



# Sustainability Report 2011



**GRI - G3 Compliant Application Level A+**



# ITC : An Exemplar in Triple Bottom Line Performance

## Economic



**Powering growth with multiple business drivers**

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



**\$ 7 billion turnover**

**\$ 33 billion market capitalisation**



**26,000 employees**

ITC Group provides direct employment to more than 26,000 people



**Total shareholder returns of 26% per annum**

# ITC : An Exemplar in Triple Bottom Line Performance

## Environment



**Water Positive:**  
9 years



**Carbon Positive:**  
6 years



**Solid Waste Recycling Positive:**  
4 years



### LEED Platinum Rating

All ITC premium luxury Hotels are LEED Platinum certified



**1,16,000 hectares greened**

ITC's Social and Farm Forestry initiative has greened over 1,16,000 hectares



**35% renewable energy**

More than 35% of ITC's total energy consumption is from renewable sources



**Irrigating 70,000 hectares**

ITC's Watershed Development initiative brings precious water to nearly 70,000 hectares of moisture-stressed areas

## Social



**Creating 5 million sustainable livelihoods**



**Empowering 4 million farmers**

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



**Creating Community Assets**

Strengthening the agri production base of nearly 4 lakh farmers



**Creating 52 million person-days of employment**

ITC's Social and Farm Forestry initiative has created over 52 million person-days of employment

**38,000 sustainable livelihoods for rural women**

ITC's Women's Empowerment initiative has created over 38,000 sustainable livelihoods

**Animal husbandry services to 5,00,000 milch animals**

ITC's Livestock Development initiative has provided animal husbandry services for nearly 5,00,000 milch animals

**Educating 2,80,000 children**

ITC's Primary Education initiative has educated over 2,80,000 children



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## Chairman's Statement: ITC's Vision and Strategy



I am delighted to present ITC's Sustainability Report 2011.

Published for the 8th consecutive year, this Report is a transparent and voluntary disclosure of the Company's multi-dimensional Sustainability Initiatives. It is an expression of ITC's enduring

commitment to contribute and provide leadership to building a sustainable, secure and inclusive future for the larger Indian society.

This Report has been independently verified by M/s. Ernst & Young and conforms to the stringent 'G3' guidelines of the Global Reporting Initiative (GRI).

It is 'GRI checked' and qualified at the highest 'A+' level.

I am also happy to state that the Company's initiatives and practices support the principles underlying the United Nations Global Compact (UN-GC). ITC's large scale sustainability initiatives continue to contribute meaningfully to achieving many of the Millennium Development Goals enunciated by the United Nations. These include focussed programmes to create sustainable livelihoods that improve the quality of life of rural communities, particularly women and children.

It is a matter of great satisfaction that ITC's focus on creating larger societal value has enabled its businesses to generate **sustainable livelihood opportunities for over 5 million people, many of whom represent the weakest sections of society**. In addition, its commitment to contribute to climate change mitigation and to the creation of natural capital has led to a symphony of efforts making **ITC the only enterprise in the world of comparable size to have achieved and sustained the three global environmental distinctions of being water positive (for 9 years), carbon positive (for 6 years), and solid waste recycling positive (for 4 years)**.

## Global Challenges : Redefining Role of Business

The year gone by has been witness to a series of tumultuous social upheavals across the world. In more ways than one, this widespread global unrest is a reflection of the growing intolerance of civil society with economic models that have failed miserably in ensuring social equity. While there is little doubt that the world has created enormous material wealth over the last century, it is a painful reality that almost half of the world lives in some form of poverty. Today, the richest 1% of adults control 43% of the world's assets. The bottom 50% have access to only 2% of the world's assets. The 2010 Human Development Report of the UNDP says that around 1.75 billion people, living in as many as 104 countries, are in a state of 'multi-dimensional poverty', a new indicator that reflects acute deprivation in health, education and standard of living. This iniquitous balance has created a vulnerable and fragile social order putting future generations at enormous risk.

Compounding this further, there has been utter disregard of the environment in the race for faster

and higher growth. The World Economic and Social Survey 2011 says that 25 countries have completely lost their forests and 29 countries have less than 10% forest cover. The world has lost 50% of its wetlands since 1900. This imminent collapse of the globe's ecosystem will cause serious distress to the world's living systems. Further exacerbating these challenges is the ominous threat of climate change and global warming, exposing the planet to unforeseen peril.

It is abundantly clear that business cannot succeed in societies that fail. Indeed, the limits to future growth will be defined more by vulnerabilities flowing from social inequities, environmental degradation, and climate change than by any other economic factor. Therefore, in enlightened self-interest, businesses must play a more meaningful, involved and active role in the creation of a more sustainable and inclusive future. With its numerous touch points in society, businesses can deliver significant social value given their wide array of enterprise capabilities including financial, human and other strategic resources.

For India, the developmental challenges are even more acute. It is estimated that over 400 million people live in multi-dimensional poverty, surviving on less than \$1 a day. In addition, with 17% of the global population, India possesses only 2.4% of land-mass, 4% of water resources and 1% of forest resources. It is estimated that almost half of the total 600 districts in the country face severe water-stress. This will aggravate the challenges of food security and impact India's agricultural sector which provides sustenance to almost 55% of the country's work force.

The challenge therefore, before business and industry, is to not only sustain profitable enterprises as growth engines for the economy but to contribute meaningfully to building social equity. And this it must do by pursuing innovative business strategies that synergise the creation of sustainable livelihoods and the preservation of natural capital with the building of shareholder value.

## Embedding Sustainability in Business Strategy

**ITC's belief that businesses can bring about transformational change to create a more sustainable future led to a conscious redefinition of its abiding Vision, a decade and a half ago,**

**to make societal value creation a primary purpose of its business strategy.** We believe that sustainable corporations can create larger societal value by not only serving their consumers through competitively superior value propositions but by innovating business strategies to ensure that it simultaneously leads to the creation of sustainable livelihood opportunities and a positive environmental footprint. This **'Triple Bottom Line' approach to creating larger 'stakeholder' value, as opposed to merely ensuring uni-dimensional 'shareholder value', is the driving force that defines ITC's sustainability vision and its growth path into the future.**

Innovation inspired by this super-ordinate goal to sub-serve larger societal needs lies at the heart of ITC's business strategies. As a result, ITC has crafted unique business models that synergise long-term shareholder value creation with enhancing societal and environmental capital. This approach manifests itself through several unique initiatives such as **ITC's globally acknowledged e-Choupal programme** that has significantly raised rural incomes and is today the world's largest rural digital infrastructure. Similarly, **ITC's Social and Farm Forestry programme**, which utilises an extensive research-based clonal propagation programme, encourages plantations through poor tribals and small farmers in their private wastelands generating significant livelihoods and natural capital. Details of these initiatives are provided in the respective Chapters in this Report.

## Building capacities: Investing in Social Development

In addition, ITC's Sustainability Vision is vigorously pursued through a dedicated social investment programme titled **'Mission Sunehra Kal'** that aims to empower stakeholder communities to conserve and manage their social and environmental capital.

These endeavours are focussed in two strategic areas : (a) diversifying farming systems as a strategy for sustainable agriculture and climate change mitigation by broad basing the farm-based livelihoods portfolio of the poor; and (b) expanding off-farm income opportunities to reduce the disproportionate dependence of rural households on land. This deep engagement with rural communities has enabled ITC to contribute to the creation of sustainable livelihoods by building community

assets that support sustainable agriculture as well as off-farm livelihood opportunities.

ITC's business-linked sustainability initiatives together with its social investment programmes have enabled a transformational change in rural India given the scale and reach of these interventions. The figures speak for themselves. For example, the **ITC e-Choupal initiative** has benefited **over 4 million farmers in 40,000 villages**; **ITC's Social & Farm Forestry programme** has **greened nearly 1,14,000 hectares** of wastelands creating **over 51 million person days of employment**; **ITC's Watershed Development Initiative** has supported sustainable agriculture by irrigating **over 64,000 hectares of water-stressed areas**; **ITC's Animal Husbandry Programme** has reached out to **nearly 5,00,000 milch animals**; **ITC's Women Empowerment Programme** has created **over 37,000 sustainable livelihoods**, and **ITC's Supplementary Education Programme** has educated **over 2,47,000 children**.

Mission Sunehra Kal is also engaging with several State Governments to deliver quality projects of high social value through intensive public-private-people partnerships.

## Towards a Low-Carbon Growth Path and a Cleaner Environment

In line with our vision to pursue a pro-active low carbon strategy, a multi-pronged approach has been adopted to address the accelerated impacts of climate change. While the large-scale afforestation initiatives help in sequestering twice the carbon emitted from the Company's operations, the propagation of sustainable agricultural practices and watershed development help adapt to the harsh realities of climate change. These actions are complemented by our effort to continuously enhance energy efficiency and conservation as well as invest in cleaner and renewable energy sources.

As a testimony to its low carbon philosophy, ITC continues to provide inspiration to the 'green buildings' movement in India. I am delighted to announce, that today, **all ITC premium luxury hotels have been accorded the LEED (Leadership in Energy and Environmental Design) Platinum certification.** This achievement makes ITC Hotels the 'greenest luxury hotel chain' in the world, positioning ITC, once again, at the forefront of global environmental stewardship.



Today, more than 35% of the company's total energy consumption is from renewable sources. In keeping with its commitment to utilise an increasing component of renewable energy, ITC has set up a 14 MW wind energy unit in Chennai. It has also recently commissioned a 21 MW plant in Karnataka and a 2.5 MW plant in Rajasthan.

Plans are afoot to further step up our investments in wind energy and explore solar energy as another viable source, in order to further enhance our renewable energy portfolio. Investments have also been made in 'green boilers' to tap biomass based energy.

**ITC's Wealth-out-of-Waste programme**, that promotes recycling and source segregation is today supported by **over 3 million citizens** including **500,000 school children** and **over 1500 commercial organisations** and has helped create awareness amongst consumers on the benefits of the Reduce-Reuse-Recycle approach.

In addition, a beginning has also been made in carrying out detailed Life Cycle Analysis (LCA) in a few of our businesses. This will help enhance their environmental responsibility efforts. The possibility of extending the Company's sustainability practices to some of the supply chain network partners in the near future is also being explored.

**ITC's strategies for climate change adaptation and sustainable livelihood creation** are aligned to the **Indian Government's National Action Plan on Climate Change**.

## Geared For Tomorrow: Sustainability for Enduring Competitiveness

As ITC moves into the future, its strategy of creating multiple drivers of growth will continue to be powered by its enterprise strengths including deep consumer insights, world-class Indian brands, an extensive trade marketing & distribution organisation, world-class manufacturing, vibrant human resources, and above all by its commitment to creating larger societal value. In addition, its large-scale investments in cutting-edge R&D will create new game changing business opportunities that will further enhance its wide spectrum of competitive vitality.

ITC's Corporate Governance framework ensures the highest standards of ethical and responsible conduct of business to create enduring value for all stakeholders. The cornerstones of its governance philosophy are enshrined in the strong values of trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship.

In our endeavour to promote adoption of sustainable business practices amongst a larger section of industry, ITC, in partnership with the Confederation of Indian Industry has supported the creation of a unique institution – the **CII-ITC Centre of Excellence for Sustainable Development**. The Centre provides thought leadership, promotes awareness and builds capacity of Indian enterprises on issues of sustainable development and inclusive growth.

It is my belief that ITC's relentless endeavour to create new benchmarks in sustainable business practices will lend it a unique source of competitive advantage in the years to come. The Company's Triple Bottom Line performance will continue to inspire proactive action from all our employees and drive continuous improvement in our sustainability practices to progressively attain and exceed evolving global standards in this sphere.

**ITC's sustainability philosophy draws upon its deep commitment to build an exemplary Indian enterprise that can progressively contribute to building a secure, sustainable and inclusive future for all our shared tomorrows.** At the same time it strives to humbly contribute to strengthen the Government's endeavours in ensuring sustainable economic development with equity.

I have great pleasure in dedicating this Report to all our stakeholders and the nation.

**Y C Deveshwar**  
Chairman, ITC Limited  
September, 2011



# Key Impacts, Risks and Opportunities: Sustainability Challenges

## Taxation and Regulation

### Discriminatory Rates of Taxation

- Disproportionate taxation on the cigarette form of tobacco coupled with a growing incidence of smuggling and illegal manufacture continue to adversely impact the Indian cigarette industry.
- This disproportionate and high taxation on cigarettes has led to its share in total tobacco consumption declining from about 25% in the 1970s to about 15% currently. This has also led to a shift, as well as an increase in consumption of other revenue inefficient forms of tobacco including chewing tobacco and bidis. As a result total consumption has continued to grow even though the share of cigarette form of tobacco has declined.
- The high taxation on cigarettes has not only sub-optimised the revenue potential from the tobacco sector but has also failed to achieve the objective of reducing aggregate tobacco consumption in the country.
- The problem of discriminatory central taxation has been exacerbated with the increase in the VAT rate on cigarettes by many states above the revenue neutral rate of 12.5%. The differential and high rate of VAT across the States encourages unscrupulous tax arbitrage and leads to large scale smuggling.

### ITC's Initiatives

- ITC will continue to engage with policy makers through industry associations to enable a balanced regulatory and fiscal framework that addresses the challenges of the cigarette industry.
- It has been ITC's strategic intent to create multiple drivers of growth by building a portfolio of world-class businesses leveraging enterprise strengths, new technologies and proven internal competencies.

## Regulation impacting Agri Business

- A quantum jump in farm yields and the creation of sustainable livelihoods in rural areas will necessitate a larger role of agri business in providing customised extension services to improve productivity through technology, regenerate and enrich land fertility, enable better usage of scarce water resources and adopt best practices in crop management. In addition, investments by agri business can help in creating rural infrastructure that can provide more efficient market linkages. It will also provide a new thrust in R&D for development of agri-inputs, new varieties of seeds and climate resistant crops for sustainable agriculture.
- However, large investments by agri businesses are today rendered unviable by several Policy measures, such as the non-implementation of the 'Model APMC Act' by several States, lack of fiscal incentives for the creation of an efficient rural infrastructure as well as frequent imposition of the 'Essential Commodities Act' that restricts storage, transportation and exports.
- In fact, ITC's e-Choupal initiative, that has empowered over 4 million farmers by assiduously developing rural value chains over several years, was dealt a body blow by such regulations that are unable to distinguish between bonafide agri business and unscrupulous hoarders.

## ITC's Initiatives

- ITC will continue to engage with policy makers through appropriate fora for a balanced and pragmatic framework that addresses the unique requirements of India's agri-sector and its farmers. ITC's Agri Business ensures farmer empowerment through its extension work in crop development and sustainable agricultural practices.
- ITC through its e-Choupal network has piloted a number of convergence programmes which will progressively transform the e-Choupal network into an all weather venture, relatively de-risked from regulatory uncertainties and market volatility. For eg, Choupal Haats have been established for raising product awareness, demonstration and brand marketing and targets availability of quality FMCG products in Rural India.
- Recognising the fast evolving needs of rural India, ITC's e-Choupal is gearing up to provide a new spectrum of personalised agri advisory services, which leverage the spread of mobile telephony. Analytical tools are being designed to upload data through mobile phones to provide individualised services to farmers.





## Climate Change and Environmental Degradation

- Given that ITC is largely dependent on agricultural inputs, possible disruptions in agricultural patterns and yields is a significant potential risk arising out of climate change and global warming. Climate change can lead to a decrease in agricultural output due to changed weather patterns and higher temperatures. While this could impact the Company, it will have a debilitating effect on farmers and thereby impact social stability.
- In addition to these direct impacts of climate change, water availability is yet another risk. By 2030, it is estimated that 3 billion people will live in areas of water scarcity.
- The Company is exposed to the physical risks related to climate change since we have 2 large manufacturing plants in the coastal areas.
- Disruption in road and rail traffic caused by such extreme events may also affect an individual Unit's output.
- Future regulatory regimes may include restrictions on carbon emissions.
- Future competitiveness of businesses will also depend on the ability of companies to minimise their carbon intensity and adopt a low carbon growth path.
- Growing awareness and concern amongst civil society will also demand that businesses chart their growth path with low carbon strategies.
- The need of the hour is to augment natural resources on a large scale vis-à-vis incremental measures that are aimed at minimising environmental damage alone. The absence of policies that encourage the creation of natural resources acts as a constraint to efforts that look at natural resource development. The Government may look at introducing policies and incentives that would encourage businesses to integrate augmentation of natural resources into their business strategy. For eg, the development of a large forest cover, soil and moisture conservation through the establishment of water harvesting structures could be encouraged through a preferential set of incentives.
- We also recognise that wastepaper and other paper products if dumped indiscriminately can lead to immense wastage of resources. This also has an adverse environmental impact, which is caused by the conversion of wastepaper into methane when dumped in municipal landfills.

## ITC's Initiatives

- ITC's response has been to adopt a three-pronged strategy that includes the following:
  1. Identify and evaluate climate change risks for each business.
  2. Reducing the environmental impact of our processes, products and services and work towards creating a positive environmental footprint.
  3. Creating Sustainable Livelihoods and promoting sustainable agricultural practices.
- Protection of our assets have been reinforced in the coastal areas in anticipation of increased severity of storms and cyclones which may occur.
- ITC has expanded its renewable energy portfolio and more than 35% of our energy consumption is met from renewable sources.
- As a part of its low carbon growth strategy, ITC has established iconic green buildings which have set benchmarks in energy efficiency, water conservation and solid waste recycling. All premium luxury Hotels of ITC are LEED Platinum certified.
- ITC's Afforestation Programme has greened nearly 1,14,000 hectares and has led to large scale carbon sequestration besides creating over 51 million person days of employment.



## ITC's Initiatives

➤ ITC has aligned its objectives in climate change mitigation and adaptation to the Government's National Action Plan on Climate Change (NAPCC).

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

1. ITC's Social and Farm Forestry Initiative, is an area where large scale environmental and social capital has been created whilst creating a competitive source of fibre for ITC's Paperboards business. Afforestation on private wastelands owned by small farmers and tribals generate significantly higher incomes and employment in rural and tribal hinterlands, while restoring ecological balance. ITC invested significantly in research & development to create clonal saplings which are disease-resistant, grow faster, have higher survival rates. These are provided to tribals and marginal farmers to enable them to convert their private wastelands into viable pulpwood plantations. Intercropping is encouraged, providing economically vulnerable households with an assured income and a source of nutrition during the gestation period, while loppings and topplings meet their fuel wood requirements.

The Forestry Initiative has brought a multiplicity of additional benefits by creating extensive green cover that plays a crucial role in conserving in-situ moisture, groundwater recharge, reducing topsoil losses, increase in soil fertility and carbon sequestration.

2. One of these social forestry projects of ITC has also been registered as a Clean Development Mechanism (CDM) project under the United Nations Framework Convention on Climate Change (UNFCCC).
3. Besides continuously minimising the consumption of freshwater per unit of output in all its Units, ITC has created rainwater-harvesting potential, covering over 64,000 hectares in water stressed areas of the country. Adopting a bottom-up participatory approach, the programme facilitates village-based participation in soil and moisture conservation, building, reviving and maintaining micro water harvesting structures and management of water resources to reverse land degradation, provide critical irrigation and raise agricultural productivity. This initiative has transformed the lives of millions of farmers and has brought precious water closer home. ITC is working closely with several state governments including Madhya Pradesh, Andhra Pradesh, Maharashtra, Rajasthan and Bihar for watershed development under different schemes like the MGNREGA, NABARD, Integrated Watershed Development Programme and Integrated Watershed Management Programme.
4. ITC has made significant efforts in solid waste recycling and nearly 100% of wastes generated by its Units is recycled. Over and above that, ITC have pioneered a special initiative - 'Wealth out of Waste' (WOW) initiative aims to raise awareness among the public on the benefits of the reduce-reuse-recycle process and inculcate the habit of source segregation, thereby protecting the environment, conserving scarce natural resources and improving civic amenities, public health and hygiene. This not only caters to the fibre requirements of our Paperboards business but also creates large scale urban employment besides preserving natural resources.

## Poverty and Income Inequities

- It is estimated that over 400 million people in India live in multi-dimensional poverty surviving on less than \$ 1 a day. The magnitude of social inequities is indeed alarming. This will undoubtedly impact long term stability and will limit future growth.
- Nearly 700 million people living in rural India, with low adaptive capacities, have a direct and symbiotic dependence on climate sensitive sectors (agriculture, forest, fisheries) and natural resources (such as water, bio-diversity, mangroves, coastal zones, grasslands) for their subsistence and livelihoods. Limited options of alternative off-farm employment combined with endemic poverty continue to imperil the livelihood security of millions of small and marginal farmers, mainly in the rain-fed agriculture regions of the country.
- An estimated 147 million hectares suffer from various forms of land degradation due to water and wind erosion, stemming mainly from unstable use and inappropriate land management practices. Erosion rates are reported to be in the range of 5 to 20 tonnes/ hectare.

As many as 99 districts spread over 14 states were identified by the Central Water Commission as drought prone in the country. Such areas are concentrated in the states of Rajasthan, Karnataka, Andhra Pradesh, Maharashtra, Gujarat and Madhya Pradesh.

- Based on current evidence, there is a compelling case to argue that these factors are likely to get exacerbated due to the changes wrought by climate change, leading to an increase in the frequency and intensity of droughts and floods. Climate change over the long-term will thus affect the rural economy in a number of ways - the majority of which would threaten food security and livelihoods for the most vulnerable sections of society.





