvement of the local community under the initiative.

Understanding the need of high-quality doorstep eye care for the community, your Company also initiated an innovative intervention for eye-care under which two Mobile Vision Units (MVU) were pressed into service in rural Saharanpur. These MVUs equipped with high end ophthalmic equipment can screen and diagnose eye ailments such as Cataract, Diabetic Retinopathy, Glaucoma and other diseases. During the year, more than 91,000 community members were screened, 2,685 were advised prescription eyeglasses, more than 1,500 cataracts detected and nearly 500 cataract surgeries done. The intervention also diagnosed 362 cases of Diabetic Retinopathy and 158 cases of Glaucoma, which were referred to hospitals for further management.

Your Company continued to enhance awareness on various health related issues through a network of 365 women Village Health Champions (VHCs) who covered nearly 1.54 lakh women and adolescent girls during the year. The programme is operational in six districts of Uttar Pradesh and two districts of Madhya Pradesh. The VHCs conducted door-to-door visits in the villages focusing on aspects like sanitation, menstrual and personal hygiene, family planning, diarrhoea prevention and nutrition.

To make potable water available to local communities in Andhra Pradesh, Reverse Osmosis (RO) water purification plants were set up in villages where the water quality was poor. Nine new RO plants were established in FY 2023-24 taking the total operational RO plants to 169 thus providing safe drinking water to over 2.18 lakh rural people.

Waste Management

Your Company's initiatives focus on creating replicable, scalable and sustainable models of municipal and rural waste management that can be implemented across the country to ensure that minimal waste goes to landfills. Details of these models are provided in the section on 'Building a Circular Economy for Post-Consumer Packaging' above.

ITC Sangeet Research Academy

The ITC Sangeet Research Academy (SRA), established in 1977, is an embodiment of your Company's sustained commitment to a priceless national heritage. Your Company's pledge towards ensuring enduring excellence in Classical music education continues to drive ITC SRA in furthering its objective of preserving and propagating Hindustani Classical music based on the age-old principle of 'Guru-Shishya Parampara'.

The Academy is modelled as a professionally run institution that epitomises the teaching of Hindustani Raga music. Through its eminent Gurus, it imparts intensive training and quality education in Hindustani Classical music to its scholars. The present Gurus of the Academy are Padma Bhushan Pandit Ajoy Chakrabarty, Padmashri Pandit Ulhas Kashalkar, Pandit Partha Chatterjee, Pandit Uday Bhawalkar, Vidushi Subhra Guha, Shri Omkar Dadarkar, Shri Abir Hossain and Shri Brajeswar Mukherjee. The Academy's focus continues to be on nurturing exceptionally gifted students selected from across the country through a system of multi-level auditions. Several scholars of the Academy have performed at various music festivals and have also been recipients of prestigious awards and accolades. Creation of the next generation of masters of Hindustani Classical music for the

propagation of a precious legacy continues to be the Academy's objective.

Forging Multi-Stakeholder Partnerships

Your Company's Social Investments Programme lays continuous emphasis on building partnerships of value for driving innovation & gaining contemporary knowledge while effectively amplifying and executing programmes.

Your Company has over the years formed Knowledge Partnerships with several national & international organisations/agencies to maintain contemporariness and leverage latest knowledge/technical know-how to continuously improve the quality of programmes.

Public-Private Partnerships (PPP), aimed at pooling resources, and partnership with Governments are effectively leveraged to scale-up and amplify programmes implemented in your Company's catchment areas. During the year, six new PPPs were signed.

The meaningful contribution made by your Company's Social Investments Programme to address some of the country's key development challenges, has been possible in significant measure, due to your Company's partnerships with renowned NGOs such as AFARM, AFPRO, BAIF, Bandhan Konnagar, Cheshire Disability Trust, DHAN Foundation, DSC, FES, FINISH, MAMTA, MYRADA, NCHSE, Pratham, SEARCH, SMGVS, SEWA Bharat, Umang, WASH Institute, Water for People and Youth Invest amongst others. These partnerships, which bring together the best-in-class management practices of your Company and the development experience and mobilisation skills of NGOs, will continue to provide innovative grassroots solutions to some of India's most challenging problems of development in the years to come.

CSR Expenditure

The annual report on Corporate Social Responsibility activities, as required under Sections 134 and 135 of the Companies Act, 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and Rule 9 of the Companies (Accounts) Rules, 2014, is provided in the Annexure forming part of this Report.

Report of the Board of Directors

Environment, Health & Safety

Your Company's Environment, Health & Safety (EHS) strategies are directed towards achieving the greenest and safest operations across all your Company's units by optimising natural resource usage and providing a safe and healthy workplace. Systemic efforts continue to be made towards natural resource conservation by continuously improving resource-use efficiencies.

Your Company believes that a safe and healthy work environment is a pre-requisite for ensuring employee well-being and adopting best practices in occupational health & safety bears a direct impact on overall performance. With an aim to percolate safety deeper into your Company's operational practices and achieve the 'Zero Accident' goal, your Company has adopted a comprehensive EHS strategy founded on two pillars: 'Safety by Design' and 'Safety by Culture'.

Safety

Your Company sustained focus on 'Safety by Design' by continuously striving to improve safety performance and incorporating best-in-class engineering standards for all investments in the built environment. Designs for all new greenfield & brownfield project investments are scrutinised to ensure compliance with relevant standards and codes on safety. Periodic Environment, Health & Safety audits continue to be carried out in operational units to verify compliance with relevant standards.

To drive a culture of safety, your Company, in addition to comprehensive focus on training, continues to hold structured conversations with workers on 'Safe and Unsafe' Acts. These are supplemented by adoption of keystone behaviours that inculcates individual ownership for safe behaviour. Your Company has also made use of Design Thinking principles for seamless integration of safety in business operations. These initiatives are bringing in positive behavioural changes.

Several national awards and certifications received by various units reaffirm your Company's commitment to provide safe and healthy workplace to all.

R&D, QUALITY AND PRODUCT DEVELOPMENT

Your Company's state-of-the-art Life Sciences and Technology Centre (LSTC) in Bengaluru is at the core of driving science-led product innovation to build and support your Company's portfolio of world-class products and brands. Over the years, LSTC has emerged as a robust innovation engine that is a key enabler of the 'ITC Next' growth strategy. Reinforced with world-class infrastructure, resourced with a diverse team of over 400 highly qualified scientists, LSTC continues to drive various initiatives to provide differentiation and competitive edge to your Company's brands and products. During the year, LSTC celebrated its Golden Jubilee - completing five decades of scaling new frontiers in Research & Development and innovation. Eminent scientists from India and across the world attended the celebrations, sharing rich insights on topical areas including Disruptive Innovation led Exponential Growth, Future Foods – Role of AI & Data Science, Sustainable Materials for Packaging, Adaptation to Sustainability, etc.

Driving purposeful innovations that fulfil the needs of the Indian consumer through superior offerings remains the key objective of LSTC. Centres of Excellence across domains viz. Biosciences, Agri-sciences & Materials sciences enabled building capabilities over the years to cater to the constantly evolving needs of consumers. Focused research across identified domains viz. Health & Wellness, Formulation Design, Sustainable Materials & Packaging, Agro-forestry and Crop Science has enabled the teams to harness contemporary advances in relevant core areas to translate 'proofs of concept' to novel product opportunities. Bearing testimony to LSTC's innovation capabilities while building the intellectual assets for your Company, over 800 patent applications have been filed till date. Robust risk management practices are in place to ensure that your Company's intellectual properties remain adequately protected and to ensure mitigation of information and infrastructure risk.

