



SUSTAINABILITY REPORT 2012



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



More than **38% of energy consumption** at ITC is from renewable sources

FOR ALL OUR TOMORROWS



Creating over **5 million sustainable livelihoods**



ITC Hotels - Greenest Luxury Hotel Chain in the world



CONTENTS


Chairman’s Statement: ITC’s Vision and Strategy	04
Key Impacts, Risks and Opportunities	07



ITC
ORGANISATIONAL
PROFILE

14

Certifications, Honours and Awards	26
Report Profile, Scope and Boundary	30
Governance, Commitments and Engagements	34



ECONOMIC
PERFORMANCE

44

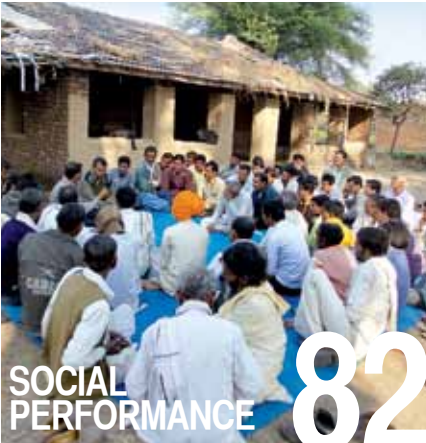
Creating Enduring Institutions	50
-----------------------------------	----



ENVIRONMENTAL
PERFORMANCE

52

Climate Change and Sustainable Development	54
Water Management Stewardship	62
Recycling and Waste Management	71
Significant Air Emissions	76
Material Sustainability in ITC’s Businesses	80



SOCIAL
PERFORMANCE

82

Labour Practices and Decent Work	84
Social Investments - Mission Sunehra Kal	94
Product Responsibility	101
GRI Index	106
Annexures	
Management Approach	113
Policies and Guidelines	118
Memberships and Affiliations	126
Independent Assurance Statement	128
Self-declaration on Application Level	131

ITC : AN EXEMPLAR IN TRIPLE BOTTOM LINE PERFORMANCE





ENVIRONMENT

**WATER POSITIVE:
10 YEARS IN A ROW**

**CARBON POSITIVE:
7 CONSECUTIVE YEARS**

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

**IRRIGATING
98,000 HECTARES**

ITC's Watershed Development initiative brings precious water to over 98,000 hectares of moisture-stressed areas

**38% RENEWABLE
ENERGY**

More than 38% of ITC's total energy consumption is from renewable sources

**GREENEST LUXURY
HOTEL CHAIN IN THE
WORLD**

All ITC premium luxury hotels are LEED Platinum certified

**ITC'S NEW ICONIC
HOTEL - ITC GRAND
CHOLA IS THE WORLD'S
LARGEST LEED
PLATINUM GREEN
HOTEL**

**1,38,000 HECTARES
GREENED**

ITC's Social and Farm Forestry initiative has greened over 1,38,000 hectares



ECONOMIC

**\$ 35 BILLION MARKET
CAPITALISATION**

\$ 7 BILLION TURNOVER

**TOTAL SHAREHOLDER
RETURNS OF
26% PER ANNUM**

29,000 EMPLOYEES

ITC Group provides direct employment to over 29,000 people

**POWERING GROWTH
WITH MULTIPLE BUSINESS
DRIVERS**

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



SOCIAL

**CREATING OVER
5 MILLION SUSTAINABLE
LIVELIHOODS**

**CREATING
COMMUNITY ASSETS**

Strengthening the agri production base of nearly 4 lakh farmers

**EDUCATING 3,00,000
CHILDREN**

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

**EMPOWERING 4
MILLION FARMERS**

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

**40,000 SUSTAINABLE
LIVELIHOODS FOR
RURAL WOMEN**

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

**ANIMAL HUSBANDRY
SERVICES TO 5,00,000
MILCH ANIMALS**

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

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

ITC'S VISION AND STRATEGY

CHAIRMAN'S STATEMENT

I have great pleasure in presenting ITC's Sustainability Report 2012.

This is the 9th consecutive year of its publication. As in earlier years, the Report conforms to the stringent 'G3' guidelines of the Global Reporting Initiative (GRI) at the highest 'A+' level. It is also independently validated by M/s. Ernst & Young Pvt. Ltd. A transparent and voluntary disclosure, the ITC Sustainability Report presents the Triple Bottom Line performance of the Company. The Report encapsulates ITC's vision, strategy and action in contributing to building a sustainable, inclusive and secure future for the larger Indian society.

This year, ITC was honoured with yet another global recognition for its exemplary sustainability initiatives. At the historic Rio+20 United Nations Summit, ITC was conferred the World Business and Development Award 2012 for its large-scale social and farm forestry programme. This Award is indeed a tribute to the efforts of thousands of tribals and poor farmers in rural India who have partnered ITC in enriching the country's environmental capital whilst generating significant sustainable livelihood opportunities.

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

ITC's enduring vision to create larger societal capital and sub-serve national priorities is manifest in its commitment to put Country before Corporation and the Institution before the Individual. It is this

commitment that guides every thought and action in pursuing the Company's super-ordinate goal of creating larger value for society. This vision has powered a multi-pronged competitive strategy to enhance economic contribution, enable world-class benchmarked environmental practices, contribute to climate change mitigation and adaptation, and integrate societal value creation in its business models.

ITC has been "Carbon Positive" for 7 consecutive years, sequestering twice its emissions. It has been "Water Positive" for 10 years, having created freshwater potential that is more than twice its consumption. For over 5 years now, ITC has been "Solid Waste Recycling Positive". These milestones remain unparalleled globally, with ITC being the only enterprise in the world of its dimensions to have accomplished and sustained these environmental distinctions. It is also a matter of immense satisfaction that ITC's businesses and value chains support sustainable livelihoods for more than 5 million people, many of whom represent the weakest sections of society.

THE CHALLENGES OF DEVELOPMENT

In the aftermath of the global economic crisis, which many say is the worst since the Great Depression of the 1930s, nations across the world are waking up to a new reality. There is an increasing realisation that this time around, the challenges are far more deep-rooted. It is now quite apparent that the economic model followed by the world for decades has not delivered growth with social equity.

Despite a century of economic progress, the

inequities today are far more pronounced than ever. Recent OECD studies reiterate that income inequalities have actually widened in the last 30 years in a majority of advanced nations as well as emerging economies. According to the UN Human Development Report, nearly 2 billion people in the world still live in multi-dimensional poverty. With one-third of the world's poor living in India, the challenges are equally daunting.

The 50-fold increase in world GDP over the last half century has also taken place at a huge cost to the environment. So much so that mankind today faces the threat of irreversible damage to the eco-system which has put the planet in peril in ways that have no parallel. Climate change and its impact on poor farmers in developing nations, the loss in biodiversity that alters nature's balance, severe water stress that impacts food security and basic human needs, the alarming rate of natural resource depletion are all challenges that have put the world at the edge of a precipice, thus severely threatening the future.

EMBEDDING SUSTAINABILITY INTO BUSINESS STRATEGY

ITC believes that businesses can bring about transformational change to create a more sustainable future. Inspired by the opportunity to sub-serve larger national priorities, ITC redefined its Vision, a decade and a half ago, to make societal value creation the core of its business strategy. It is my firm belief 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.

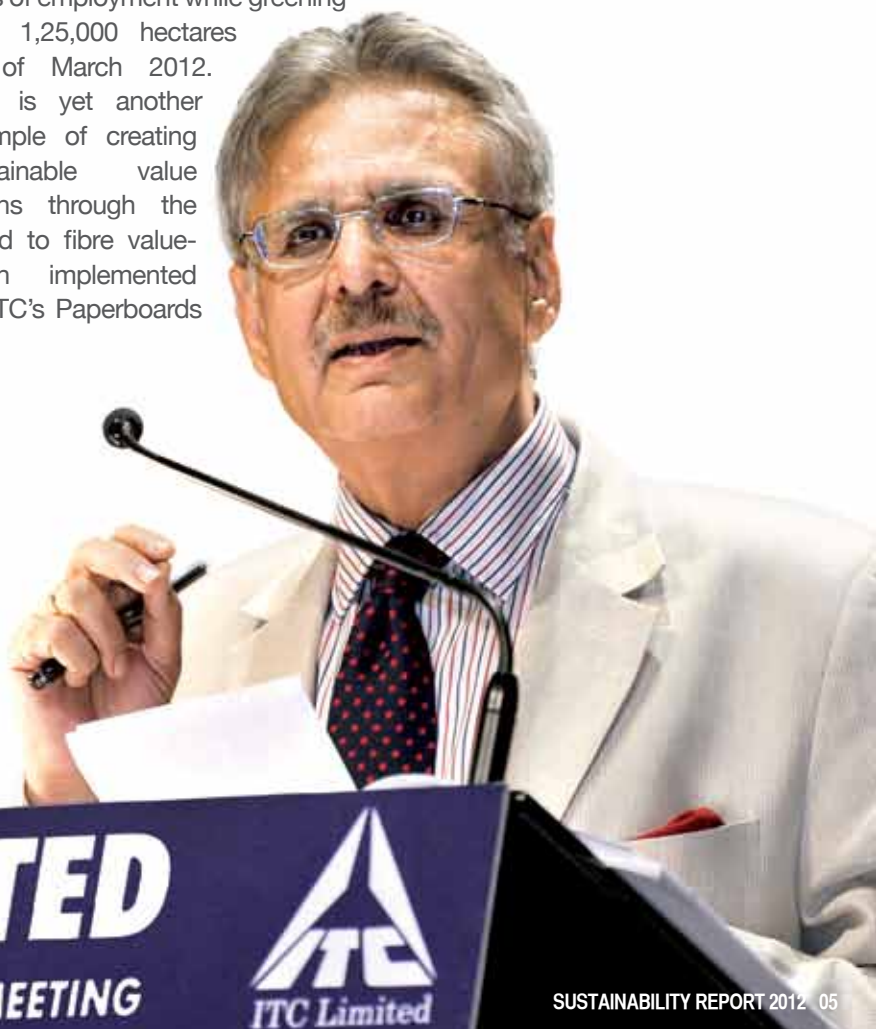
ITC has consciously strived to deliver societal development in the context of its businesses through inclusive value chains that encompass the most disadvantaged sections of society, especially those residing

in rural India. This approach has fostered innovative business models and an enduring engagement with rural communities to co-create livelihood opportunities. Various initiatives have been put in place to transform rural communities into vibrant economic organisations, and empower stakeholders with enhanced incomes and livelihoods.

One of the most globally celebrated examples is the ITC e-Choupal which has empowered 4 million farmers in 40,000 villages, and is today the world's largest rural digital infrastructure. In addition, ITC's Watershed Development programme provides soil and moisture conservation to nearly 90,000 hectares of water stressed areas enhancing productivity and raising farm incomes. ITC's vibrant food brands, Aashirvaad and Bingo, support such sustainable agri-value chains empowering thousands of farmers. Another path breaking initiative is ITC's Social and Farm Forestry programme which utilises an extensive research-based clonal propagation programme and encourages plantations through poor tribals and small farmers in their private wastelands. This initiative has created over 56 million person days of employment while greening over 1,25,000 hectares as of March 2012.

This is yet another example of creating sustainable value chains through the wood to fibre value-chain implemented by ITC's Paperboards

ITC's enduring vision to create larger societal capital and sub-serve national priorities is manifest in its commitment to put Country before Corporation and the Institution before the Individual



ITC LIMITED
101ST ANNUAL GENERAL MEETING





business. Similarly ITC's incense sticks brand Mangaldeep, is creating sustainable livelihood opportunities for rural women through competitive value chains. ITC's Livestock Development programme, which has covered over 5,00,000 milch animals, supports a dairy value chain and contributes to additional livelihood opportunities for farmers. Further, the Company's Supplementary Education Programme has benefitted nearly 2,70,000 children.

TOWARDS A CLEANER AND GREENER ENVIRONMENT

ITC's approach to address environmental challenges is governed by its low carbon growth strategy, integrated water management strategy and improved efficiencies in natural resource usage.

Apart from concerted efforts by all units to reduce energy consumption through stringent audits and benchmarking, ITC has significantly expanded its renewable energy portfolio. More than 38% of its energy consumption is now met from renewable sources and this is expected to touch 50% in the next 4-5 years. ITC has also spearheaded the green building movement in India. All its super premium luxury hotels are now LEED Platinum certified. Its first green building – the ITC Green Centre, is today the world's highest rated green building with Platinum certification by the US Green Building Council. ITC's new iconic property in Chennai – The ITC Grand Chola Hotel, is now the world's largest LEED Platinum certified green hotel.

As part of its commitment to sustainable natural resource management, ITC has also implemented a number of measures in waste management to create a positive environmental footprint. Over and above the initiatives in waste recycling, ITC has also initiated a unique project – Wealth Out of Waste (WOW) – a recycling programme to create awareness on the 'Reduce-Reuse-Recycle' approach, and inculcate the habit of source segregation. Apart from augmenting scarce natural resources, the initiative also generates cost-effective raw materials for the paper, plastics, metal and glass industries.

FOR ALL OUR TOMORROWS

ITC has traversed a successful journey of more than a century. We believe we have created a future-ready corporation -- by significantly enhancing our competitive strengths to power the engines of growth for the Indian economy, and also by creating sustainable businesses for tomorrow by keeping societal value creation at the heart of our business strategy. This Vision to create larger societal capital is driven by strong Values of Trusteeship, Transparency, Empowerment, Accountability and Ethical Corporate Citizenship which are the cornerstones of its Corporate Governance philosophy.

ITC's competitive capabilities that have enabled it to create world-class Indian brands, provide the strength to create larger societal value for all its stakeholders. This competitive vitality is manifest in its deep consumer insights, robust brands, trade marketing & distribution organisation, world-class manufacturing and vibrant human resources. Large investments in cutting-edge Research & Development aimed at creating the game-changers of tomorrow are further enriching this wide spectrum of competitive vitality. It is this amalgamation of Vision, Values and Vitality that forms the bedrock of our endeavour to create an exemplary Indian enterprise.

I hope this Report will inspire meaningful action to shape a better and secure tomorrow so that we can collectively weave a brighter future for the generations to come.