## ITC's Initiatives

- The overarching aim of the Company's social investments is to empower rural communities to conserve, augment and manage their social and environmental capital. Rural communities are provided help and support to adopt sustainable practices that enable them to be economically competitive and socially secure.
- These endeavours are aimed at:
  - (a) diversifying farming systems as a strategy for sustainable agriculture and climate change mitigation by broad-basing the farm-based livelihoods portfolio of the poor; and
  - (b) expanding off-farm income opportunities to reduce the disproportionate dependence of rural households on land. This deep engagement with rural communities has enabled ITC to contribute to the creation of sustainable livelihoods by building community assets.
- Today, this deep engagement with rural communities has enabled us to contribute to the creation of sustainable livelihoods by building community assets.
- ITC's social development Initiatives have:
  - (a) Benefited over 4 million farmers in 40,000 villages through the e-Choupal rural digital infrastructure,
  - (b) Greened nearly 114,000 hectares of wastelands, by the Social and Farm Forestry programme, creating as a result, over 51 million person days of employment,
  - (c) Irrigated over 64,000 hectares of drylands, by its Watershed Development Initiative,
  - (d) Provided Animal Husbandry services to nearly 5,00,000 milch animals,
  - (e) Created sustainable livelihoods for over 37,000 rural women,
  - (f) Benefited over 2,47,000 children through its Supplementary Education programme



## Supply Chain Management

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

## ITC's Initiatives

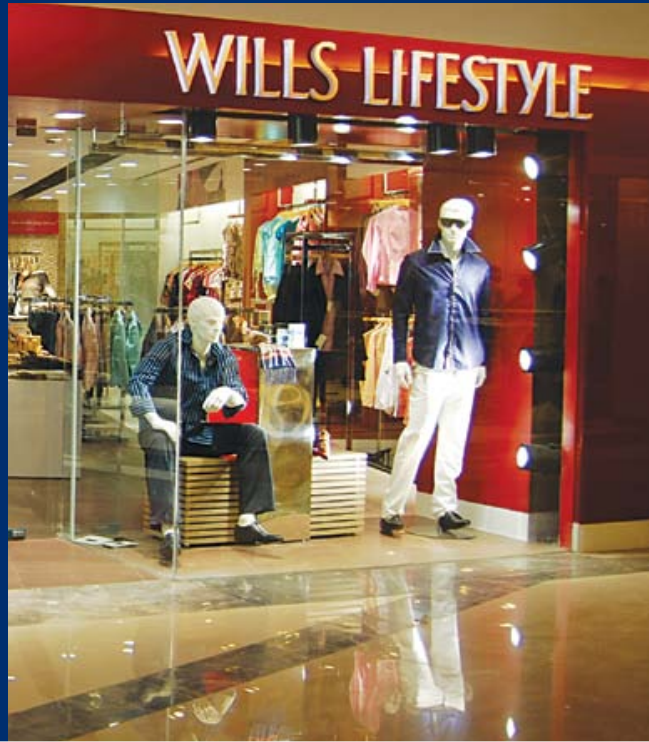
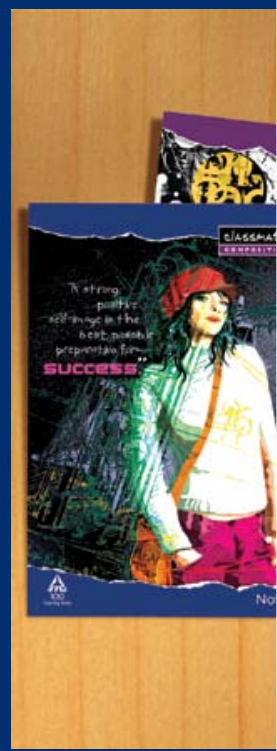
- The Company's engagement with the supply chain will be extended in a structured and phased manner.
- ITC has mandated some of its suppliers to comply with external certifications such as ISO 14000.
- Efforts have been made to engage with our suppliers to enable reduction in specific energy consumption.
- ITC has also commenced work on Life Cycle Analysis of its products and services to identify risks and opportunities along the entire value chain, which would necessitate larger interventions with our supply chain.

## Addressing issues related to Employee Safety

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

## ITC's Initiatives

- While we have introduced a number of safety measures in our Units and have achieved international benchmarks in safety standards, we have witnessed an increase in the spate of road accidents amongst our young employees. We have designed and implemented specific programmes to address the issue of road accidents, which have begun to show tangible benefits.





# Organisational Profile

- Powering Growth with Multiple Business Drivers
- Certifications, Honours and Awards



## Powering Growth with Multiple Business Drivers

ITC completed its Centenary on the 24th of August, 2010.

The ITC story is one of transformation from a single product company to one of India's largest multi-business corporate enterprises in the private sector. This long and inspirational journey of challenge and change has led to the creation of a national asset in the form of an exemplary Indian enterprise.

Today, ITC has created multiple drivers of growth with a diverse portfolio of Businesses spanning Fast Moving Consumer Goods (FMCG), Paperboards, Paper & Packaging, Hotels, Agri Business and Information Technology. Its aspirations are matched by a formidable array of enterprise capabilities - deep consumer insights, international quality products, globally contemporary business processes, excellent trade marketing and distribution, world-class human capital, investments in cutting edge R&D.

The strategic choices made by its leadership over the years, the untiring efforts of its dedicated human capital, the support of its shareholders, and the trust of millions of consumers and its partners

have today transformed ITC into a US \$ 7 billion Company with a Market Capitalisation of over US \$ 33 billion.

ITC has been rated among the World's Best Big Companies, Asia's 'Fab 50' and among India's Most Valuable Companies by Business Today. It has been ranked as the world's 6th largest 'sustainable value creator' among consumer goods companies globally, according to a report by the Boston Consulting Group (BCG).

Inspired by a larger national purpose to build societal capital, ITC's Businesses have contributed significantly in enhancing the natural resource base and opportunities for sustainable livelihoods.

ITC is the only enterprise in the world, of comparable size to be carbon positive (6 years in a row), sequestering twice the amount of carbon it emits; water positive (9 consecutive years), creating two times more rainwater harvesting potential than the net consumption by the Group; and is solid waste recycling positive (for the last 4 years). ITC's businesses help in generating more than 5 million livelihoods across value chains that touch the lives of many who live at the margin in rural India.



## FMCG

The Indian FMCG industry is growing rapidly driven by robust macro-economic conditions, rising income levels, increasing urbanisation and favourable demographic trends. Given these positive fundamentals, ITC has rapidly scaled up

its new FMCG Businesses comprising Branded Packaged Foods, Personal Care Products, Education & Stationery Products, Lifestyle Retailing, Safety Matches and Incense Sticks (Agarbattis) with segment revenues growing at an

impressive compound annual growth rate of 35% during the last 5 years. Within a relatively short span of time ITC has established several strong consumer brands in the Indian FMCG market. ITC's unwavering focus on quality, innovation and differentiation backed by deep consumer insights, world class R&D and an efficient and responsive supply chain will further strengthen its leadership position in the Indian FMCG industry.

## Branded Packaged Foods

ITC's range of offerings includes staples, spices, biscuits, snack foods, confectionery and ready-to-eat meals, under six brands – 'Aashirvaad',

'Sunfeast', 'Kitchens of India', 'Bingo!', 'mint-o' and 'Candyman'. This year, the Business launched 'Sunfeast Yippee' noodles in the fast growing instant noodles category.

The Business continued to expand rapidly with sales recording an impressive growth of 25% over the previous year and continues to focus on enhancing consumer franchise through new product launches, heightened communication and increased levels of consumer activation. The quality of products continues to be 'best-in-class' and is seen as a benchmark in the industry across all segments.



## Personal Care Products

Bringing world-class products to quality conscious consumers, ITC's personal care portfolio is anchored on extensive consumer research, R&D and product development. Its array of brands – 'Essenza Di Wills', 'Fiama Di Wills', 'Vivel' and 'Superia' – offer consumers clearly differentiated benefits and a superior value proposition.

The Personal Care Products Business continues to receive accolades for its product innovation initiatives. Last year the 'Fiama Di Wills' gel bathing bar was voted the 'Product of the Year' in the soap

category and this year three of its products, namely 'Fiama Di Wills Aqua Pulse' shower gel, 'Vivel Active Fair' skin cream and 'Vivel Deo Spirit' soap, have been voted 'Product of the Year'.

It is estimated that 'Vivel' and 'Superia' soaps and shampoos have together reached over 9.9 crore households so far.

The business has garnered a significant market share, through a judicious mix of innovative consumer offers and by leveraging the strong distribution network of the Company.



## Cigarettes

The market leader for cigarettes in India, ITC's leadership position is backed by its ceaseless innovation in quality, technology and sustainability.

## Lifestyle Retailing

ITC's Lifestyle Retailing Business offers discerning consumers a complete fashion wardrobe as well as an international shopping experience through a nationwide chain of exclusive Wills Lifestyle stores. Wills Lifestyle, the fashion destination, offers a tempting choice of Wills Classic work wear, Wills Sport relaxed wear, Wills Clublife evening wear, fashion accessories and Essenza Di Wills - an exclusive range of fine fragrances and bath & body care products and Fiama Di Wills - a range of premium shampoos and shower gels. Wills Lifestyle has also introduced Wills Signature designer wear, designed by the leading designers of the country. With a distinctive presence across segments at the premium end, ITC has also established John Players as a brand that offers a complete fashion wardrobe to the male youth of today.

Wills Lifestyle is now available in 74 exclusive stores in 40 cities and across more than 150 'shop-in-shops' in leading departmental stores. In the popular segment, 'John Players' has established a strong pan-India presence with over 280 Flagship Stores and 1,100 Multi Brand Outlets and Departmental Stores.



**WILLS LIFESTYLE**



## Education & Stationery Products

The Education & Stationery Products Business recorded an impressive sales growth powered by brand 'Classmate' which continued to consolidate its leadership position in student notebooks. Sales of non-paper categories registered an impressive growth indicating growing consumer acceptance of 'Classmate' pens, pencils, mathematical instruments, erasers & sharpeners. With its brand ambassadors Yuvraj Singh and Soha Ali Khan, further strengthening brand value for the range, the year also witnessed the launch of art stationery under the 'Classmate - Colour Crew' brand.

On the occasion of ITC's Centenary, the ITC Classmate Ideas for India Challenge was



launched – an initiative that challenged the imagination of the youth to create their vision for the India of tomorrow. The event reached out to 25 lakh students across 30 cities and received nearly 60,000 entries that culminated in 11 national finalists.

The Business has also positioned Paperkraft Premium Business Paper, as an environment friendly multi-purpose paper, which uses a pioneering manufacturing process called 'Ozone Treated Elemental Chlorine Free Technology' and pulpwood sourced from renewable plantations.



## Incense Sticks (Agarbattis)

ITC's 'Mangaldeep' brand of incense sticks further strengthened its market standing during the year with sales recording an impressive growth of 54% driven by increasing consumer franchise for the brand combined with enhanced distribution reach and innovative product offerings and is currently the second largest national brand in the category.

More importantly, the business continues to provide livelihood opportunities to more than 10,000 women, through small-scale entrepreneurs, NGOs, Self-Help Groups across India, thereby contributing to the Company's commitment to the Triple Bottom Line.

## Safety Matches

ITC's Safety Matches business sustained its market standing through continued consumer preference for its strong brand portfolio across all market segments.





## Hotels

India's second largest hospitality chain, ITC Hotels enmeshes the fine tradition of Indian hospitality with globally benchmarked services to set new standards of excellence in accommodation, environment, cuisine, and guest safety.

With over 100 properties in 80 locations the Business operates under four distinct brands – 'ITC Hotels' for 'luxury', the 'WelcomHotels' in the 'five star segment', 'Fortune' in the 'mid-market to upscale' segment and 'WelcomHeritage' in the 'heritage leisure' segment. In addition, the Business has licensing and franchising arrangements for two international brands – 'The Luxury Collection' and 'Sheraton' from the Starwood group.

ITC Hotels pioneered the concept of 'Responsible Luxury' in the hospitality industry, drawing on the strengths of the Company's exemplary sustainability practices. 'Responsible Luxury'

personifies an ethos that integrates world-class green practices with contemporary design elements to deliver the best of luxury in the greenest possible manner. ITC Hotels' commitment to 'Responsible Luxury' blends elements of nature to deliver a unique value proposition to guests, conscious of their responsibility to be planet positive.

This commitment to 'Responsible Luxury' has given ITC Hotels the unique distinction of being the greenest luxury hospitality chain in the world. Today, all 'ITC Hotels'- ITC Maurya, New Delhi; ITC Maratha, Mumbai; ITC Grand Central, Mumbai; ITC Sonar, Kolkata; ITC Windsor, Bengaluru; ITC Gardenia, Bengaluru; ITC Kakatiya, Hyderabad and ITC Mughal, Agra are LEED Platinum certified for their commitment to perform to the highest standards of energy, water and waste efficiency, continuing to provide inspiration to the Green Building movement in India.





# Paperboards, Specialty Papers & Packaging

## ITC's Paperboards and Specialty Papers Business -

India's largest, technologically advanced and most eco-friendly paper and paperboards business. The business caters to a wide spectrum of packaging, graphic, communication, writing, printing and specialty paper requirements through its four world-class manufacturing units, which are today all FSC certified.

A front runner in introducing cutting edge environmental practices in India, ITC established the country's first Elemental Chlorine Free fibre line and Ozone Bleaching technology. ITC also became the first in the country to gain membership of the Global Forest & Trade Network (GFTN) of the World Wildlife Fund (WWF).

Committed to developing a sustainable raw material base, ITC's pulpwood is largely sourced from renewable plantations under its Social and Farm Forestry programme which assists tribals and farmers to convert their wastelands into commercial plantations – turning an unproductive asset into a sustainable livelihood option.



**ITC's Packaging & Printing Business** - the largest value added converter of paperboard packaging in South Asia. It converts over 70,000 tonnes of paper, paperboard and laminates per annum into a variety of value-added packaging solutions for the food & beverage, personal products, cigarette, liquor and consumer goods industries.

With three packaging factories at Tiruvottiyur near Chennai (in the South), Munger in Bihar (in the East), and Haridwar (in the North of India), ITC offers a comprehensive product range in packaging backed by its packaging expertise over the decades and cutting edge technology making it truly a 'One stop shop for Packaging'.



## Agri Business

ITC's pre-eminent position as one of India's leading corporates in the agricultural sector is based on strong and enduring farmer partnerships that has revolutionised and transformed the rural agricultural sector. A unique rural digital infrastructure network, coupled with deep understanding of agricultural practices and intensive research, has built a competitive and efficient supply chain that creates and delivers immense value across the agricultural value chain.

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





# Information Technology



ITC's wholly owned subsidiary ITC Infotech provides domain specific IT solutions and services to leading global customers. The company also provides high-end engineering design solutions and services to market leading engineering organisations worldwide. The company services a plethora of industries including Banking Financial Services & Insurance (BFSI), Consumer Packaged Goods (CPG), Retail, Manufacturing, Engineering Services, Media and Entertainment, Travel, Hospitality, Life Sciences and Transportation and Logistics.

The business is focused on providing Engineering and IT solutions to industries in Oil and Gas, Manufacturing, Consumer goods and Transportation segments among others.

ITC Infotech has e-enabled solutions to an ever-increasing number of global names in North America, Europe, Asia and Africa. Its deep and differentiated capabilities are being increasingly recognised by global analyst firms.



# 100 Inspiring Years

A bouquet of  
world-class Indian brands





# Certifications, Honours and Awards

## Major Awards over the Years

- ITC Limited was presented the FICCI Award for Outstanding Achievement in Rural and Community Development by the Finance Minister, Shri Pranab Mukherjee (2010).
- Mr K Vaidyanath won the Best Performing CFO in the FMCG and Retail Sector at the 5th edition of the CNBC TV 18 CFO Awards (2010).
- ITC ranked 2nd among top companies in India and 7th in Asia in the first of its kind Asian Sustainability Rating released by CSR Asia (2010).
- ITC became the first Indian Company to gain Membership with WWF-GFTN for Responsible Forestry (2010).
- ITC was awarded the Corporate Award for Social Responsibility from The Energy and Resources Institute (TERI) (2008).
- ITC was conferred the Corporate Social Responsibility Crown Award for Water Practices from UNESCO and Water Digest (2008).
- ITC Hotels topped the Hewitt Best Employer in Asia (Hospitality) Study (2008).
- ITC won the top UNIDO Award at the International Conference on Sharing Innovative Agri Business Solutions at Cairo (2008).
- In the first-of-its-kind S&P Environmental, Social and Corporate Governance (ESG) ratings, ITC ranked second among top Indian companies (2008).
- Chairman Y C Deveshwar was awarded the SAM/SPG Sustainability Leadership Award in Zurich (2007).
- ITC won the National Award for Excellence in Corporate Governance from the Institute of Company Secretaries of India (2007).
- ITC won the Asian CSR Award for Environmental Excellence, given by the Asian Institute of Management (2007).
- ITC received the Readers' Digest Pegasus Award for Corporate Social Responsibility (2007).
- ITC won the NASSCOM Award in the FMCG Sector (2007).
- Chairman Y C Deveshwar received the Business Person of the Year Award from UK Trade & Investment (2006).
- ITC e-Choupal won the Stockholm Challenge Award (2006).
- ITC was the first Indian company and second in the world to win the Development



Gateway Award for its trail-blazing e-Choupal initiative (2005).

- ITC won the prestigious Corporate Social Responsibility Award from The Energy and Resources Institute (TERI) for its e-Choupal initiative (2005).
- ITC's e-Choupal initiative won the Inaugural World Business Award at Marrakesh (2004).

## Select Awards for the Year 2010-2011

- All ITC's Premium Luxury Hotels are now LEED Platinum rated, establishing their commitment to perform to the highest standards of energy, water and waste efficiency continuing to provide inspiration to the Green Building movement in India.
- ITC has been ranked as the world's sixth largest sustainable value creator among consumer goods companies globally, by the Boston Consulting Group (BCG).
- ITC has been rated amongst Asia-Pacific's 50 biggest listed companies in 'Asia Fab 50' by Forbes in 2010.
- ITC's Sustainability Report 2010 was adjudged as one of the best global reports for the 2nd consecutive year in the Carbon Disclosure category in CRRRA 2011 (Corporate Responsibility Reporting Award 2011), the only body to evaluate Corporate Responsibility Reports.
- ITC's Paperboards and Specialty Papers Division won the Siemens Ecovatives Award 2011 in the 'Conservation' category for their Recycling initiative - 'Wealth Out of Waste' (WOW).
- ITC's Paperboards and Specialty Papers Division was adjudged as the best performer in the Paper & Pulp category at The Financial Express - Emergent Ventures India Awards presented in recognition of excellence in the area of environmental stewardship.
- ITC Hotels was adjudged the Best Hotel Chain in the country at the Business World, 'India's Most Respected Companies' Awards.
- ITC Grand Central received the prestigious National Tourism Award 2009-10 from the Ministry of Tourism, Government of India, in the Best Eco-friendly Hotel category.



### Chairman Y C Deveshwar honoured with the Padma Bhushan

In recognition of his outstanding contribution to the nation, Chairman Y C Deveshwar was conferred the Padma Bhushan, one of the nation's highest civilian awards. He received the Award from the Hon'ble President of India, Shrimati Pratibha Patil at a ceremony held at the Rashtrapati Bhavan. Mr Deveshwar is the first Chairman of ITC to be honoured with the Padma Bhushan.

- ITC Maurya received the National Tourism Award for the 'Best Eco-Friendly Hotel' from the Ministry of Tourism, Government of India.
- ITC's Packaging & Printing Business won two World Star Awards for the brands Classic Rock Rounded Corner Limited Edition Pack and Fiama Di Wills Skinsense Soap in their respective categories.
- ITC's Agri Business Division - ILTD, Chirala Unit received the 'Best Management Award - 2010' from the Labour Department, Government of Andhra Pradesh in recognition of its exemplary employee relation practices and implementation of Labour Welfare measures.
- ITC Limited received seven National Awards for Corporate Communications from the Public Relations Society of India (PRSI).
- Choupal Haat, ITC's rural marketing and consumer engagement platform in the Agri Business Division, won the gold award for the 'Best Integrated Rural Marketing Initiative' presented by the 'Rural Marketing Association of India' (RMAI).
- Kaya Kalp, The Royal Spa at the ITC Mughal, Agra, has been awarded the 'Best Luxury Hotel Spa' in the 'Spa Country Winners' category at the World Luxury Hotel Awards 2011.
- ITC Mughal's Kaya Kalp - The Royal Spa won the Conde Nast Traveller Best City Spa Award.

- > ITC Maurya has won the Today's Traveller Award 2010 for the 'Best Luxury Metro Hotel'.
- > ITC Gardenia has been selected as the winner of HICAP (Hotel Investment Conference Asia Pacific) Award under the category of Sustainable Project Design.
- > ITC Gardenia, received the Award for 'Green Hospitality' from the Honourable President Pratibha Patil at the NDTV Toyota Greenies Eco Awards Ceremony.
- > ITC Gardenia became the first hotel in the country to win an award for Universal Design presented by the Center for Universal Design (CUD) at North Carolina State University, USA.
- > ITC's acclaimed cuisine brands including Bukhara, Dum Pukht, Dakshin, Kebabs & Kurries, Pan Asian, West View, Edo, My Humble House won several accolades such as the Times Food Guide Awards, HT Crystal Awards, Miele Asia and HOTELS, US.
- > Fortune Hotels was awarded the 'Best First Class Hotel Chain' at the 6th Hospitality India & Explore The World Annual International Awards-2010.
- > Wills Lifestyle won Retailer of the Year and Best Retail Marketing Campaign at the Asia Retail Congress 2011 along with Customer & Brand Loyalty in the 'Retail Sector' at the 4th Loyalty Awards presented by Carlson Marketing.
- > ITC Classmate Ideas for India Challenge, an ITC Centenary initiative, received two awards at the WOW Event and Experiential Marketing Awards.



## Certifications & Awards

All the EHS Management Systems & Sustainability Reporting in ITC conform to the best international standards.

### > ISO 14001 Environment Management Systems:

All Manufacturing Units of ITC, all the major hotels & ITC R&D Centre at Bengaluru are certified.

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

All the Manufacturing Units of ITC are certified.

### > SA 8000 Social Accountability:

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

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

ITC Maurya, ITC Mughal, ITC Maratha, ITC Grand Central, ITC Sonar, ITC Windsor, ITC Kakatiya and WelcomHotel Sheraton New Delhi, WelcomHotel Sheraton Rajputana and WelcomHotel Sheraton Chola are certified. Foods Unit in Haridwar has also received HACCP certification.



**Awards:** The following awards bear testimony to the highest standards conformed by various Units of the Company and the significant achievements in the areas of Environment, Health & Safety.

- **Sword of Honour by British Safety Council, UK**  
Paperboards and Specialty Papers Units at Bhadrachalam and Tribeni.
- **5 star rating (Health & Safety) by British Safety Council**  
Paperboards and Specialty Papers Units at Bhadrachalam, Tribeni, Bollaram and Kovai.
- **Globe of Honour for Environmental Best Practices by British Safety Council**  
Cigarette Units at Bengaluru and Munger  
Leaf Threshing Unit in Chirala and  
Packaging & Printing Unit at Tiruvottiyur
- **LEED [Leadership in Energy and Environmental Design] - Existing Building (EB) Platinum rating by US Green Building Council**  
ITC Maurya, ITC Windsor, ITC Maratha, ITC Grand Central, ITC Sonar, ITC Mughal and ITC Kakatiya.
- **National Energy Conservation Award, by Ministry of Power, Govt. of India – 2nd prize**  
ITC Windsor, Bengaluru
- **CII National Energy Award 2010 – Energy Efficient Unit Award by CII**  
Cigarette Units at Munger and Bengaluru and WelcomHotel Sheraton New Delhi.
- **Water Efficient Unit Award by CII**  
ITC Maurya, New Delhi
- **Greentech Environment Excellence Award 2010 – Gold category by Greentech Foundation**  
ITC Windsor, Bengaluru  
WelcomHotel Sheraton New Delhi
- **Greentech Safety Platinum Award by Greentech Foundation**  
WelcomHotel Sheraton, New Delhi
- **7th National Award for Excellence in Water Management 2010 by CII-Godrej Green Business Centre, Hyderabad**  
Cigarette Unit at Kidderpore
- **'Prashansa Patra' Safety Award by National Safety Council of India**  
Cigarette Unit at Munger



- **Environment Champion among large hotels by Federation of Hotels & Restaurants Association of India**  
ITC Maurya, New Delhi
- **Most Innovative Project Award for Environmental Best Practices by CII – Hyderabad**  
Paperboards and Specialty Papers Unit at Bhadrachalam
- **Most Innovative Environmental Project Award 2011 & Most Useful Environmental Project Award 2011 by CII**  
Cigarette Unit at Bengaluru
- **Certificate for doing excellent work in energy conservation under ENCON Award 2010-11 by CII – Eastern Region**  
Cigarette Unit at Munger

# Report Profile, Scope and Boundary





This is ITC's Eighth Sustainability Report on its sustainability performance for the period from April 1, 2010 to March 31, 2011.

ITC reports its performance annually and the last Sustainability Report was published in September 2010 covering the period from April 1, 2009 to March 31, 2010.