Research programmes and projects are structured through close alignment with the various Businesses

of your Company resulting in a robust innovation pipeline. Additionally, in line with your Company's relentless focus on operational excellence and quality, each Business is mandated to continuously innovate on materials, processes and systems to enhance their competitiveness.

Your Company has been a forerunner in introducing first-to-market innovative products for Indian consumers. In today's operating scenario of unprecedented volatility and hyper-inflationary pressures, LSTC scientists and product development teams continue to enable the Branded Packaged Foods, Personal and Home Care, Stationery and Agarbatti Businesses to deliver a range of differentiated, superior quality products at competitive costs. Innovative science-based Platform projects continue to be leveraged to drive creation of healthier foods through systematic reduction in salt, sugar and fat without compromising on sensory attributes. Leading edge technology platforms in Personal Health & Hygiene, Health & Wellness continue to power innovation and develop next generation product offerings to serve emerging consumer needs. LSTC's unique competencies in Sustainable Materials and Packaging have enabled development of packaging options with high degree of recycled plastics content and novel barrier coating solutions to create next generation environmentally friendly packaging solutions.

In Agro-Forestry and Crop Science, your Company's scientists have established different cutting-edge tools & technology platforms for improving tree & crop species of your Company's interests (like yield, quality, abiotic & biotic stress) for securing the raw material. Ongoing research has major emphasis on developing climate resilient crops and pulp wood species in order to address the security of raw material supplies across your Company's value chains and also ensuring enhanced farmer profitability. Research on wheat and potato varietal securitisation are at advanced stages of deployment to achieve flexibility in sourcing of raw material, create region-specific blends and ensure robust agro-climatic

adaptability for growing and sourcing raw materials closer to the factories at competitive costs, in addition to reducing the carbon footprint. Future ready, alternate value chains that mitigate risks arising out of disruptions to existing sourcing models continue to be explored. LSTC has deployed various digital transformation tools at farm level to bring in predictive capability with agility. LSTC, in collaboration with the Agri and Branded Packaged Foods Businesses, endeavours to ensure that science-based ideas are fully integrated across the value chain from farm to fork.

Infrastructure and capabilities are strengthened continuously keeping in pace with the global developments in science and technology. Expanding capabilities include spreading the acreage of new tree clones with superior properties, developing modern instrumentation for testing very low levels of actives or contaminants, measuring barrier properties (air and water permeability) of coated paper substrate, development and scale-up of novel materials etc.

Rigorous systems, processes and industry best practices are continuously upgraded to secure quality certifications of the highest levels – a key enabler in delivering products that follow the highest standards in quality, safety and efficacy to the Indian consumer. All branded packaged foods manufacturing units of your Company not only have ISO quality certification but also follow the highest standards under the integrated food quality management system-FSSC 22000; these systems ensure adherence to internationally accepted quality standards in producing safe and high-quality food. All manufacturing units of the Branded Packaged Foods Businesses (including contract manufacturing units) and Hotels operate in compliance with stringent food safety and quality standards. Your Company's food quality assurance laboratories are accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL) under ISO 17025, a global standard for testing and calibrating labs, which guarantees quality. Additionally, the quality of all FMCG products of your Company is monitored through best-in-class customer-centric

Report of the Board of Directors

'Quality Control and Quality Assurance Processes' and 'Product Quality Ratings Systems' (PQRS) enhancing competitive superiority of your Company's product offerings.

In its quest to continuously enhance efficiency and be future-ready, LSTC is developing and deploying cutting-edge digital tools for quality performance analytics, benchmarking and strengthen quality management systems. Satellite imaging-based tree plantation area mapping has been accomplished with greater than 90% accuracy for species of your Company's interest (Eucalyptus, Subabul, casuarina, Corymbia) that will enable assessment of pulp wood availability. Going forward, LSTC will continue to identify growth opportunities leveraging your Company's diverse core competencies and R&D insights emerging from close consumer interactions and contemporary science & technology.

PROCEEDINGS INITIATED BY THE ENFORCEMENT DIRECTORATE

In the proceedings initiated by the Enforcement Directorate in 1997, the appropriate authority after hearing arguments on behalf of your Company has passed orders in favour of your Company and dropped some of the show cause notices issued by the Directorate. In respect of some of the remaining notices, your Company filed writ petitions challenging their validity. The Honourable Calcutta High Court, by its orders, allowed these writ petitions, and the proceedings in respect of these notices were quashed. The remaining notices are pending.

Meanwhile, some of the prosecutions launched by the Enforcement Directorate have been quashed by the Honourable Calcutta High Court while others are pending.

TREASURY OPERATIONS

Your Company's treasury operations continued to focus on deployment of surplus liquidity and management of foreign exchange exposures within a well-defined risk management framework.

Market interest rates remained volatile during the year largely driven by global factors such as US economy's resilience which delayed the start of monetary easing

by the US Fed and caused interest rates in the US to trend higher. In the backdrop of global volatility, RBI towards end of September'23 took steps to tighten liquidity conditions in the Banking system which reversed the trajectory of domestic interest rates. However, interest rates at the longer end declined on back of robust demand from Foreign Portfolio Investors following the announcement of Indian G-Secs inclusion in JP Morgan's Emerging Markets Bond Index and lower fiscal deficit target for FY 2024-25.

Investment decisions relating to deployment of surplus liquidity continued to be guided by the tenets of Safety, Liquidity and Return. Treasury operations focused on proactive rebalancing of portfolio duration and mix in line with the evolving interest rate environment. Further, continuous review and monitoring of credit worthiness, including engagement with market participants, ensured that the investment portfolio was not exposed to undue credit risks.

As in earlier years, commensurate with the size of the temporary surplus liquidity under management, treasury operations continue to be supported by appropriate internal control systems, and independent check of 100% of transactions by your Company's Internal Audit Department.

In the currency market, Indian Rupee (INR) witnessed significantly lower volatility compared to the previous financial year. The Dollar Index (DXY), a key indicator of US Dollar (USD) strength registered modest gains for the financial year but witnessed large two-way movements. INR strength was aided by large surplus expected in Balance of Payments for the year vis-a-vis deficit in previous year. Periods of INR weakness was attributed mostly to global factors such as escalation of conflict in the Middle East and US Federal Reserve adopting a 'higher for longer' monetary policy stance to meet its mandate of lowering inflation. RBI's strategic intervention in the forex markets which gained prominence from September'23, enabled reduction in market volatility.

To effectively navigate the volatility in currency markets, your Company adopted a proactive risk management strategy and actively managed foreign

currency exposures through appropriate hedging strategies and market instruments to protect business margins.

DEPOSITS

Your Company's erstwhile Public Deposit Scheme closed in the year 2000. As at 31st March, 2024, there were no deposits due for repayment except in respect of two deposit holders aggregating ₹ 20000 which have been withheld on the basis of directives received from the government agencies.

There was no failure to make repayments of Fixed Deposits on maturity and the interest due thereon in terms of the conditions of your Company's erstwhile Schemes.

Your Company has not accepted any deposit from the public/members under Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 during the year.