YC Deveshwar
Chairman, ITC Limited
September, 2012

ITC has consciously strived to deliver societal development in the context of its businesses through inclusive value chains that encompass the most disadvantaged sections of society, especially those residing in rural India

KEY IMPACTS, RISKS AND OPPORTUNITIES: SUSTAINABILITY CHALLENGES

TAXATION AND REGULATION

High Rates of Taxation on Cigarettes

- The cigarette industry in India continues to be impacted by a discriminatory taxation and regulatory policy framework. The steep increase in the tax rates on cigarettes, both at the Central and at the State level, has led to the undesirable consequence of shifting consumption to lightly taxed (bidis etc) or tax evaded tobacco products, which constitute as much as 85% of the total tobacco consumption.
- The domestic legal cigarette industry is faced with the growing menace of illegal cigarettes. Independent research indicates that, in India, whilst there is a fall in volumes of 'duty paid' cigarettes by 4.4% during the period 2005 to 2010, the 'duty-not-paid' volumes grew by 49.3% during the same period.
- India has now been recognised as one of the leading destinations for illegal cigarettes. Attractive tax arbitrage opportunities, as a result of the high level of taxes on the legal domestic cigarette industry in India, incentivises illegal flow of cigarettes into the Country.
- Another dangerous outcome of the increasing volume of illicit trade is that it encourages the entry of organised criminal syndicates, which can have serious law and order consequences for the country.

ITC will continue to engage with policy makers through industry associations to seek a non-discriminatory tax and regulatory regime on tobacco products in the interest of the Government exchequer, domestic farmer community and industry

ITC's Initiatives

- ITC will continue to engage with policy makers through industry associations to seek a non-discriminatory tax and regulatory regime on tobacco products in the interest of the Government exchequer, domestic farmer community and 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 such as consumer insights, innovative product development, brand building, state of the art manufacturing as well as an efficient supply chain and distribution infrastructure as well as sustained investments in R&D.





Impact on Livelihoods of Farmers

- Given the agro-climatic nature of the tobacco growing regions which are mostly rain-fed, the farmers get an assured income from growing tobacco and without any proven alternative crops.
- The disproportionately high taxation on cigarettes also adversely impacts the livelihood of farmers in general and the dependent community in particular. Tobacco farmers are important constituents of the Tobacco Industry. Nearly two hundred thousand farmers grow tobacco in 2 southern states of India.
- High excise duty on cigarettes leads to an increase in the price of cigarettes, which has an impact on the demand for the product. As the price of the product becomes unaffordable, consumers tend to switchover to low cost options like Bidis and illegal cigarettes, which has been quite evident with the decline in the proportion of cigarettes in overall tobacco consumption from 25% in early 1990's to 15% in 2011-12. Reduction in the demand also impacts the market prices of the farm produce.
- To cite an example, due to the steep increase in excise duty (by 360%) on non-filter cigarettes during the Union Budget of 2008-09, non-filter cigarettes which accounted for nearly 30% of the cigarette industry, were virtually wiped out of the markets. This had an adverse impact on the demand for domestic tobacco. As a result of this steep hike in tax rates, tobacco which was being used in the manufacture of non-filter cigarettes witnessed a sharp fall in prices (over 20%) during the 2010 market season, thereby adversely affecting the incomes of tobacco farmers.
- Disparities in cigarette taxation structures would lead to an increase in the smuggling of cigarettes from nearby countries, which would jeopardise the prospects of the Indian Domestic Trade and in turn the dependent farming community.
- The growth in contraband cigarettes will also lead to a decline in demand for locally produced farm produce and will in turn impact farm prices.



POLICIES IMPACTING AGRI BUSINESS

- In the modern context, the private sector has a vital and complementary role to play in ensuring an increase in agricultural productivity. Investments by large agri businesses can ensure coordination of the availability of inputs, facilitation of finance for crops and capital investments, and augmentation of resources. This will also enable the delivery of customised extension services to improve productivity through technology, regenerate and enrich land fertility, enable better usage of scarce water resources and adopt best practices in crop management.
- Apart from the lack of fiscal incentives, sizeable investments are today unviable for large agri businesses due to constraints like non-implementation of the 'Model APMC' act recommended by the Centre. There is also a lack of cohesiveness of licenses required for agri input sales. For instance, each input like seeds, nutrients, and crop protection chemicals, is governed by a separate act, making it especially cumbersome for companies working across geographies.
- In addition, the 'Essential Commodities Act' imposes an undue burden as it restricts storage, transportation and exports, further affecting the viability.
- Similar limitations are also imposed by the 'Forward Contracts (Regulation) Act'. While it is acknowledged that strong regulation is necessary to curb excessive speculation, the Act doesn't allow sufficient flexibility for genuine hedgers and takes away critical risk management tools from them, such as options.
- ITC operates across the agri value chain in 13 crops with presence in 17 states with resource intensive models that entail heavy capital infrastructure. These initiatives that have empowered over 4 million farmers have been severely crippled by such restrictive regulations that do not distinguish between genuine agri businesses and unscrupulous hoarders.
- Policy reforms in the agriculture sector need to cognise for several conflicting needs impacting the value chain from the farmer to consumer.
- The conflicting needs arise from the following:
 - The need to control food-price inflation while simultaneously raising farmer incomes, specially that of small & marginal farmers.
 - Balancing the demands of the high and middle income consumers for quality, variety, safety, and convenience in food products with the food and nutrition security imperative of the low income consumers.
 - Expanding agricultural production through intensive usage of inputs, at the same time being sensitive to the rapidly depleting natural resources.
- Effectively managing and balancing these conflict is possible though a set of integrated solutions that would include the following:
 - Raising farm productivity.
 - Efficient transmission of demand signals to enable a responsive production system.
 - Optimising transaction cost along the entire value chain.
 - Building market-based institution is the most sustainable and scalable approach to deliver these solutions.





ITC'S INITIATIVES

- ITC will continue to engage with policy makers through industry associations, organisations and other appropriate fora for enabling a balanced and pragmatic policy framework that not only removes restrictive conditions on the efficient functioning of agri businesses but also facilitates the establishment of market based institutions that can raise agricultural productivity and optimise transaction costs across the value chain.
- ITC's e-Choupal network, which leverages information technology to empower farmers is a rich repertoire of agri based interventions, not only address the core needs of farmers in terms of infrastructure, connectivity, price discovery and market access, but also provide a significant boost to farm productivity through extension services and research based agri-inputs. Initiatives like the 'Choupal Pradarshan Khet' bring suitable agricultural best practices to farmers and have demonstrated significant productivity gains. These interventions have helped transform village communities into vibrant economic organisations, by enhancing incomes and co-creating markets. ITC's e-Choupals serve 40,000 villages and 4 million farmers, making it the world's largest rural digital infrastructure.



ITC's e-Choupal network, which leverages information technology to empower farmers is a rich repertoire of agri-based interventions not only address the core needs of farmers in terms of infrastructure, connectivity, price discovery and market access, but also provide a significant boost to farm productivity through extension services and research based agri-inputs

CLIMATE CHANGE AND ENVIRONMENTAL DEGRADATION

The race for unbridled economic growth has left a planet seriously depleted of environmental resources and perched on the brink of disaster.

The world's ecological footprint suggests that consumption of natural resources every year is one and a half times more than the earth's capacity to regenerate.

With increasing population, people will have only 25% of the resources that were available in 1950.

India mirrors these environmental challenges. With 17% of the world's population, India accounts for only 2.4% of the global land mass, 4% of the world's freshwater resources and 1% of the global forest resources.

The exacerbating impact of climate change and global warming is reflected in the changed weather patterns and higher temperatures. This affects agricultural production and thereby severely impacts the livelihoods of farmers. Given that several of ITC's businesses are dependent on agricultural inputs, the impact of climate change and global warming has important ramifications for the Company and some of its major stakeholders – the farmers and communities in rural India.

India is on the edge of a serious water crisis with more than one third of the districts reeling under severe water-stress and 99 districts officially deemed drought-prone.

- The conservation and management of India's depleting water and other natural resources is therefore very important. More so because it directly impacts the livelihood security of over 70% of its population and 58% of its workforce, who are dependent on agriculture and related activities for their livelihood.

CLIMATE CHANGE AND ENVIRONMENTAL DEGRADATION

- Largely consisting of resource-strapped small/marginal farmers, these agricultural communities are almost invariably engaged in rain-fed agriculture and therefore most vulnerable to the adverse impacts of seasonality and environmental degradation.
- India is also confronted with the challenge of waste management. For example, nearly 7 million MT of paper and paperboards are getting dumped into garbage every year and ending up in landfills. This not only leads to wastage of precious natural resources but also affects public health and hygiene.
- Energy security is today one of the biggest developmental challenges with 400 million people lacking reliable access to energy in India.
- The world over, mounting public pressure from civil society and other stakeholders will compel the implementation of stringent regulations on carbon emissions.
- It is clearly evident that the future competitiveness of companies will depend on their ability to adopt strategies for low carbon growth.
- Given the growth in infrastructure development in the country, there is a significant increase in the consumption of natural resources. The establishment of green buildings is a natural response to addressing the need to conserve and augment environmental resources.

ITC'S INITIATIVES

- ITC has adopted the following strategies for climate change mitigation and adaptation
 1. Identify and evaluate climate change risks for each business.
 2. Reduce the environmental impact of our processes, products and services and work towards creating a positive environmental footprint.

Adopt a low carbon growth path through reduction in specific energy consumption and enhancing use of renewable energy sources.

Enlarge our carbon positive footprint through increased carbon sequestration by expanding forestry projects in wastelands.

Reduce specific water consumption and augment rainwater harvesting activities both on site and off site at watershed catchments areas.

Work towards minimising waste generation, maximising reuse & recycling and using external post consumer waste as raw material in our units.
 3. Creating Sustainable Livelihoods and promoting sustainable agricultural practices.
- ITC has expanded its renewable energy portfolio with more than 38% of its energy consumption being met from renewable sources.
- As a part of its low carbon and green growth strategy, ITC has spearheaded the establishment of green buildings which have set benchmarks in energy efficiency, water conservation and solid waste recycling. All ITC's super premium luxury hotels are LEED Platinum certified. The ITC Green Centre has been identified as the highest rated Platinum Green Building in the world by the US Green Building Council during its certification in 2011.
- ITC's afforestation programme has greened over 1,25,000 hectares, which has led to large scale carbon sequestration besides creating over 56 million person days of employment.
- ITC's watershed development programme provides soil and moisture conservation to over 90,000 hectares. This has contributed to the Company's water positive status for a decade now.
- ITC's Wealth out of Waste programme promotes recycling, and source segregation and also creates awareness among all stakeholders on the benefits of the Reduce-Reuse and Recycle Approach. This initiative has enabled ITC's paperboards business to source and recycle post consumer waste, thereby contributing to ITC's solid waste recycling status.

ITC's afforestation programme has greened over 1,25,000 hectares, which has led to large scale carbon sequestration besides creating over 56 million person days of employment



POVERTY AND SOCIAL INEQUITIES

- Nearly 700 million people living in rural India, with low adaptive capacities, have a direct and symbiotic dependence on climate sensitive sectors (agriculture, forest and fisheries) and natural resources (such as water, bio-diversity, mangroves, coastal zones and grasslands) for their substance and livelihood. 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. The production regime in rain-fed agriculture is inherently fragile and getting more so due to a number of factors:

An estimated 147 million hectares suffer from various forms of land degradation due to water and erosion, stemming mainly from unstable use and inappropriate land management practices. Erosion rates are reported to be in the range of 5 to 20 tonnes/ 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, Gujarat and Madhya Pradesh.

Of the total utilisation water available for agriculture, groundwater alone accounts for 39% of the water used in agriculture yet, the central Ground Water Board reported that 1,565 blocks (one-third of the total) ranged from semi-critical to over-exploited groundwater status.

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

ITC'S INITIATIVES

- Recognising that business enterprises are economic organs of society and draw on societal resources, it is ITC's belief that a company's performance must be measured by its Triple Bottom Line contribution to building economic, societal and environmental capital. ITC is therefore, committed to creating larger 'stakeholder value' by aligning its performance to such Triple Bottom Line objectives. As an Indian enterprise, ITC believes that this approach can unleash strong drivers, making growth more inclusive and equitable and also ensures long-term business sustainability and competitiveness.
- ITC has implemented an extensive social Investments programme in geographies where the Company has strategic business interests and presence. To ensure long term sustainability of these investments, and to enable replicability and scalability, these programmes have been aligned and integrated with the business value chains of the Company.
- The programmes strive to empower stakeholder communities to conserve and manage their natural resources, create sustainable on and off farm livelihood sources and improve social infrastructure in order to support creation of sustainable livelihoods on a significant scale backed by an empowered stakeholder community.
- The scale and impact of these initiatives are reflected in the following:

ITC e-Choupals have empowered over 4 million farmers in 40,000 villages.

ITC's Social and Farm Forestry Programme has created over 56 million person days of employment and has greened over 125,000 hectares.

ITC's Watershed Development Programme covers nearly 90,000 hectares of moisture stressed areas.

ITC's Livestock Development Programme has reached out to over 3,00,000 milch animals.

ITC's Women's Empowerment Programme has benefitted nearly 40,000 rural women.

ITC's Supplementary Education Programme has covered nearly 2,70,000 children.

ITC has implemented an extensive social Investments programme in geographies where the Company has strategic business interests and presence

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 is progressing on the 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.





WILLS LIFESTYLE



ORGANISATIONAL PROFILE

- Powering Growth with Multiple Business Drivers
- Creating World-Class Indian Brands
- Certification, Honours and Awards





FOR ALL OUR
TOMORROWS

ITC is one of India's foremost private sector companies and a diversified conglomerate with interests in Consumer Goods, Hotels, Paperboards and Packaging, Agri Business and Information Technology. With a market capitalisation of around US\$ 35 billion and a turnover of nearly US\$ 7 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).

These achievements are an extension of ITC's continuing story of transformation, from a single product company to a diversified conglomerate with multiple drivers of growth. ITC is today the leading FMCG marketer in India, the second largest Hotel chain, the leader by a distinct margin in the Paperboard and Packaging industry, and the foremost Agri business player in the country. ITC's wholly owned subsidiary, ITC Infotech India Limited is one of India's fast growing IT companies in the mid-tier segment.

ITC's exemplary performance along the Triple Bottom Line is powered by its overarching vision, its robust corporate strategies and its relentless pursuit to create enduring and sustainable value chains. This is fundamentally inspired by a larger national purpose to build societal capital.

Indeed, ITC's achievements in the environmental and social dimensions have been remarkable. ITC has been Carbon Positive for 7 consecutive years, sequestering twice its emissions; Water Positive for 10 years, having created freshwater potential that is more than twice its consumption; and has remained Solid Waste Recycling Positive for over 5 years now. These achievements remain unparalleled globally, with ITC being the only enterprise in the world of its dimensions to have accomplished and sustained these environmental distinctions.

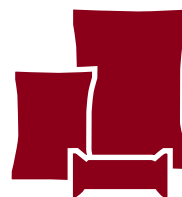
For its transformational rural initiatives in social and farm forestry, ITC was conferred

the World Business and Development Award 2012 at the historic Rio+20 United Nations Summit.