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

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

This Report covers the performance of all businesses and units directly under ITC Limited and the four subsidiary companies where we have operational control.

This covers all our significant operations in India and one subsidiary company based in Nepal. (As detailed in Reporting Boundary).

The reporting principles and methodology continues to remain in accordance with the 2006 version of GRI (Global Reporting Initiative) G3 guidelines. The relevant indicators and technical protocols have been followed for reporting on various indicators, and there has been no significant change in the reporting scope or boundary limits over the last year.

This report reflects material issues, which have significant economic, environmental and social

impacts that can substantially influence the assessments or decisions of our stakeholders. Our businesses/Units continue to proactively engage with key stakeholders, who, either have a major interest or are significantly affected by our operations, products or services.

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

The Report does not include environmental and social performance of outsourced manufacturing Units. We continue our efforts to integrate sustainability practices along the value chain and we intend to extend them significantly in the years to come, to cover all our suppliers.

The economic performance reported here is from the Company's Report & Accounts (R&A) 2011. The R&A 2011 was prepared in accordance with the Companies Act, 1956 and has been audited by independent external auditors - M/s Deloitte Haskins & Sells.

The data on environment and social sections is based on actual performance of the various businesses, factories, hotels and large offices of the Company and its Subsidiaries. The authenticity of the data and systems have been verified by M/s. Ernst & Young as per the assurance statement provided, which forms a part of this Report.



# Reporting Boundary

This Report covers the following businesses and their corresponding Units:

## FMCG

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

## FMCG - Others

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

Personal Care Products Unit at Haridwar (Uttarakhand) and Manpura (Himachal Pradesh)

## Hotels

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

## Paperboards, Paper & Packaging

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

## Agri Business

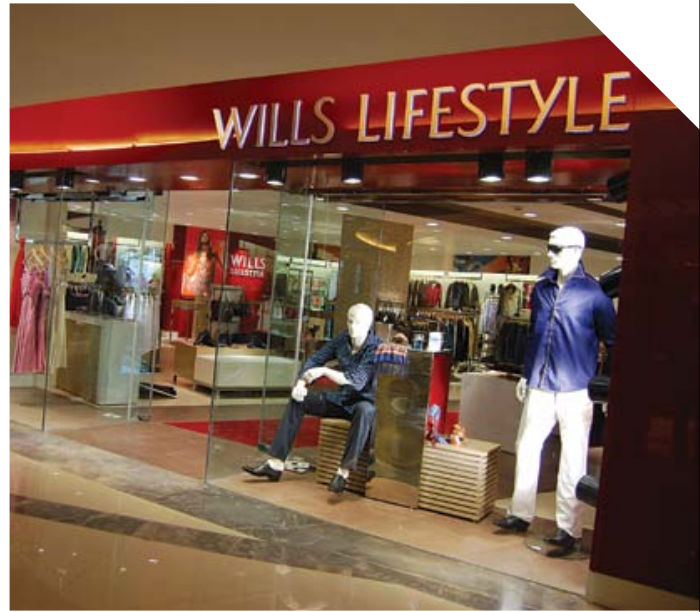
Units at Anaparti (Andhra Pradesh), Chirala (Andhra Pradesh) and Research Centre at Rajahmundry (Andhra Pradesh)

## Lifestyle Retailing & Others

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

## Subsidiaries

- > ITC Infotech India Limited  
Units at Bengaluru (Karnataka) and Kolkata (West Bengal)
- > Surya Nepal Private Limited  
Cigarette Manufacturing Unit at Simra (Nepal)
- > Srinivasa Resorts Limited  
ITC Kakatiya, Hyderabad (Andhra Pradesh)
- > Bay Islands Hotels Limited  
Fortune Resort Bay Island Hotel, Port Blair (Andaman & Nicobar)



# Governance, Commitments and Engagements

FOR ALL OUR  
TOMORROWS



- Effective management of multiple businesses through a three-tiered governance structure
- Clearly defined roles and responsibilities
- Robust & comprehensive framework of strategic planning and performance management
- Building an institution of tomorrow



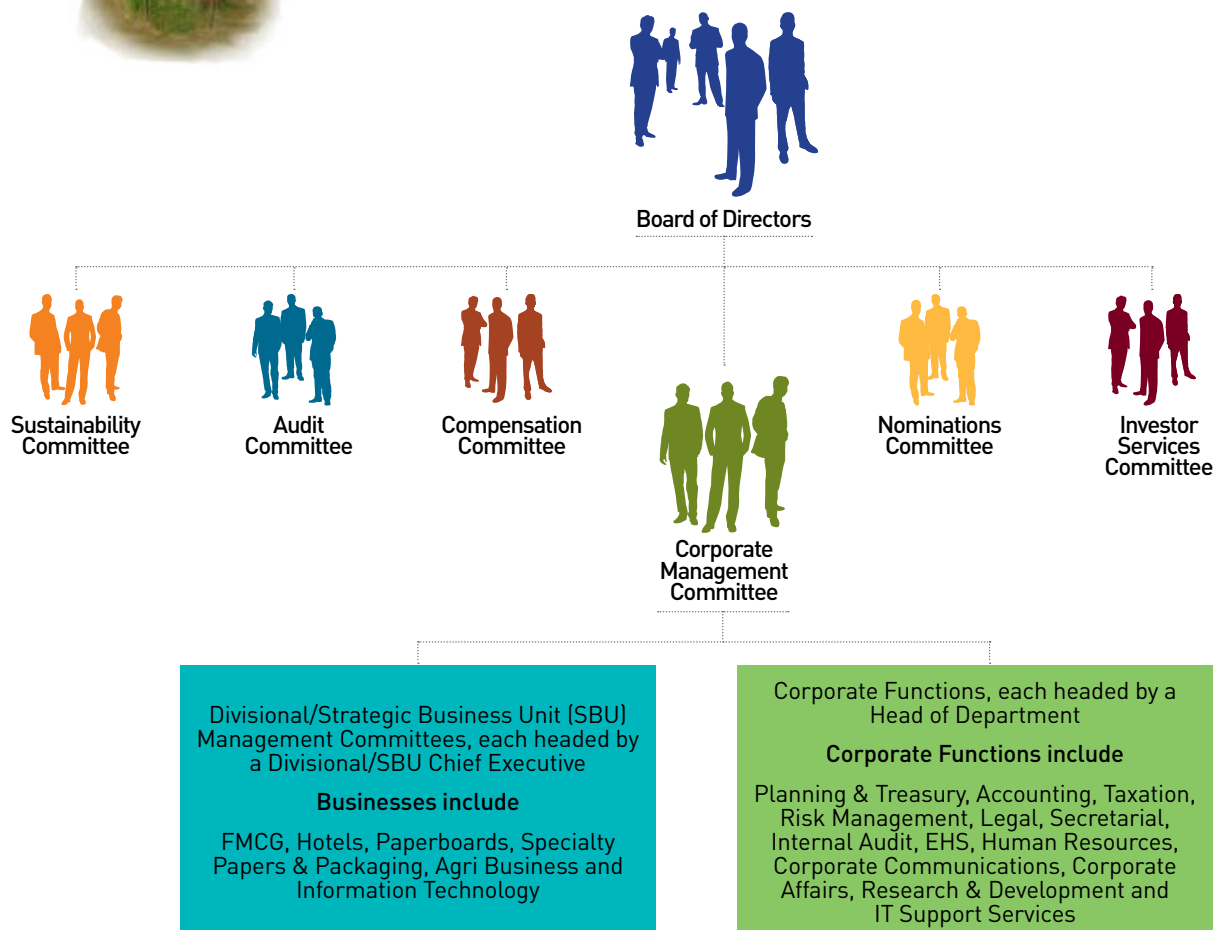
Our Corporate Governance processes are designed to support effective management of multiple businesses while retaining focus on each one of them. The practice of Corporate Governance at ITC takes place at three interlinked levels:

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

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



# Governance Structure





## Chair of the Highest Governance Body

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

We have a diversified business portfolio, which demands that the senior leadership has an in-depth knowledge and understanding of the functioning of the Company, so as to enhance the value-generating capacity of the organisation and contribute significantly to stakeholders' aspirations

and societal expectations. The Chairman of the Company is therefore chosen from the Executive management.

## Board of Directors

The ITC Board is a balanced Board, comprising 4 Executive and 12 Non-Executive Directors (including 9 Independent Directors).

## Selection of Directors

ITC's Governance Policy stipulates that the Non-Executive Directors (including Independent Directors) be drawn from amongst eminent



professionals with experience in business / finance / law / public enterprises. The selection of Executive Directors is done by the Nominations Committee, which comprises the Chairman of the Company and eight Non-Executive Directors, seven of whom are Independent Directors.

## Performance of the Highest Governance Body

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

## Compensation for Members of the Highest Governance Body

Remuneration of the Chairman and other Executive Directors is determined by the Board, on the recommendation of the Compensation Committee comprising only Non-Executive Directors; remuneration of the Directors is subject to the approval of the shareholders. Such remuneration is linked to the performance of the Company in as much as the performance bonus is based on various qualitative and quantitative performance criteria. Remuneration to Non-Executive Directors is by way of commission for each financial year;

such commission is determined by the Board within the limit approved by the shareholders. Their remuneration is based, inter alia, on Company performance and regulatory provisions and is payable on a uniform basis to reinforce the principle of collective responsibility. Non-Executive Directors are also entitled to sitting fees for attending meetings of the Board and Committees thereof, the quantum of which is determined by the Board, within the limit approved by the shareholders.

## Avoidance of Conflicts of Interest

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

Contracts in which Directors are interested, if any, are required to be placed before the Board for approval. Further, senior management is also required to confirm on an annual basis that no material transaction has been entered into by them which could have potential conflict with the





interests of the Company; such confirmations are placed before the Board.

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

## Shareholder Mechanisms

Detailed in Shareholders' section of 'Stakeholder Engagement'.

**A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed**

## Precautionary Approach

As a diversified enterprise, the Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework of the Company consists of the following elements:

- The Corporate Governance Policy clearly lays down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from the strategic to the operational, is specified in the Governance Policy. These role definitions, inter alia, are aimed at ensuring the formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- The Corporate Risk Management Cell works with the businesses to identify and establish the respective risk profiles. The risk profiles include both strategic risks and operational risks.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed. Appropriate structures have been put in place to proactively monitor and

manage the inherent risks in businesses with unique / relatively high risk profiles.

- A strong and independent Internal Audit function at the Corporate level carries out risk-focused audits across all businesses, enabling identification of areas where risk management processes may need to be improved. The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. The Audit Compliance and Review Committee closely monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.
- At the business level, Divisional Auditors continuously verify compliance with laid down policies and procedures, and help plug control gaps by assisting the operating management in the formulation of control procedures for new areas of operations.
- A robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives based on effective strategy implementation. The annual planning exercise requires all businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. Businesses have confirmed that all relevant business risks have been identified, assessed, evaluated and appropriate mitigation systems implemented.

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

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

The CMC approves the relevant Financial, Environmental, Occupational Health & Safety and Social policies of ITC. The Corporate Internal Audit Function audits the implementation of all systems and policies in all Company businesses and Corporate Headquarters. The Head of the Corporate EHS Department is responsible for laying down ITC's EHS standards, preparing EHS Guidelines and

ensuring effective implementation. EHS performance of all units / factories / hotels is audited at least once annually, to ensure conformity to statutory requirements, Corporate EHS Guidelines and Standards.

The Corporate Human Resources (CHR) Department similarly coordinates all activities relating to the Company's social performance. Reports relating to Economic, EHS and Social performance are provided to the CMC on a monthly basis. In addition to the above, periodic presentations are made to the CMC to ensure performance in accordance with specified targets.

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

Environment Management Systems in all ITC manufacturing units and major hotels are certified in accordance with ISO 14001. The Occupational Health & Safety Management Systems in all manufacturing Units are certified in accordance with OHSAS 18001.

The Investor Service Centre of the Company is certified in accordance with ISO 9001:2008 and rated 'Level 5' (highest level) by the certifying agency-Messrs Det Norske Veritas (DNV).

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

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



# Stakeholder Engagement

We have systems and procedures to identify, prioritise and address the needs and concerns of all our key stakeholders, across all businesses and units that have withstood the test of time. The stakeholder engagement process has evolved over the 100 years of the organisation's existence, based on mutual trust and respect developed over the years. Almost all our Units have been operating from the same premises for many years and similarly our relationships with almost all major suppliers and contract manufacturers go back several decades. However, the purpose is to formalise these processes in due course.

## Shareholders

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

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

Our Chairman addresses and provides clarifications to the shareholders at least once a year at the Annual General Meeting, the principal forum for face-to-face interaction, in the presence of the Board. The Board encourages open dialogue with all the shareholders - individuals, corporates or foreign investors.

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

## Customers

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

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

Product/service quality, availability, visibility & on time delivery, cost competitiveness, continuous product/process innovation, demand for 'green' product and value added services are the major topics/ issues which are being discussed during the customer engagement process. Robust Quality Assurance systems supported with process innovations, adoption of green technology, lean management, six sigma, and TPM help to achieve benchmarks in products and services quality in line



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

## Employees

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

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

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

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

## Farmers

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

We partner with farmers in ensuring them better price realisation, assured markets and improved productivity. More details are provided elsewhere in this Report.

## Suppliers

Suppliers are critical to our value chain and intrinsic to our product and service quality. All our businesses have processes and practices in place such as regular formal & informal interactions, reviews, vendors' surveys & feedbacks, etc to understand their key issues and concerns, thereby

ensuring the capability of suppliers/vendors to provide best-in-class products/services.

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

Supply chain management with emphasis on IT and infrastructure development ensures world-class products and services. Additionally, supplier audits, product certifications, sharing best practices, joint product development, supplier/vendor capacity building help suppliers/vendors to remain competitive.

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

## Community

All our businesses / units regularly interact with communities surrounding their operations. Community need assessment surveys by Competent agencies are conducted in and around the Units.

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

## Government

We continue to maintain 'beyond compliance' status by adopting globally recognised best-in-class practices. We proactively interact with Government / Regulatory Authorities on aspects relating to regulatory and public policy framework through industry bodies and various other fora.





# Economic Performance

- Progressive investments in multiple drivers of growth
- Sustaining high quality top line and earnings growth
- 26% growth in Total Shareholder Returns over the last 15 years
- 25 fold increase in market capitalisation from 1996

ITC, in its Centenary Year, posted yet another year of stellar performance with an impressive top line growth and high quality earnings reflecting the robustness of its corporate strategy of creating multiple drivers of growth. This performance is particularly noteworthy when viewed against the backdrop of the extremely challenging business context in which this was achieved, namely, the steep increase in excise duties in the Union Budget 2010 coupled with the amplified impact of arbitrary increases in VAT on cigarettes, brand building and incubation costs of the new FMCG businesses, the impact of the significant investments made in augmenting distribution infrastructure and the gestation costs of the large investments in the Hotels business.

Gross Turnover for the year grew by 16.5% to ₹ 30,604.39 crores. Net Turnover at ₹ 21,167.58 crores grew by 16.6% primarily driven by a 23.1% growth in the non-cigarette FMCG businesses, 22.9% growth in Agri business and 17.6% growth in the Hotels segment. Pre-tax profits increased by 20.8% to ₹ 7268.16 crores while Post-tax profits at ₹ 4,987.61 crores registered a growth of 22.8%.

Earnings Per Share for the year stands at ₹ 6.49 (previous year - adjusted for Bonus Issue - ₹ 5.34). Cash flows from Operations stood at ₹ 7,460 crores compared to ₹ 6,632 crores in the previous year.

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

ITC today is one of India's most admired and valuable corporations with a market capitalisation in excess of ₹ 1,40,000 crores and has consistently been, over the last fifteen years, amongst the top 10 private sector companies in terms of market capitalisation.

Last year, in celebration of ITC completing a 100 years, the Company had declared a Special Centenary Dividend of ₹ 5.50 per share (adjusted for bonus issue - ₹ 2.75 per share) in addition to a Dividend of ₹ 4.50 per share (adjusted for bonus issue - ₹ 2.25 per share). In addition a 1:1 Bonus issue was also made in the Centenary year.

**₹ 4,988 Crores Profit After Tax**

## Direct Economic Impact

₹ Crores

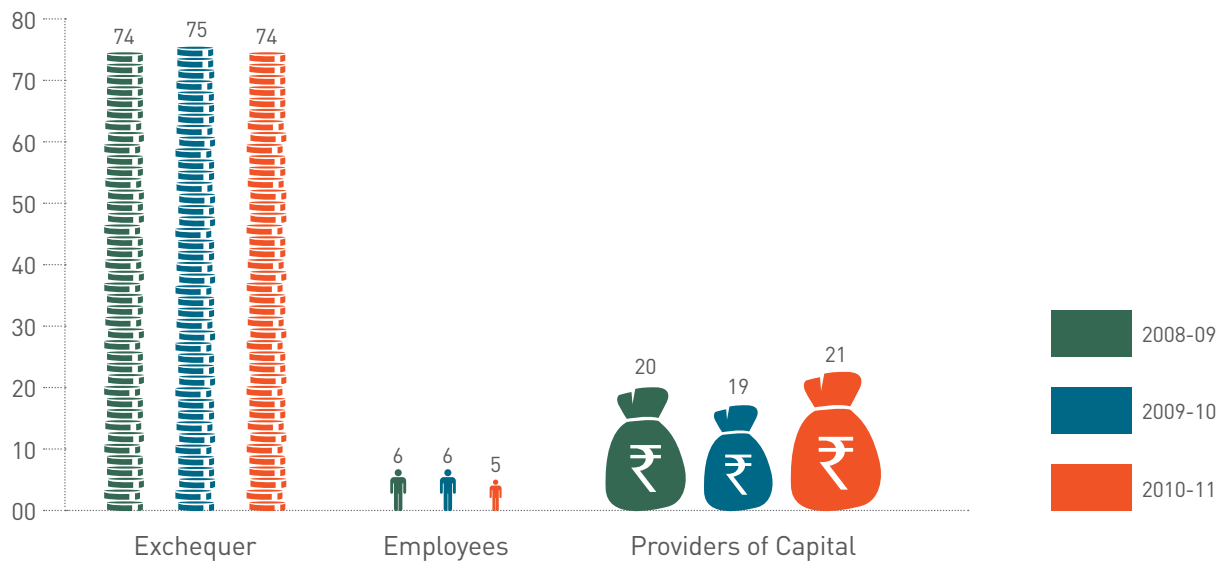
Key Economic Indicators	2008-09	2009-10	2010-11
Gross Turnover	23,144	26,260	30,604
Net Turnover	15,612	18,153	21,168
Exports	1,762	2,239	2,464
Contribution to Government / Exchequer	11,233	13,633	15,845
Cost of Bought out Goods and Services	9,901	10,684	13,208
Employee Wages & Salaries	891	1,003	1,159
Payments to Providers of Capital			
- Interest and Dividend	1,415	3,883	3,491
- Retained Profits	1,634	-391	986
Community Investments	61	40	53

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



## Analysis of Value Added

Share of value added (%)



## Turnover and Contribution to the National Exchequer

Contribution to the exchequer - 74% of the Value Added.

Direct Taxes - Highest Tax payer in eastern India and amongst the top tax payers in the country.

Excise Payments - 7% of the Country's total collection.

**Market Capitalisation, which stood at ₹ 5,570 crores in 1996, has multiplied 25-fold to cross ₹ 1,40,400 crores**



**10%**

Increase in export turnover over 2009-10



**16.50%**

Increase in gross turnover over 2009-10



**16%**

Increase in Taxes Paid

## Turnover and Taxes Paid

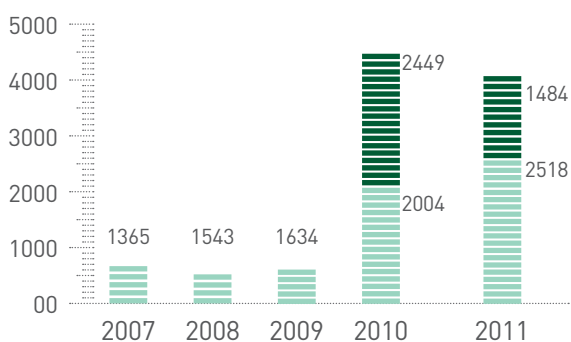
₹ Crores

Year	Domestic Turnover	Exports Turnover	Gross Turnover	Taxes Paid
2006-07	17,374	1,926	19,300	8,455
2007-08	19,661	1,695	21,356	10,768
2008-09	21,382	1,762	23,144	11,233
2009-10	24,021	2,239	26,260	13,633
2010-11	28,141	2,463	30,604	15,845

## Dividend Paid

ITC was ranked by the Boston Consulting Group, an international management consultancy firm, amongst the top 10 global consumer goods companies in terms of sustained shareholder value creation for the period 2005 - 2009. It is one of India's most admired and valuable corporations with a market capitalisation in excess of ₹140000 crores and has consistently been, over the last fifteen years, amongst the top 10 private sector companies in terms of market capitalisation.

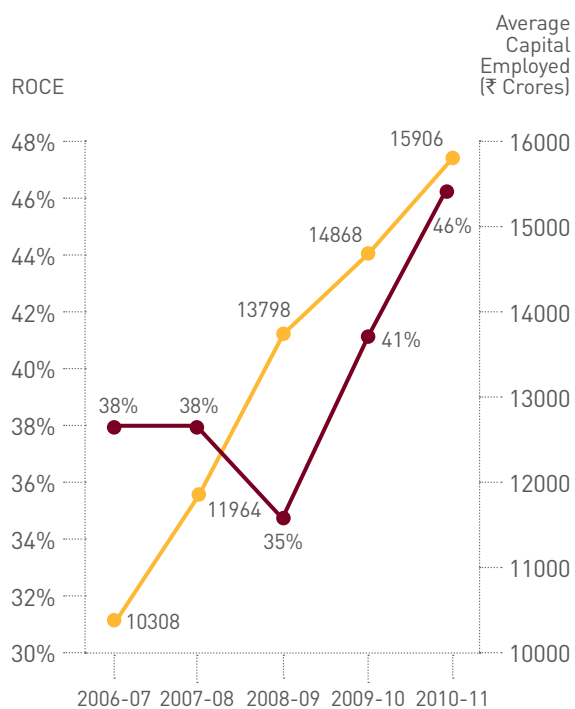
### Dividend Paid (incl Dividend Distribution Tax)



Legend: Dividend (₹ Crores) Special Dividend (₹ Crores)

## Return on Capital Employed

Return on Capital Employed has improved substantially from 41% in 2009-10 to 46% in 2010-11.



Legend: ROCE Average Capital Employed



## Locally based Suppliers

Our businesses have state-of-the-art facilities and use the best relevant technologies to ensure benchmarked quality and value.

Our suppliers constituting both local and international are one of our most important stakeholder groups.