DIRECTORS

Changes in Directors

During the year, with your approval, Ms. Alka Marezban Bharucha and Ms. Pushpa Subrahmanyam were appointed as Independent Directors of your Company for a period of five years with effect from 12th August, 2023 and 2nd April, 2024, respectively. Further, Messrs. Anand Nayak and Ajit Kumar Seth were re-appointed, with your approval, as Independent Directors of your Company for a period of five years with effect from 13th July, 2024. In the opinion of the Board, Ms. Bharucha, Ms. Subrahmanyam, Mr. Nayak and Mr. Seth possess the required integrity, expertise and experience for appointment as Independent Directors of your Company.

With your approval, Mr. Rahul Jain, representing the Specified Undertaking of the Unit Trust of India ('SUUTI'), and Mr. Atul Singh, representing Tobacco Manufacturers (India) Limited ('TMI'), a subsidiary of British America Tobacco p.l.c., were appointed as Non-Executive Directors of your Company for a period of three years with effect from 1st January, 2024 and

2nd April, 2024, respectively. Mr. Jain has since tendered his resignation with effect from 31st May, 2024.

Further, Mr. Sanjiv Puri was re-appointed, with your approval, as the Managing Director & Chairman of your Company for a period of five years with effect from 22nd July, 2024, and Mr. Hemant Malik was appointed as a Wholetime Director for a period of three years with effect from 12th August, 2023.

The Board of Directors of your Company ('the Board'), on the recommendation of the Nomination & Compensation Committee ('the Committee'), has recommended for the approval of the Members, the appointment of Dr. Alok Pande, representing SUUTI, as a Non-Executive Director of your Company for a period of three years with effect from 27th July, 2024.

Mr. Sunil Panray, representing TMI, will complete his present term as a Non-Executive Director of your Company on 19th December, 2024. The Board, on the recommendation of the Committee, has recommended for the approval of the Members, the re-appointment of Mr. Panray as a Non-Executive Director of your Company for a period of five years with effect from 20th December, 2024.

Further, Messrs. Sumant Bhargavan and Supratim Dutta will complete their present terms as Wholetime Directors of your Company on 11th July, 2025 and 21st July, 2025, respectively. On the recommendation of the Committee, the Board has recommended for the approval of the Members, the re-appointment of Messrs. Sumant and Dutta as Wholetime Directors of your Company for a period of two years with effect from 12th July, 2025 and three years with effect from 22nd July, 2025, respectively.

Appropriate resolutions seeking your approval to the above are appearing in the Notice convening the 113th Annual General Meeting ('AGM') of your Company.

Mr. Peter Rajatilakan Chittaranjan, representing the General Insurers' (Public Sector) Association of India, and Mr. David Robert Simpson, representing TMI, stepped down from the Board with effect from

Report of the Board of Directors

1st September, 2023 and 30th January, 2024, respectively. Mr. Nakul Anand completed his term as a Wholetime Director of your Company with effect from 3rd January, 2024 after being associated with the ITC Group for over 44 years, including 18 years with your Company. Your Directors place on record their appreciation for the contribution made by Messrs. Chittaranjan, Simpson and Anand during their tenure with your Company.

Retirement by Rotation

In accordance with the provisions of Section 152 of the Companies Act, 2013 ('the Act') read with Articles 94 and 95 of the Articles of Association of your Company, Messrs. Sunil Panray and Supratim Dutta will retire by rotation at the ensuing AGM and being eligible, offer themselves for re-election. Your Board has recommended their re-election.

Number of Board Meetings

Six meetings of the Board were held during the year ended 31st March, 2024.

Attributes, Qualifications & Independence of Directors and their Appointment

The Corporate Governance Policy of your Company, inter alia, requires that the Non-Executive Directors be drawn from amongst eminent professionals, with experience in business/finance/law/public administration and enterprises. The Nomination & Compensation Committee has laid down the criteria for determining qualifications, positive attributes and independence of Directors (including Independent Directors). In case of appointment of Independent Directors, the Nomination & Compensation Committee evaluates the balance of skills, knowledge and experience on the Board, and also the role and capabilities required for appointment as an Independent Director of your Company.

Further, the Board is required to have balance of skills, competencies, experience and diversity of perspectives appropriate to your Company in terms of the Policy on Board Diversity. Diversity for this purpose is considered from a number of aspects

including, but not limited to, educational & cultural background, nature of professional, administrative & industry experience, skills, knowledge, and gender representation. The skills, expertise and competencies of the Directors as identified by the Board, along with those available in the present mix of the Directors of your Company, are provided in the 'Report on Corporate Governance' forming part of the Report and Accounts.

In terms of the applicable regulatory requirements read with the Articles of Association of your Company, the strength of the Board shall not be fewer than six nor more than eighteen. Directors are appointed/re-appointed with the approval of the Members for a period of three to five years or a shorter duration, in accordance with retirement guidelines and as may be determined by the Board from time to time. All Directors, other than Independent Directors, are liable to retire by rotation, unless otherwise approved by the Members. One-third of the Directors who are liable to retire by rotation, retire every year and are eligible for re-election.

The Independent Directors of your Company have confirmed that (a) they meet the criteria of independence prescribed under Section 149 of the Act and Regulation 16 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), (b) they are independent from the management of your Company, and (c) they are not aware of any circumstance or situation which could impair or impact their ability to discharge duties with an objective independent judgement and without any external influence. In the opinion of the Board, the Independent Directors fulfil the conditions prescribed under the Act and the Listing Regulations, and are independent of the management of your Company.

Remuneration Policy

Details of your Company's Policy on remuneration of Directors, Key Managerial Personnel and other employees are provided in the 'Report on Corporate Governance' forming part of the Report and Accounts.

Evaluation of Board, Board Committees and individual Directors

Your Company has a structured process for performance evaluation of the Board, Board Committees and individual Directors. The Nomination & Compensation Committee, as reported in earlier years, has formulated the Policy on Board evaluation, evaluation of Board Committees' functioning and individual Director evaluation, and also specified that such evaluation will be done by the Board.

In keeping with ITC's belief that it is the collective effectiveness of the Board that impacts Company's performance, the primary evaluation platform is that of collective performance of the Board as a whole. Board performance is assessed, inter alia, against the roles and responsibilities of the Board as provided in the Act, the Listing Regulations and your 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 to fulfil expectations of other stakeholders through strategic supervision of your Company; such parameters include securing alignment of your Company's goals with the nation's economic, ecological and social priorities, ensuring that your Company has a clearly defined strategic direction for realisation of its vision, and supporting your Company's management to meet challenges arising from the operating & policy environment in the country. Evaluation of functioning of Board Committees is based on discussions amongst Committee members and shared by the respective Committee Chairmen 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 your Company in pursuit of its purpose and goals. The peer group ratings of the individual Directors are collated by the Chairman of the Nomination & Compensation Committee and made available to the Chairman of your Company.

While the Board evaluated its performance against the parameters laid down by the Nomination & Compensation Committee, the evaluation of individual Directors was carried out against the laid down parameters in order to ensure objectivity. The parameters for performance evaluation of individual Directors, inter alia, include ability to provide thought leadership across the role spectrum, and contribution to Board cohesion, governance & organisational processes. Reports on the functioning and performance of Committees during the year were placed before the Board. The Independent Directors Committee of the Board also reviewed the performance of the Chairman, other non-Independent Directors and the Board, pursuant to Schedule IV to the Act and Regulation 25 of the Listing Regulations.