ITC's businesses help in generating over 5 million livelihoods across value chains that touch the lives of many who live at the margin in rural India. ITC's inclusive business models have transformed lives in such meaningful ways for the weakest sections of our society.



FAST MOVING CONSUMER GOODS



The Indian Fast Moving Consumer Goods (FMCG) sector is the fourth largest sector in the economy. Currently estimated at US\$ 13.1 billion, it is expected to grow to US\$ 33.4 billion by 2015.

In light of these encouraging trends, ITC has continued to rapidly scale up its FMCG Businesses comprising Branded Packaged Foods, Personal Care Products, Education & Stationery Products, Lifestyle Retailing, Safety Matches and Incense Sticks (Agarbattis).

Segment revenues have grown at an impressive compound annual rate of nearly 40% in the last 6 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 portfolio includes a robust range of well-differentiated products, supported by significant investments in product development, innovation, manufacturing

ITC has continued to rapidly scale up its FMCG Businesses comprising Branded Packaged Foods, Personal Care Products, Education & Stationery Products, Lifestyle Retailing, Safety Matches and Incense Sticks (Agarbattis)





technology. ITC's array 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'. In 2010 The Business launched 'Sunfeast Yippee' noodles in the fast growing instant noodles category.

Last year several new products were added to the existing assortment with the launch of 'Bingo! Tangles', 'Candyman Toffichoo – Lychee Flavour', 'Sunfeast Dream Cream Biscuits' and 'MintoGol – Green Mango Chew.'

Despite the economic slowdown last year, the Business enhanced its market standing across segments, recording a growth of 24% over the previous year.

A combination of improvements in product and process efficiencies, smart sourcing and supply chain initiatives ensures that 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

ITC's Personal Care Products Business continued to strengthen its existing portfolio

of soaps, shampoos and shower gels under the Fiamma Di Wills, Vivel and Superia brands. During the year, it forayed into the talcum powder and face wash categories with offerings under the Fiamma Di Wills and Vivel brands. The Business also successfully introduced new range of soaps under the 'Vivel' franchise – 'Vivel Luxury Crème' variant and 'Vivel Clear 3-in-1'.

The Business continued to grow at a healthy rate despite the high degree of competition, especially from entrenched players. 'Vivel' and 'Superia' soaps and shampoos have together reached over 9.9 crore households.

Sustained investment in R&D has resulted in a healthy pipeline of new and innovative products. Together with investments in world class manufacturing processes and technology, this will enable the Business to further strengthen its portfolio of superior and differentiated products.

Segment revenues have grown at an impressive compound annual rate of nearly 40% in the last 6 years. Within a relatively short span of time, ITC has established several strong consumer brands in the Indian FMCG market

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 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. In the premium range, Wills Signature offers a bouquet of designs by leading Indian fashion designers. Last year the brand further consolidated its premium tag with designer Wendell Rodricks.

Wills Lifestyle is also the first Indian brand to receive the prestigious 'Oeko-Tex Standard 100 Certification' for limiting the use of certain chemicals.

With a distinctive cross-segment presence 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 86 exclusive stores in 40 cities and across more than 300 leading departmental stores and multi-brand outlets. The presence of 'John Players' was expanded to 340 flagship stores and 1,100 multi brand outlets and departmental stores.

Wills Lifestyle is the first Indian brand to receive the prestigious 'Oeko-Tex Standard 100 Certification' for limiting the use of certain chemicals





FOR ALL OUR
TOMORROWS

EDUCATION AND STATIONERY PRODUCTS

ITC is the leading and fastest growing player in the Indian stationery market. Its flagship brand 'Classmate' is India's leading student notebook brand with a distribution footprint of over 75,000 stationery retail outlets across the country. The Classmate range is sourced from small scale manufacturers, who have continuously improved their delivery and quality capabilities. A majority of them, with ITC's assistance, are ISO 9001:2008 certified. Paper and recycled board are also sourced from ITC's mills which use pulp sourced from renewable forestry.

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



INCENSE STICKS (AGARBATTIS)

ITC's Agarbatti Business recorded an impressive growth in revenues and enhanced market standing during the year. This was driven by increasing consumer franchise for the 'Mangaldeep' brand combined with deeper distribution reach and innovative consumer offerings. Mangaldeep is the second largest national brand in the industry.

The Business continues to provide livelihood opportunities to more than 12,000 people through small and medium scale entrepreneurs and NGOs and Self Help Groups across India. Business initiatives of introducing enabling tools and technology in the rural communities continue to enhance product quality and increase the earning potential of agarbatti rollers. The Business was a significant contributor to ITC's commitment to Triple Bottom Line objectives.



SAFETY MATCHES

ITC's Safety Matches Business maintained its market leadership aided by continued consumer preference for its strong brand portfolio across all market segments.

HOTELS




ITC's Hotels Business continues to be rated amongst the fastest growing hospitality chains, with over 100 properties in 80 locations, and operating under four distinct brands – 'ITC Hotel' for 'luxury', 'WelcomHotel' in the 'five star segment', 'Fortune' in the 'mid-market to upscale segment' and 'WelcomHeritage' in the 'heritage leisure segment.'

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. The Responsible Luxury commitment of ITC Hotels blends elements of nature to deliver a unique value proposition to guests who are conscious of their responsibility to be planet positive.

A leader in the premium hospitality segment, ITC Hotels has pioneered several first-of-its-kind offerings, creating new benchmarks with the introduction of value based accommodation brands, branded cuisines and the 'eco-easy' model of hoteliering. Today, these unique interventions have made ITC Hotels the 'greenest luxury hotel chain in the world' with all its premium luxury hotels LEED (Leadership in Energy and Environmental Design) Platinum certified.

Recognising the changing preferences of the business traveller, ITC launched 'My

Fortune' this year under the 'Fortune' brand, designed to cater to the upscale business traveller. The first 'My Fortune' hotel was launched in Chennai during the year and further expansion is on the anvil.

In pursuit of ITC's commitment to 'Responsible Luxury,' investments have been made to provide clean power to ITC's hotels in Bengaluru, Mumbai and Jaipur. Further investments in wind energy were also made at the newly built ITC Grand Chola at Chennai.

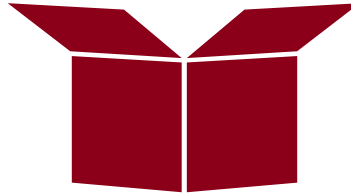
ITC Hotels pioneered the concept of 'Responsible Luxury' in the hospitality industry, drawing on the strengths of the group Company's exemplary sustainability practices





FOR ALL OUR
TOMORROWS

PAPERBOARDS, SPECIALTY PAPER AND PACKAGING



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 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 Wild life 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



ITC also became the first in the country to gain membership of the Global Forest & Trade Network (GFTN) of the World Wildlife Fund (WWF)

assists tribals and farmers to convert their wastelands into commercial plantations – turning an unproductive asset into a sustainable livelihood option.

Further, ITC's collaborative initiative called 'Wealth Out of Waste' (WOW) continues to promote and facilitate waste paper recycling, with a view to conserving scarce natural resources. ITC also achieved the distinction of being the first paper company in India to obtain the Forest Stewardship Council - Forest Management (FSC-FM) certification covering 8,000 hectares of social forestry plantations involving about 9,000 farmers.



PACKAGING AND 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 care products, cigarette, liquor and consumer goods industries.

With 3 packaging factories at Tiruvottiyur near Chennai (in the South), Munger in Bihar (in the East), and Haridwar (in the North), ITC offers a comprehensive product range in packaging backed by its packaging expertise over decades and cutting edge technology making it truly a 'one stop shop for Packaging'.

Last year, the Business won several awards for operational excellence, innovation and creativity. These include 2 'World Star Awards' from the 'World Packaging Organisation,' 3 'Asia Star Awards' from the 'Asian Packaging Federation' and 13 awards instituted by 'Indian Flexible Packaging and Carton Manufacturers Association' (IFCA) for excellence in packaging solutions.





FOR ALL OUR
TOMORROWS

AGRI BUSINESS



ITC's commitment to creating enduring value chains is evident in its strong farmer partnerships that have revolutionised and transformed the agricultural sector. 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 initiative is an example of how private sector initiatives can complement state interventions to create significant value for the farmer.

In order to enhance productivity and establish effective linkages to markets, ITC signed an MoU last year with Indian Agricultural Research Institute (IARI) for

the transfer of new varieties of wheat seeds to farmers under Public Private Partnership (PPP).

ITC also initiated the 'Market Based Partnership for Health' programme on a pilot basis in alliance with the United States Agency for International Development (USAID). The programme specifically focussed on improving maternal and child health and hygiene. These initiatives will progressively transform the e-Choupal network into an all-weather venture – relatively de-risked from regulatory uncertainties and market volatility – even as it continues to provide strategic sourcing support to ITC's Foods and other businesses.

ITC's pioneering initiatives in the Indian agricultural sector has led to enhancement of farm productivity and empowerment of farmers



INFORMATION TECHNOLOGY



TC's wholly owned subsidiary, ITC Infotech has today carved a niche for itself in the arena of global IT services and solutions with a robust outsourcing model, comprehensive suite of differentiated solutions & services and focus on excellence in execution. 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 focussed on providing Engineering and IT solutions to industries in Oil and Gas, Manufacturing, Consumer Goods and Transportation segments among others.

ITC Infotech's capabilities also accrue from business critical engagements with leading organisations across 5 continents, and a service delivery footprint spanning over 140 countries.

Last year, the Business also set up branches in Hong Kong, France, Germany and South Korea. This was part of a selective expansion of market presence in high potential geographies to leverage market opportunities and also to serve as a measure of risk mitigation in the event of economic challenges in other markets.





CERTIFICATIONS, HONOURS AND AWARDS



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

MAJOR AWARDS OVER THE YEARS

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

Responsibility Crown Award for Water Practices from UNESCO and Water Digest (2008)

- The Asian CSR Award for Environmental Excellence, given by the Asian Institute of Management (2007)
- ITC was the 1st Indian Company and 2nd in the world to win the Development Gateway Award for its trail-blazing e-Choupal initiative (2005)
- Inaugural World Business Award by UNDP for ITC's e-Choupal initiative (2004)
- ITC e-Choupal won the Stockholm Challenge Award (2006)
- ITC was rated amongst Asia-Pacific's 50 biggest listed companies in 'Asia Fab 50' by Forbes in 2010
- All ITC's super premium luxury hotels accorded LEED Platinum status making ITC Hotels the 'Greenest Luxury Hotel Chain in the World'
- The Paperboards Unit in Kovai was conferred the CII National Award for Excellence in Water Management 2011
- ITC's Unit at Bhadrachalam received the Excellent Energy Efficient Award from CII at the National Awards for Excellence in Energy Management 2011
- ITC Hotels was awarded the 'Most Trusted Hotel brand' in the Public Choice Honours category at the Times Travel Honours 2011
- Bukhara, Dum Pukht and Dakshin were the only 3 Indian brands that were awarded among the TOP 20 Restaurants of Asia by the Miele Asia, Singapore
- ITC's Unit at Kolkata was conferred the Water Efficient Unit for the second consecutive year by CII at the 8th National Awards for Excellence in Water Management, 2011

SELECT AWARDS RECEIVED IN 2011-12

- Rotary International honoured Chairman Y C Deveshwar with the title "Jewel of India" for demonstrating exemplary leadership
- ITC's Paperboards Units at Bhadrachalam, Bollaram, Kovai and Tribeni are now FSC Chain of Custody certified
- The Smart Wood Program of the Rainforest Alliance has awarded ITC's Unit at Bhadrachalam, the Forest Stewardship Council Forest Management certification
- ITC Green Centre re-certified LEED Platinum with the highest ratings by US Green Building Council
- ITC's Corporate Communications received 6 national awards from the Public Relations Society of India
- Wills Lifestyle products have been granted the OEKO-TEX Standard 100 certification by Hohenstein Textile Testing Institute
- ITC's Agri Business Division has won the FICCI Food 360 Award in recognition of ITC's contribution to the entire Food Value Chain





CERTIFICATIONS AND AWARDS

- ISO 14001: Environment Management Systems**

All manufacturing Units of ITC, all the major hotels and the ITC R&D Centre at Bengaluru hold this certification.

- OHSAS 18001: Occupational Health & Safety Management Systems**

All the manufacturing Units of ITC have this certification.

- SA 8000: Social Accountability**

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

- Food Safety: ISO 22000/HACCP Food Safety Management System:**

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

Foods Unit at Haridwar & Pune have also received this certification.

- Leadership in Energy & Environmental Design (LEED) Platinum Rating**

ITC Maurya, ITC Windsor, ITC Maratha, ITC Grand Central, ITC Mughal, ITC Sonar, ITC Kakatiya and ITC Rajputana have this certification from US Green Building Council.

ITC Gardenia received this certification from the Indian Green Building Council

- Green Factory Building – LEED 'PLATINUM' rating by the Indian Green Building Council**

Cigarette Units at Saharanpur and Bengaluru

AWARDS

The following awards received during 2011-12 bear testimony to the highest EHS standards maintained in the various units of the company and significant achievements made.

- Sword of Honour by British Safety Council**

Paperboards and Specialty Paper Units at Bollaram and Tribeni

- Globe of Honour by British Safety Council**

Paperboards and Specialty Paper Units at Bhadrachalam and Kovai

- 5 star Health and Safety Management rating by British Safety Council**

Paperboards and Specialty Paper Units at Bollaram, Tribeni and Kovai

- International Safety Award by British Safety Council**

Paperboards and Specialty Paper Unit at Kovai

Green leaf threshing plants at Anaparti and Chirala

Packaging and Printing unit at Munger

- **Five Star rating in Environment Management by British Safety Council, UK**

Paperboards and Specialty Paper Units at Bhadrachalam and Kovai

- **ROSPA Occupational Health & Safety Gold Award by Royal Society for Prevention of Accidents, UK**

Cigarette Factory at Munger, Bengaluru, Saharanpur and Kidderpore

- **“Shreshtha Suraksha Puraskar” (Silver trophy and Certificate) by National Safety Council, Mumbai**

Cigarette Factory at Munger

- **National Award for Excellence in Energy Management 2011 - “Energy Efficient Unit” by Confederation of Indian Industry**

Cigarette Unit at Bengaluru

- **National Award for Excellence in Energy Management 2011 - “Excellent Energy Efficient Unit” by Confederation of Indian Industry**

Paperboards and Specialty Paper Unit at Bhadrachalam

- **Unnatha Suraksha Puraskara 2010-11 by National Safety Council, Karnataka Chapter**

Cigarette Unit at Bengaluru

- **Gold Award in FMCG sector for outstanding achievement in Environment Management by Greentech Foundation, New Delhi**

Foods Business Unit (Biscuits unit & Snacks unit), Haridwar

National Awards for Excellence in Water Management, 2011 by Confederation of Indian Industry

Cigarette Units at Bengaluru and Kidderpore

Green leaf threshing plant at Anaparti

- **National Award for Efficient Unit in Water Conservation, 2011 by Confederation of Indian Industry**

Paperboards and Specialty Paper Unit at Bhadrachalam

Packaging and Printing unit at Tiruvottiyur

- **Rajasthan Energy Conservation Award 2011 by Dept. Of Energy, Govt. of Rajasthan**

ITC Rajputana

- **Award for achievement in Energy Conservation by Karnataka Renewable Energy Development Ltd.**

Cigarette Unit at Bengaluru

- **ENCON Award 2011-12 by Confederation of Indian Industry – Eastern Region**

Cigarette Factory at Munger

- **Certificate of commendation for excellence in Environment, Health & Safety for 2011 by Confederation of Indian Industry – Southern Region**

Cigarette Unit at Bengaluru

- **Excellence award in Safety, Health & Environment for 2011-12 by Confederation of Indian Industry – Eastern Region**

Cigarette Unit at Kidderpore

- **International Safety Award 2012 by British Safety Council**

Packaging and Printing Unit at Munger



REPORT PROFILE, SCOPE AND BOUNDARY





This 9th Sustainability Report covers the sustainability performance for the period from April 1, 2011 to March 31, 2012.