We source specialised production machinery globally as well as from reputed Indian

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

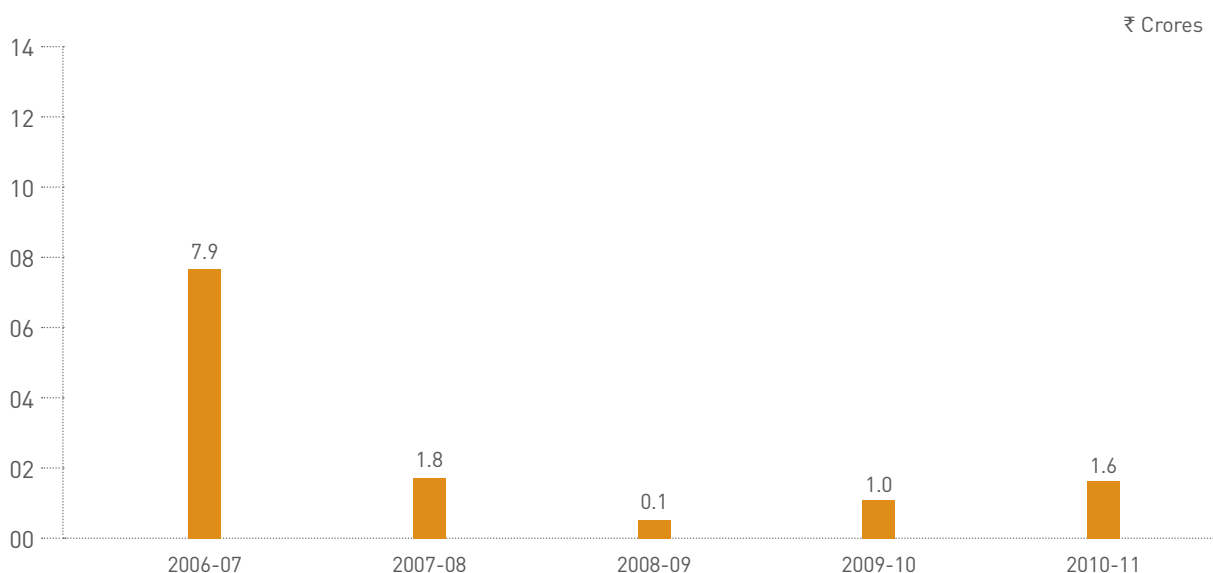
**Nearly 87% of our raw materials are locally procured.**

## Raw Material Consumed



## Financial Assistance from Government

### Subsidies Received



We support a large number of national priorities. The Governments of Andhra Pradesh and Tamil Nadu offer incentives such as deferment of sales tax for setting up new units or for modernisation/expansion/diversification of existing Units. Our

Paperboards & Specialty Papers Division (PSPD) has received such assistance for the Bhadrachalam and Bollaram Units in Andhra Pradesh and for expansion of the Kovai Unit in Tamil Nadu.

## Engaging Talent, Local Hiring and Senior Management

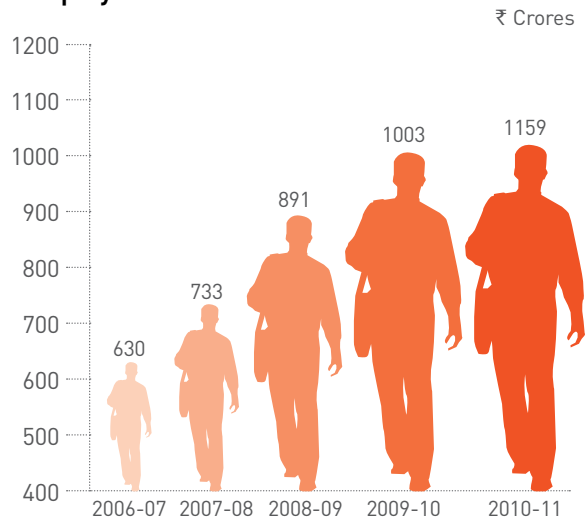
ITC has fostered a culture that rewards continuous learning, collaboration and development across the organisation to be future-ready and meet the challenges posed by ever-changing market realities.

The Company creates and nurtures workplace challenges that keep employees engaged, motivated and innovative. This talent has, through strong alignment with ITC's Vision, successfully built and sustained its standing as one of India's most admired and valuable corporations despite unrelenting competitive pressures.

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

We encourage local employment in the workforce in manufacturing and hotels, depending on the availability of requisite skills.

### Employee Benefits



## Pension Obligations

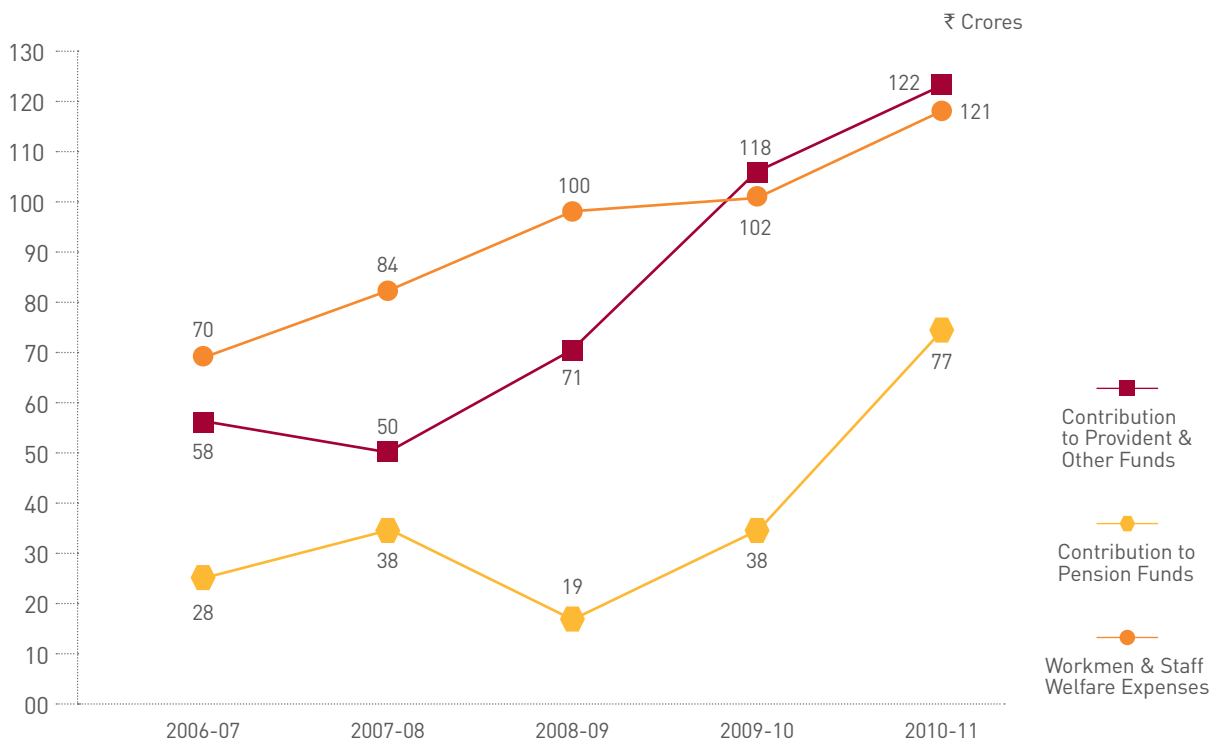
Employees' Retirement Benefit Schemes are funded through duly constituted and approved independent trusts.

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

The pension plans and other applicable employee benefits obligations are fully funded in accordance

with independent actuarial valuation. Expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario.

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



## Community Investments

### Citizen First

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

**₹ 53 crores were invested in various community development projects.**





## Creating Enduring Institutions

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

### ITC Sangeet Research Academy

With a changing social ethos, India's rich 2000 year-old tradition of classical music with all its diverse forms and genres seemed in the danger of being irrevocably lost.

To restore, maintain and preserve this priceless cultural legacy, to cultivate its growth and gradually build its future, ITC set up the Sangeet Research Academy in December, 1978. A public charitable trust, the Academy has a three-fold vision:

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

- To promote and propagate Indian Classical Music;

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

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

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



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

The CII-ITC Centre of Excellence for Sustainable Development is a co-creation of the apex national Chamber – the Confederation of Indian Industry and ITC. With its abiding objective of promoting sustainable business practices amongst corporates, the Centre is engaged in a wide spectrum of value-added and targeted services. By creating awareness in business and industry, providing thought leadership, building capacity of organisations and professionals and rewarding exemplary performances, the CII-ITC Centre has become a unique focal point of Sustainability movement.

The Centre is steered by its Advisory Council, led by Chairman, ITC Limited, Mr Y C Deveshwar and comprises members from industry, government,



civil society and institutions which provide strategic direction to the organisation.

During the year, the Centre introduced three new service lines in the areas of stakeholder engagement, climate change strategies and training of sustainability assurance professionals. It is the only certified trainer for sustainability assurance professionals in South-east and South Asia. The Centre was involved in a number of capacity-building activities throughout the year, including training and raising the awareness of over 1200 employees across various sectors on sustainability best practices.

It also conducted the first ever in-house Sustainable Business Strategy Programme. The CII-ITC Centre is today playing a major role in engaging with policy makers to create an environment that encourages the adoption of sustainable business practices. The Centre is a consulting partner in several policy interventions such as Green Guidelines for Public Procurement, Low Carbon Expert Group of the Planning Commission, National Innovation Council, Ministry of Corporate Affairs on CSR policy.

The annual flagship event from the Centre, the 5th 'Sustainability Summit: Asia 2010' was organised in response to the growing demand for new growth models that are more 'sustainable and inclusive'. Specific focus was given to key areas such as Innovation-led Inclusive Growth; Clean Energy; Water: Survival & Sustainability etc.

The CII-ITC Centre of Excellence for Sustainable Development also successfully organised the Business Leaders Programme with Prof. Stuart Hart as the faculty. The objective of the programme was

to train key decision makers in large organisations on sustainability strategies.

Another major global investor driven initiative of the Centre has been the Carbon Disclosure Project (CDP).

This project aims to collect critical climate change data from the world's largest companies to appraise the global marketplace on investment related risks and commercial opportunities.

The Centre also introduced two new publications, 'Excellence in Sustainable Business - Strategies & Practices for Business Growth & Competitiveness' - a knowledge resource on best practices drawn from the assessment findings of award-winning companies over the last four years and 'Sustainable and Inclusive Innovation - Strategies for Tomorrow's World' - a report which offers valuable insights into how innovations in products, services and processes are driving the creation of new businesses and industry structures.

In an effort to identify and recognise Indian businesses for their exemplary sustainability performance, the Centre annually presents the CII-ITC Sustainability Awards. A new category of applications for micro-business organisations was introduced this year. 68 companies competed for the Awards, now in its sixth year.

### Other infrastructure initiatives

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







# Environmental Performance

- Climate Change and Sustainable Development
- Water Management Stewardship
- Recycling and Waste Management
- Significant Air Emissions
- Material Sustainability in ITC's Businesses

# Climate Change and Sustainable Development

FOR ALL OUR TOMORROWS



- Holistic Triple Bottom Line approach
- Enhanced use of renewable energy
- Establishment of green buildings
- Reduction of specific energy consumption
- Alignment with the National Action Plan on Climate Change (NAPCC)
- Natural Resource Augmentation through afforestation and soil & moisture conservation programmes
- Carbon Positive for the 6th year in a row





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

Today global warming presents a serious challenge to governments, the general public and industries, the world over. Exacerbating the impacts of poverty and environmental degradation, global warming is clearly a threat of far-reaching consequences.

One of the defining traits of ITC is its deeply Indian character that aligns larger societal concerns and national priorities to its corporate strategies. Therefore, in line with the Indian Government's National Action Plan on Climate Change (NAPCC) ITC has adopted strategies that address climate change related impacts and has also developed mitigation and adaptation plans.

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

## Our strategies include

➤ Identify and evaluate climate change risks for each Business.

➤ Reduce the environmental impact of our processes, products and services and work towards creating a positive environmental footprint.

- Adopt a low carbon growth path through reduction in specific energy consumption and enhanced use of renewable energy.
- Enlarge our carbon positive footprint through increased carbon sequestration by expanding forestry projects in wastelands.
- Reduce specific water consumption and augment rainwater harvesting activities both on site and off site at watershed catchment areas.
- Work towards resource conservation, by minimising waste generation, maximising reuse & recycling and using external post consumer waste as raw material in our Units.

➤ Create sustainable livelihoods and sustainable agricultural practices.



# Climate Change Risks

Based on our assessment of possible impacts due to climate change on the Company's Businesses, strategies for mitigation and adaptation have been worked out.

## Agriculture

Since ITC is largely dependent on agricultural inputs, possible disruption in agricultural patterns and yields is a significant potential risk.

**ITC's Triple Bottom Line performance is a holistic approach towards building economic, societal and environmental capital while generating large scale sustainable livelihoods**

Other than the the direct impacts of climate change, water availability is the single largest risk that we foresee.

In addition, reduction in agricultural outputs due to

changed weather patterns and higher temperatures not only impacts ITC but also threatens to push millions of farmers beyond the brink, thereby deeply impacting social stability.

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

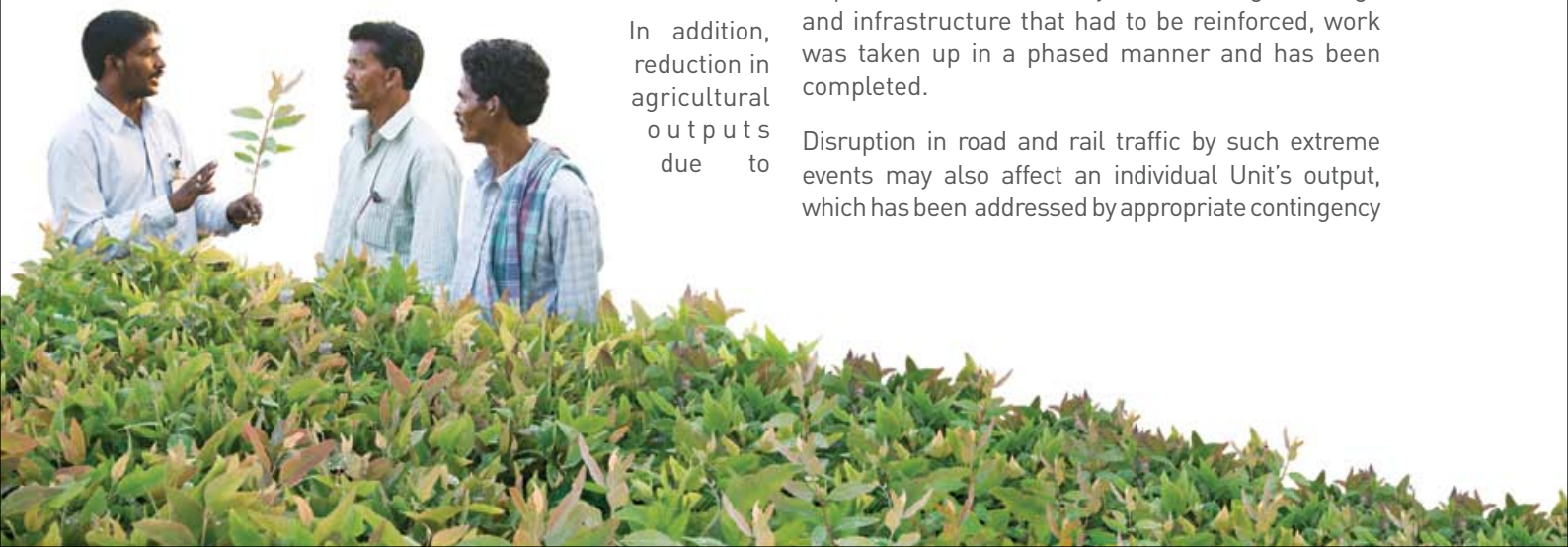
Our water conservation, watershed development and rainwater harvesting projects, not only improve the sustainability of our agri-related businesses, but also create sustainable livelihoods for a large number of marginal farmers. Our R&D specialists, in collaboration with expert study groups are constantly evaluating agricultural productivity/adaptation issues related to climate change and support is being provided to farmers through in-house extension services.

## Built environment

We are also exposed to physical risks related to climate change. We have 2 large manufacturing facilities in coastal areas. Protection of our assets in these coastal areas has been reinforced in anticipation of increased severity of storms and cyclones, which are likely to occur.

All new buildings have been constructed with the requisite factors of safety. For existing buildings and infrastructure that had to be reinforced, work was taken up in a phased manner and has been completed.

Disruption in road and rail traffic by such extreme events may also affect an individual Unit's output, which has been addressed by appropriate contingency



and insurance plans. Higher surface temperatures (increased air conditioning costs) and disruption in water supplies are other anticipated risks.

Green buildings are the obvious response to such challenges. We started the conscious movement towards green buildings by the construction of the ITC Green Centre at Gurgaon, which in 2004 was the largest platinum rated LEED\* certified

building in the world. All new constructions by ITC now incorporate validated green attributes and efforts are underway to have existing buildings and factories also meet these validated green norms.

In line with this commitment, all ITC premium luxury Hotels are now LEED certified Green buildings with a Platinum rating.



\* LEED - Leadership in Energy and Environmental Design



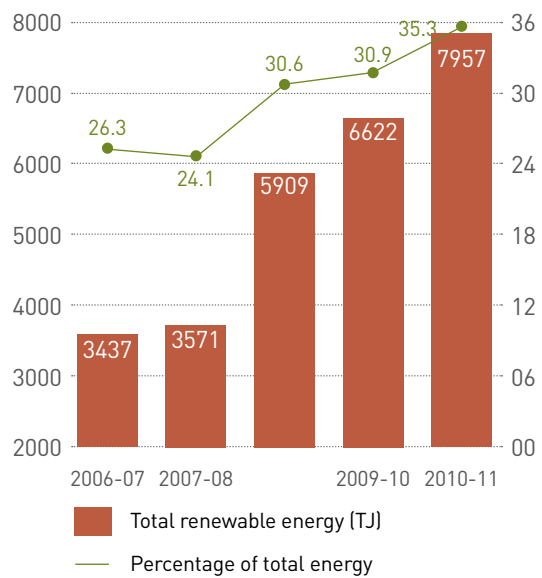
# Minimising Carbon Intensity & Adopting a Low Carbon Growth Path

ITC has consolidated its 'Carbon Positive' status over the years by adopting a strategy of reducing specific energy consumption, increasing its renewable energy portfolio and large scale carbon sequestration through additional forestry activities on degraded wastelands.

## Sources of energy

In 2010-11, ITC Units consumed 22,554 Terra Joules (TJ) of energy, which is 5.2% higher than the energy utilised in the previous year. (21,456 TJ in 2009-10). This is due to significant growth in production volumes of almost all businesses over the last year (Paperboards business grew by 2.9%, Foods Business' snacks and biscuits products up by 94% and 25.8% respectively and soaps in Personal Care business increased by 27.8%).

## Renewable energy utilisation in ITC



## Sources of energy in ITC (2010-11)

**61.9%**  
energy directly from fossil fuels



**2.8%**  
energy purchased from State utilities



**35.3%**  
energy from renewable sources

Improved utilisation of carbon neutral fuels such as biofuels in the Paperboards and Specialty Papers Business and the commissioning of a 21 MW wind power project in Karnataka and a 2.5 MW wind power project in Rajasthan contributed to increased utilisation of renewable energy, even though the renewable energy contribution from the above wind power projects has only been for part of the year.

**ITC has consolidated its 'Carbon Positive' status by adopting a strategy of reducing specific energy consumption, increasing its renewable energy portfolio and large scale carbon sequestration**

## Renewable energy sources in ITC comprise the following:

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

## Progress in reduction of specific energy consumption in ITC's businesses

A focused approach on energy conservation through rigorous third party audits and implementation of the recommendations also resulted in substantial improvement in specific energy performance.

In the Paperboards Business, the three factories, Bhadrachalam, Tribeni and Kovai together accounted for 90.3% of total energy consumption for ITC.

ITC's Paperboards and Specialty Papers Business

## Energy consumption within ITC across businesses (2010-11)

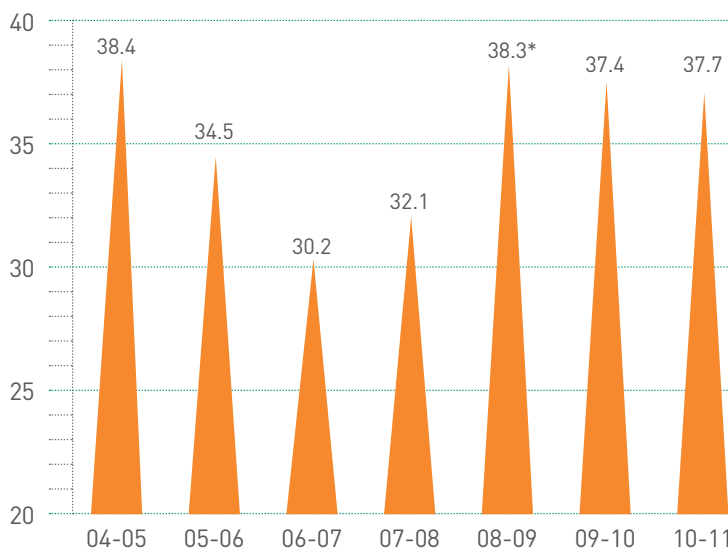
	Foods & Personal Care Products	<b>1.3%</b>
	Packaging	<b>1.1%</b>
	Paper & Paperboards	<b>90.6%</b>
	Leaf	<b>2.1%</b>
	Hotels	<b>2.2%</b>
	Cigarettes	<b>2.4%</b>
	Others*	<b>0.3%</b>

\* Others include ITC Infotech, ITC R&D Centre and large offices

has been rated as the most energy efficient in the Indian Paper and Paperboard Business sector, according to the Centre for Science and Environment, New Delhi (Challenge of the New Balance, CSE, 2010)

In 2010-11, specific energy consumption at the Paper & Paperboards Unit at Bhadrachalam has marginally gone up (by 1% over the last year) due to increase in pulp production (reducing import of pulp) and value added products.

## Specific energy consumption (GJ/tonnes): Bhadrachalam



\*Due to installation of additional pulping facility

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

**6.8%**

Cigarette Unit at Kolkata

**10.2%**

Packaging & Printing Unit at Tiruvottiyur

**13.9%**

Cast Coating Unit at Bollaram

**9.1%**

ITC Hotel Grand Central

The snacks units of the Foods Business in Haridwar and Pune have considerably improved on their specific energy utilisation as illustrated below:

Foods business units	2009-10	2010-11	Percentage improvement
	GJ/Tonnes		
Haridwar	6.23	5.19	16.7
Pune	10.41	8.83	15.2

Other Units which performed remarkably in reducing specific energy consumption over the previous year are: Cigarette Unit at Kolkata (6.8%), Packaging & Printing Unit at Tiruvottiyur ( 10.2%),

Cast Coating Unit at Bollaram (13.9%) and ITC Hotel Grand Central ( 9.1%).

Additional data on energy conservation measures implemented by ITC Units are available at [www.itcportal.com](http://www.itcportal.com) under Report & Accounts 2011.

ITC has 8 Clean Development Mechanism (CDM) projects registered with UNFCCC (United Nations Framework Convention on Climate Change) under the Kyoto Protocol. In addition, 2 projects have qualified for receiving carbon credits in the voluntary carbon markets. These projects besides reducing Greenhouse gas emissions have also helped ITC offset some of the investments made towards reducing specific energy consumption and enhancement of the renewable energy portfolio through the sale of carbon credits. ITC's large scale social forestry project, the first of its kind in India,

## All ITC Premium Luxury Hotels are LEED Platinum certified

ITC has always been at the forefront of establishing iconic green buildings certified to the highest levels of energy efficiency and environmental design.

