Material Issues

ITC's Double Materiality Analysis

Considering the fast-evolving stakeholder expectations, it is pertinent to review the list of Environmental, Social & Governance (ESG) topics that matter to ITC's stakeholders. For this, the Company follows the "Double Materiality" approach that not only took into account ESG topics that can reasonably be expected to trigger material financial effects for the Company ("Financial Materiality"), but also those topics that may entail actual or potential, positive or negative impacts on people or the environment i.e., ITC's stakeholders ("Impact Materiality"). This approach is aligned to the recommendations of GRI Standards 2021.

ITC undertook a comprehensive stakeholder consultation process in FY 2023-24 as part of the double materiality assessment process. This entailed capturing the views of ~120 stakeholder including:

70+
Internal stakeholders
covering sustainability practitioners and senior management representatives from across ITC Businesses

~45
External stakeholders
representing sustainability experts, civil society organisations, B2B customers, third party manufacturers, logistics partners, media and institutional investors.

ITC commissioned a pan-India consumer sustainability survey in 2023 across its key national markets for capturing the views of 1,750 consumers. These were also considered in the double materiality assessment.

Additionally, as part of ITC's process, the list of material topics is reviewed and approved annually to ensure that it remains contemporary and reflects current stakeholder expectations.

Material issues are one of the key inputs for medium and long-term planning. The sensitivity of an issue to stakeholders and to ITC, in terms of both impact materiality and financial materiality, forms the basis of the double materiality analysis, which in turn guides the processes for identifying, managing and devising specific action plans for addressing them. ITC's approach towards managing each material issue has been presented through-out this Report.

ITC's Step-by-step Approach for Assessing Double Materiality

1 Identification of ESG Topics

Identifying ESG issues based on:

- Previous Assessments
- European Sustainability Reporting Standards (ESRS) Universe of Topics
- Frameworks like GRI, ISSB
- Inputs from existing Due Diligence Processes
- Sector-specific Peer Benchmarking
- Enterprise Risk Management System

ESG topics to be contextualised to ITC's business and strategy including operations, products, services and markets including value chain.

2 Engage Stakeholders for Assessing Impact & Financial Materiality

Impact Materiality
Engaging stakeholders, identified in line with ITC's Stakeholder Engagement Approach, for assessing impacts (actual & potential, positive & negative) for all ESG topics based on severity (scale, scope, irremediability) and likelihood.

Financial Materiality
Engaging senior management for assessing financial risks and opportunities for all ESG topics based on severity and likelihood using either qualitative or quantitative thresholds.

3 Develop Materiality Matrix & Identify Material ESG Topics

Consolidate inputs from previous steps using appropriate thresholds for determining ESG aspects to be considered material.

Validation with senior management to ensure completeness.

4 Strategise, Disclose & Assure

Integration of Material ESG topics with:

- ITC's Sustainability 2.0 Strategy & Goals
- Enterprise Risk Management System
- Annual sustainability disclosures including third-party assurance

Annual approval of materiality assessment and Sustainability Report by Sustainability Compliance Review Committee (SCRC), Corporate Management Committee (CMC) and CSR and Sustainability Committee of the Board.