We report our performance on an annual basis and the last Sustainability Report was published in September 2011.

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

This Report covers performance of all the Businesses and Units directly under ITC Limited and the 4 subsidiary companies where we have operational control. This covers all our significant operations in India and the one subsidiary company based in Nepal as detailed in Reporting Boundary.

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

This report reflects material issues, which have significant economic, environmental and social impacts that can substantially

influence assessments or decisions of our stakeholders. Our Businesses/Units continue to proactively engage with key stakeholders, who, either have a major interest or are significantly affected by our operations, products or services. The details on stakeholder engagement are covered elsewhere in the Report.

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

We continue our efforts to influence sustainability practices along the value chain and we intend to extend them significantly in the years to come, to cover all our suppliers.

The economic performance reported here is from the Company's Report & Accounts (R&A) 2012. The R&A 2012 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 & social sections is based on actual performance of the various businesses, factories, hotels and large offices of the Company and the Subsidiaries. Authenticities of these data and systems have been verified by M/s Ernst & Young as per the assurance statement provided, which forms a part of this Report.

WE CONTINUE OUR EFFORTS TO INFLUENCE SUSTAINABILITY PRACTICES ALONG THE VALUE CHAIN AND WE INTEND TO EXTEND THEM SIGNIFICANTLY IN THE YEARS TO COME, TO COVER ALL OUR SUPPLIERS.



REPORTING BOUNDARY



This Report covers the following Businesses and their corresponding Units:

FMCG

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

FMCG - OTHERS

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

HOTELS

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

AGRI BUSINESS

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

PAPERBOARDS, PAPER & PACKAGING

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

LIFESTYLE RETAILING & OTHERS

Units at: Design & Tech. Centre, Gurgaon (Haryana), ITC R&D Centre, Bengaluru (Karnataka), ITC Green Centre, Gurgaon (Haryana), 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:

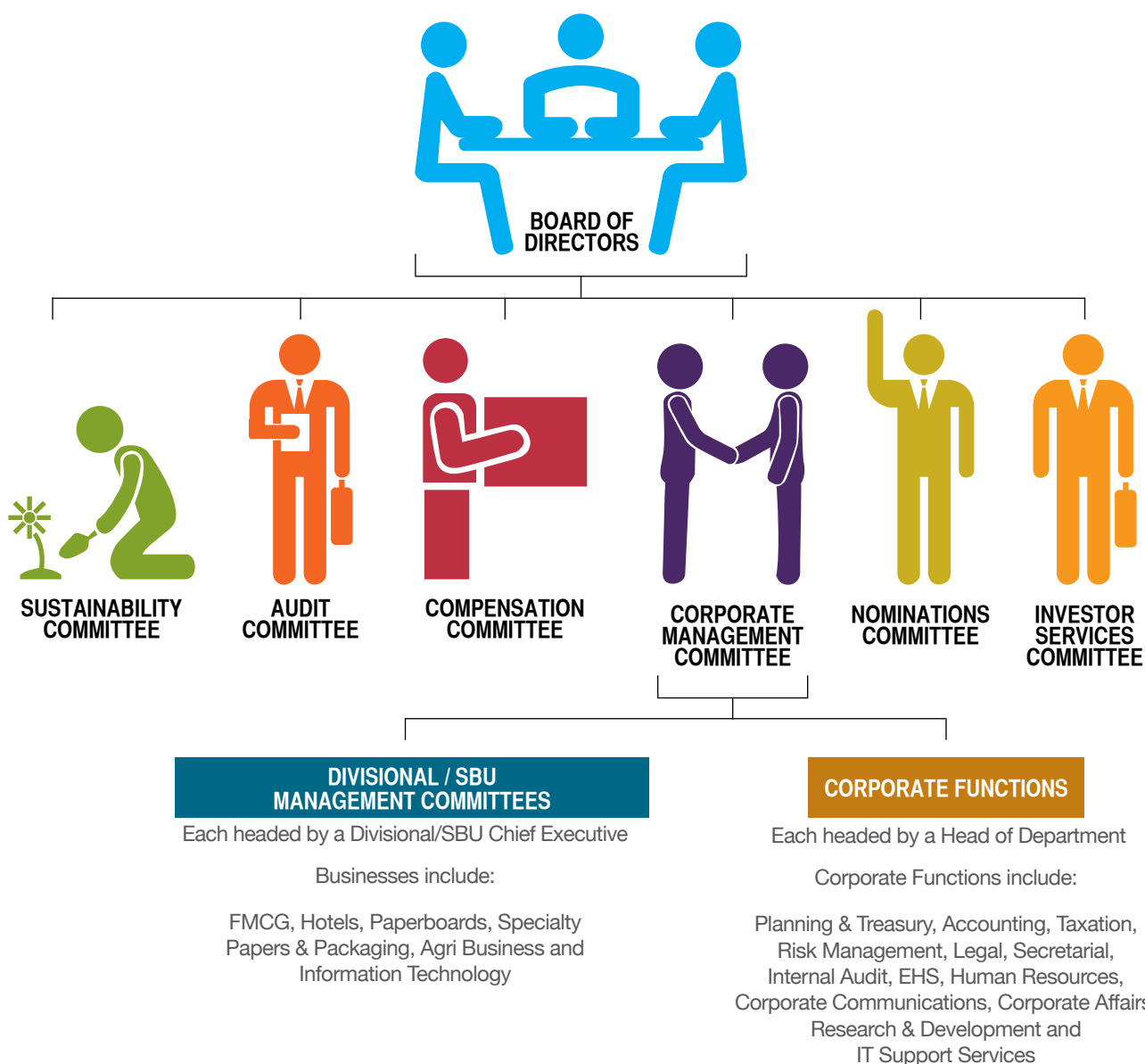
STRATEGIC SUPERVISION	by the Board of Directors (Board)
STRATEGIC MANAGEMENT	by the Corporate Management Committee (CMC)
EXECUTIVE MANAGEMENT	by the Divisional/Strategic Business Unit (SBU) Chief Executive assisted by the respective Divisional/SBU Management Committee (DMC)

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



FOR ALL OUR
TOMORROWS

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.

ITC has a diversified business portfolio, which demands that the senior leadership has an in-depth knowledge and understanding of the functioning of the Company, so as to enhance the value-generating capacity of the organisation and contribute significantly to stakeholders' aspirations and societal expectations. The Chairman of the Company is therefore chosen from the Executive Management.

BOARD OF DIRECTORS

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

SELECTION OF DIRECTORS

ITC's Governance Policy requires that the Non-Executive Directors, including Independent Directors, be drawn from

amongst eminent professionals with experience in business / finance / law / public enterprises. The selection of Executive Directors is done by the Nominations Committee, which comprises the Chairman of the Company and 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.

ITC has a diversified business portfolio, which demands that the senior leadership has an in-depth knowledge and understanding of the functioning of the Company, so as to enhance the value-generating capacity of the organisation



Remuneration to Non-Executive Directors is by way of commission for each financial year; such commission is determined by the Board within the limits 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 the Shareholders' section of 'Stakeholder Engagement'.

PRECAUTIONARY APPROACH

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

- The Corporate Governance Policy clearly lays down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from the strategic to the operational, is specified in the Governance Policy. These role definitions, inter alia, are aimed at ensuring the formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- The Corporate Risk Management Cell works with the Businesses to identify and establish the respective risk profiles. The risk profiles include both strategic risks and operational risks.

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



- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed. Appropriate structures have been put in place to proactively monitor and manage the inherent risks in Businesses with unique/relatively high risk profiles.
- A strong and independent Internal Audit function at the Corporate level carries out risk-focussed audits across all businesses, enabling identification of areas where risk management processes may need to be improved. The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. The Audit Compliance and Review Committee closely monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.
- At the business level, Divisional Auditors continuously verify compliance with laid down policies and procedures, and help plug control gaps by assisting the operating management in the formulation of control procedures for new areas of 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, on a continuous basis.

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 Development policies of ITC. The Corporate Internal Audit Function audits the implementation of all systems and policies in all Company businesses and Corporate Headquarters. The Head of the Corporate EHS Department is responsible for laying down ITC's EHS standards, preparing EHS Guidelines and ensuring effective implementation. EHS performance of all Units/Factories/Hotels is audited at least once annually, to ensure conformity with statutory requirements, Corporate EHS Guidelines and Standards.

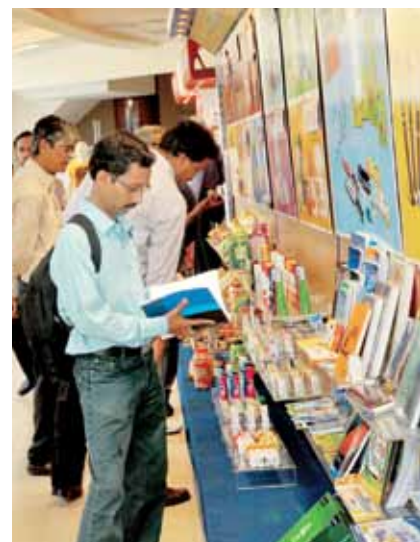
The Corporate Human Resources (CHR) Department similarly coordinates all activities relating to the Company's Social performance. Reports relating to Economic, EHS and Social performance are provided to the CMC on a monthly basis. In addition to the above, periodic presentations are made to the CMC to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

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

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

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

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.



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



STAKEHOLDER ENGAGEMENT



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

We have robust systems and procedures to identify, prioritise and address the needs and concerns of all our key stakeholders, across all businesses and units. 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. The information gathered through the stakeholder engagement process as well as the understanding of sustainability issues within the context of ITC's Businesses guides specific materiality issues. This is further crystallised in our Chairman's Statement and Vision from which our sustainability approach emerges. Our prioritisation and reporting stems from this abiding vision which determines our unique business models and strategies. The engagement with different segments of stakeholders as detailed below helps us keep abreast of development issues, anticipate influences and frame responses in a way that can be appropriately managed.

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 provides comprehensive information and an exclusive section on 'Shareholder Value' which serves to inform and service shareholders. An exclusive e-mail ID isc@itc.in has also been provided to the shareholders for direct interaction.

CUSTOMERS

Understanding customers' 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. ITC continues to engage with customers on an on-going basis to capture their needs and aspirations.

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



Robust Quality Assurance systems supported by 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



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

We have strived to attract and retain 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

Given their significant role in our value chains, we continue to engage with farmers on a regular basis. 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, which are held annually or based on needs 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 significant outsourced-manufacturing sites, which ensure product quality, delivery commitments, compliance with EHS standards and cost competitiveness.





COMMUNITY

All our Businesses/Units regularly interact with communities surrounding their operations. We actively undertake Participatory Rural Appraisals (PRA) to assess the needs/aspirations of such communities in and around project areas. These are conducted through specialist NGOs with relevant multi-disciplinary expertise as project implementation partners.

These lead to the formation of village institutions that are the key decision-makers in the planning, implementation and monitoring of specific interventions planned. This is followed by a capacity building phase where village institution members undergo intensive training in financial management and various thematic aspects of each intervention. Interventions are tailored to the specific needs of the target community. To improve the quality and effectiveness of the interventions, we bring in professional/technical agencies to introduce appropriate technologies that complement traditional methods of farming, conserving water, soil and nutrients.

The entire spectrum of activities is carried out by the community through the village institutions – making community participation the fundamental component of the model promotes high levels of ownership and long-term sustainability.

Livelihood support, infrastructure needs, health & sanitation, primary education, women economic empowerment and skill development are the priority concerns raised through these PRAs.