A journey that began with the ITC Green Centre in Gurgaon (the largest LEED - Leadership in Energy and Environment Design Platinum rated office

space in the world in 2004) and the ITC Gardenia in Bengaluru (the World's largest LEED Platinum rated hotel), has now inspired the implementation of validated green/sustainability standards in existing hotels and factories. In a testimony to these efforts, the ITC Maurya in New Delhi became the first LEED Platinum rated hotel worldwide in the existing

building category, followed closely by ITC Grand Central, ITC Maratha, ITC Windsor, ITC Mughal, ITC Sonar and ITC Kakatiya all of which received the LEED Platinum rating.





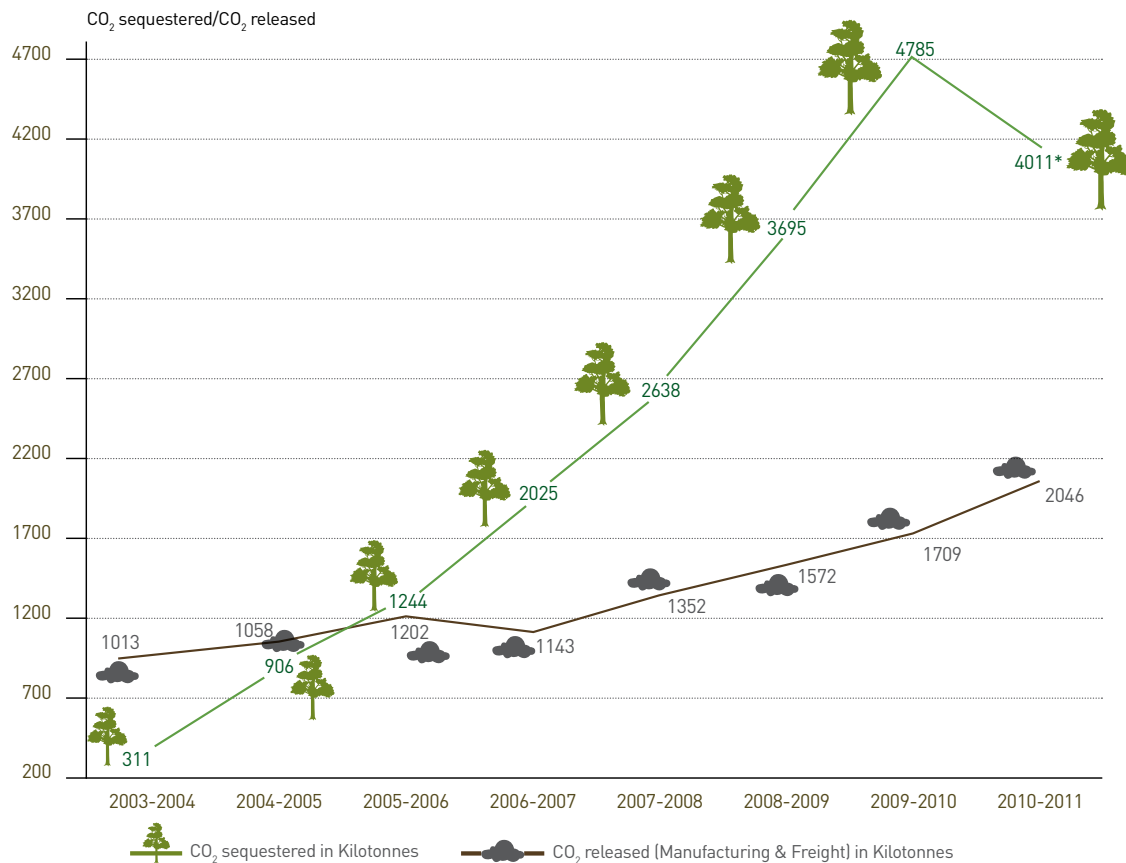
with retrospective carbon credits is in advanced stages of verification. This project will provide additional returns to the farmers in the coming years. Several other projects are in the process of being registered.

In addition, we are well positioned to take advantage of other opportunities in voluntary carbon markets and India specific schemes on the anvil, such as Perform, Achieve and Trade (PAT) promoted by the Government of India.

However, higher CO<sub>2</sub> emissions were partially avoided by improved biofuel utilisation in Bhadrachalam and commissioning of new wind power projects.

ITC's social and farm forestry initiatives added 11,652 hectares of plantations during 2010-11. Total plantations, as on March 31, 2011, now stand close to 114,000 hectares. The social & farm forestry initiatives have not only provided a sustainable source of raw material for the Paperboards Business, but have also helped sequester 4011 Kilotonnes of CO<sub>2</sub>, provided over 51.24 million person-days of employment and have also built upon ITC's status as a 'Carbon Positive' Company for the sixth year in a row.

## Enlarging ITC's carbon positive footprint



\* Dip in CO<sub>2</sub> sequestration rate caused by reduced productivity of Eucalyptus plantations due to infestation in some areas and lesser incremental addition of plantation area compared to 2009-10.

In 2010-11, ITC's operations (manufacturing & freight) generated total CO<sub>2</sub> emissions of 2046 Kilo tonnes (1,709 Kilo tonnes in 09-10). Higher CO<sub>2</sub> emissions were due to significant growth in most businesses as detailed elsewhere, increased pulp production which substitutes imported pulp as well as use of revised emission factors for the transportation sector, published by the Department of Environment, Food and Rural Affairs (DEFRA), UK, which has been adopted for CO<sub>2</sub> estimations.

**ITC - A Carbon  
Positive Corporation -  
6 Years in a Row**

# Water Management Stewardship

FOR ALL OUR TOMORROWS



- Ensuring lower specific water consumption through treating and recycling wastewater
- Sustained efforts to ensure zero effluent discharge
- Integrated Watershed Management Programmes
- Water Positive for the 9th year in a row





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

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

Agriculture accounts for around 90% of total water consumption in India and its challenges as a result of water stress are aggravated by the huge inequalities in geographical distribution as well as by the fact that the entire monsoon rainfall occurs around a 12-week period.

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

## 1. Water conservation

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

## 2. Zero effluent discharge

Treating and progressing to achieve recycling of all wastewater.

## 3. Water positive footprint

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

## 4. Water availability

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

**ITC is committed to conserve and manage this precious natural resource**



# Water Conservation

In 2010-11, ITC units withdrew 29.36 million Kilolitres (KL) of fresh water, (29.96 million KL in 2009-10), a reduction of 2% over the previous year, despite significant growth in almost all businesses.

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

## Water sources

Of the 29.36 million KL of fresh water, 79.7 % of water was sourced from river water, 17.9% from ground water sources and only 2.4% from municipal and other water sources.

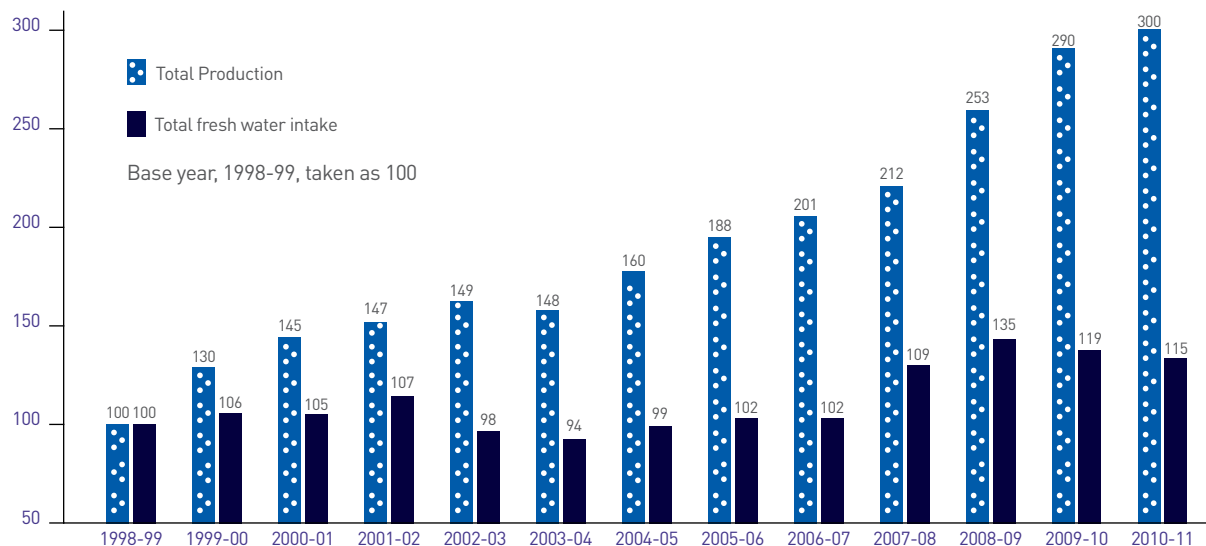
This year of our total fresh water intake by ITC, our 3 Paperboards & Specialty Paper mills (Bhadrachalam, Kovai and Tribeni) alone withdrew 91.6 % of fresh water.

## Bhadrachalam Unit

India's largest integrated paper and paperboards mill in India, accounted for 75.3% of the total fresh water intake in ITC. While the production volumes have increased by three times between 1998-99 and 2010-11, the fresh water intake of the Mill has increased by only 15% during the same period.

In 2010-11, Bhadrachalam Unit's freshwater intake was 50.5 Kilolitre per tonne of product, a significant improvement of 7.7 % over the last year (54.7 KL/tonne in 2009-10). It is worth mentioning that this surpasses the proposed benchmark standard of 63 KL/tonne as set by the National Productivity Council (NPC), for large scale integrated pulp and paper mills. (Reference: Final Report on Development of Guidelines for Water Conservation in Pulp and Paper Sector by NPC, New Delhi, March 2006).

## Normalised production versus fresh water intake comparison of Bhadrachalam Unit



## Tribeni Unit

The Tribeni Mill, which manufactures specialty paper which is a water intensive process, has implemented various water conservation measures, resulting in the use of less than half the freshwater per tonne of product during the reporting period in comparison to 1998-99.

### Specific freshwater intake in Tribeni Mill (KL/Tonne)

2010-11	124
2009-10	117
2008-09	120
2007-08	106
2006-07	99
2005-06	105
2004-05	107
2003-04	128
2002-03	178
2001-02	213
2000-01	226
1999-00	233
1998-99	259



**52.1%**  
reduction in  
specific fresh  
water intake  
over 1998-99

In 2010-11, the Cigarette Business reported a specific fresh water intake of 3.9 KL/Million Cigarettes equivalent; an improvement of 9.7% over last year (4.3 KL/Million Cigarettes eq. in 2009-10). (British American Tobacco reported a specific water consumption of 4.15 m<sup>3</sup>/Million Cigarette eq. in BAT Sustainability Report 2010).

Unit wise improvements in specific freshwater intake over the last year are:

	2009-10	2010-11	Percentage improvement
	KL/ Million cigarettes equivalent		
Munger	5.38	4.60	14.4
Bengaluru	4.14	3.67	11.6
Saharanpur	4.51	4.24	6.03
Kidderpore	2.95	2.61	11.4

ITC's Snacks Units of the Foods Division at Haridwar and Pune have achieved substantial savings in freshwater intake per tonne of product as illustrated below:

Foods business Snacks Units	2009-10	2010-11	Percentage improvement
	L/kg		
Haridwar	10.83	5.90	45.5
Pune	20.48	11.69	42.9

## Kovai Unit

### Specific fresh water intake in Kovai Unit (KL/Tonne)

2010-11	13.97
2009-10	13.10
2008-09	15.31
2007-08	17.31
2006-07	21.01

**33.5%**

reduction in specific fresh water intake over the 2006-07 level

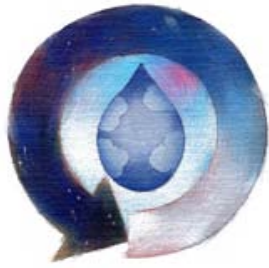


Consistent efforts towards implementing water conservation initiatives have yielded positive results in the Kovai Unit. Kovai has achieved substantial reduction of close to 33.5% in specific fresh water intake over the 2006-07 level, as illustrated above.

This specific freshwater intake of 13.97 KL/tonne is better than the proposed benchmark standard of 19 KL/tonne by NPC, New Delhi in 2006 for this category of Paper Mill.

Other Units which achieved significant reduction in specific freshwater intake over the last year:

Packaging & Printing Units at Tiruvottiyur & Munger	21.2% & 12.2% respectively
Cast coating unit at Bollaram	12.4%
ITC Grand Central	5.8%
ITC Windsor	11%
WelcomHotel Sheraton Chola	20.3%
WelcomHotel Sheraton New Delhi	16.2%
WelcomHotel Sheraton Rajputana	10.6%



## Effluent Discharge

We are committed to achieving zero effluent discharge through treating & recycling all the wastewater and harvesting all rainwater incident on our properties, which not only reduces fresh water intake but also maximises ground water recharge, reduces run off, etc.

Many ITC Units have already achieved the goal of zero effluent discharge. For example this year, Cigarette factories at Bengaluru, Saharanpur & Pune, Leaf Processing Plants at Anaparti & Chirala, Packaging & Printing Unit at Tiruvottiyur, Research Centres at Bengaluru & Rajahmundry, Paperboards Unit at Kovai and Bollaram and ITC Green Centre at Gurgaon recycled all their treated effluents within the Units and achieved zero effluent discharge status.

All our Units, apart from meeting the effluent norms set by the Regulatory Bodies, have defined internal norms, more stringent than statutory limits to maximise reuse and recycling.

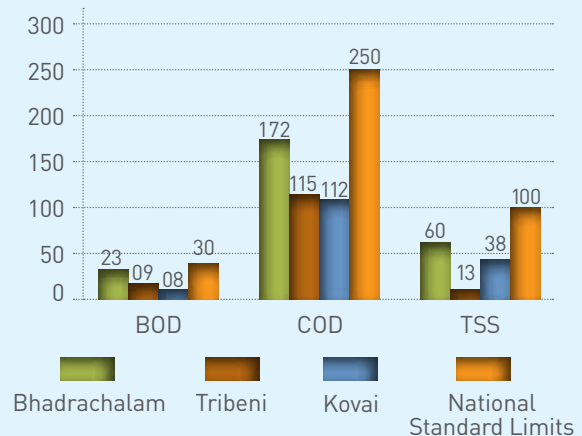
In addition, we have started using more environment friendly DEWATS wastewater techniques that are chemical free and require negligible energy inputs, through the Centre for Science & Environment, Auroville. These have been presently installed at our SNPL Simra factory & housing colony at Nepal and in the new Cigarette factory at Pune.

Among the ITC businesses, the Paperboards and Specialty Papers business faces the most serious challenges in effluent quality and quantity.

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

In 2010-11, 97.7% of total wastewater discharged outside the Unit premises in ITC, was accounted for by the two Paper & Paperboard mills, Bhadrachalam and Tribeni. The Kovai wastepaper based Paperboards Unit recycled/reused the entire treated effluents within the Unit premises for irrigation purposes. The treated effluent quality is far better than the stipulated standards, as depicted below:

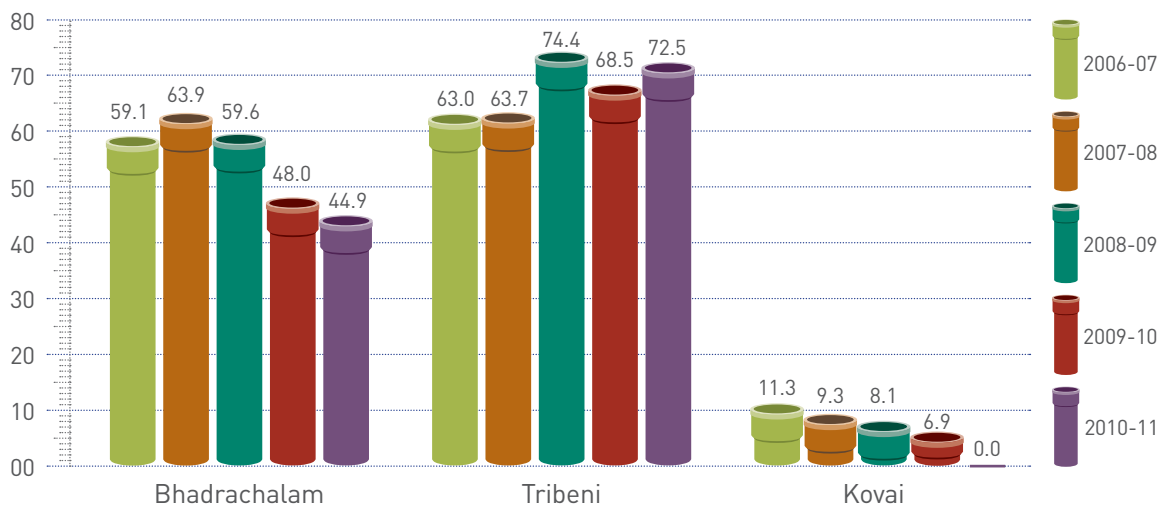
**Treated effluent quality : annual average (2010-11) - ITC Paperboards & Specialty Papers Units**



All units in mg/L and figures rounded off to nearest digit  
 BOD – Biochemical oxygen demand  
 COD – Chemical oxygen demand  
 TSS – Total suspended solids

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

### Specific treated effluent discharge in ITC Paperboards & Specialty Papers Units (KL/Tonne)



The National Productivity Council's (NPC) report on 'Proposed standard for Pulp and Paper Industries in India' recommends a benchmark standard of 50 KL/tonne for Integrated Pulp and Paper industry, which is applicable for our Bhadrachalam Unit.

The current level of 44.9 KL/tonne at Bhadrachalam, an improvement of 6.5% over the previous year (48.0 KL/tonne in 2009-10), is better than the above proposed benchmark.

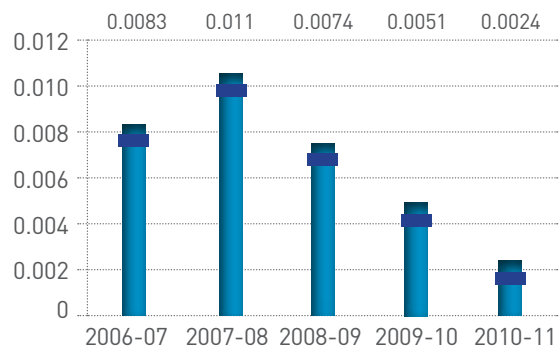
Similarly, the above report suggests a benchmark standard of 15m<sup>3</sup>/tonne for wastepaper based pulp

and paper mills. Kovai Unit, which is included in this category, did not discharge any treated effluent outside its premises.

In the current year, Absorbable Organic Halides (AOX), (applicable only to our Bhadrachalam Unit) level was a mere 0.0024 Kg per tonne of product.

The benchmarking of Bhadrachalam Unit's performance in respect of AOX level is depicted below:

### Specific AOX levels in Bhadrachalam Unit (Kg/Tonne)



units is kg/tonne	
Indian Paper/Paperboards mills*	0.46-0.8
European Paper Industries #	0.029
World Bank Standard **	0.25

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

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

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



## Enlarging a Water Positive Footprint

The continued focus on rainwater harvesting both in the Company premises and socially relevant watershed areas has enlarged our water positive footprint. In addition, wherever feasible, adequate provisions have been made to utilise the treated effluent for irrigation purposes. In 2010-11, 60.7% of total treated effluent discharged has been utilised for irrigation.

As at March 31, 2011, the Watershed Projects covering over 64,000 Hectares (ha) of land, support the Water Positive status of the Company for the 9th year in a row. The total rainwater harvesting potential so far created by the Company is over two times the net water consumption by our operations. The amount of actual rainwater harvested is

dependent on the incident rainfall as well as on the pattern of rainfall among other factors, introducing a number of challenges, given that ITC's activities cover such a large geographical spread.

ITC will continue to strive towards improving its water audits, benchmarking and consumption practices in order to ensure greater effectiveness in rainwater harvesting.





Water balance at ITC	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Fresh water intake	24.1	22.48	24.98	25.58	25.79	27.46	32.72	29.96	29.36
Treated effluents discharged	14.64	14.04	19.55	20.96	19.58	18.92	24.52	23.41	22.21
Percentage of treated effluent utilised for irrigation by nearby farming community	**	**	86.9	86.8	80.5	79.4	72.3	84.8	60.7
Net water consumption	9.49	8.44	5.43	4.62	6.21	8.54	8.2	6.55	7.15
RWH potential created within ITC units	0.24	0.39	0.34	0.61	0.47	0.42	0.5	0.42	0.92
RWH potential created through watershed projects (cumulative for that year)	12.5	15.67	16.52	18.99	23.12	25.42	19.43	20.18	18.97
Total RWH potential created (for the year)	12.74	16.06	16.86	19.60	23.59	25.84	19.93*	20.60*	19.89*

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

\*\* Not available

All figures in Million KL, except percentage

**ITC - Water Positive  
for 9 Consecutive  
Years**

# Recycling and Waste Management

FOR ALL OUR  
TOMORROWS



- Resource conservation
- 100% recycling
- Creating Wealth out of Waste  
– use of post consumer waste  
as raw material



A direct consequence of an ever-increasing population, higher consumption levels and inadequate infrastructure, has been the issue of Waste Management.

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

Mounds of unattended waste foraged by cattle and rag-pickers alike, is today an integral part of life all across the country, both in cities as well as in rural areas. This is often responsible for a number of serious public health concerns, in addition to other issues such as land and groundwater contamination.

In alignment with ITC's commitment to reduce its environmental impact and to create a positive environmental footprint, we practice the following methods in waste management to achieve a positive waste recycling footprint:

## 1. Resource conservation

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



# Resource Conservation

In 2010-11, ITC Units generated 638,405 tonnes of wastes, most of it being generated by our Paperboards & Specialty Papers Division (91%). This 10.3% increase over the last year is due to higher production volumes in almost all businesses, increased pulp production (replacing imported pulp) and construction debris from renovation projects at different units.

In 2010-11, ITC's Cigarette Business achieved significant reductions in specific waste generated, over the last year. The Unit wise performance is as given in the table.

Other Units, with significant reduction in specific waste generation in 2010-11 are: Bollaram Cast

## 2. Segregation at source

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

## 3. Towards 100% recycling

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

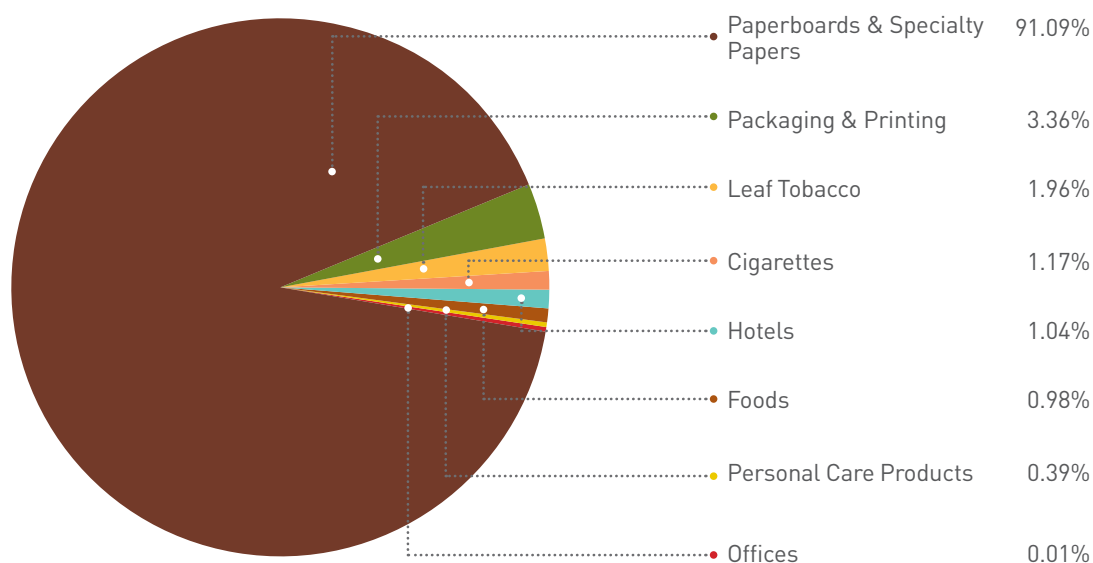
## 4. Creating a positive environmental footprint

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

Coating Unit by 28.8%, Kovai Unit by 17.3%, Packaging & Printing Unit at Haridwar by 11.2% and ITC Windsor – 19.7%.