KEY MANAGERIAL PERSONNEL

As stated earlier, Mr. Nakul Anand ceased to be a Wholetime Director of your Company upon completion of term, and Mr. Hemant Malik was appointed as a Wholetime Director of your Company with effect from 12th August, 2023. There were no other changes in the Key Managerial Personnel of your Company during the year.

AUDIT COMMITTEE & AUDITORS

The composition of the Audit Committee is provided under the section 'Board of Directors and Committees' in the Report and Accounts.

Statutory Auditors

Messrs. S R B C & CO LLP, Chartered Accountants ('SRBC'), were appointed with your approval as the Auditors of your Company for a period of five years till the conclusion of the ensuing AGM.

The Board, on the recommendation of the Audit Committee, has recommended for the approval of the Members, the re-appointment of SRBC as the Auditors of your Company for a period of five years from the conclusion of the ensuing 113th AGM till the conclusion of the 118th AGM. On the recommendation of the Audit Committee, the Board has also recommended for the approval of the Members, the

Report of the Board of Directors

remuneration of SRBC for the financial year 2024-25. Appropriate resolution seeking your approval for the appointment and remuneration of SRBC as the Statutory Auditors is appearing in the Notice convening the 113th AGM of your Company.

Cost Auditors

Your Board, as recommended by the Audit Committee, appointed the following Cost Auditors for the financial year 2024-25:

- (i) Messrs. ABK & Associates, Cost Accountants, for audit of Cost Records maintained by your Company in respect of 'Wood Pulp' and 'Paper and Paperboard' products.
- (ii) Messrs. S. Mahadevan & Co., Cost Accountants, for audit of Cost Records maintained in respect of all applicable products of your Company, other than 'Wood Pulp' and 'Paper and Paperboard' products.

Pursuant to Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, appropriate resolutions seeking your ratification to the remuneration of the aforesaid Cost Auditors are appearing in the Notice convening the 113th AGM of your Company.

Your Company maintains necessary cost records as specified by the Central Government under Section 148(1) of the Act read with the Companies (Cost Records and Audit) Rules, 2014.

Secretarial Auditors

Messrs. S. N. Ananthasubramanian & Co., Company Secretaries, were appointed by the Board as the Secretarial Auditors of your Company for the financial year ended 31st March, 2024. The Secretarial Auditors have confirmed that your Company has complied with the applicable laws and that there are adequate systems and processes in your Company commensurate with its size and scale of operations to monitor and ensure compliance with the applicable laws.

The Report of the Secretarial Auditors, pursuant to Section 204 of the Act, is provided in the Annexure forming part of this Report.

CHANGES IN SHARE CAPITAL

During the year, 5,67,03,730 Ordinary Shares of ₹ 1/- each, fully paid-up, were issued and allotted upon exercise of 56,70,373 Options under your Company's Employee Stock Option Schemes. Consequently, the Issued and Subscribed Share Capital of your Company, as on 31st March, 2024, stands increased to ₹ 1248,47,21,471/- divided into 1248,47,21,471 Ordinary Shares of ₹ 1/- each. The Ordinary Shares issued during the year rank pari passu with the existing Ordinary Shares of your Company.

EMPLOYEE STOCK OPTION SCHEMES

Disclosures with respect to Stock Options, as required under Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ('the Regulations'), are available in the Notes to the Financial Statements of the Company. The said disclosures forming part of the Financial Statements can also be accessed on your Company's corporate website <http://www.itcportal.com> under the section 'Investor Relations'. During the year, there has been no change in your Company's Employee Stock Option Schemes.

Your Company's Secretarial Auditors have certified that the Employee Stock Option Schemes of your Company have been implemented in accordance with the Regulations and the resolutions passed by the Members in this regard.

INVESTOR SERVICE CENTRE

The Investor Service Centre of your Company ('ISC'), accredited with ISO 9001:2015 certification, is registered with the Securities and Exchange Board of India as a Category II Share Transfer Agent. ISC remains committed to maintaining the highest standards of investor servicing, consistently ensuring best-in-class services for shareholders and investors, while adhering to the applicable statutory requirements. ISC continues to invest in upgradation of its infrastructure, systems and technology in order to keep them contemporary. The 'Investor Relations' section on your Company's corporate website

<http://www.itcportal.com> serves as a user-friendly reference providing up-to-date information and guidance on share-related matters.

RELATED PARTY TRANSACTIONS

All contracts or arrangements entered into by your Company with its related parties during the financial year were in accordance with the provisions of the Companies Act, 2013 and the Listing Regulations. All such contracts or arrangements were approved by the Audit Committee. No material contracts or arrangements with related parties within the purview of Section 188(1) of the Act were entered into during the year under review. Further, the prescribed details of related party transactions of your Company in Form No. AOC – 2, in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014, are given in the Annexure to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 134 of the Companies Act, 2013, your Directors confirm having:

- a) followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures, if any;
- b) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- d) prepared the Annual Accounts on a going concern basis;
- e) laid down internal financial controls to be followed by your Company and that such internal financial controls were adequate and were operating effectively; and

- f) devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

CONSOLIDATED FINANCIAL STATEMENTS

Your Company's Board of Directors is responsible for the preparation of the consolidated financial statements of your Company and its Subsidiaries ('the Group'), Associates and Joint Venture entities, in terms of the requirements of the Companies Act, 2013 (the Act) and in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act.

The respective Boards of Directors of the companies included in the Group and of its associates and joint venture entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Such financial statements have been used for the purpose of preparation of the consolidated financial statements by the Board of Directors of your Company, as aforesaid.

OTHER INFORMATION

Compliance with the conditions of Corporate Governance

The certificate from your Company's Statutory Auditors, Messrs. S R B C & CO LLP, confirming compliance with the conditions of Corporate Governance as stipulated under the Listing Regulations, is annexed.

Report of the Board of Directors

Going Concern status

There was no significant or material order passed during the year by any regulator, court or tribunal impacting the going concern status of your Company or its future operations.

Annual Return

The Annual Return of your Company is available on its corporate website at <https://www.itcportal.com/investor/disclosures-under-SEBI.aspx>.

Particulars of loans, guarantees or investments

Details of loans and investments covered under the provisions of Section 186 of the Companies Act, 2013 are provided in Notes 4, 5, and 9 to the Financial Statements. No guarantees were outstanding as at the year end.

Particulars relating to Conservation of Energy and Technology Absorption

Particulars as required under Section 134 of the Companies Act, 2013 relating to Conservation of Energy and Technology Absorption are also provided in the Annexure to this Report.

Compliance with Secretarial Standards

Your Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Act.

Employees

The total number of employees as on 31st March, 2024, stood at 24,567.

There were 350 employees, who were employed throughout the year and were in receipt of remuneration aggregating ₹ 102 lakh or more or were employed for part of the year and were in receipt of remuneration aggregating ₹ 8.5 lakh per month or more during the financial year ended 31st March, 2024. The information required under Section 197(12) of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in the Annexure forming part of this Report.

Dividend Distribution Policy

The Dividend Distribution Policy of your Company may be accessed on its corporate website at <https://www.itcportal.com/about-itc/policies/dividend-distribution-policy.pdf>.

Key Financial Ratios

Key Financial Ratios for the financial year ended 31st March, 2024, are provided in the Annexure forming part of this Report.