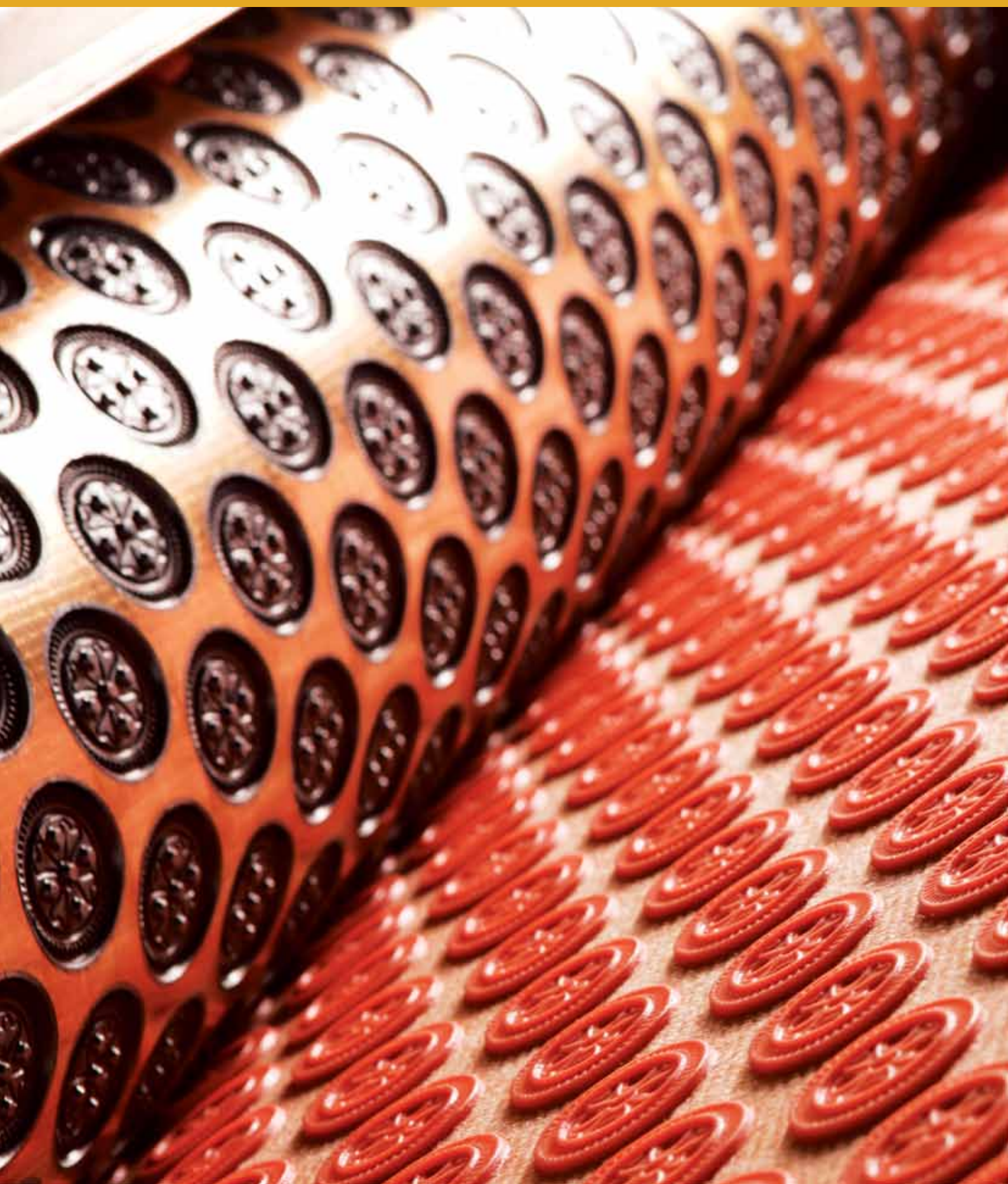
Limited options of alternative off-farm employment combined with endemic poverty continue to jeopardize the livelihood security of small and marginal farmers. In addition, habitats around industrial clusters are typically overcrowded and congested. Infrastructure is poor or creaking under the pressure of an increasing population base, drawn to such regions in the hope of gainful employment. Sanitary facilities are almost non-existent creating unhygienic conditions which have a direct bearing on the high morbidity rates, especially among women, a distinctive trait in such settlements.

Based on this, the various community development initiatives are implemented, which are detailed elsewhere in the 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 an on-going basis on aspects relating to regulatory and public policy framework through industry bodies and various other fora.

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.



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 16 years
- 32 fold increase in market capitalisation from 1996





FOR ALL OUR
TOMORROWS

ITC posted yet another year of impressive results with strong top line growth and high quality earnings reflecting the robustness of its corporate strategy of creating multiple drivers of growth. This performance is particularly remarkable when viewed against the backdrop of the extremely challenging business context in which it was achieved, namely, a slowdown in the economy, high levels of inflation and the continuing cascading effect of arbitrary increases in VAT on cigarettes.

Gross Revenue for the year grew by 14.2% to ₹34871.86 crores. Net Revenue at ₹24798.43 crores grew by 17.2% primarily driven by a 23.6% growth in the non-cigarette FMCG businesses, 20.0% growth in Agri Business and 16.6% growth in the Cigarettes segment. Profit before tax increased by 22.4% to ₹8897.53 crores while Net profits at ₹6162.37 crores registered a growth of 23.6%.

Earnings Per Share for the year stands at ₹7.93 (previous year ₹6.49). Cash flows from Operations aggregated ₹8334 crores compared to ₹7528 crores in the previous year.

For the year ended 31st March, 2012, ITC declared a Dividend of ₹4.50 per share (previous year ₹4.45 per share including a Special Dividend ₹1.65 per share).

Continuing with its chosen strategy of creating multiple drivers of growth, ITC is today the leading FMCG marketer in India, the second largest Hotel chain, the clear market leader in the Indian Paperboard and Packaging industry and the country's foremost Agri Business player. ITC's wholly owned subsidiary, ITC Infotech India Limited, is one of India's fast growing Information Technology companies in the mid-tier segment.

Additionally, over the last 16 years, ITC's Gross Revenues and Net Profits recorded an impressive compounded growth of 12.7% and 21.8% per annum respectively. During this period, Return on Capital Employed improved substantially from 28.4% to 45.4% while Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compounded annual growth rate of 25.7% during this period, placing the Company amongst the foremost in the country in terms of efficiency of servicing financial capital. ITC today, is one of India's most admired and valuable corporations with a market capitalisation of

nearly ₹1,80,000 crores and has consistently featured, over the last 16 years, amongst the top 10 private sector companies in terms of market capitalisation and profits.

**₹ 6162
Crores**

PROFIT AFTER TAX

DIRECT ECONOMIC IMPACT

₹ Crores

KEY ECONOMIC INDICATORS	2009-10	2010-11	2011-12
Gross Revenue	26,200	30,528	34,872
Net Revenue	18,153	21,168	24,798
Exports	2,239	2,464	2,253
Contribution to Government/Exchequer	13,573	15,843	17,936
Cost Of Bought Out Goods & Services	10,685	13,133	14,206
Employee Wages & Salaries	1,003	1,140	1,265
Payments to Providers of Capital			
- Interest & Dividend	3,883	3,512	3,596
- Retained Profits	-391	986	2,073

* Detailed Financial Performance available at www.itcportal.com

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

₹ Crores

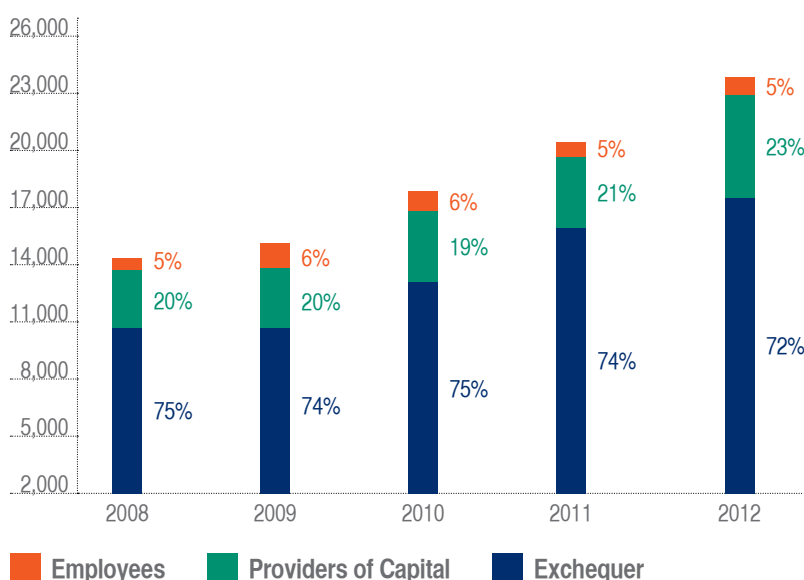
YEAR	2007-08	2008-09	2009-10	2010-11	2011-12	CAGR
Gross Revenue	21,268	23,059	26,200	30,528	34,872	13%
PBDIT	5,015	5,393	6,689	7,993	9,674	18%

ANALYSIS OF VALUE ADDED

DISTRIBUTION OF VALUE ADDED

₹ Crores

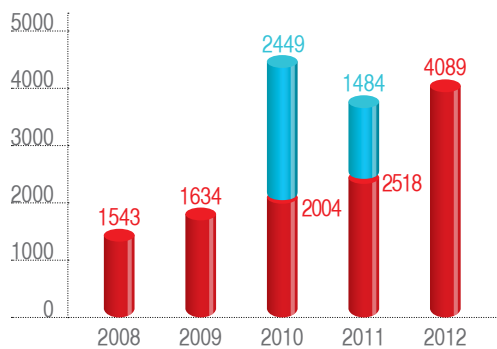
Share of Value Added (%)





top 10 private sector companies in terms of market capitalisation and profits and is amongst the most influential stocks in the Indian equity market. During the current year, it has declared a dividend of ₹4.50 per share of ₹1 each.

DIVIDEND PAID (INCL. DIVIDEND DISTRIBUTION TAX)



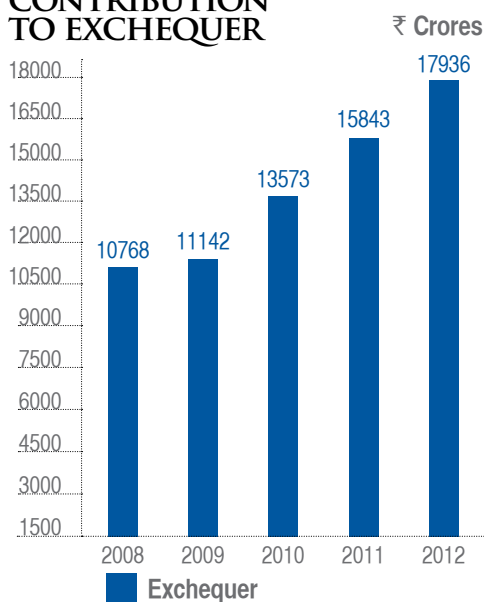
■ Dividend Paid (₹ Crores)
■ Special Dividend (₹ Crores)



CONTRIBUTION TO THE NATIONAL EXCHEQUER

The Company's excise payments account for almost 7% of the total excise revenue of the Government of India. In the area of income tax, the Company is the highest tax payer in eastern India and among the top tax payers in the nation.

CONTRIBUTION TO EXCHEQUER



DIVIDEND PAYOUT

ITC is one of India's most admired and valuable corporations and has consistently featured, over the last 16 years, amongst the

RETURN ON TOTAL ASSETS

ITC has been delivering higher rates of return on total assets even as its balance sheet size (peaking at ₹28966 Crores in the current year) has grown at a compound rate of 14% since 2007-08.

₹1,80,000 Crores

MARKET CAPITALISATION

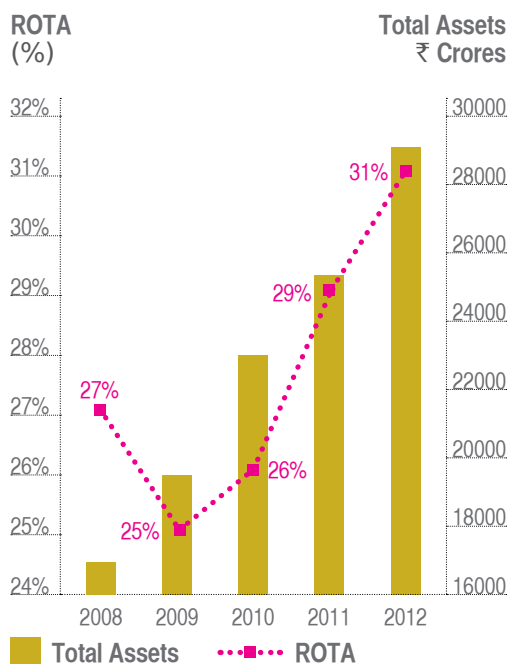
31%

RETURN ON TOTAL ASSETS IN 2011-12

₹4.50

DIVIDEND PER SHARE IN THE CURRENT YEAR

RETURN ON TOTAL ASSETS





FOR ALL OUR
TOMORROWS

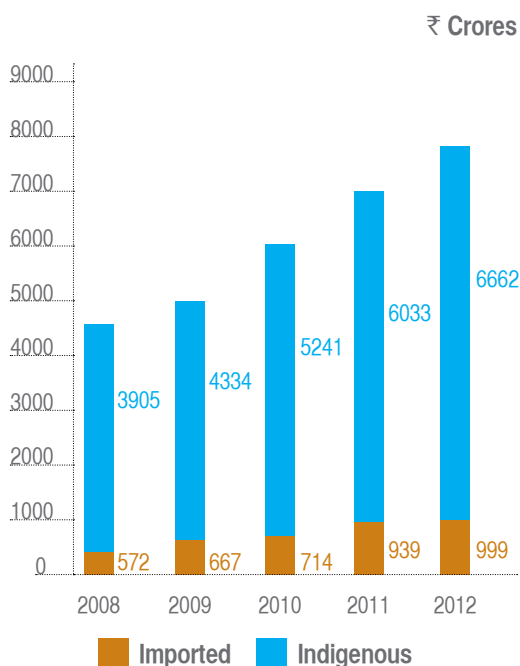
LOCALLY BASED SUPPLIERS

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

The Company's suppliers, both local and international, constitute one of our most important stakeholder groups.

The Company sources 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 & electronic systems are sourced largely from Indian or India based suppliers. Competent Indian contractors carry out construction of new manufacturing facilities, hotels, warehouses & offices and large-scale upgradations and modernisation thereof. Nearly 87% of our raw materials have been locally procured.

RAW MATERIAL CONSUMED

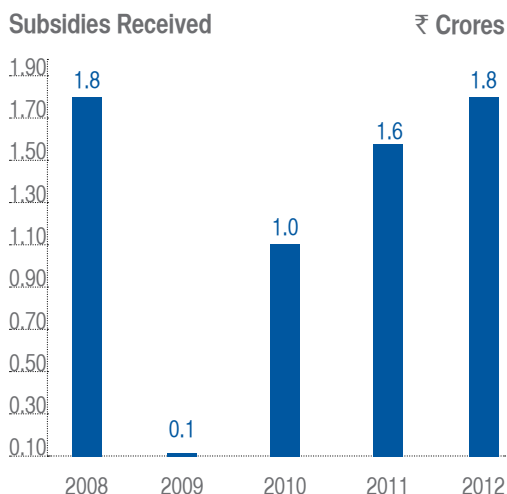


FINANCIAL ASSISTANCE FROM GOVERNMENT

Several of our projects are geared towards subserving 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.