	2009-10	2010-11	Percentage improvement
	KL/ Million cigarettes equivalent		
<b>Munger</b>	96.1	84.9	11.7
<b>Bengaluru</b>	115.3	105.4	8.6
<b>Saharanpur</b>	97.3	87.7	9.9

## Business wise break up of wastes generated in ITC (2010-2011)



## Segregation of waste

Of the total wastes generated, only 4% by weight are hazardous waste in accordance with the Indian statutes. In 2010-11, 99.4% of these hazardous wastes were recycled as detailed below and the balance 0.6% disposed/stored completely in accordance with applicable statutes.

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

Hazardous waste item	Quantity (tonnes)	Disposal
Sludge from effluent treatment plant of Paperboards & Specialty Papers factories	24,743	To authorised agencies for making paperboards, trays, etc.
	57	Authorised Landfill
Empty containers of hazardous chemicals	361	Decontaminated and returned to original suppliers
Used oil	586	Recycled through authorised recyclers
Used batteries	28	Returned to original suppliers
Spent solvents/ink ink sludge/adhesives	58	Recycled
	106	Incinerated/or sent to authorised landfills/stored within the Unit
Biomedical waste	1.2	Incinerated/Autoclaved





# Towards 100% Recycling

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

Recycling also creates significant employment opportunities.

## Waste Destination

The graph below depicts the final destinations of total wastes:



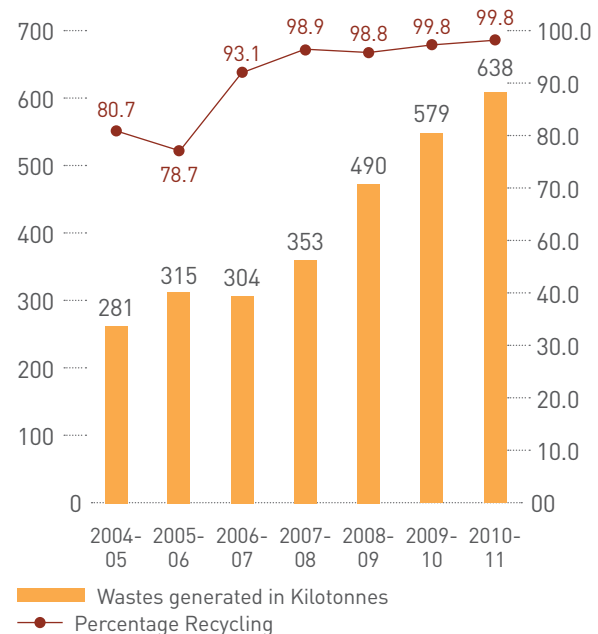
We have ensured recycling of 99.8% of waste generated, the same level as last year, although the total quantity of waste has gone up by 10.3%.

India's largest integrated paper & paperboards mill, Bhadrachalam which generated 76.5% of the total wastes generated in ITC, recycled more than 99%

wastes in 2009-10 – a noteworthy achievement. Bhadrachalam generated 1116 kg of waste per tonne of paper/paperboard in 2010-11; an increase of 8.3% over last year (1030 kg/tonne in 2010-11), due to enhanced pulp production to substitute imported pulp and increased manufacture of value added products over the previous year. However, this is better than the performance of all other integrated mills in India. According to the Centre for Science and Environment Report, 'All About Paper' (2004), similar mills generated 1200 Kg. of solid waste per tonne of paper.

In 2010-11, ITC generated 288,204 tonnes of fly ash, (45.1% of total waste in ITC), which is 17.2% more than the previous year due to low-grade coal and significant growth in production volumes in the Paperboards and Specialty Papers Business. Despite this increase, we have ensured 100% fly ash utilisation for brick making, road/embankment construction and as raw material in cement factories.

## Progress on waste recycling



## Creating Wealth Out of Waste (WOW)

ITC's WOW – 'Wealth Out of Waste' programme has been instrumental in creating awareness amongst the public on the benefits of the Reduce-Reuse-Recycle approach. The waste recycling initiatives implemented by the programme have contributed significantly to the protection of the environment, as well as in improving civic amenities, public health and hygiene. This initiative has received several accolades from the Government, NGOs, commercial institutions and the public at large including the prestigious Papyrus Award by the Bureau of International Recycling (BIR).

ITC benefits from the generation of sustainable raw material sources at competitive prices, while also conserving our precious natural resources and creating sustainable livelihoods.

The initiative has helped create awareness amongst consumers on the benefits of segregation of waste like paper, plastic and metals.

Segregated dry waste can save almost 40% of municipal garbage handling costs, thereby releasing resources for improvement of other civic amenities.

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

initiative commenced with an average monthly collection of 100 MT in 2007 and has now spread across South India with an average monthly collection of 3000 MT.



In line with our commitment to consolidate our waste recycling positive status, many of our Units, are already progressing towards zero waste discharge.

Cigarette factories at Bengaluru, Saharanpur, Kolkata and Pune, Leaf Threshing units at Anaparti, Paperboards and Specialty Papers Units at Kovai and Tribeni, Personal Care Business Unit at Haridwar, Foods Business Unit at Pune, the ITC

Green Centre at Gurgaon, Surya Nepal's Cigarette factory at Simra and Hotels – ITC Maurya, ITC Maratha, ITC Grand Central, ITC Windsor, ITC Mughal, ITC Sonar, ITC Gardenia, ITC Kakatiya, and WelcomHotel Sheraton Chola, WelcomHotel Sheraton New Delhi & WelcomHotel Sheraton Rajputana reused/ recycled entire wastes (more than 99%) generated out of their operations.

## Wastes used as Raw Materials

Our Kovai Paperboards Unit, continued to use post-consumer wastepaper for the entire production and our Bhadrachalam Unit also utilised 23,664 tonnes of postconsumer waste paper as raw material.

ITC not only recycled almost all the solid waste generated by its Units, but also procured and recycled 1,19,002 tonnes of waste paper this year, resulting in yet another positive environmental footprint.

	2007-08	2008-09	2009-10	2010-11
Total waste (tonnes)	352,970	490,180	578,865	638,405
Waste recycled (tonnes)	349,264	484,287	577,766	637,452
% Recycled	98.9%	98.8%	99.8%	99.8%
Un-recycled waste (tonnes)	3706	5893	1099	953
External wastes used as raw materials (tonnes)	163,245	125,337	125,931	119,002
Waste recycling footprint (%)*	145	124	122	119

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

**ITC – Solid Waste Recycling Positive – 4 Years in a Row.**

# Significant Air Emissions

FOR ALL OUR  
TOMORROWS



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







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

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

In 2010-11, the total significant air emissions included 765 tonnes of Particulate Matter (PM), 874 tonnes of NO<sub>x</sub> and 1133 tonnes of SO<sub>2</sub>

emissions (In 2009-10, PM : 880 tonnes, NO<sub>x</sub> : 811 and SO<sub>2</sub> : 909 tonnes). The increase in the total emissions is mainly due to significant growth in production volumes in almost all businesses; Paperboards Business up by 2.9%, Foods' Business snacks and biscuits by 94% and 25.8% respectively and soaps in Personal Care by 27.8%.

In 2010-11, Particulate Matter emissions from Bhadrachalam were 1.32 Kg per BDMT (Bone-Dry Metric Tonne) of production, an improvement of 14% over last year (1.54 kg/BDMT in 2009-10). As per the report by Centre for Science & Environment, large-scale Indian mills typically emit 3.8 kg/BDMT (Source: 'All About Paper - The life cycle of Indian Pulp and Paper Industry', Green Rating project, 2004).

In 2010-11, the specific NOx emission in Bhadrachalam was better than the standards stipulated in European countries, as illustrated below:

Bhadrachalam	NOx (Kg/tonne)			
	2007-08	2008-09	2009-10	2010-11
	0.43	0.69	0.60	0.58
Standards				
Sweden	1.2-2.4			
EU	1.0-1.8			
EU-BAT*	1.0-1.5			
Reported Values				
CEPI**	0.84			



Specific SO<sub>2</sub> emission level of Bhadrachalam Unit is comparable with international benchmarks and the Unit is working towards achieving these international standards.

Bhadrachalam	SO <sub>2</sub> (Kg/tonne)			
	2007-08	2008-09	2009-10	2010-11
	0.5	0.84	0.79	0.74
Standards				
Sweden	0.5-1.4			
EU	0.1-0.5			
EU-BAT*	0.2-0.4			
Reported Values				
CEPI**	0.29			

In addition to the above parameters, Bhadrachalam Unit also monitors Hydrogen Sulphide. The average measured value for the year 2010-11 was 8.99 mg/Nm<sup>3</sup>, lower than the regulatory norm of 10 mg/Nm<sup>3</sup>.

All other units also strive towards reducing the specific emission levels.

Some of the units which significantly reduced the specific emission levels and their percentage improvement over the last year is depicted below:

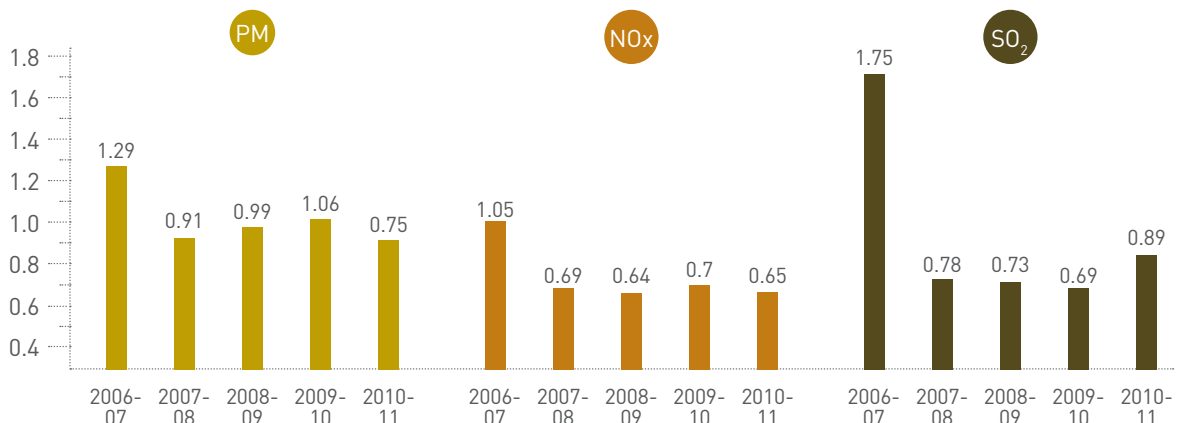
Unit	Percentage improvement in specific emission of		
	PM	NOx	SO <sub>2</sub>
Cast coating Unit, Bollaram	7.6	6.3	13.2
Snacks Unit Haridwar	58.6	12.3	50.6

Sources-

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

The specific emission levels in the Cigarette Business for the last 5 years are illustrated in the graph below:

### Cigarette Business - Specific Emissions in Kg/Million Cigarettes



## Ozone depleting substances (ODS)

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

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

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

In 2010-11, the total consumption of ODS by all our Units was 139 Kg of CFC-11 equivalent.

## Responsible management of chemicals, oils and fuels

All our Units manage chemicals, oils and fuels as per defined ITC norms, which take into account all statutory requirements, and international best practices. These norms are considered right from design stage and include measures for leakage/spillage prevention, containment provisions, impervious flooring, leak detection system and all requirements as per Material Safety Data Sheets (MSDS) for hazardous chemicals. Safe work practices on handling & storage, procedures for leak detection & spill control and preventive maintenance have been instituted to avoid any incidence of uncontrolled spills or leakage. The effectiveness of these measures is checked on a regular basis.

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

In 2010-11, there was no significant spill of any chemicals, oils, fuels or hazardous wastes in any of our Units.

## Biodiversity

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

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

## Beyond compliance

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

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

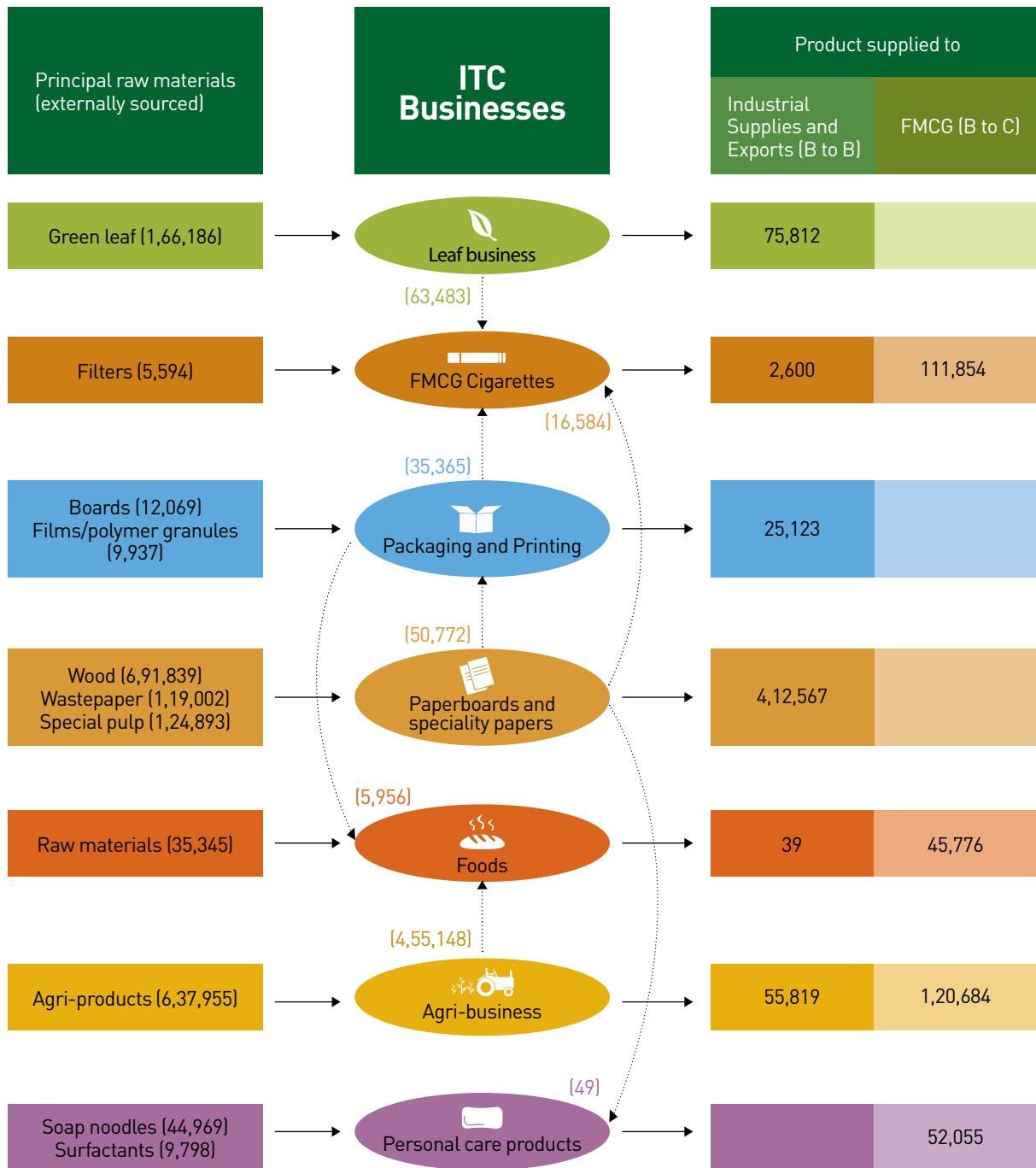
Besides business division wise internal audits and other 3rd party audits, Corporate EHS experts audit every unit at periodic intervals not exceeding 18 months, to ensure compliance to statutory norms and Corporate EHS requirements.

During 2010-11, no violation of environmental laws/regulations was recorded in any ITC Unit.



# Material Sustainability in ITC's Businesses

## Material flow in ITC



.....▶ Inter divisional usage

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

## Environmental footprint of our products and services

ITC products can be broadly classified into the following categories:

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

Cigarettes, foods, personal care products

### 2. Industrial Supplies and Exports

Paper, paperboards, packaging; leaf tobacco, etc.

### 3. Services

Hotels and ITC Infotech

The diagram on page 70 represents material flow (only principal raw materials having more than 5% of total raw materials in each business) of various businesses in ITC. The synergy through vertical and horizontal integration of our businesses, provides us with significant opportunity in reducing our environmental footprint through better material utilisation, waste recycling and optimising logistics.

In 2010-11, nearly 87% of the total raw materials used were renewable materials. In addition, we also used very substantial quantities of post-consumer wastepaper in our Paperboards & Specialty Papers Business and this was sourced locally as well as internationally, details of which are already provided elsewhere in this Report.

Our initiatives on social and farm forestry plantations, watershed development in socially relevant areas, empowerment of marginal farmers through e-Choupals generate large scale rural employment. These measures coupled with technology upgradation, extensive R&D and waste minimisation & recycling through product and process innovations help us in ensuring material sustainability for our businesses.

We have completed pilot studies on life cycle assessment of certain product categories. Based on the outcome of these studies, we plan to carry out full scale life cycle assessments to evaluate the environmental impacts at various life cycle stages. This would help us in identifying opportunities for improving upon their environmental attributes.

## Responsible Sourcing of Wood Fibre

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

Approximately 66% of the total fibre requirements of ITC's Paperboards and Specialty Papers Division is met by the Organisation's social and farm forestry projects, another 12.7% comes from recycled fibre, processed at Kovai and Bhadrachalam and the balance is imported pulp used at Bhadrachalam and Tribeni Units. 89% of

fibre manufactured in Bhadrachalam is from wood sourced from our social and farm forestry initiatives and the balance (11%) is from other sources. Fibre for operations at the Kovai Unit is totally sourced from recycled waste. 100% of wood and recycled fibre used by ITC's Paperboards and Specialty Papers Business is of known and legal origin. Internal R&D has produced high yielding, site specific, disease resistant eucalyptus and subabul clones on the back of extensive knowledge of plantation management practices. ITC distributed 54.03 million high quality saplings



**GLOBAL  
FOREST  
& TRADE  
NETWORK**

to farmers and planted 11,652 hectares during the year.

Apart from the obvious benefits of increasing the green cover, plantation on degradable wastelands under the social forestry programme also directly contributes to in-situ moisture conservation, ground water recharge and significant reduction in topsoil losses caused by wind and water erosion. In addition, as a result of the leaf litter from multi-species plantations and the promotion of leguminous intercrops, depleted soils are constantly enriched.

# Forest Stewardship Council Certifications

Further consolidating ITC's Triple Bottom Line performance, the four Units of ITC's Paperboards and Specialty Papers Division i.e. Bhadrachalam, Bollaram, Kovai and Tribeni, recently received the prestigious 'FSC

(Forest Stewardship Council) Chain of Custody' Certification.

The FSC (Forest Stewardship Council) is an independent, non-governmental, not-for-profit organisation established to promote the responsible

management of the world's forests and is recognised as the gold standard in the wood certification for ethical and legal sourcing. The FSC is represented in more than 50 countries around the world, and is the most widely accepted



and respected amongst forest product certification schemes.

The FSC endorsement implies that an organisation complies with its principles and criteria in the different areas of its operations. ITC's Paper and

Paperboards Division can now supply FSC certified paper / paperboards from all its four Units with the FSC claim of 'FSC Mixed' or 'FSC Recycled'.

The FSC certification for ITC's Paperboards and Specialty

Papers Units exemplifies the organisation's continued commitment to sustainable business practices and to the building of an inclusive and secure future for both its stakeholders and the larger society.









# Social Performance

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

# Labour Practices and Decent Work

FOR ALL OUR TOMORROWS



- Supporting livelihoods for over 5 million people
- Building a future-ready talent bank
- Strong focus on occupational health and safety
- Progressing towards zero accidents





## Talent Management

Our Talent Management strategy is focussed on building a 'future-ready' talent bank in the organisation to ensure a pipeline of high quality managerial talent, specialists and business leaders. This is premised on attraction, development and retention of high-quality talent. ITC's talent brand 'Building winning businesses. Building business leaders. Creating value for India' reflects its commitment to nurturing world-class talent, and providing them with the opportunity to develop as leaders and as contributors to a larger purpose. It is also strongly rooted in ITC's value system that is based on meritocracy.

ITC's talent engagement strategy focuses on:

- Attracting and nurturing quality talent supported by significant investments in learning and development, a culture of care and concern and systems and processes that build engagement and enhance empowerment.
- Creating a responsive, stakeholder-centric and market focussed culture and enhancing organisational capability and vitality.

## Local Hiring & Senior Management

We recruit quality talent from India's premier educational institutions across the country through a robust selection process. New employees are assigned to various businesses of the Company and are deployed across the country. Our strategy of organisation is based on the principle of distributed leadership in order to unleash the entrepreneurial energies of our human resource. The strategy of organisation and its ongoing emphasis on developing and supporting distributed leadership has ensured that each of our Businesses is managed by a team of competent, passionate and inspiring leaders.

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

Our unique employee value proposition backed by a strong corporate equity enables sustained engagement in challenging times.

During 2010-11 our full-time direct employees numbered over 28,500 of which nearly 2,278 employees in the Leaf Tobacco business were engaged on a seasonal basis due to the nature of the Business.

In addition approximately 10,523 employees of service providers were engaged during this period. Our significant operations are in India except for one subsidiary company in Nepal which employed around 878 full time direct employees and 290 employees of service providers.

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

Over 12,000 of our employees are members of various unions. Employees were aligned and involved in the implementation of technology and process improvements aimed at enhancing productivity, quality and delivery effectiveness.

Harmonious employee relations at all the operating Units is a reflection of the Company's approach to employee engagement focusing on a collaborative approach and mutuality of interests.

Our remuneration philosophy recognises performance and meritocracy, whilst being competitive and sustainable. This is reflected in the total employee cost of ₹ 1159 crores during 2010-11, which represents a 14% compounded annual growth over the last three years.

## Attrition

Our unique employee value proposition and the integrated approach to managing the human resource anchored on ITC's Group Philosophy and ITC's HR Philosophy enables attraction, retention and motivation of employees. The overall attrition across management and non management employees for 2010-11 was 13.5%. Within the management cadre, attrition was 13.3%.

## Learning and Development

ITC's Learning and Development initiatives are powered by a strong Learning & Development Vision - 'To build ITC's talent and leadership pipeline to power our engines of growth and enhance organisational capability to compete, win in the market place and create enduring value





for our shareholders and society.' The Capability Development Agenda flows from ITC's Mission, ITC's Strategic Agenda, the 3 Horizon Growth Strategy and ITC's Vision.