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements that involve risks and uncertainties. When used in this Report, the words 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will' and other similar expressions as they relate to your Company and/or its Businesses are intended to identify such forward-looking statements. Your Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

CONCLUSION

Your Company's 'Triple Bottom Line' philosophy has over the years spurred the creation of innovative business models that synergise the building of economic, environmental and social capital. It is now universally evident that enterprises of the future will not only have to be agile, consumer-centric, innovative and digital-first but also purpose-driven and responsibly competitive. Your Company's superordinate goal of serving larger national priorities and creating value for all stakeholders has evolved into a new paradigm - 'Responsible Competitiveness' - that focuses on extreme competitiveness but in a manner that replenishes the environment and supports sustainable livelihoods.

The strategic Vision of creating multiple drivers of growth through the pursuit of market opportunities that best match institutional strengths, has resulted in the development of strong Businesses of the future anchored on a portfolio of purpose-led brands, future-ready products and world-class quality. Today, your Company is the leading FMCG marketer in India, a pre-eminent hotel chain and a globally acclaimed icon in green hoteliering, the clear market leader in the Indian Paperboards and Packaging industry, a pioneering trailblazer in farmer and rural empowerment through its Agri Business and a global exemplar in sustainable business practices. Since the turn of the millennium, your Company's non-cigarettes businesses have grown over 31-fold and presently constitute about two-thirds of Net Segment Revenue. At the heart of this transformation lies the power of synergy, with seamless access for your Company's new Businesses/initiatives to the deep and varied capabilities resident across different parts of the enterprise, and its world-class talent pool.

An extensive strategy reset has been undertaken in recent years to architect the structural drivers that will power the ITC Next strategy of building a Future-Ready, Consumer-Centric, Climate Positive and Inclusive organisation anchored on the Responsible Competitiveness paradigm.

In recent years, the FMCG Businesses have delivered strong revenue growth along with significant margin expansion and are well poised to be rapidly scaled up. Multi-dimensional interventions have been made to strengthen the FMCG Businesses for sustained profitable growth. The product portfolio of your Company has been further strengthened in alignment with new opportunities and enterprise strengths with sharper focus on fortifying the core businesses, addressing adjacent opportunities leveraging Mother Brands and building emerging businesses for the future. To accentuate consumer-centricity, agility and enable sharper focus in the context of the growing scale and complexity of operations, the Branded Packaged Foods Businesses have been reorganised into product market centric clusters with integrated and empowered teams. Focused interventions

made in the recent past have also augmented your Company's multi-channel go-to-market capability, resulting in manifold expansion in the reach and availability of its products. Over the last five years, market and outlet coverage have grown 2.5x and 1.4x respectively while the network of stockists has expanded to 8x during the same period. Sharp-focused investments have augmented capability in emerging channels such as e-Commerce and Modern Trade, resulting in strong growth in sales and enhanced market standing. In addition, investments towards accelerating agile and purposeful innovation, optimising supply chain efficiencies, accelerated digital adoption, and strategic partnerships have significantly enhanced competitiveness. The impact of these multi-dimensional interventions is evident in the substantial margin expansion of 560 bps in Segment EBITDA over the last five years even in the face of severe inflationary headwinds.

The FMCG Businesses will continue to leverage your Company's institutional strengths as a key source of sustainable competitive advantage viz. strong backward linkages with the Agri Business, a deep & wide multi-channel distribution network, cuisine knowledge resident in the Hotels Business, packaging knowhow and the robust R&D platforms nurtured by LSTC. Structural advantages arising out of distributed manufacturing footprint, anchored on state-of-the-art ICMLs strategically located proximal to large demand centres, will be increasingly leveraged to drive rapid growth of the FMCG Businesses. With enhanced scale and margin expansion, the FMCG Businesses are expected to make increasingly higher contributions to your Company's profit pool, thereby setting the stage for further value enhancement opportunities.

The Agri Business has been a strong backbone and a key source of competitive advantage for your Company's FMCG and Cigarettes Businesses. The scope and scale of operations have grown manifold over the years and currently encompass nearly 3 million tonnes of annual volume throughput in 22 states and over 20 agri-value chains. In recent

Report of the Board of Directors

years, the Business has pivoted its strategic focus towards rapidly scaling up its Value-Added Agri Products portfolio to accelerate growth and margins. With policy enablers in place, your Company is developing NextGen agriculture value chains that are digitally enabled and climate smart, and re-structuring the back end into a robust network of Farmer Producer Organisations. This will further strengthen the sourcing network and facilitate the development of customised supply chains for traceable and identity-preserved sourcing of agri-commodities and in augmenting the product portfolio with the addition of value-added products such as staples for the Food Service segment, fresh and frozen fruits & vegetables, medicinal and aromatic plant extracts etc. Towards enhancing the competitiveness of domestic agri-value chains, fostering new business models and augmenting value creation opportunities, your Company has successfully scaled up ITCMAARS – a crop-agnostic ‘phygital’ full stack AgriTech platform integrating NextGen agri-technologies and solutions – to seamlessly deliver hyperlocal and personalised solutions to the farming community whilst creating new and scalable revenue streams and strengthening sourcing efficiencies.

The Paperboards, Paper and Packaging Businesses have made significant progress in recent years in terms of enhanced scale and profitability improvement. Strategic investments have been stepped up in areas such as pulp import substitution, proactive capacity augmentation in Value-Added Paperboards segment, decarbonisation of operations, deployment of Industry 4.0 technologies and towards nurturing robust innovation platforms. The focus going forward is to fortify market leadership in the fast-growing Value-Added Paperboards segment by augmenting scale, driving cutting-edge innovation to rapidly scale-up single use plastic substitutes as a new vector of growth, building structural advantage through product mix enrichment and scaling up the use of emergent technologies such as Industry 4.0 to enhance operational efficiency, reduce wastage and costs.

The Hotels Business has over the years established a strong footprint of iconic properties and F&B brands on the back of an investment-led growth strategy. In recent years, the strategy has been reset to pursue an ‘asset-right’ growth path and augment revenue streams while simultaneously leveraging your Company’s world-class properties and iconic cuisine brands to drive growth. Investments have been stepped up to harness the power of Digital to enhance guest experience, efficiency and productivity across all nodes of the value chain. As stated in earlier years, your Company had been evaluating alternate structures for the Hotels Business to enable the next horizon of growth and value creation. In furtherance of this strategy, during the year, the Board of Directors of your Company, approved a Scheme of Arrangement amongst your Company and ITC Hotels Limited providing, inter alia, for demerger of the Hotels Business of your Company into ITC Hotels Limited. While the Stock Exchanges have given their respective No-Objections, the Scheme is subject to other requisite approvals including approval of the National Company Law Tribunal, Kolkata Bench.

Your Company continues to build a dynamic ‘Future-Tech’ enterprise powered by state-of-the-art digital technologies and infrastructure (‘Mission DigiArc’) across the value chain adding significant impetus to digital marketing, digital commerce, digital products and digital operations. Your Company today, is a pioneer in adoption of cutting-edge digital technologies across strategic impact areas spanning Consumer Experience, Business Model Transformation, Smart Operations and Employee Experience. Foundational initiatives such as ‘DigiNext’ and ‘Young Digital Innovator’s Lab’ are accelerating your Company’s digital journey and inculcating a data driven and ‘digital first’ culture across the organisation.