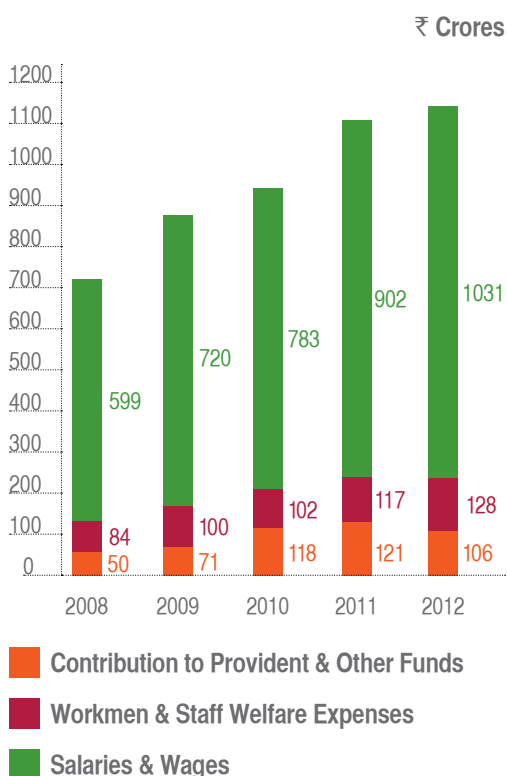
Subsidies Received

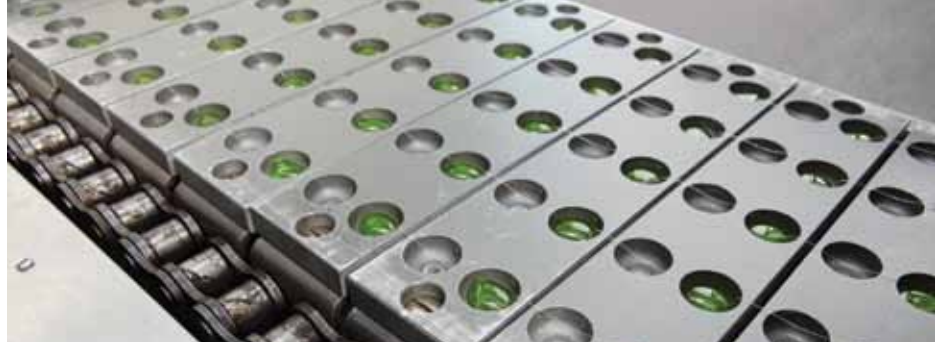


ENGAGING TALENT, LOCAL HIRING AND SENIOR MANAGEMENT

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

EMPLOYEE BENEFITS





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

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

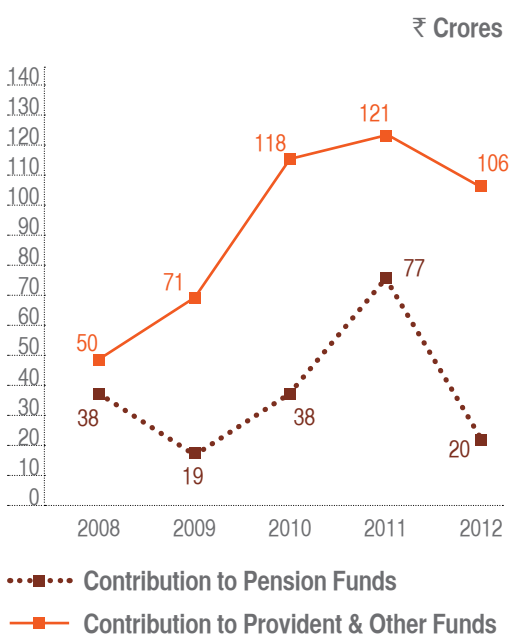
Unswerving belief in the mutuality of interests of key stakeholders binds all employees to a shared vision and purpose, thus providing it with the vital force for winning in the market place.

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

PENSION OBLIGATIONS

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

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



The pension plans and other applicable employee benefits obligations are determined and funded in accordance with independent actuarial valuation. Expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario.

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

CORPORATE SOCIAL RESPONSIBILITY

Citizen First

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

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

	₹ Crores		
	2009-10	2010-11	2011-12
Corporate Social Responsibility spends	48	68	88
Average Net Profits during three immediately preceding Financial Years (FYs)	3028	3482	4104
CSR spends as a % of Average Net Profits during three immediately preceding FYs	1.57	1.96	2.14



CREATING ENDURING INSTITUTIONS



CII-ITC CENTRE OF EXCELLENCE FOR SUSTAINABLE DEVELOPMENT

The 'CII-ITC Centre of Excellence for Sustainable Development', set up by ITC jointly with the apex national chamber Confederation of Indian Industry (CII) in 2006, continues its endeavours to promote sustainable business practices amongst corporates across the country. During the year, the Centre trained and raised awareness of over 2,000 business managers on various sustainability issues. It has expanded its gamut of activities to meet the core objectives of creating awareness, promoting thought leadership and building capacity amongst Indian enterprises in their quest for sustainable growth and business solutions. The 6th Sustainability Summit: 'Sustainability Solutions, 2011', attracted over 350 participants representing experts from industry, government and civil society from India and several countries across the world and over 25 exhibitors participated in the first-ever Sustainability Exhibition. The 'CII-ITC Sustainability Awards', instituted to recognise excellence in sustainability performance, have honoured a large number of leading Indian companies and provided encouragement to many others. It is heartening that the number of aspirants for the Award is steadily increasing year on year. The Centre is today playing a major role

in engaging with policy makers to create an environment that encourages the adoption of sustainable business practices. The Centre is a consulting partner in several policy





The Centre is today playing a major role in engaging with policy makers to create an environment that encourages the adoption of sustainable business practices

interventions such as Green Guidelines for Public Procurement, Low Carbon Expert Group of the Planning Commission, National Innovation Council, Ministry of Corporate Affairs on CSR Policy, National Awards for Prevention of Pollution, Rajiv Gandhi Environment Awards for Clean Technology and Technology and Finance Committee under the Montreal Protocol. It is also represented on the Board of the Central Pollution Control Board and other bodies. During the year, the Centre introduced three new service lines in the areas of Social Responsibility based on ISO 26000, Green House Gas Emissions Inventories and Verification based on ISO 14064 and business model innovation. It is the only certified trainer for sustainability assurance professionals in South-East and South Asia.

national heritage. It is a unique institution recognised for being the finest repository of Hindustani Classical Music. With a commitment that has remained consistent for over 35 years, ITC SRA is the world's first and only professionally managed modern Gurukul, blending modern day research methods with the purity of the age old Guru-Shishya tradition. ITC SRA has a mission of preservation and propagation of Hindustani Classical Music. With a galaxy of 9 pre-eminent Gurus and 50 scholars today, from 20, three years ago, the Academy is currently engaged in carrying the message of Hindustani Classical Music across our country from the metros to rural India. Recent forays into neighbouring Bangladesh have brought home another dimension of the shared sub-continental heritage.

ITC SANGEET RESEARCH ACADEMY

The ITC Sangeet Research Academy (ITC SRA) is a true embodiment of sustained corporate commitment to a priceless

OTHER INFRASTRUCTURE INITIATIVES

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



ENVIRONMENTAL PERFORMANCE

- Climate Change and Sustainable Development
- Water Management 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 7th year in a row





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

Economic progress and long term business sustainability are today threatened by the real and adverse consequences of global warming and accelerated climate change. ITC has responded to the challenges emerging from the threat of global warming by aligning corporate strategy with national priorities. Accordingly in line with the Government of India's National Action Plan on Climate Change (NAPCC) we have adopted strategies to address climate change related impacts and developed mitigation and adaptation plans. Our approach has been to integrate these plans with our business strategies.

- Work towards minimising waste generation, maximising reuse & recycling and using external post consumer waste as raw material in our Units.

3. Creating Sustainable Livelihoods and promoting sustainable agricultural practices.

OUR STRATEGIES INCLUDE

- 1. Identify and evaluate climate change risks for each business.**
- 2. Reduce the environmental impact of our processes, products and services and work towards creating a positive environmental footprint.**
 - Adopt a low carbon growth path through reduction in specific energy consumption and enhancing use of renewable energy sources.
 - Enlarge our carbon positive footprint through increased carbon sequestration by expanding forestry projects in wastelands.
 - Reduce specific water consumption and augmenting rainwater harvesting activities both on-site and off-site at watershed catchments areas.





CLIMATE CHANGE RISKS



Based on our assessment through comprehensive studies to identify and evaluate the climate change risks for all our businesses, individual strategies for mitigation and adaptation have been worked out.

AGRICULTURE

Since ITC is largely dependent on agricultural inputs, possible disruption in agricultural patterns & yields is a significant potential risk. Besides the direct impacts of climate change, water availability is the single largest risk that we foresee. A decline in agricultural output due to changed weather patterns and higher temperatures not only impacts ITC but

also threatens to push millions of marginal farmers over the brink, thus increasing the vulnerability of those who are dependent on agriculture for their livelihoods. ITC continues to pursue a Triple Bottom Line approach that contributes to the creation of economic, environmental and social capital.

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

ITC continues to pursue a Triple Bottom Line approach that contributes to the creation of economic, environmental and social capital





BUILT ENVIRONMENT

Our businesses and Units are also exposed to the physical risks associated with the impact of 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. While all new buildings have been constructed in line with the requisite factors of safety, existing buildings and infrastructure were reinforced wherever required. This initiative was taken up in a phased manner and has been completed.

Disruption in road and rail traffic by such extreme events may also affect the output of individual Units, 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.

Establishment of Green buildings is one of the relevant responses to these environmental challenges. ITC was the pioneer in the green buildings movement, which commenced with the construction of the ITC Green Centre at Gurgaon, which in 2004 was the largest LEED platinum rated office space in the world.

During the recertification carried out in 2012, the ITC Green Centre was identified as the highest rated green building in the World with platinum certification. All new construction by ITC now incorporates validated green attributes and efforts are underway to have existing buildings and factories also meet these validated green norms. In this year, the Cigarette factories at Bengaluru and Saharanpur have also received LEED platinum rating from the Indian Green Building Council and all ITC premium luxury hotels are now LEED certified green buildings with platinum rating.

During the recertification carried out in 2012, the ITC Green Centre was identified as the highest rated green building in the World with platinum certification



MINIMISING CARBON INTENSITY AND ADOPTING A LOW CARBON GROWTH PATH



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

SOURCES OF ENERGY

In 2011-12, ITC Units consumed 21,130 Terra Joules (TJ) of energy, which is 6.3% lower than the energy utilised in the previous year (22,554 TJ in 2010-11), in spite of significant growth in almost all businesses. This is attributed to the multitude of energy conservation projects implemented across ITC Units.

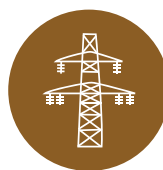
In 2011-12, 8133.3 TJ of the total energy consumed was from renewable sources which is an increase of 2.2% over the previous year (7957.2 TJ in 2010-11). Improved utilisation of carbon neutral fuels such as biofuels in the Paperboards and Specialty Papers Business and the commissioning of 13.8 MW wind power projects in Maharashtra and Tamil Nadu, 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.

SOURCES OF ENERGY IN ITC (2011-12)



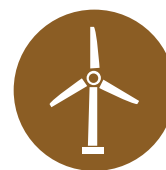
**12,356 TJ
(58.5%)**

ENERGY DIRECTLY
FROM FOSSIL FUELS



**641 TJ
(3.0%)**

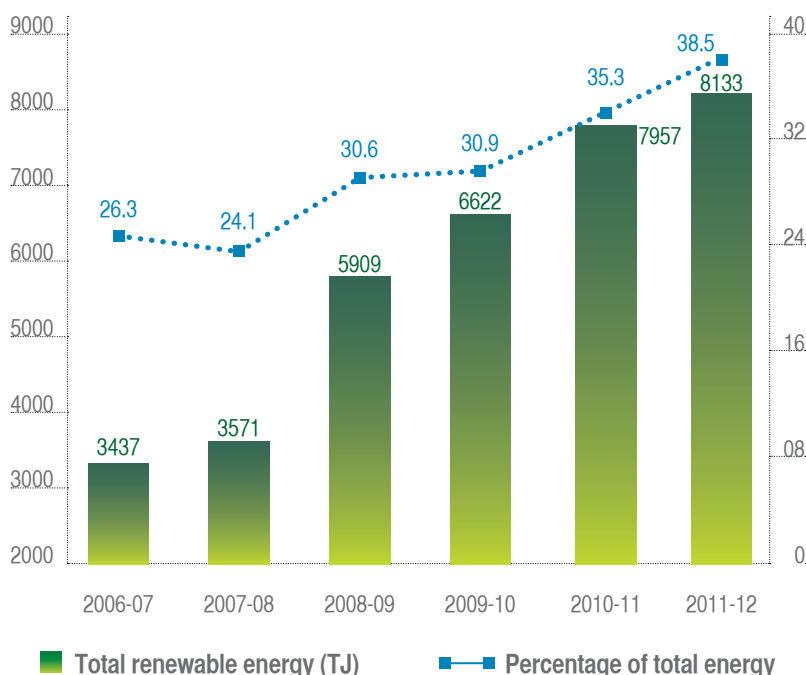
ENERGY PURCHASED
FROM STATE UTILITIES



**8,133 TJ
(38.5%)**

ENERGY FROM
RENEWABLE SOURCES

RENEWABLE ENERGY UTILISATION IN ITC





Improved utilisation of carbon neutral fuels such as biofuels in the Paperboards and Specialty Papers Business and the commissioning of 13.8 MW wind power projects in Maharashtra and Tamil Nadu, contributed to increased utilisation of renewable energy

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.

ENERGY CONSUMPTION WITHIN ITC ACROSS BUSINESSES (2011-12)

	Paper & Paperboards	19009.9TJ	90%
	Hotels	505.8TJ	2.4%
	Leaf	463.6TJ	2.2%
	Cigarettes	462.9TJ	2.2%
	Foods & Personal Care Products	350.0TJ	1.7%
	Packaging	250.2TJ	1.2%
	Others*	87.8TJ	0.4%

TJ - Terra Joules

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

** Total Energy - 21,130TJ

6.3%

LESS ENERGY UTILISED THAN THE PREVIOUS YEAR

38.5%

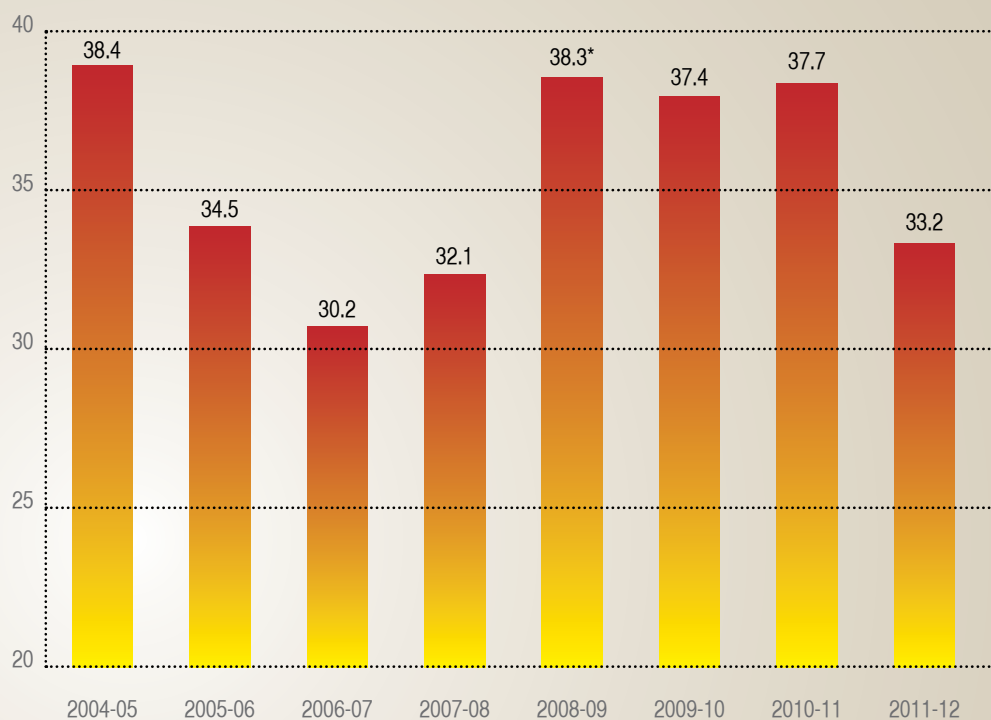
ENERGY CONSUMED FROM RENEWABLE SOURCES

2.2%

INCREASE OF RENEWABLE ENERGY UTILISATION OVER THE PREVIOUS YEAR



SPECIFIC ENERGY CONSUMPTION (GJ/TONNES): BHADRACHALAM



*Due to installation of additional pulping facility

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

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 resulted in substantial improvement in specific energy performance.