Learning and Development initiatives offered during 2010 – 11 were aligned with this agenda. The ongoing core programmes were revitalised to reflect the emerging capability requirements. In addition to core programmes, customised programmes were also offered to address the needs expressed by Businesses, aimed at building specific capabilities at various levels of the organisation.

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

In 2010-11, close to 110,000 person-days of formal training were organised for employees at various levels. In addition, on-the-job learning opportunities were provided to a cross-section of employees supported by inputs from peers and superiors.

**In 2010-11, close to 110,000 person-days of formal training were organised for employees at various levels.**





# Occupational Health & Safety

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

## Towards Zero Accident

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

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

A comprehensive incidents / accidents reporting system has been established in all Units. These incidents/accidents undergo a thorough investigation for identifying root causes and corrective / preventive measures initiated. The findings and recommendations are also discussed in the Safety Committee meetings to ensure complete management and employee buy in.

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

## Lost Time Accidents, Injury Rate and Lost Day Rate

All these efforts have yielded excellent results in safety performance during the reporting period. In 2010-11, the number of Lost Time Accidents (LTA) to ITC employees has been brought down to 12, close to half the LTAs in comparison to the previous year, as detailed below:

### Lost Time Accidents (LTA)

2010-11	12
2009-10	23
2008-09	15
2007-08	20
2006-07	14
2005-06	16
2004-05	37
2003-04	27
2002-03	35
2001-02	33

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



Lost time Accidents to ITC employees brought down to **12** during 2010-11

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



Injury rate, the frequency of injuries in relation to total time worked has been brought down considerably. The injury rate has been consistently reduced; an improvement of 44% in comparison to 2009-10, despite significant growth in all Businesses.

Lost day rate, defined as number of days lost due to accidents for every 2,00,000 person hours worked, for the year 2010-11 was 2.25 (28.4 in 2009-10).

## Zero Accident Units

Many Units, through effective implementation of safety management systems and adoption of state-of-the art technologies, attained the goal of 'zero accidents'.

The following Units have achieved zero lost time accidents in 2010-11:

- Cigarette factories Munger, Bengaluru, Saharanpur, Kolkata and Pune
- Leaf Threshing Units at Chirala and Anaparti
- Packaging & Printing Units at Munger and Haridwar
- Paperboards and Specialty Papers Units at Bhadrachalam and Kovai
- Foods Unit at Pune
- Personal Care Products Unit at Manpura
- Research Centers at Bengaluru and Rajahmundry
- Lifestyle Retailing Business's Master Facility at Gurgaon
- ITC Infotech's Bengaluru Office Complex
- ITC Green Centre, Gurgaon
- ITC Head Quarters, Kolkata
- ITC Mughal, ITC Maratha, ITC Grand Central, ITC Sonar, ITC Windsor, ITC Kakatiya and ITC Gardenia
- WelcomHotel Sheraton Chola, WelcomHotel Sheraton Rajputana and WelcomHotel Sheraton New Delhi
- Surya Nepal's unit at Simra
- Fortune Resort Bay Island Hotel, Port Blair

## Injury Rate (IR)

2010-11	0.05
2009-10	0.09
2008-09	0.06
2007-08	0.09
2006-07	0.08
2005-06	0.09
2004-05	0.21
2003-04	0.17
2002-03	0.2
2001-02	0.22



**0.05**

Injury Rate for  
2010-11

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

## Occupational Health

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

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

In 2010-11, over 12,430 employees underwent preventive medical examinations, to identify symptoms of any occupational illness and there were no occupational related illnesses reported from Units.

## HIV/AIDS

We remained committed to the various programmes and interventions introduced in response to the serious threat posed by HIV/AIDS. During 2010-11 we conducted 123 awareness programmes for the employees and communities around our units. The interventions covered a total of 14,935 people of which 13,306 were our employees while the balance were members of the local community. In addition we also organised counseling sessions at various locations covering a total of 1,667 people, of which 1,452 were our employees.

### Preventive Medical Examination

2010-11	12430
2009-10	10801
2008-09	11510
2007-08	9752
2006-07	8006
2005-06	8135
2004-05	7718
2003-04	5996
2002-03	4556
2001-02	4593



**12430**

Preventive medical examination conducted during 2010-11







# Human Rights: Significant Investments

During 2010-11, nearly 49 % of our total capex cash flow of ₹ 1281 crores was incurred on machinery and technology sourced from reputed global suppliers/vendors who follow internationally accepted norms and standards on Human Rights. Approximately ₹ 555 crores were invested on new factories, hotels, modernisation.

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

In 2010-11, large projects such as construction of the Green Leaf Threshing plant at Mysore, Packaging and Printing factory at Haridwar, the Master Facility of the Lifestyle Retailing Business at Manesar, ITC Hotels at Chennai and Kolkata and modernisation of the Cigarette factory at Kolkata are in progress. All these were managed and supervised by ITC managers, who also ensured proper Human Rights compliance.

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

## Human Rights: Supply Chain

As a large and multi-product enterprise whose products are benchmarked nationally and internationally, we recognise our responsibility to proactively encourage high levels of 'Human Rights' standards in our supply chain.

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

- Our major Businesses are vertically integrated across several Divisions that follow ITC policies.

- We procure inputs for the Company's agri-based businesses entirely from state controlled trading platforms and the open market.

- We position our managers at all significant 'outsourced' manufacturing facilities (cigarettes, personal care, branded apparels and packaged foods) to ensure high standards of product quality and adherence to ITC's guidelines on EHS and labour practices. Government officials also routinely inspect these Units to ensure adherence to relevant labour and factory acts, which, inter alia, provide for the necessary EHS and labour practices standards.

- The execution of ITC's human rights policies is obligatory for all service providers operating within our establishments.

During 2010-11, the total number of service providers was 5,170 of which 1,309 operated within the Company's premises and 3,861 worked off-site. 100% of contracts on-site and 82% of contracts off site, included important clauses on Human Rights, environment, health and safety. No contracts were cancelled during the year as a result of non-compliance with ITC's Human Rights policy.

## Prevention of Discrimination at the Work Place

During 2010-11 no incident of discrimination in any of the ITC Units was reported either to the concerned Units or statutory authorities.

## Freedom of Association

During 2010-11 no incidents of violation of freedom of association were reported either to the concerned Units or statutory authorities. Within ITC's operations, there are no areas where the right to exercise freedom of association and collective bargaining is at risk.

## Prohibiting Child Labour and Preventing Forced Labour at Work Place

During 2010-11 no incidents of child or forced labour were reported either to the concerned Units or statutory authorities.

## Governance Bodies and Diversity

Our approach to management of the human resource is premised on the fundamental belief of fostering meritocracy in the organisation, promoting diversity and offering equality of opportunity to all employees. We do not engage in or support direct or indirect discrimination in recruitment, compensation, access to training, promotion, termination or retirement based on caste, religion, disability, gender, age, race, colour, ancestry, marital status or affiliation with a political, religious, union organisation or minority group.

The Board of Directors at the apex, as trustees of shareholders and responsible for the strategic supervision of the Company, consists of 4 Executive Directors (including the Chairman) and 12 Non-Executive Directors as on March 31, 2011. The Non-Executive Directors come from different fields with experience in business/finance/law/public enterprises thereby ensuring multi-dimensional perspectives in setting the strategic agenda.

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

The executive management of each Business is vested with the Divisional Management Committee (DMC), headed by the Divisional Chief Executive. The DMC draws resources from different functions. Each DMC is responsible for and focussed on the management of its assigned Business.

## Equal Remuneration

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

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





# Prevention of Corruption at Workplace



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

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

Instances of fraud involving employees or business partners were cognised for and suitable action was taken. ITC has a zero tolerance approach to corruption, resulting in immediate termination of service.

## Public Policy Advocacy

Our senior managers participated in a large number of industry fora to help contribute to debates on public policy issues related to our businesses. ITC has provided assistance to establish industry institutions – namely the Tobacco Institute of India and the CII – ITC Centre of Excellence for Sustainable Development – to promote public debate and shape policies on important national and industry issues. The Tobacco Institute of India is a tobacco industry body, which helps support industry norms and Government policies and initiatives.

## Compliance

All our Businesses/Divisions have systems and procedures to identify and comply with all relevant statutory requirements. There was no major non – compliance with laws or regulations by any of our Businesses in 2010 –11.

# Social Investments- Mission Sunhera Kal

FOR ALL OUR  
TOMORROWS



- Strengthening rural livelihoods
  - > Wasteland Development through Social Forestry
  - > Soil & Moisture Conservation Programmes
  - > Livestock Development Initiatives
- Building skills and social infrastructure through:
  - > Primary Education, Health & Sanitation
  - > Women Empowerment & Gender Equality





ITC endeavours to address social and environmental challenges through a set of strategic initiatives to create sustainable sources of livelihood for the two sets of stakeholders we engage with

- **The rural communities in ITC's Agri Business areas:** The approach is to strengthen the agricultural production base of rural households through conservation, re-building and nurturing natural resources, thus enabling the emergence of diversified and sustainable farming systems, and hence sustainable livelihoods. These sets of measures also prove to be an effective climate change adaptation strategy. This is sought to be achieved through an integrated approach that includes the development of wastelands, watersheds, agriculture and animal husbandry.
- **The communities in our Factory catchments:** The initiative aims to create market-linked opportunities for members of poor households through enterprise development and augment social capital through skills like training, education and improved health. Together, all these interventions help them compete more effectively in the labour/employment market. This is being achieved through the promotion of gender-centric economic empowerment programmes for women, enhancing the quality of primary education, skills training and improving health and sanitation conditions.

## Coverage

The total number of projects implemented during 2010-11 was 76, up from 66 during 2009-10. These projects are spread across 51 districts of Andhra Pradesh, Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Haryana, Tamil Nadu, Uttar Pradesh, and West Bengal. Together these programmes reach out to more than 3 lakh households and more than 16 lakh individuals who are directly impacted by the various programmes spread over 5,495 villages.

	2010-11
Projects (No)	76
States (No)	12
Districts (No)	51
Villages (No)	5,495
Beneficiaries (Hh-lakhs)	3.04
Beneficiaries (Persons-lakhs)	16.70

The interventions, with the overall objective of creating sustainable livelihoods for the rural communities, involves strengthening rural livelihoods and building skills and social infrastructure.



## Strengthening Rural Livelihoods

### e-Choupal: A Path-breaking Initiative that Empowers the Farmer

The e-Choupal initiative revolutionised the Indian agricultural landscape by leveraging digital technology and customised extension services to empower farmers and raise rural incomes. By providing the power of Information and Digital Technology, small and marginal farmers are empowered with a host of services related to know-how, best practices, timely and relevant weather information, transparent discovery of prices and much more. The e-Choupal network not only connects farmers to markets, but also allows for virtual integration of the supply chain, to create significant efficiencies in the traditional system.

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

ITC's e-Choupal network also serves as an effective rural marketing platform and, together





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

### Wasteland Development - Social Forestry

The Social Forestry Programme aims at wealth generation for poor farmers by providing land-use options for degraded/marginal lands, through promotion of plantations. As a result of this intervention, other positive outcomes on a significant scale include groundwater recharge, soil conservation and carbon sequestration.

The total area brought under plantations during the year was 3,349 hectares. Of these 265 hectares were on account of the energy plantations in Chamrajnagar and Mysore districts of Karnataka. The balance comprised pulpwood plantation in Andhra Pradesh.

With this, the total area under Social Forestry now stands at 19,820 hectares covering 24,382 households in about 541 villages. The achievement of 3,349 hectares in a single year is a milestone for the Social Forestry programme.

In order to retain the interests of farmers in pulpwood plantations, agro-forestry demonstration plots are being promoted.

Activity	Cum to 2009-10	Performance 2010-11	Cum to date
<b>Social &amp; Farm Forestry</b>			
No of new mandals	42	13	55
No of new villages	480	61	541
No of new beneficiaries	19,376	5,006	24,382
Plantation area (Hectares)	16,471	3,349	19,820
Saplings planted (Lakhs)	658.95	251.71	910.66



## Soil and Moisture Conservation

The promotion of watershed management practices to control soil erosion in rain fed tracts is another measure towards strengthening the agricultural base of the farmers. This initiative was further enhanced with the various Government partnerships in different states.

Activity	Cum to 2009-10	Performance 2010-11	Cum to date
<b>Water-harvesting</b>			
Minor Structures (No)	1,755	228	1,983
Major Structures (No)	1,058	188	1,246
<b>Total Structures</b>	<b>2,813</b>	<b>416</b>	<b>3,229</b>
<b>Watershed Area</b>			
Area Treated (Ha)	28,301	10,867	39,169
Critical Irrigation Area (Ha)	22,993	2,337	25,330
<b>Total Watershed Area</b>	<b>51,294</b>	<b>13,204</b>	<b>64,498</b>

The achievement at the end of this year was 13,204 hectares under the soil and moisture conservation programme. 416 large and small water-harvesting structures were constructed and it created 4.58 lakhs person days of work for the landless and marginal farmers.

As a result, the total area brought under soil and moisture conservation now stands at 64,498 ha while the number of water-harvesting structures increased to 3,229, covering more than 65,000 direct beneficiaries.

Several partnership projects with the state governments and NABARD were initiated during the year. Of these, the Bhilwara IWDP project is in the fourth year while Jalna NREGA project is into the third year of implementation.

Some of the highlights of the partnership programmes include:

In Maharashtra: The PPCP MGNREGA model initiated in Jalna district has attracted attention from various quarters since its inception. Encouraged by its success, the model has emerged as a replicable model for other agencies as well.

In Rajasthan: The objective of ensuring transparency in the payment systems and ensuring payment within 15 days completion of work was implemented at all the sites. The Panchayat members in the project villages were given intensive training in



net planning and preparation of detailed project reports.

In Madhya Pradesh: MoUs were signed with the Panchayat and Rural Development Departments of the Government of Madhya Pradesh for three PPP watershed projects under the 'Integrated Watershed Management Programme' (IWMP). The projects will be implemented in Indore, Ujjain and Mandsaur districts. Two partnership watershed projects were also signed with NABARD in Shajapur and Chhindwara districts.

### Improved Agricultural Practices

Another step towards improving farm productivity and increasing sources of income are through the promotion of efficient farming practices and technologies such as provision of timely and quality agri-inputs through composting varietal demonstrations and efficient management of water through group wells and sprinkler systems. During the year 2010-11, 2,177 farmers were covered through 46 group irrigation projects, 172 sprinklers, 318 compost units and 1,190 IPNM/ varietal demonstration plots.

### Integrated Animal Husbandry Programme

The integrated approach to develop sustainable livelihoods for the rural community includes increasing the source of income for the farmers

through developing the second most important livelihood asset for rural households – milch animals. The Integrated Animal Husbandry Programme assists small and landless households to upgrade livestock quality through cross-breeding by artificial insemination to boost milk productivity and provides a package of services to ensure safe delivery and animal health.

The total number of Cattle Development Centres (CDC) established to date is 210. 1.67 lakhs artificial inseminations (AIs) were performed during the year 2010-11. The period saw over 47,000 live births. Till date, the total number of calves born as a result of this programme stands at 1.51 lakhs.

Activity	Cum to 2009-10	Performance 2010-11	Cum to date
CDC (No)	161	49	210
<b>Breed Improvement</b>			
No of AIs	4,07,609	1,67,378	5,74,987
No of pregnancies	1,79,880	72,080	2,51,960
No of calving	1,04,233	47,051	1,51,284
Vaccination & health	1,77,701	38,612	2,16,313





# Building Skills and Social Infrastructure around our Factories

For the households around our Units, the challenge is that of providing the necessary social infrastructure to enable a decent quality of life. Thus these projects aim to create sustainable livelihoods through community development for our second group of stakeholders - Communities in Factory Catchments.

## Women Empowerment and Skill Building

These projects aim to empower and create sustainable income opportunities for women by mobilising them into self-help groups, promoting thrift and linking them to financial institutions for access to credit.

A total of 1,314 SHGs were functional during the period with a membership of 15,068 women handling a total micro-credit corpus of ₹206 lakhs. In addition, the groups raised ₹69 lakhs as loans from banks for various income generation activities. Creating employment opportunities for youth through vocational training and skill building activities ensures an additional source of income to the families and as a result leads to development of the community.

Activity	Cum to 2009-10	Performance 2010-11	Cum to date
<b>Micro Credit Programme</b>			
SHGs	1,035	1,314	1,314*
Members	14,278	15,068	15,068*
Savings (₹ L)	179	205.59	206*
<b>Livelihoods</b>			
Self Employed	23,797	5,993	29,790
Micro enterprises	5,898	1,848	7,746
<b>Credit</b>			
Internal loans (₹ L)	306.79	89.95	396.74
External loans (₹ L)	398.14	69.90	468.04

\* The figures are as on date





## Primary Education and Health and Sanitation

A strong foundation in primary education and skill building for the children in the community is a step towards ensuring sustainable development for the community as a whole. The initiative with its focus on minimising drop outs and ensuring every child is in school and learning well aims at enriching the process of learning. It also enhances the learning environment by giving infrastructural support to the Government Schools.

Over 18,000 children were covered under the education programme, through the 251 supplementary learning and coaching centres, the roaming laptop and library initiatives. Thus the total number of children covered till date is almost 2.48 lakhs.

Improvement in the status of health and sanitation conditions in a community is an indication of the overall development of the community. Thus the initiatives in health and sanitation aim at creating an environment which addresses the health and sanitation needs of the community. There were 283 low cost toilets that were built this year. The total number of health camps till date are 314 reaching out to over 22,000 patients.

Activity	Cum to 2009-10	Performance 2010-11	Cum to date
<b>Primary Education</b>			
Learning Centres (No)	2,380	143	2,523
Rural Libraries (No of schools)	304	53	357
Roaming Laptop (No of schools)	260	55	315
Govt Schools Infra support (No of school)	577	164	741
Text/Exercise books (No)	2,28,415	1,25,450	3,53,865
Children covered	2,28,872	18,193	2,47,065
<b>Health &amp; Sanitation</b>			
Sanitary toilets (No)	2,937	283	3,220
Backyard horticulture (No saplings)	23,614	-	23,614
Health camps (No)	309	5	314
Beneficiaries (No)	21,780	1,039	22,819

# Product Responsibility





## Customer Safety - Our Prime Concern

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

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

With the objective of preserving customer health and safety, the Foods Business ensures adherence to the highest levels of quality, safety and hygiene standards in manufacturing processes and in the supply chain. The Business operates predominantly on a model of outsourced manufacturing. The quality performance of each manufacturer is monitored on a daily basis. 37 out of 41 manufacturing locations have already been either Hazard Analysis and Critical Control Point (HACCP) certified or ISO 9001 certified.

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



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

In our Hotels Business, policies are in place to ensure the highest standards of customer health, security and safety. Effective measures are taken to ensure that these policies are implemented and standards continually improved upon.



Our Paperboards & Specialty Papers Business is the pioneering manufacturer of Elemental Chlorine Free (ECF) pulp in India, which ensures the levels of dioxins and furans in the pulp to be less than 1 PPT (Parts Per Trillion). The global migration test is conducted periodically on all food grade paper and paperboards for compliance with the US FDA standards and to adhere to prescribed limits for presence of heavy metals. All manufacturing ingredients are procured from reputed international suppliers and must conform to US FDA standards as well as BFR recommendation No. 36. We ensure that the components of food allergens listed in EC directive 2003/89/EC, US FDA food allergen labelling and consumer protection are not used in any of the virgin grade boards and papers. The Bollaram Unit, manufacturing food grade board for direct food contact, is 'third party' certified in accordance with BRC/IoP (British Retail Consortium/ Institute of Packaging) standards. Pira, a renowned testing and consultancy firm, now certifies our 'Indobarr' and 'Cyber Propac' brands to be compliant with German BFR standards for Food Packaging.

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

At our Agri Business Division, products are sold or exported entirely as per customer specifications and requirements. Products in Choupal Saagars and Choupal Fresh are sourced from reputed companies as per statutory norms. In addition, fruits and vegetables in Choupal Fresh are sourced from farmers and mandis. Stringent process control and quality inspection norms are in place to ensure the quality of all products.

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

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

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

With a view to provide the highest standards of customer satisfaction, health and safety in our

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

## Product Information & Labelling

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

Our Cigarette Business fully complies with the applicable laws and regulations concerning Product & Service Labelling.

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

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

In our Hotels Business, brochures, inroom literature and websites are used to provide relevant information regarding Rooms and Food & Beverages.

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

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

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

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

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





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

## Marketing Communications

All our Businesses/Divisions have well established systems, procedures and review mechanisms to identify and comply with the laws and regulations concerning marketing communication. In addition, we have a dedicated consumer response cell in order to answer any queries on the product.

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

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

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

## Compliance concerning provision and use of product and services

All our Businesses/Divisions have well established systems, procedures and review mechanisms to identify and comply with the laws and regulations concerning our products and services.

We continued to comply with all applicable statutes during 2010-2011.