Sustainability continues to be a critical focus area. Your Company is actively pursuing its bold Sustainability 2.0 agenda comprising multi-dimensional interventions in decarbonisation, building green infrastructure, scaling up carbon sequestration, promoting climate-smart and regenerative agriculture,

restoring biodiversity through nature-based solutions, enhancing water stewardship, creating an effective circular economy and sustainable packaging solutions, building climate resilience & adaptive capacity of value chains and developing inclusive value chains that can support 10 million livelihoods by 2030.

Disruptive business models and value propositions anchored at the intersection of future frontiers of Digitalisation and Sustainability form an integral part of your Company's strategic roadmap going forward. NextGen business models such as ITCMAARS in the agri-ecosystem, tech-enabled cloud kitchens in the food service space, sustainable paperboards and packaging solutions customised for end-use with focus on single use plastic substitutes, are being piloted/progressed to actualise these opportunities. Value-accretive acquisitions, joint venture and collaborations continue to be proactively pursued towards accelerating growth and value creation.

The global operating environment has become increasingly complex, uncertain and volatile. In the wake of several upheavals witnessed over the last few years, there is now a spectre of 'permacrisis' i.e. an extended period of crisis from a series of extremely disruptive events, viz. pandemic, extreme weather events caused by climate change, geopolitical tensions, severe inflationary pressures. This is exacerbated by the phenomenon of 'polycrisis', signifying simultaneous occurrence of several crises.

India remains one of the few bright spots in an increasingly volatile and unpredictable world. With structural drivers of growth firmly in place, India is firmly positioned to play a larger role on the global

stage going forward. Your Company, with its robust and dynamic strategy pillars as aforesaid, is well poised to rapidly scale-up and enhance its market standing across operating segments.

The resilience, agility and adaptive capacity demonstrated by your Company is a testament to the talent, determination and untiring efforts of its pool of dedicated professionals, associates and partners. Your Company's diverse talent pool of professional entrepreneurs, 'proneurs', have the unique opportunity to nurture categories, products and brands from ideation to execution. This talent pool is being harnessed not only to create winning products and services for today, but also to seize larger opportunities as they emerge from the expanding horizons of your Company's Businesses.

Your Company's Board and employees are inspired by the Vision of sustaining your Company's position as one of India's most admired and valuable companies, creating enduring value for all stakeholders, including the shareholders and the Indian society. The vision of enlarging your Company's contribution to the Indian economy is driven by its 'Nation First: Sab Saath Badhein' credo anchored on the core values of Trusteeship, Transparency, Empowerment, Accountability and Ethical Citizenship, which are the cornerstones of your Company's Corporate Governance philosophy.

Inspired by this Vision, driven by Values and powered by internal Vitality, your Directors and employees look forward to the future with confidence and stand committed to creating an even brighter future for all stakeholders.

On behalf of the Board

S. PURI *Chairman & Managing Director*
(DIN : 00280529)

S. DUTTA *Director & Chief Financial Officer*
(DIN : 01804345)

Kolkata
23rd May, 2024

Annexure to the Report of the Board of Directors For the Financial Year Ended 31st March, 2024

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES OF THE COMPANY

1. CSR Policy - Brief outline and Overview

a. Brief outline of the CSR Policy:

It is ITC's Policy to direct its CSR Programmes, inter alia, towards achieving one or more of the following – poverty alleviation; promoting education and skill development; promoting healthcare including preventive healthcare; providing sanitation and drinking water; ensuring environmental sustainability; enabling climate resilience; undertaking rural development projects; creating livelihoods for people, especially those from disadvantaged sections of society; protecting national heritage, art and culture; preserving and promoting music and sports; and providing relief and assistance to victims of disasters and calamities.

In pursuit of the above, ITC has identified the following focus areas for its CSR Programmes based on comprehensive need assessment surveys of its stakeholders:

- (i) Create **sustainable livelihoods and alleviate poverty** through water stewardship and management of other natural resources, sustainable agriculture and climate smart practices, on-farm livelihoods like afforestation, off-farm livelihoods like livestock development and women empowerment;
- (ii) Build **capabilities for tomorrow** through interventions in education, skilling, micro-enterprises, and **healthy habitations** through sanitation, school WASH (Water, Sanitation & Hygiene) and waste management;
- (iii) **Promote healthcare, including preventive healthcare**, and improve critical nutritional & health status of at-risk population through interventions to strengthen mother & child health, nutrition, and affordable access to basic healthcare services;
- (iv) Protect **national heritage, art & culture**, and preserve & promote music and sports; and
- (v) Provide relief and assistance to victims of **disasters and calamities**.

The CSR Policy of the Company may be accessed on its corporate website at <https://www.itcportal.com/about-itc/policies/corporate-social-responsibility-policy.aspx>

b. Role of the CSR and Sustainability Committee:

The role of the CSR and Sustainability Committee is inter alia, to review, monitor and provide 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 crafting unique models to transform lives and landscapes by supporting creation of sustainable livelihoods together with environmental regeneration. Formulation and monitoring of the CSR Policy, annual CSR Action Plan and the Sustainability Policies, including making recommendation to the Board as necessary, form part of the role of the Committee.

c. CSR Programmes / Projects:

The two most important stakeholders for ITC's CSR programmes / projects are:

- Rural communities, primarily in the Company's Agri Business areas.
- Communities residing in close proximity to the Company's production units.

The Company's stakeholder profile is varied, calling for an integrated approach to development comprising several layers of interventions which are summarised below, in line with Schedule VII to the Companies Act, 2013:

i. Promoting Preventive Healthcare, Sanitation & Poverty Alleviation (Schedule VII – i):

- **Health and Nutrition:** Focus on preventive aspects through emphasis on maternal and child care (MCH) & nutrition through awareness and counselling by leveraging institutions like Anganwadis, Asha workers and network of women Village Health Champions (VHC). Also, strengthen healthcare related services by supplementing primary & secondary infrastructure, upgrading Primary Health Centres (PHC), and providing access to healthcare through mobile services & other interventions.
- **Waste Management:** Create a clean and healthy environment through awareness & behaviour change for inculcating individual & community responsibility, facilitate source segregation & recycling of dry & wet waste, management of liquid waste and enable sustainable livelihoods for rag pickers & waste collectors.