5 Review & Reassessment of Material ESG Topics

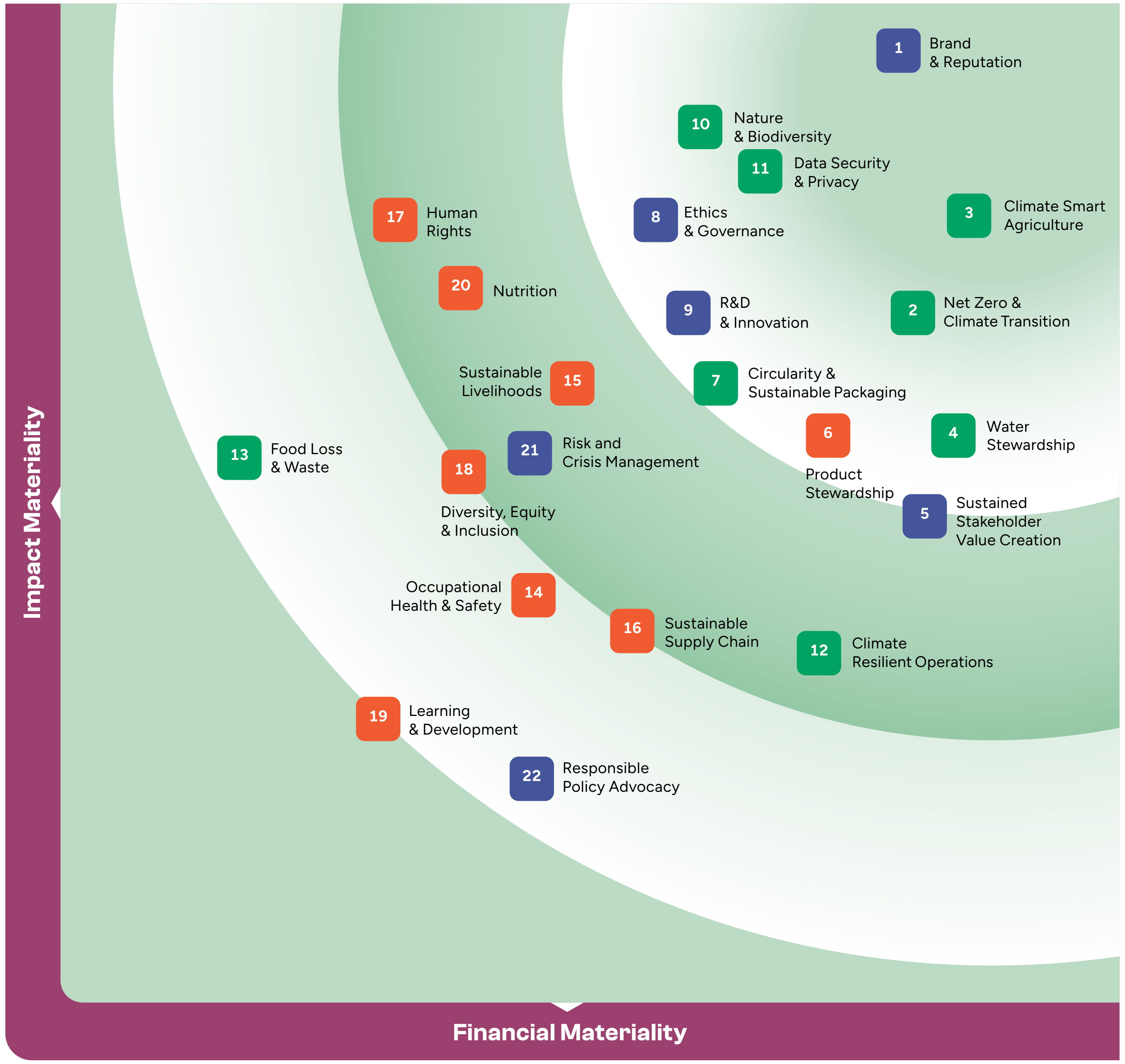
Annual review of material ESG Topics

- Continuous tracking of global and national sustainability landscape for identifying emerging ESG issues.

Reassessment of Double Materiality every 4-5 years.

Material Issues

ITC's Materiality



Material Topics: Brief Description

1 Brand and Reputation

Public perception of a business and its brand is influenced by performance, customer experience, employee satisfaction, media and social channels. Risks arise from cyber threats, misinformation, trademark misuse or perceived misalignment with stakeholder expectations, impacting reputation and customer loyalty. Proactively managing these risks can create sustained competitive advantage.

Refer 'Product Sustainability' section for management of this material issue.

2 Net Zero and Climate Transition

Net zero refers to reducing GHG emissions to hold the increase in global average temperature well below 2 °C while pursuing efforts to limit it to 1.5 °C above pre industrial levels, in line with the Paris Agreement. As the world transitions towards net zero, organisations need to manage climate related transition risks while leveraging opportunities including access to new customers and markets.

Refer 'Climate Change' section for management of this material issue.

3 Climate Smart Agriculture

Agriculture activities significantly contribute to global challenges such as climate change, biodiversity loss and water stress. At the same time, agriculture and farmer livelihoods are extremely vulnerable to the impacts of these challenges. Climate smart/resilient agriculture refers to initiatives that improve farmer resilience to current and future climate impacts while enabling productive, regenerative, sustainable and remunerative agriculture.

Refer 'Sustainable and Climate Resilient Agriculture'; and 'Mission Sunehra Kal for Transforming Lives and Landscapes – Sustainable and Inclusive Growth' sections for management of this material issue.

4 Water Stewardship

Water stewardship refers to using water in a manner that is socially equitable, environmentally sustainable and economically beneficial. This is achieved through stakeholder inclusive, site and catchment based actions, requiring understanding of own water use, catchment context and shared water related risks.

Refer 'Water Security' and 'Mission Sunehra Kal for Transforming Lives and Landscapes – Sustainable and Inclusive Growth' sections for management of this material issue.

5 Sustained Stakeholder Value Creation

Sustained stakeholder value creation refers to an organisation's ability to create long term value for all stakeholders, including shareholders. This aligns with the triple bottom line approach encompassing economic, environmental and social performance. ITC's credo of 'Responsible Competitiveness' underpins this approach by integrating competitiveness with environmental stewardship and livelihood generation.

Refer 'ITC's Approach to Value Creation'; and 'Creating Sustained Economic value' sections for management of this material issue.

6 Product Stewardship

Product stewardship covers product quality and safety, responsible marketing, consumer engagement mechanisms and product level sustainability across the lifecycle, including sourcing, production, distribution, consumption and packaging, making sustainability integral to brand purpose.

Refer 'Product Sustainability' section for management of this material issue.