In the Paperboards and Specialty Papers Business, the three factories, Bhadrachalam, Tribeni and Kovai together accounted for 89.7% of total energy consumption for ITC. ITC's Paperboards and Specialty Papers Business 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 2011-12, the Paper & Paperboards Unit at Bhadrachalam significantly reduced its specific energy consumption by 12% over the last year, as illustrated above. This is a noteworthy achievement as this Unit alone accounts for 71% of total energy consumption in ITC. Tribeni Specialty Papers Unit also reduced the energy used per tonne of paper by 3.8 % over the last year.

The Cigarettes Business in 2011-12 utilised 5.28 GJ of energy per million cigarettes (equivalent) compared to 6.5 GJ per million cigarettes in 2010-11, a reduction of 18.8% over the previous year. The cigarette manufacturing Unit of ITC at Pune reduced its specific energy consumption from 4.92 to 3.29 GJ per million cigarettes (equivalent), a reduction of 33.1% over the previous year. The largest cigarette manufacturing Unit of ITC at Bengaluru also reduced its specific energy consumption from 9.59 to 6.75 GJ per million cigarettes (equivalent), a reduction of 29.6% over the previous year. Both these are comparable with international benchmarks on specific energy consumption for cigarettes business.

There has been a substantial improvement in the specific energy consumption at the Soap and Shampoo Units at Manpura of the Personal Care Products Business and the Snacks Units of the Foods Business in Haridwar and Pune, as illustrated below:

Paper & Paperboards Business

12% & 3.8%

REDUCTION BY
BHADRACHALAM UNIT
& TRIBENI SPECIALTY
PAPERS UNIT

Cigarettes Business

33.1% & 29.6%

REDUCTION BY PUNE
UNIT & BENGALURU
UNIT

BUSINESS	UNIT	PRODUCT	2010-11 (GJ/Tonnes)	2011-12 (GJ/Tonnes)	PERCENTAGE IMPROVEMENT
Personal Care	Manpura	Shampoo	175.63*	115.18*	34.4
Personal Care	Manpura	Soap	2.23	1.30	41.6
Foods	Haridwar	Snacks	5.19	4.33	16.6
Foods	Pune	Snacks	8.83	6.73	23.8

*GJ/KL

In the Hotels Business, significant improvements in specific energy consumption have been achieved by ITC Gardenia (28%) and ITC Windsor (17.4%).

The Leaf Threshing Unit in Anaparti also reduced its specific energy consumption by 17.5% over the previous year.

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

Cigarette Unit at Kolkata	8.6%
Cast Coating Unit at Bollaram	8.7%
Packaging & Printing Unit at Tiruvottiyur	13.3%

Additional data on energy conservation measures implemented by ITC units are available at www.itcportal.com under Report and Accounts 2012.

ITC has registered several Clean Development Mechanism (CDM) projects with UNFCCC (United Nations Framework Convention on Climate Change) under the Kyoto Protocol. In addition, a number of projects are in various stages of registration with the CDM Board or 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.

In addition, we are well positioned to leverage other opportunities that lie in India specific schemes which are on the anvil, such as Perform, Achieve and Trade (PAT) or Renewable Energy Certificates (RECs) promoted by the Government of India.



**ITC: A
'CARBON
POSITIVE
COMPANY'
7th YEAR
IN A ROW**

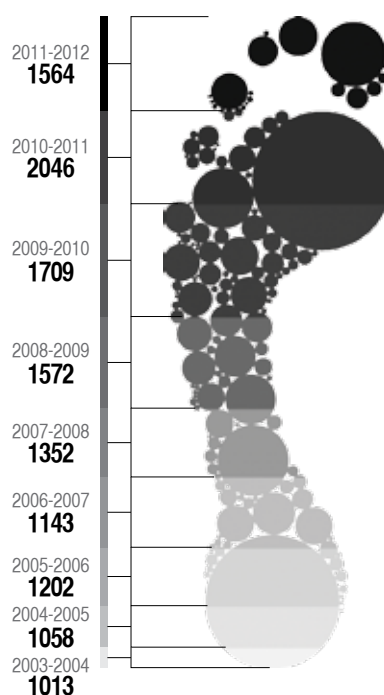
ENLARGING ITC'S CARBON POSITIVE FOOTPRINT

In 2011-12, ITC's operations (manufacturing & freight) generated total CO₂ emissions of 1,564 Kilotonnes (2,046 Kilotonnes in 2010-11). The reduction in energy consumption and associated CO₂ emissions primarily reflects energy efficiency measures taken and revisions in computation of calorific value of fuel which the organisation has adopted in order to conform to the ISO 14064 standard. The reduction in emissions is also due to the increased contribution from renewable energy sources. The total emissions, estimated in accordance with the GRI-G3 reporting framework, include 1,157 Kilotonnes of CO₂ emissions arising from use of direct energy (Scope 1), 160 Kilotonnes from purchased electricity (Scope 2) and 247 Kilotonnes emitted due to transportation of materials and products (Scope 3).

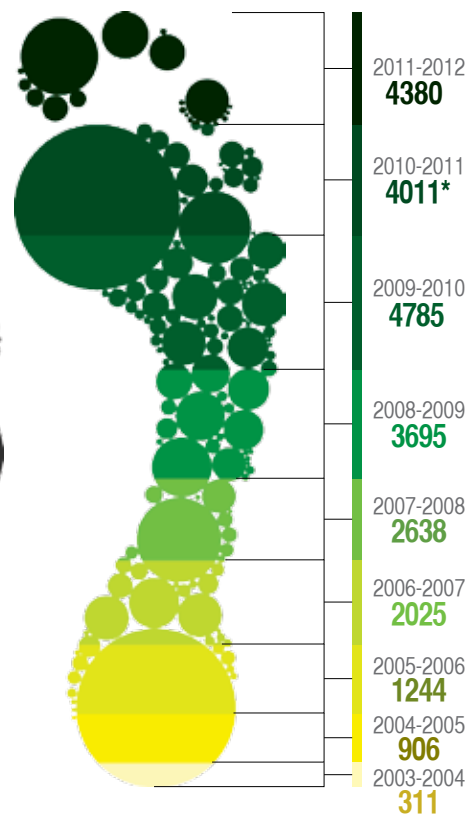
ITC's Social and Farm Forestry Initiatives added more than 11,000 hectares of plantations during 2011-12. Total plantations as on March 31, 2012, now stand at over 125,000 hectares. The Social and Farm Forestry Initiatives have not only contributed to sustainable source of raw material for the Paperboards Business, but has also helped sequester additional 4,380 Kilotonnes of CO₂ in this year, thus consolidating ITC's status as a 'Carbon Positive Company' for the seventh year in a row. The Social and Farm

Forestry Programmes have also provided 56.2 million person-days of employment to date for small and marginal farmers.

CO₂ RELEASED (MANUFACTURING & FREIGHT) IN KILOTONNES



CO₂ SEQUESTERED IN KILOTONNES



*Dip in CO₂ 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.

WATER MANAGEMENT



FOR ALL OUR TOMORROWS

- Ensuring lower specific water consumption through water conservation measures
- Sustained efforts to ensure zero effluent discharge by treating and recycling waste water
- Integrated Watershed Management Programmes and on-site rain water harvesting
- Water Positive for 10 years 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 the 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 treated waste water of satisfactory quality to neighbouring farmer communities during the non-monsoon period so as to enable agriculture during the dry season.

ITC's approach to Water Management are: Water Conservation, Zero Effluent Discharge and Water Availability



WATER CONSERVATION



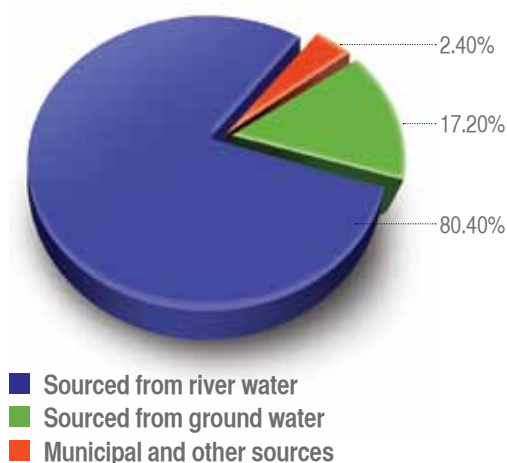
In 2011-12, ITC units withdrew 29.02 million Kilotres (KL) of freshwater, (29.36 million KL in 2010-11), a reduction of nearly 1.2% over the previous year, despite significant growth in almost all businesses. This was made possible only by focused efforts by all Units through water audits, benchmarking and adoption of leading practices to achieve the lowest possible specific water consumption (water required per unit of production).

This year, of the total fresh water withdrawal by ITC, the Paperboards & Specialty Paper mills at Bhadrachalam, Kovai & Tribeni alone accounted for 91.8% of the total fresh water withdrawal by ITC.

WATER SOURCES

Of the 29.02 million KL of fresh water, 80.4% of water was sourced from river water, 17.2% from ground water sources and only 2.4% from municipal and other water sources.

SOURCES OF WATER IN ITC (2011-12)





At Bhadrachalam Unit where the production volumes have increased by more than three times between 1998-99 and 2011-12, the fresh water intake of the mill has increased by only 13% during the same period

BHADRACHALAM UNIT

India's largest integrated paper and paperboards mill, accounted for 75% of the total fresh water intake in ITC. While the production volumes have increased by more than three times between 1998-99 and 2011-12, the fresh water intake of the mill has increased by only 13% during the same period.

In 2011-12, the Bhadrachalam Unit's

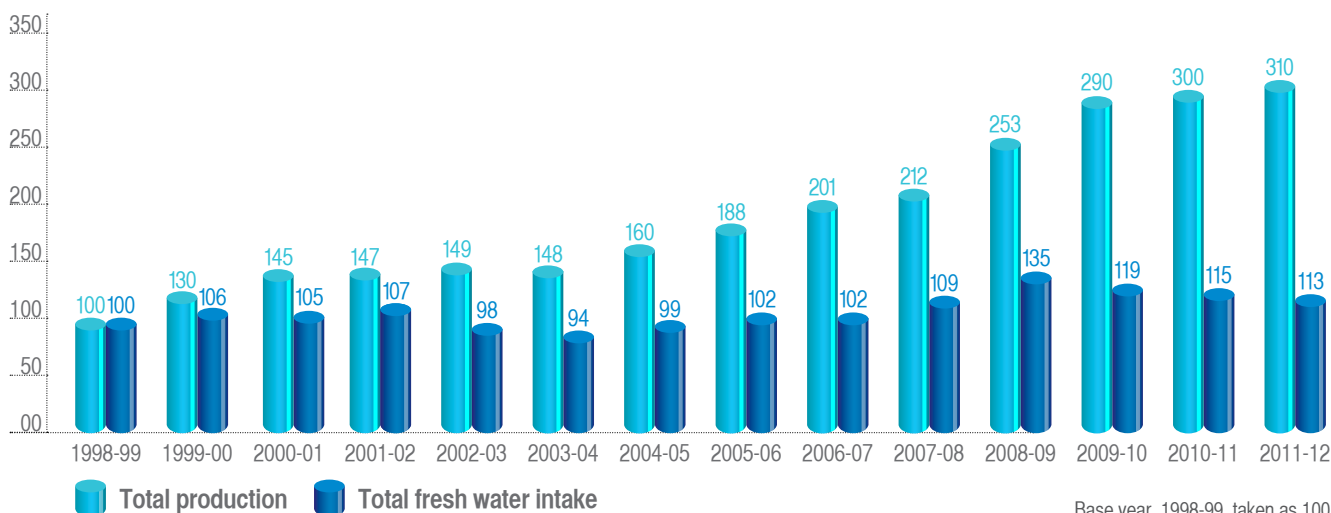
freshwater intake was 48.2 Kilolitre per tonne of product, a significant reduction of 4.5% over the last year (50.5 KL/tonne in 2010-11). It is worth mentioning that this surpasses the proposed benchmark standard of 63 KL/tonne as set by the National Productivity Council (NPC), for large scale integrated 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).



**4.5%
Reduction**

IN SPECIFIC
FRESHWATER INTAKE
OVER THE LAST YEAR AT
OUR BHADRACHALAM
UNIT

NORMALISED PRODUCTION VERSUS FRESH WATER INTAKE COMPARISON OF BHADRACHALAM UNIT





TRIBENI UNIT

The Tribeni mill manufactures specialty paper, which is a water intensive process. The unit has implemented various water conservation measures, resulting in the reduction of specific freshwater intake per tonne of product by over 55% during the reporting period, in comparison to 1998-99.