- **Sanitation:** Promote a hygienic environment through prevention of open defecation and reduce incidence of waterborne diseases. The focus of the interventions is on enhancing awareness and impacting behaviour change on Water, Sanitation & Hygiene (WASH). Also, facilitate health impacting social and civic infrastructure initiatives like improved sanitation and hygiene in the neighbourhood of the Company's catchments.
 - **Poverty Alleviation:** Support the needy and poor through interventions that enable income generation, and also provide access to basic needs like clothing, food, etc., as needed.
- ii. **Promoting Education, Vocational Skills and Livelihood Enhancement (Schedule VII – ii):**
- **Education:** Provide children with access to education including Early Child Care Education with focus on enrolment, learning retention and improved pedagogy. Also, work with government to enhance capacities of institutions like Anganwadis.
 - **Skills:** Build and upgrade skills of youth with the emerging needs of the job market across sectors as also entrepreneurial opportunities.
 - **On-farm and Off-farm livelihoods:** Enhance incomes of farmers and their families by widening income generation opportunities through social and agro-forestry, fruit plantations and livestock development covering both large and small ruminants including poultry and fisheries. Also, facilitate capability building through comprehensive package of extension services.
- iii. **Economic Empowerment of Women (Schedule VII – iii):**
- Provide a range of gainful employment and individual & group entrepreneurial opportunities to women by empowerment and capacity building programmes, strengthening financial literacy and also providing access to loans, grants, insurance & social security.
- iv. **Ensuring Environmental Sustainability (Schedule VII – iv):**
- **Water Stewardship:** Promote local management of water resources by facilitating community-based participation in planning & executing watershed projects and soil & moisture conservation, river-basin level interventions, and also identifying & enabling extensive use of water efficient agri practices and use of treated water.
 - **Social Forestry:** Provide food, fuel & fodder security to farmers through social and agro-forestry interventions.
 - **Biodiversity:** Strengthen eco-system services provided by nature including provisioning and regulatory services focussed on restoring commons.
 - **CII-ITC Centre of Excellence for Sustainable Development:** Enable other businesses / organisations in India to create enduring value on a sustainable basis by embedding the imperatives of sustainable development in their strategies & processes.
- v. **Protection of National Heritage, Art & Culture (Schedule VII – v):**
- Revive and restore vanishing musical sub-genres by enlisting the goodwill of some of the finest musicians through institutions like the ITC Sangeet Research Academy (ITC SRA), which was established in 1977 as an embodiment of the Company's sustained commitment to a priceless national heritage.
- vi. **Training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports (Schedule VII – vii):**
- Promote sports for the holistic development of children by working closely with schools.
- vii. **Research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (Schedule VII – ix-b):**
- Leverage the technical expertise of premier institutions through partnerships and support R&D activities in the areas of science, technology, engineering, environment, agriculture and health aimed at promoting Sustainable Development Goals (SDGs).
- viii. **Rural Development (Schedule VII – x):**
- **Sustainable and Climate Smart Agriculture:** Introduce advanced knowledge & technologies through package of practices, increase awareness of farmers on optimum use of natural resources in order to increase farm incomes, minimise cost of cultivation, and make agriculture resilient to increasing climate challenges.

- **Knowledge Empowerment:** Enable farmers and farmer collectives to make informed choices by providing relevant and real-time information on local weather reports, customised knowledge & best practices on scientific farming and farm management, commodity prices and risk management.
- **Agri-extension / services:** Encourage sustainable agricultural practices through various extension platforms to enable access to relevant farm mechanisation technologies & implements, as also institutional support mechanisms and linkages to government schemes, especially for small farm holdings, in order to enhance farm productivity and farm-based incomes.

ix. **Disaster Assistance (Schedule VII – xii):**

Provide relief especially to the poor and vulnerable sections of society who face severe disruption to their livelihoods in the event of disasters and calamities, directly or through government bodies.

2. **Composition of the CSR and Sustainability Committee as on 31st March, 2024:**

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR and Sustainability Committee held during the year	Number of meetings of CSR and Sustainability Committee attended during the year
1.	S. Puri (Chairman of the Committee)	Chairman & Managing Director	3	3
2.	M. Gupta	Non-Executive Director		3
3.	R. Jain ¹	Non-Executive Director		N.A.
4.	S. Panray	Non-Executive Director		3
5.	N. Rao	Independent Director		3
6.	A. K. Seth	Independent Director		3
7.	M. Shankar	Independent Director		3

¹ Appointed Member w.e.f. 1st January, 2024.

3. Provide the web-link(s) where composition of the CSR and Sustainability Committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company: <https://www.itcportal.com/sustainability/corporate-social-responsibility.aspx>
4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable:

Executive Summary – Impact Assessment of ITC’s CSR Programmes for the financial year 2023-24

Brief Description	ITC implements its CSR Programmes across the country under a Two Horizon approach aimed at holistic development of communities.
Thematic Areas / Programmes	<p>The specific themes covered under the Two Horizon approach include:</p> <p>Horizon – I: Strengthening today’s livelihoods</p> <ul style="list-style-type: none"> • Climate Smart Agriculture • Water Stewardship Programme • Biodiversity • Social Forestry <p>Horizon – II: Building Capabilities for Tomorrow</p> <ul style="list-style-type: none"> • Public Health: Sanitation and Waste Management • Public Health: Mother and Child Health and Nutrition • Support to Education: Infrastructure support, School WASH and Learning levels • Skilling of Youth • Women Empowerment - Financial Literacy and SHGs

Projects Covered	49 projects having budget of more than ₹ 1 crore each during the financial year 2021-22 were taken up for impact assessment. The purpose of these impact assessment studies was to assess the impact of the CSR projects and also learn from the findings to make course corrections, where required, and to feed into future programme designing.
Projects Duration	FY 2021-22
States	The assessment covered interventions in the States of Andhra Pradesh, Assam, Bihar, Delhi, Jammu and Kashmir, Karnataka, Punjab, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal. The studies also covered aspirational districts programme done in partnership with NITI Aayog and with Madhya Pradesh State Rural Livelihood Mission (MPSRLM).
Impact Assessment Agencies	These impact assessments were done by the following seven external agencies selected through competitive bidding process, and assigned specific projects / geographies for assessment: <ul style="list-style-type: none"> • BIRD Innovative Research and Development Private Limited, Delhi • Blue Sky Sustainable Business, Bengaluru • CRISIL Private Limited, Mumbai • Renalysis Consultants Private Limited, Ahmedabad • Sambodhi Research and Communications Private Limited, Noida • SoStakes Services Private Limited, Bengaluru • Surge Impact Foundation, Hyderabad
Period of Study	FY 2023-24
Methodology	The agencies took up studies through mixed method approach covering quantitative and qualitative data collection. A statistically significant sample size was covered under each project.

The **major impacts** recorded by the impact studies are as follows –

Horizon – I

- Overall, the projects assessed under Horizon - I were found to be relevant, effective, efficient and sustainable. They have not only contributed to higher incomes for farmers, but also enabled climate adaptation and conservation of natural resources.

Climate Smart Agriculture:

- Under Climate Smart Agriculture, the study was done in Assam, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu where post intervention, improvement was observed in average yields of major crops like wheat, paddy and soyabean. Compared to control, yield improvement in wheat, paddy and soya was 20%, 10% & 104% respectively. In soyabean, higher difference against control was because of programme plots withstanding high rainfall damage due to the practices promoted.
- As compared to control group, cost of cultivation reduced by around 9% and 15% for wheat and paddy respectively. Cost was 6% higher in programme for soyabean because of promoting broad bed furrow method of sowing (a climate smart practice), more than offset by the significantly higher yield.
- As compared to control group, net income for farmers was higher by 89%, 57% and 41% in wheat, paddy and soyabean respectively.
- Tray seedlings showed uniform ripening, leading to a uniform harvest. As a result of the tray seedlings, 87% of surveyed farmers witnessed a 10-15% yield improvement. 86% of farmers witnessed 40% reduction in water usage due to Drip irrigation systems and Drip laterals which also ensured improved efficiency in water delivery to plants.

Water Stewardship:

- The studies done in Assam, Madhya Pradesh, Maharashtra, Punjab, Rajasthan and Tamil Nadu showed 94% of the respondents confirming increase in water availability as a result of the watershed initiatives. 90% of the project group responded that year-round cultivation was possible due to increased water availability, as compared to only 22% of the control group respondents. In the process, they also could practice crop rotation for efficient water usage and better soil health.