7 Circularity and Sustainable Packaging

Circularity refers to keeping the value of products, materials and resources in use for as long as possible, reducing environmental impacts, waste and hazardous emissions across the lifecycle through application of the waste hierarchy. Sustainable packaging, including recyclable, reusable and recycled content packaging, supports circular outcomes.

Refer 'Towards Circularity' section for management of this material issue.

8 Ethics and Governance

Ethics and governance encompass structures, procedures and practices to ensure ethical conduct across operations and the value chain, including risks related to corruption, bribery, discrimination, conflicts of interest, competition practices, information confidentiality, money laundering, insider trading, health and safety and whistleblowing.

Refer 'Governance' section for management of this material issue.

Environment | Social | Governance

Material Issues

9 R&D and Innovation

Innovation enables long term competitiveness by driving product, process and organisational transformation. Effective R&D requires deep capabilities and application of advanced digital technologies across consumer engagement, manufacturing, agri value chains, sustainability and supply chain agility.

Refer 'ITC's Approach to Value Creation'; 'Sustainable and Climate Resilient Agriculture'; and 'Product Sustainability' sections for management of this material issue.

10 Nature and Biodiversity

Biodiversity represents the variability of living organisms across ecosystems. Business dependence on nature for raw materials, coupled with impacts from operations, climate change and deforestation, necessitates measurement, management and reporting of biodiversity impacts through responsible sourcing, land management, conservation projects and nature based solutions.

Refer 'Biodiversity Management'; and 'Mission Sunehra Kal for Transforming Lives and Landscapes – Sustainable' and Inclusive Growth' sections for management of this material issue.

11 Data Security and Privacy

With increasing digitisation, uninterrupted access to networks, IT systems and data is critical. Organisations must implement robust information security and privacy practices to comply with evolving global regulatory requirements.

Refer 'Product Sustainability' section for management of this material issue.

12 Climate Resilient Operations

Climate resilient operations focus on adapting to physical climate risks, including acute events such as floods, storms and heatwaves, and chronic risks from long term climate changes affecting water availability, biodiversity and land productivity.

Refer 'Climate Change' section for management of this material issue.

13 Food Loss and Waste

Food loss and waste result in inefficient use of resources and contribute to greenhouse gas emissions, food insecurity and higher food costs, necessitating targeted reduction strategies across the value chain.

Refer 'Nutrition' section for management of this material issue.

14 Occupational Health and Safety

Occupational health and safety focusses on policies, systems and practices to prevent workplace injuries and illnesses and ensure safe working environments.

Refer 'Occupational Health & Safety' section for management of this material issue.

15 Sustainable Livelihoods

Sustainable livelihoods require integrating social and environmental objectives with business strategies to support farmers, distribution and retail partners and local communities across the value chain.

Refer 'Mission Sunehra Kal for Transforming Lives and Landscapes – Sustainable and Inclusive Growth' section for management of this material issue.

16 Responsible Sourcing and Sustainable Supply Chain

Responsible sourcing entails evaluating supplier ESG performance, enabling improvement and integrating sustainability considerations into procurement decisions.

Refer 'Sustainable Supply Chain and Responsible Sourcing' section for management of this material issue.

Environment Social Governance

17 Human Rights

Human rights protection across operations and the value chain includes fair wages, safe workplaces, non discrimination and elimination of child labour, aligned with the UN Guiding Principles on Business and Human Rights.

Refer 'Human Rights' section for management of this material issue.

18 Diversity Equity and Inclusion

Recruit, develop, retain, engage and motivate a results-oriented, high-performing workforce irrespective of their gender, caste, community, religion, sexual orientation, disability or place of origin.

Refer 'Workforce for Tomorrow' section for management of this material issue.

19 Learning and Development

Continually assessing training and development needs for employees across levels and effectively delivering these programmes (Trainings, Career Management, Academic Partnerships, Leadership Management).

Refer 'Workforce for Tomorrow' section for management of this material issue.

20 Nutrition

Integrating health and nutrition considerations across the food product portfolio via product formulation & reformulation strategy, policies, nutrition profiling system and R&D/innovation, working towards a sustainable food ecosystem across the entire value chain through initiatives like responsible manufacturing, reducing food loss & waste, planet friendly alternatives, biofortification, and engaging with communities, consumers and employees on health and nutrition.

Refer 'Nutrition' section for management of this material issue.

21 Risk and Crisis Management

Risk and crisis management ensure effective identification, management and transparent communication of financial, operational and sustainability risks to support long term resilience.

Refer 'Strategic Risk Management' section for management of this material issue.

22 Responsible Policy Advocacy

Businesses must ensure that their policy advocacy aligns with organisational policies and applicable voluntary and regulatory frameworks such as the NGRBC issued by the Ministry of Corporate Affairs, Government of India. Advocacy should be undertaken through industry and trade bodies, promoting fair competition and respect for human rights.

Refer 'Governance' section for management of this material issue.

Environment Social Governance