# GRI Indicators - Index

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Remarks
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2.10	Awards received in the reporting period		28
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\* There is no COP requirement

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Remarks
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4.9	Procedures of the highest governance body for overseeing the management of economic, environmental, and social performance	"	41
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	<b>Commitments to External Initiatives</b>		
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4.16	Approaches to stakeholder engagement, including frequency of engagement	"	42
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<b>Economic</b>			
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	<b>Economic Performance</b>		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	*	46
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Actions Taken to Implement Principle 7	58
EC3	Coverage of the organisation's defined benefit plan obligations	*	51
EC4	Significant financial assistance received from government	*	49
	<b>Market Presence</b>		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	*	49

\* There is no COP requirement

<b>GRI - G3 Indicators</b>	<b>GRI - G3 Indicator Description</b>	<b>UNGC COP Element</b>	<b>Page/Remarks</b>
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EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	*	52
<b>Environmental</b>			
<b>Disclosure on Management Approach</b>		Actions Taken to Implement Principles 7, 8 and 9	117
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EN1	Materials used by weight or volume	Outcomes from Implementing Principle 8	82
EN2	Percentage of materials used that are recycled input materials	Outcomes from Implementing Principles 8 and 9	82
	<b>Energy</b>		
EN3	Direct energy consumption by primary energy source	Outcomes from Implementing Principle 8	60
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EN5	Energy saved due to conservation and efficiency improvement	Outcomes from Implementing Principles 8 and 9	62
	<b>Water</b>		
EN8	Total water withdrawal by source	Outcomes from Implementing Principle 8	66
EN10	Percentage and total volume of water recycled and reused	Outcomes from Implementing Principles 8 and 9	66
	<b>Biodiversity</b>		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Outcomes from Implementing Principle 8	81
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	"	81
	<b>Emissions, Effluents and Waste</b>		
EN16	Total direct and indirect greenhouse gas emissions by weight	Outcomes from Implementing Principle 8	63
EN17	Other relevant indirect greenhouse gas emissions by weight	"	63
EN19	Emissions of ozone-depleting substances by weight	"	81
EN20	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions by type and weight	"	79
EN21	Total water discharge by quality and destination	"	68
EN22	Total weight of waste by type and disposal method	"	73
EN23	Total number and volume of significant spills	"	81
	<b>Products and Services</b>		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact	Actions Taken to Implement Principles 7, 8 and 9	83
	<b>Mitigation</b>		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Outcomes from Implementing Principles 8 and 9	83
	<b>Compliance</b>		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Outcomes from Implementing Principle 8	81

\* There is no COP requirement

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Remarks
<b>Social</b>			
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LA1	Total workforce by employment type, employment contract, and region	*	90
LA2	Total number and rate of employee turnover by age group, gender and region	Outcomes from Implementing Principle 6	90
<b>Labour/Management Relations</b>			
LA4	Percentage of employees covered by collective bargaining agreements	Outcomes from Implementing Principles 1 and 3	90
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Outcomes from Implementing Principle 3	124
<b>Occupational Health &amp; Safety</b>			
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	Outcomes from Implementing Principle 1	92
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	Actions Taken to Implement Principle 1	94
<b>Training &amp; Education</b>			
LA10	Average hours of training per year per employee, by employee category	*	91
<b>Diversity and Equal Opportunity</b>			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Outcomes from Implementing Principles 1 and 6	96
LA14	Ratio of basic salary of men to women by employee category	"	96
<b>Human Rights</b>			
<b>Disclosure on Management Approach</b>		Actions Taken to Implement Principles 1, 2, 3, 4, 5 and 6	119
<b>Investment and Procurement Practices</b>			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Outcomes from Implementing Principles 1, 2, 3, 4, 5, and 6	95
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Actions Taken and Outcomes from Implementing Principles 1, 2, 3, 4, 5, and 6	95
<b>Non-Discrimination</b>			
HR4	Total number of incidents of discrimination and actions taken	Actions Taken and Outcomes from Implementing Principles 1, 2 and 6	95
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HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Actions Taken to Implement Principles 1, 2 and 3	95
<b>Child Labour</b>			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Actions Taken to Implement Principles 1, 2 and 5	96
<b>Forced and Compulsory Labour</b>			

\* There is no COP requirement

<b>GRI - G3 Indicators</b>	<b>GRI - G3 Indicator Description</b>	<b>UNGC COP Element</b>	<b>Page/Remarks</b>
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Actions Taken to Implement Principles 1, 2 and 4	96
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S02	Percentage and total number of business units analysed for risks related to corruption	Outcomes from Implementing Principle 10	97
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PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	*	110
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\* There is no COP requirement

# Annexures



# Management Approach

## Economic Performance

**Policy-** The Company's commitment in the area of economic performance is encapsulated in its Vision statement, which is 'to sustain ITC's position as one of India's most valuable corporations through world-class performance, creating growing value for the Indian economy and the Company's stakeholders'. ITC's Mission is 'to enhance the wealth generating capability of the enterprise in a globalising environment delivering superior and sustainable stakeholder value'.

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

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

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

Sustaining ITC's position as one of India's most valuable corporations.

Achieving leadership in each of the Business segments within a reasonable time frame.

Achieving a Return on Capital Employed (ROCE) in excess of the Company's cost of capital, at all times.

Please refer to the 'Report of the Directors and Management Discussion and Analysis' section of the Report and Accounts 2011 (available on [www.itcportal.com](http://www.itcportal.com)) for a detailed discussion on the Company's market standing in each of the business segments.

**Context-** Please refer to the 'Report of the Directors and Management Discussion and Analysis' section of the Report and Accounts 2011 for a detailed discussion on the business environment, opportunities, key challenges, etc. pertaining to each of the Company's Businesses (available on [www.itcportal.com](http://www.itcportal.com)).

## Environmental Performance

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

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

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

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

Maximise water usage efficiencies and rainwater harvesting

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

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

of various committees and designating specific responsibilities.

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

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

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

**Context-** ITC Businesses have internalised good environmental practices and no instances of statutory infringements have been recorded across all businesses. Progress has also been recorded on key aspects such as reduction in net carbon intensity (increase in turnover and profits and further increase in sequestration over emissions), increase in rainwater harvesting potential created and improved waste recycling.

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

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

Our Agri Businesses accounts for a significant part of our turnover and these can be affected by

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

Of all the approaches that address the complex inter-relationships between natural resources and their impact on agricultural productivity, the integrated watershed development approach has emerged as the most successful strategy. ITC has adopted this approach as the basis of its own model. Reflecting its commitment to the Triple Bottom Line, ITC's model converges its social and environmental goals with the demands of its supply chains.

## Labour Practices and Decent Work Environment

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

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

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

**Management-** The Company leadership 'walking the talk' and a relentless focus on implementing the policy underline the Company's approach to



employment practices and creating a decent work environment.

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

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

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

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

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

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

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

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

Endeavour to eliminate accidents and injuries both onsite and offsite.

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

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

## Human Rights

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

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

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

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

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

**Monitoring & Follow-up-** The HR resources of the Divisions ensure periodic follow-up to ensure

implementation. The Internal Audit function of the Company is charged with the responsibility of ensuring compliance.

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

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

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

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

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

## Society

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

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

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

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

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

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

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

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

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

In pursuit of these objectives, the following goals have been set for the period - 2010-15:

Bring atleast 1,00,000 hectares under soil and moisture conservation practices.

Transform atleast 1,50,000 hectares of wastelands into productive and revenue-generating assets for the poor.

Create atleast 45,000 women entrepreneurs with a sustainable source of supplementary incomes.

Improve the genetic stock of atleast 10,00,000 cattle through artificial insemination practices.

Provide supplementary education support services to atleast 5,00,000 children.

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

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

## Responsibility for Products and Services

**Management Approach-** ITC ensures that all products and services offered to the consumer are in full compliance with all applicable national standards and aspires to achieve best-in-class international standards on environmental impacts, health and safety.

Measures such as migration from solvent based inks to water based inks in the Packaging and Printing Business and replacing chlorine bleaching process with ozone bleaching in the Paperboards & Specialty Papers Business allows us, for example, to offer complete food grade packaging solutions, while having hotels, factories and offices comply with Green Building Standards and the National Building Code allows us to offer a green and safe environment for all our customers and employees. ITC continues its efforts on these aspects to achieve continual improvements in standards.

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

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

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

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



# Policies and Guidelines

## Vision, Mission and Core Values

### ITC's Vision

Sustain ITC's position as one of India's most valuable corporations through world-class performance, creating growing value for the Indian economy and the Company's stakeholders.

### ITC's Mission

To enhance the wealth generating capability of the enterprise in a globalising environment, delivering superior and sustainable stakeholder value.

### ITC's Core Values

ITC's Core Values are aimed at developing a customer-focused, high-performance organisation which creates values for all its stakeholders.

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

**Customer Focus-** We are always customer-focussed and will deliver what the customer needs in terms of value, quality and satisfaction.

**Respect for People-** We are result oriented, setting high performance standards for ourselves as individuals and teams. We will simultaneously respect and value people and uphold humanness and human dignity. We acknowledge that every individual brings different perspectives and capabilities to the team and that a strong team is founded on a variety of perspectives.

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

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

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

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

**Corporate Governance Policy-** ITC defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth-generating capacity. Since large corporations employ a vast quantum of societal resources, ITC believes that the governance process should ensure that these resources are utilised in a manner that meets stakeholders' aspirations and societal expectations. This belief is reflected in the Company's deep commitment to contribute to the 'Triple Bottom Line', namely, the development, nurture and regeneration of the nation's economic, social and environmental capital.

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

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

ITC believes that any meaningful policy on Corporate Governance must empower the executive

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

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

The Policy Document that sets out the structure, policies and practices of governance is available on the Company's corporate website [www.itcportal.com](http://www.itcportal.com) under the section 'Our Values'.

## ITC Code of Conduct

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

## ITC Code of Conduct for Prevention of Insider Trading

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

## ITC's EHS Policy

ITC's Mission is to sustain and enhance the wealth-generating capacity of its portfolio of businesses in a progressively globalising environment. As one of India's premier corporations employing a vast quantum of societal resources, ITC seeks to fulfil a larger role by enlarging its contribution to the society of which it is a part. The trusteeship role related to social and environmental resources, aligned to the pursuit of economic objectives, is the cornerstone of ITC's Environment, Health and Safety philosophy. ITC's EHS philosophy cognises for the twin needs of conservation and creation of productive resources.

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

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

**In particular, it is ITC's EHS policy-** To contribute to sustainable development through the establishment and implementation of environment standards that are scientifically tested and meet the requirement of relevant laws, regulations and codes of practice.

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

- To instil a sense of duty in every employee towards personal safety, as well as that of others who may be affected by the employee's actions.
- To provide and maintain facilities, equipment, operations and working conditions which are safe for employees, visitors and contractors at the Company's premises.
- To ensure safe handling, storage, use and disposal of all substances and materials that are classified as hazardous to health and environment.
- To reduce waste, conserve energy, and promote recycling of materials wherever possible.
- To institute and implement a system of regular EHS audit in order to assure compliance with laid down policy, benchmarked standards, and requirements of laws, regulations and applicable codes of practice.
- To proactively share information with business partners towards inculcating world-class EHS standards across the value chain of which ITC is a part.

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

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

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

### Significant Changes

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

**Implementation-** Business plans are shared with employees at all units through a series of communication meetings, and through the intranet

portals. Unionised employees at the concerned units are informed of all major changes well in advance through their representatives.

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

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

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

### Policy on HIV/AIDS

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

The Company will provide to all its employees sensitive, accurate and the latest information about risk reduction strategies in their personal lives, with the objective of reducing the stigma of HIV/AIDS, encouraging safe behaviour and improving understanding of treatment. The Company is committed to providing a safe and healthy workplace to all its employees. It is the Company's objective that employees will have access to health services to prevent and manage HIV/AIDS.

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

The Company will not make pre-employment HIV/AIDS screening mandatory as part of its fitness-

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

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

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

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

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

## Human Rights Consideration in Significant Investments

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

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

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

## Human Rights Consideration Across the Supply Chain

**Policy-** ITC endeavours to ensure that all its service providers/vendors incorporate high standards of

human rights, safety, health, labour practices and environment in their operations as practiced by the Company.

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

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

## Prevention of Discrimination at Workplace

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

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

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

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

## Freedom of Association

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

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

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

## Prohibition of Child and Forced Labour

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

**Implementation-** This policy is publicly available throughout the Company and clearly communicated to all employees in a manner in which it can be understood through induction programmes, policy manuals and intranet portals. The workers are informed of these rights by the trade unions active at each unit.

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

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

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

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

## Prevention of Corruption at Workplace

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

**Implementation-** The strong corporate governance process of the Company creates the environment for the formulation of robust internal systems and procedures in a structured manner for the conduct of the Company's Business. An effective policy for prevention of corruption is actualised through appropriate policies, systems and processes such as the delegated authority structure as per Corporate Governance policies, segregation of duties, tiered approval mechanisms, the involvement of more than one manager in key decisions and maintenance of supporting records.

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

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



Divisional Chief Executives/SBU Heads provide confirmation of compliance with the laid down systems and procedures.

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

## e-Waste Management

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

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



## Memberships & Affiliations

- > Agricultural & Processed Foods Export Development Authority
- > All India Food Processors Association
- > All India Management Association
- > All India Rice Exporters Association
- > All India Spices Exporters Forum
- > Andhra Chamber of Commerce
- > Apparel Export Promotion Council
- > Asian Packaging Federation
- > Associated Chambers of Commerce & Industry
- > Associated Chambers of Commerce and Industry of Uttar Pradesh
- > Bangalore Chamber of Industry and Commerce
- > Bangalore Management Association
- > Bihar Chamber of Commerce
- > Bihar Industries Association
- > Bihar State Productivity Council
- > Bombay Chamber of Commerce and Industry
- > Bombay Management Association
- > Bureau of Indian Standards
- > Chhattisgarh Chamber of Commerce & Industries
- > Central Food Technology Research Institute
- > Chemicals & Plastics Export Council of India
- > Coal Consumers Association
- > Cochin Chamber of Commerce & Industry
- > Coffee Board
- > Coffee Exporters Association
- > Coimbatore Management Association
- > Coimbatore Productivity Council
- > Confederation of Indian Industry
- > Eastern India Shippers Association
- > Ecotourism Society of India
- > Federation of Andhra Pradesh Chambers of Commerce and Industry
- > Federation of Biscuits Manufacturers Association of India
- > Federation of Hotels & Restaurants Association of India
- > Federation of Indian Export Organisations
- > Federation of Indian Chambers of Commerce and Industry
- > Federation of Industries and Commerce of North Eastern Region
- > Federation of Jharkhand Chambers of Commerce & Industry
- > Federation of Karnataka Chambers of Commerce & Industry
- > Federation of Madhya Pradesh Chambers of Commerce & Industry
- > Gujarat Chamber of Commerce & Industry
- > Guwahati Management Association
- > Hotel Association of India
- > Indian Association of Tour Operators

- > Indian Chamber of Commerce
- > Indian Chamber of Commerce and Industry, Coimbatore
- > Indian Coffee Trade Association
- > Indian Confectionery Manufacturers Association
- > Indian Green Building Council
- > Indian Industries Association
- > Indian Institute of Packaging
- > Indian Merchants' Chamber
- > Indian Oil & Produce Exporters Association
- > Indian Paper Manufacturers Association
- > Indian Printing Packaging and Allied Machinery Manufacturers Association
- > Indian Spices & Foodstuff Exporters Association
- > Indian Society of Advertising
- > Indian Soap & Toiletries Makers' Association
- > Indian Tobacco Association
- > Indian Wind Power Association
- > Indo American Chamber of Commerce
- > Indo Australian Chamber of Commerce
- > Indo German Chamber of Commerce
- > Institute of Directors
- > International Chamber of Commerce
- > International Life Science Institute
- > International Market Assessment India Limited
- > International Packaging Group
- > Karnataka Planters Association
- > Kerala Management Association
- > Leatherhead Food International, UK
- > Madras Chamber of Commerce & Industry
- > Madras Management Association
- > Madras Printers and Lithographers Association
- > Mahratta Chamber of Commerce, Industry & Agriculture
- > Marine Products Export Development Authority
- > Multi Commodity Exchange of India Limited
- > Nag - Vidarbha Chamber of Commerce
- > National Council of Applied Economic Research
- > National Safety Council
- > Oil Technologists' Association of India
- > Pacific Asia Travel Association
- > Paper Film and Foil Converters Association
- > PHD Chamber of Commerce and Industry
- > Protein Food and Nutrition Development Association of India
- > Retailers Association of India
- > Seafood Exporters Association of India
- > Snack Foods Association
- > Solvent Extractors Association of India
- > Soyabean Processors Association of India
- > Spice Board
- > Tamil Nadu Electricity Consumers Association
- > Technical Association of the Pulp and Paper Industry
- > The Bengal Chamber of Commerce & Industry
- > The Central Organisation for Oil Industry and Trade
- > The United Planters' Association of Southern India
- > The Utkal Chamber of Commerce & Industry
- > The Visakhapatnam Chamber of Commerce & Industry
- > Travel Agents Association of India
- > U.S. Green Building Council
- > West Bengal State Productivity Council
- > Western UP Chamber of Commerce & Industry
- > World Travel & Tourism Council India Initiative
- > World Wide Fund - Global Forest and Trade Network

# Independent Assurance Statement from Ernst & Young

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

Ernst & Young Pvt. Ltd. (EY) was retained by ITC Limited (the "Company") to provide an independent assurance on its Sustainability Report 2011 (the "Report"), limited to the social and environmental information therein. ITC's management is responsible for the content of the Report, identification of the key issues, engagement with stakeholders and its presentation. EY's responsibility is to provide assurance on the Report content, as described in the scope of assurance. Our responsibility in performing our assurance activities is to the management of the Company only, and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation.

## Assurance Standard

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

## Scope of Assurance and Methodology

The scope of our work for this assurance is limited to review of information pertaining to environment and social performance for the period of 1st April 2010 to 31st March 2011, in 10 selected representative Units from various Businesses of the Company and Head office, Kolkata, which are material to the Company's Triple Bottom Line performance, as below:

- ITD (Tobacco Division) – Bengaluru
- FBD (Foods Division) – Haridwar
- PCPB (Personal Care Products Business) – Haridwar
- Hotels – ITC Maurya, New Delhi & ITC Gardenia, Bengaluru
- PPB (Packaging and Printing Business) – Haridwar
- PSPD (Paperboards and Specialty Papers Division) – Bhadrachalam & Kovai
- ILTD (Leaf Tobacco Division) – Anaparti
- ITC Infotech India Limited – Bengaluru

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

- EN 1: Material consumption by weight and volume
- EN 3: Direct energy consumption by primary energy source
- EN 4: Indirect energy consumption by primary energy source
- EN 8: Total water withdrawal by source
- EN 16: Total direct and indirect GHG emissions by weight
- EN 20: SO<sub>x</sub>, NO<sub>x</sub> and other significant air emissions by type and weight
- EN 21: Total water discharge by quality, and destination
- EN 22: Total weight of waste by type and disposal method
- LA 1: Total workforce
- LA7: Safety performance (Fatality, reportable injury and man-days lost)
- LA 10: Training manhours per employee category
- SO 1: Nature, scope and effectiveness of any programmes and practices that assess and manage the impact of operations on communities, including entering, operating and exiting
- SO 2: Percentage and total number of business units analysed for risk related to corruption
- SO 5: Public policy positions and participation in public policy development and lobbying
- HR 1: Percentage and total number of significant investments agreements that include human rights screening

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

- Review of major anomaly within the Report as well as between the Report and source data/information;
- Verification of the transcription of data internally verified by the Company;
- Execution of audit trail of selected data streams and information to determine the level of accuracy in collection, transcription and aggregation processes followed;
- Review of the reliability of the information, assessing related controls and their operating effectiveness;
- Review of the Company's plans, policies and practices, pertaining to their social, environmental and sustainable development.

## Limitations of our engagement

The assurance scope excludes:

- Aspects of the Report other than those mentioned above;
- Data and information outside the defined reporting period (1st April 2010 to 31st March 2011);
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects;
- Data and information on economic and financial performance of the Company, which are from the Company's audited financial records.

## Conclusion

On the basis of our procedures aimed at obtaining reasonable assurance, we conclude that in our opinion: The Company has presented, in a fairly balanced, accurate and complete manner, the information pertaining to Environment, Occupational Health & Safety and Social parameters on the GRI indicators pertaining to material consumption, energy, water consumption and discharge, GHG emissions, wastes, safety performance and social programmes.

## Observations

The initiatives on carbon sequestration, waste recycling, creating rainwater harvesting potential and creating sustainable livelihoods demonstrate the Company's commitment on these key sustainability issues. The Company's carbon positive status is based on improvements in specific energy consumption, increasing share of energy from renewable resources and sequestration of CO<sub>2</sub> emissions through social and farm forestry initiatives. The water positive status is based on net water consumption vis-à-vis rain water harvesting potential created through rainwater harvesting structures. Waste recycling positive status of the Company is by recycling of wastes generated out of their operations and external wastes used as raw material.

During our review, we understood that the company has a well structured data management system, and as a process of improvement, is taking up initiatives to further strengthen its robustness, reporting protocols and review mechanisms for data related to sustainability performance.

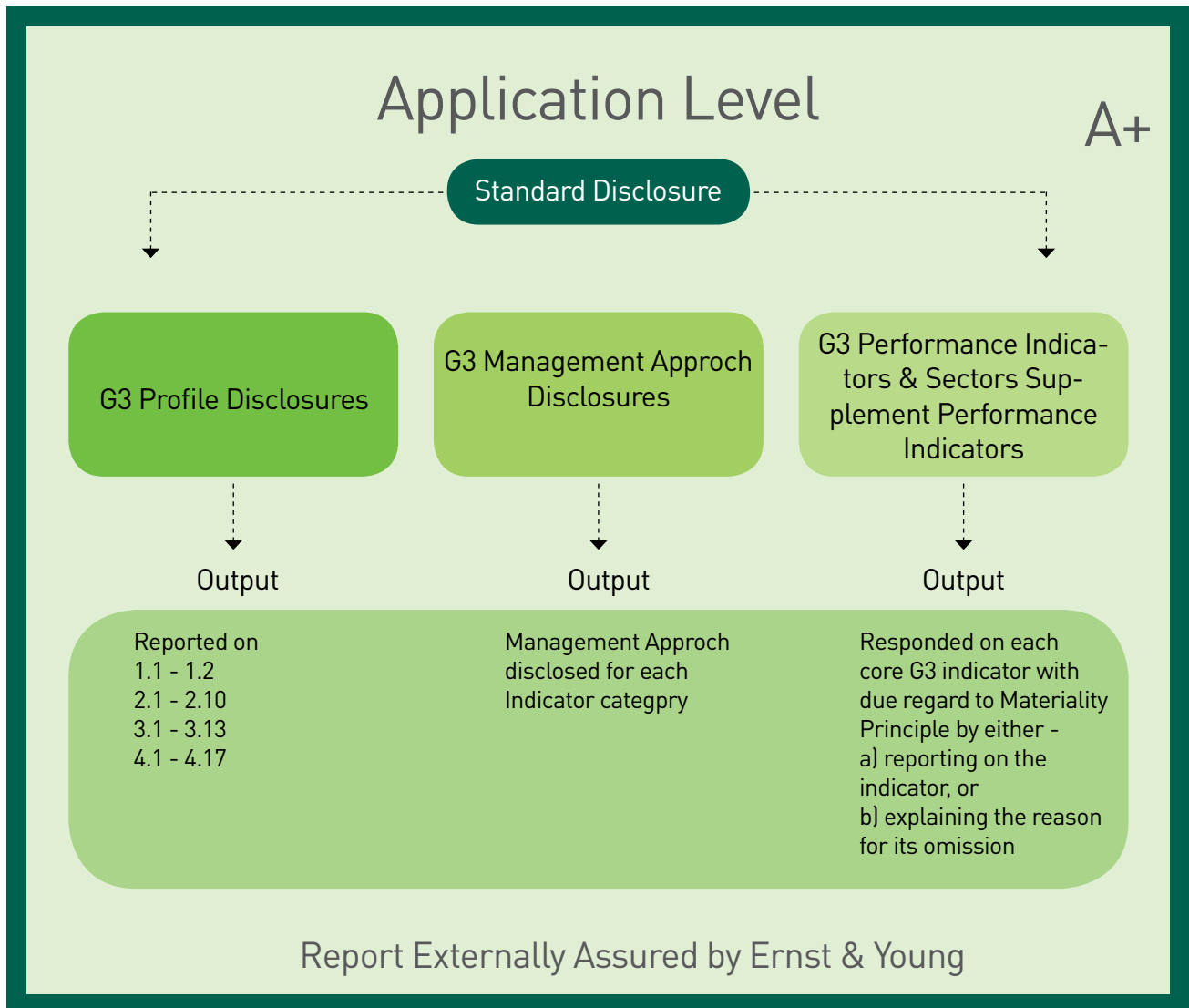
### Ernst & Young Private Limited

#### Sudipta Das

Partner

September 20, 2011

Kolkata



ITC's e-Choupal – world's largest rural digital infrastructure

Empowering more than **4 million** farmers



ITC's Primary Education Initiative

Educating over **2,80,000** children



ITC's Afforestation Programme

Greening over **1,16,000** hectares



**100 years.**  
**1 mission.**  
**India First.**

[www.itcportal.com](http://www.itcportal.com)



**100**  
Inspiring Years

ITC's Women's Empowerment Initiative

Creating over **38,000** sustainable livelihoods for women



ITC's Watershed Development Programme

Irrigating nearly **70,000** hectares of dryland



ITC's Livestock Development Initiative

Providing animal husbandry services for nearly **5,00,000** milch animals



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