Biodiversity:

- Charagah Vikas Samitis (CVS) are community institutions promoted in the programme for biodiversity conservation work in Rajasthan undertaken in village commons. 86% of the beneficiaries who rear animal husbandry could avail fodder from biodiversity plots and 32% got Non-Timber Forest Produce (NTFP) which they either sold or made value added products.

Social Forestry:

- The tree plantation done under Social Forestry programme has resulted in improving household income. 84% of programme farmers have reported income improvement, of which 41% households reported more than 50% additional income from plantations. At the same time, only 14% control group farmers reported getting more than 50% additional income.

Horizon – II

Projects evaluated under Horizon - II were found to be of high relevance and positively impacting lives of children, youth, women and communities residing in factory catchments.

Women Empowerment:

- In Women Empowerment programme, study done in Rajasthan and Tamil Nadu revealed 89% of the women from project group developing savings habit as compared to 55% in control group; 64% of the women from project group have taken loans compared to only 17% from control groups; enrolment in Government schemes shows significant improvement (from almost none to about 60% women availing Pradhan Mantri Suraksha Bima Yojana in case of project group as compared to only 14% in control group).
- In the financial literacy programme for women SHGs in Madhya Pradesh, savings habits went up from 34% to 79% within the project group, with slight decline in control. Over 75% of the project members opted to enrol in Government's social security schemes. 80% of the women received information from Yojana Sakhis, and 62% women sought assistance for services. 48% of the Yojana Sakhis also helped women in settlement of insurance claims. The study also revealed that already 17% of the women have commenced microenterprise activity after training as against only 4% in control group.
- In the Targeted Hardcore Poor programme (THP) for ultra-poor women, there is a notable shift towards entrepreneurial activities, covering both agri-business (37.9% as compared to 5.8% in the control group) and non-agri-business (39.2% as compared to 9% in the control group) leading to additional income. Over 75% of the women from the programme have reported net income increase in the range of ₹ 5,000/- to ₹ 20,000/- per month after the intervention. 83% of the women from project group were covered under health insurance schemes as compared to only 19% in the control group.

Support to Education:

- The Read India Programme evaluated in Tamil Nadu had over 70% children in the project group stating significant improvement in learning levels in both Language and Mathematics compared to 30% in the control group.
- Water, Sanitation and Hygiene (WASH) interventions in schools was evaluated in Andhra Pradesh, Bihar and Telangana. Findings revealed that 90% project schools now have separate toilet facilities for boys and girls as compared to only 25% in the control group.

- In another study conducted in Assam, Punjab and Tamil Nadu, it is seen that almost 100% project schools have handwashing facilities with water availability, while it is only 35% in control schools. 73% of the girls from project schools confirmed availability of sanitary napkins in schools as compared to only 17% in the control group. 76% of the students in project schools confirmed WASH facilities in schools has led to reduction in the incidence of drop out of girl children from schools.

Waste Management:

- In the Solid Waste Management (SWM) programme, the study done in Punjab and Tamil Nadu indicated that almost 100% of sampled households in intervention areas practice source segregation of waste as against only 41% in control. Improvement in overall hygiene was felt by most of the respondents and 40% beneficiaries also felt that their medical expenses had reduced.
- Under the Well-being Out of Waste programme, the initiative in Delhi was studied where 89% of households surveyed mentioned practicing source segregation, which is a significant improvement from 6% before intervention. The motivating factors for source segregation are mainly awareness of SWM, availability of separate bins for waste disposal at households, and awareness campaigns.

Health:

- In the programme on Mother and Child Health and Nutrition (MCHN), the study done in West Bengal revealed that higher proportion of pregnant women (82.4%) were registered for Antenatal Care (ANC) compared to control (75%). 100% of the women registered for ANC adhered to health monitoring procedures. 97% of adolescent girls in the project group have had BMI checked, as compared to 83% in the control group. Due to health awareness and higher antenatal check-ups, there was lesser incidence of high blood pressure during pregnancy, which is one of the critical issues faced by women.

Skilling of Youth:

- The study done for vocational training programme in Assam and Tamil Nadu revealed that the programme has helped youth to develop certain job skills and communication skills to a great extent.
- 85% of the youth got successfully placed after completion of training within a period of 1-3 months with 72% of the youth getting a job in the field of their training.
- Another study conducted in Andhra Pradesh for Guntur region shows that the healthcare and hospitality sectors achieved 100% placements, followed by automotive, which was 97%.
- In a study conducted in West Bengal and Jammu & Kashmir, 99% of the youth covered through the programme reported increase in monthly household income after the intervention because of the salaries they earned post placement.

Complete Impact Assessment Reports are available on the Company's website at
<https://www.itcportal.com/sustainability/impact-studies.aspx>

5. (a) Average net profits of the Company as per Section 135(5)	: ₹ 20,173.67 crores
(b) Two percent of the average net profits of the Company as per Section 135(5)	: ₹ 403.47 crores
(c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years	: Nil
(d) Amount required to be set off for the financial year, if any	: Nil
(e) Total CSR obligation for the financial year [(b)+(c)-(d)]	: ₹ 403.47 crores

6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project) : ₹ 380.44 crores
 (b) Amount spent in Administrative Overheads : ₹ 20.20 crores
 (c) Amount spent on Impact Assessment, if applicable : ₹ 3.41 crores
 (d) Total amount spent for the Financial Year [(a)+(b)+(c)] : ₹ 404.05 crores
 (e) CSR amount spent or unspent for the Financial Year:

Total Amount spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹ 404.05 crores	Not Applicable	Not Applicable	Not Applicable		

- (f) Excess amount for set-off, if any:

Sl. No.	Particular	Amount (in ₹)
(1)	(2)	(3)
(i)	Two percent of average net profits of the Company as per Section 135(5)	₹ 403.47 crores
(ii)	Total amount spent for the Financial Year	₹ 404.05 crores
(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	₹ 0.58 crore
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	Nil
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	₹ 1.93 crores *

* Includes excess amounts of ₹ 0.76 crore and ₹ 0.59 crore spent during the financial years 2021-22 and 2022-23, respectively, and carried forward.

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6		7	8
Sl. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under Section 135(6) (in ₹)	Balance Amount in Unspent CSR Account under Section 135(6) (in ₹)	Amount Spent in the Financial Year (in ₹)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to Section 135(5), if any		Amount remaining to be spent in succeeding Financial Years (in ₹)	Deficiency, if any
					Amount (in ₹)	Date of Transfer		
1	2022-23	₹ 23.10 crores	₹ 17.39 crores	₹ 5.71 crores	NIL		₹ 17.39 crores	NIL
2	2021-22	₹ 3.90 crores	Nil	Nil	Not Applicable			

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Yes
 No

If Yes, enter the number of Capital assets created / acquired

Not Applicable

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity / Authority / beneficiary of the registered owner		
					CSR Registration Number, if applicable	Name	Registered address
1	2	3	4	5	6		
Not Applicable							

9. Specify the reason(s), if the Company has failed to spend two per cent of the average net profits as per Section 135(5):
Not Applicable

On behalf of the Board

S. PURI *Chairman – CSR and Sustainability Committee*
(DIN : 00280529)

S. DUTTA *Director & Chief Financial Officer*
(DIN : 01804345)

Kolkata, India
23rd May, 2024