OTHER UNITS WHICH ACHIEVED SIGNIFICANT REDUCTION IN SPECIFIC FRESHWATER INTAKE OVER THE LAST YEAR:

11.5%

CIGARETTE UNIT AT KIDDERPORE

15.9%

PACKAGING & PRINTING UNITS AT TIRUVOTTIYUR

12.8%

CAST COATING UNIT AT BOLLARAM

18.4%

ITC KAKATIYA

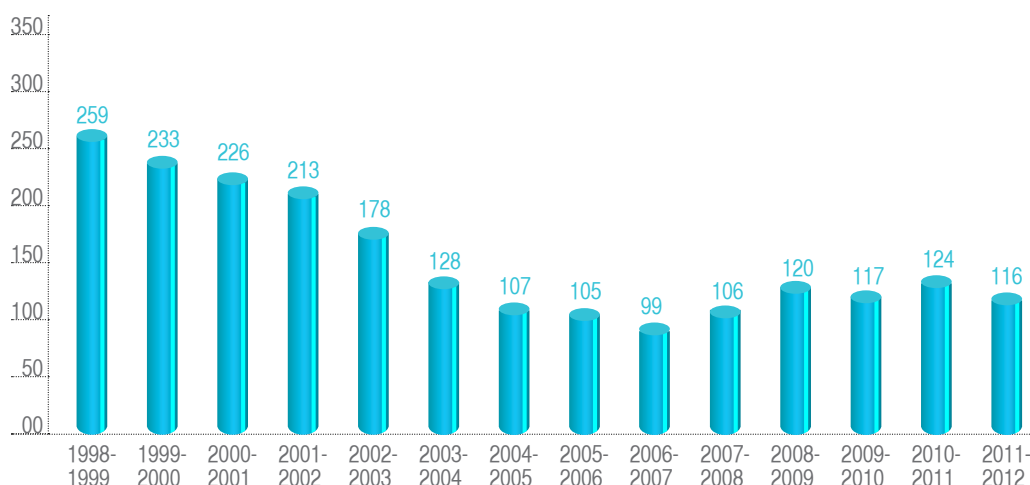
12.9%

LEAF THRESHING UNIT AT ANAPARTI

22.3%

ITC RAJPUTANA

SPECIFIC FRESH WATER INTAKE IN TRIBENI MILL (KL/TONNE)



55.2% Reduction

IN SPECIFIC FRESH WATER INTAKE OVER 1998-99 IN TRIBENI UNIT

KOVAI UNIT

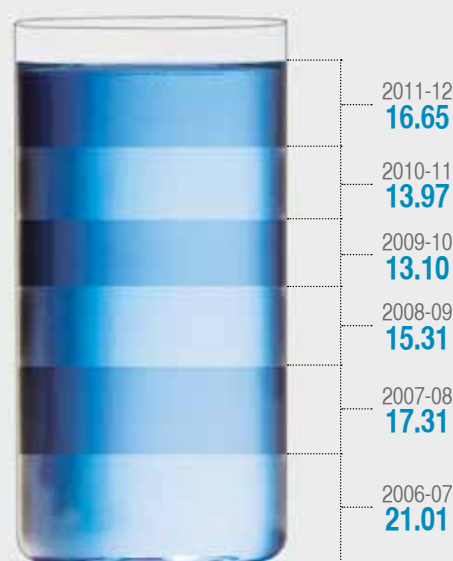
The specific freshwater intake (KL/tonne) in Kovai Unit was 20.8% lower than the specific fresh water intake during 2006-07.

This specific freshwater intake of 16.65 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.

ITC's Soap Unit at Manpura of Personal Care Products Business and the Snacks Units of the Foods Business at Haridwar and Pune have also achieved substantial savings in freshwater intake per tonne of product as illustrated below:

BUSINESS	UNIT	PRODUCT	2010-11 (Lt/Kg)	2011-12 (Lt/Kg)	% IMPROVEMENT
Personal Care Products	Manpura	Soap	1.40	0.86	38.7
Foods	Haridwar	Snacks	5.90	4.37	26.0
Foods	Pune	Snacks	11.69	6.76	42.2

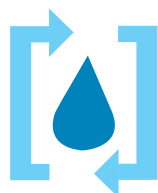
SPECIFIC FRESH WATER INTAKE IN KOVAI (KL/TONNE)



20.8% Reduction

IN SPECIFIC FRESH WATER INTAKE OVER 2006-07 IN KOVAI UNIT

EFFLUENT DISCHARGE



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

Many ITC units have already achieved the goal of zero effluent discharge. For example this year, the following units recycled all their treated effluents in-house and achieved zero effluent discharge status: Cigarette Factories at Bengaluru, Saharanpur & Pune, Leaf Processing Units at Anaparti & Chirala, Packaging & Printing Unit at Tiruvottiyur, Research Centres at Bengaluru & Rajahmundry, Paperboards Units at Kovai and Bollaram, Personal Care Soap Unit at Manpura, and ITC Green Centre at Gurgaon.

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 and housing colony at Nepal and in the new Cigarette Unit at Pune with several other installations in the pipeline.

Among the ITC businesses, the Paperboards and Specialty Paper business is confronted with the most serious challenges in effluent quality and quantity.





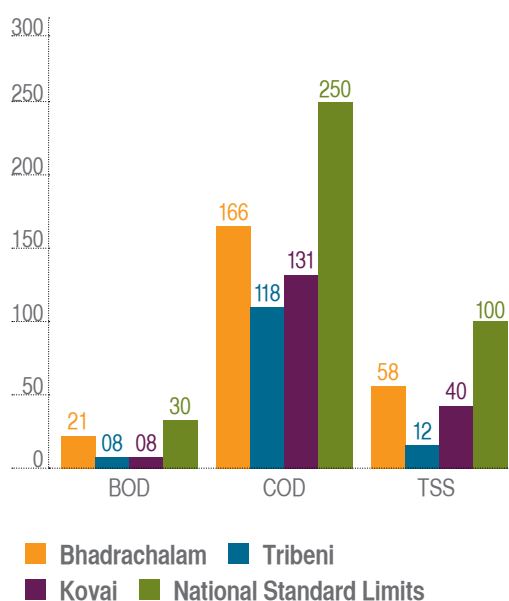
FOR ALL OUR
TOMORROWS



Bhadrachalam, Tribeni and Kovai 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.

In 2011-12, the two Paper & Paperboard mills, Bhadrachalam and Tribeni accounted for 98% of total wastewater discharged outside the Unit premises in ITC. The Kovai wastepaper based Paperboards Unit recycled/reused the entire treated effluents within the Unit premises for irrigation purposes this year. The treated effluent quality is far better than the stipulated standards, as depicted below:

TREATED EFFLUENT QUALITY: ANNUAL AVERAGE (2011-12) - ITC PAPERBOARDS & SPECIALTY PAPER UNITS



BOD
Biochemical
Oxygen Demand

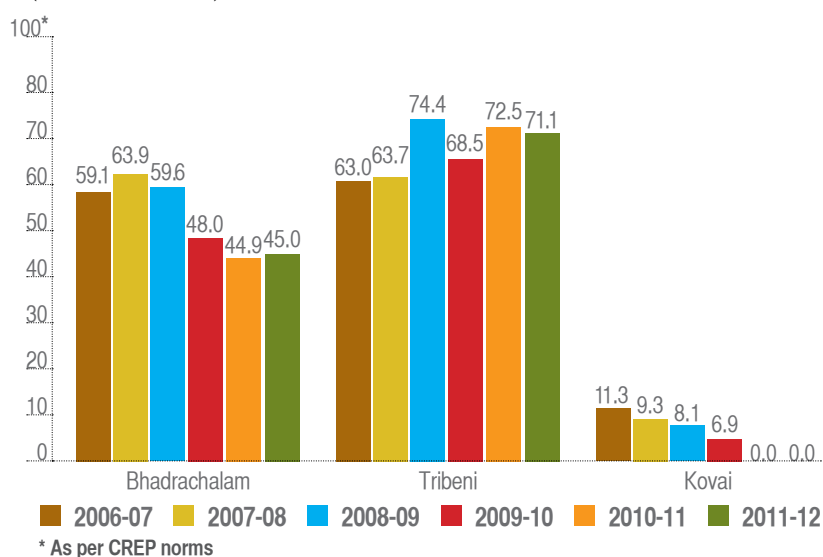
COD
Chemical
Oxygen Demand

TSS
Total
Suspended Solids

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

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 PAPER 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 45 KL/tonne at Bhadrachalam is again better than the above proposed benchmark.

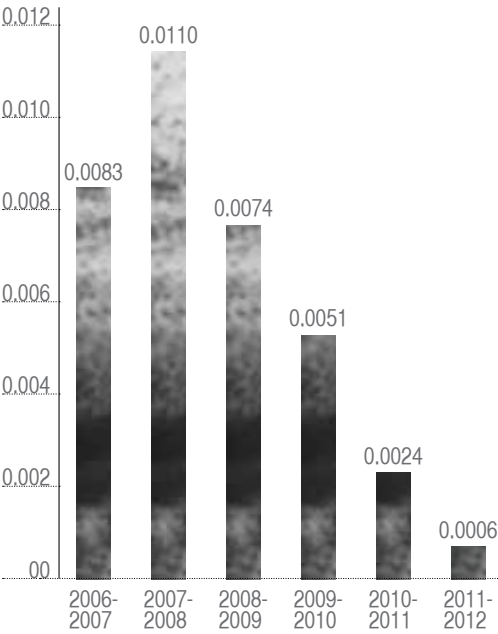
98%

BHADRACHALAM AND TRIBENI UNITS ACCOUNTED FOR 98% OF TOTAL WASTEWATER DISCHARGED OUTSIDE THE UNIT PREMISES IN ITC

Similarly, the above report suggests a benchmark standard of 15m³/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, this year.

In the current year, Absorbable Organic Halides (AOX), (applicable only to Bhadrachalam Unit) level was a mere 0.0006 Kg/tonne of product which is well within national and international benchmark figures as depicted below:

SPECIFIC AOX LEVELS IN BHADRACHALAM UNIT (KG/TONNE)



	units in kg/tonne
Indian Paper/Paperboard mills	0.46-0.8
European Paper Industries	0.029
World Bank Standard	0.25

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

CEPI (Confederation of European Paper Industries), Sustainability Report 2011

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





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.

As on March 31, 2012, ITC's Watershed Projects covering nearly 90,000 Hectares of land, support the Water Positive status of the Company for the 10th 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.

**ITC: WATER
POSITIVE
FOR TEN
CONSECUTIVE
YEARS**

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

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

** Not available

All figures in Million KL, except percentage

RECYCLING AND WASTE MANAGEMENT



FOR ALL OUR TOMORROWS

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



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

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

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

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

1. RESOURCE CONSERVATION

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

2. SEGREGATION AT SOURCE

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

3. TOWARDS 100% RECYCLING

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

4. CREATING A POSITIVE ENVIRONMENTAL FOOTPRINT

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

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

RESOURCE CONSERVATION



In 2011-12, ITC Units generated 663,796 tonnes of wastes, most of which was generated by our Paperboards & Specialty Papers Division (90.7%). This 4% increase over the last year is due to higher production volumes in almost all businesses and increased pulp production (replacing imported pulp) in the Bhadrachalam Paper and Paperboards Unit.

In 2011-12, Cigarette Units at Bengaluru & Saharanpur achieved a reduction of 4% and 11% respectively, in waste generation per million cigarettes (equivalent) over the previous year. The Simra Unit of Surya Nepal Limited also reduced waste per million cigarettes (equivalent) by 19.2% over the last year.

There has been a substantial improvement in the specific waste generation at the Soap Units of the Personal Care Products Business at Manpura and Haridwar as has been with the Snacks Units of the Foods Business in Haridwar and Pune, as illustrated in the table on the following page.

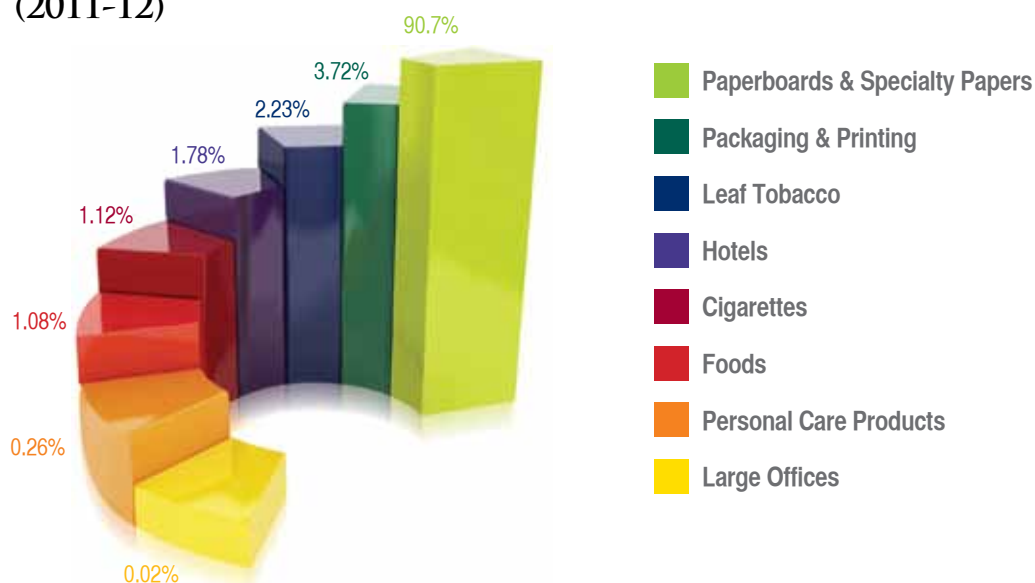
UNITS, WITH SIGNIFICANT REDUCTION IN SPECIFIC WASTE GENERATION IN 2011-12, ARE AS LISTED BELOW:

32.8%	32.2%	27.1%	23.0%	7.5%
ITC MARATHA	ITC KAKATIYA	ITC MAURYA	LEAF THRESHING UNIT AT ANAPARTI	PAPERBOARDS & SPECIALTY PAPER UNIT AT TRIBENI

BUSINESS	UNIT	PRODUCT	2010-11 (Kg/Tonne)	2011-12 (Kg/Tonne)	% IMPROVEMENT
Foods	Haridwar	Snacks	221.7	141.2	36.3
Foods	Pune	Snacks	224.2	150.8	32.7
Personal Care	Manpura	Soap	42.9	32.0	25.4
Personal Care	Haridwar	Soap	66.9	52.4	21.7



BUSINESS-WISE BREAKUP OF WASTES GENERATED IN ITC (2011-12)



SEGREGATION OF WASTE

Of the total waste generated, only 3.6% by weight is hazardous waste as per the mandate of Indian statutes. In 2011-12, 99% of these hazardous wastes were recycled as detailed below and the balance 1% 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.



99%

OF THE HAZARDOUS WASTES WERE RECYCLED IN 2011-12

HAZARDOUS WASTE ITEM	QUANTITY (TONNES)	DISPOSAL
Sludge from effluent treatment plant of Paperboards and Specialty Papers factories	23,202	To authorised agencies for making paperboards, trays, etc.
	76	Authorised Landfill
Empty containers of hazardous chemicals	420	Decontaminated and returned to original suppliers
Used oil	127	Recycled through authorised recyclers
Used batteries	77	Returned to original suppliers
Spent solvents/ink/ink sludge/adhesives	53	Recycled
	152	Incinerated or sent to authorised landfills/stored within the Unit
Biomedical waste	2	Incinerated/Autoclaved



TOWARDS 100% RECYCLING

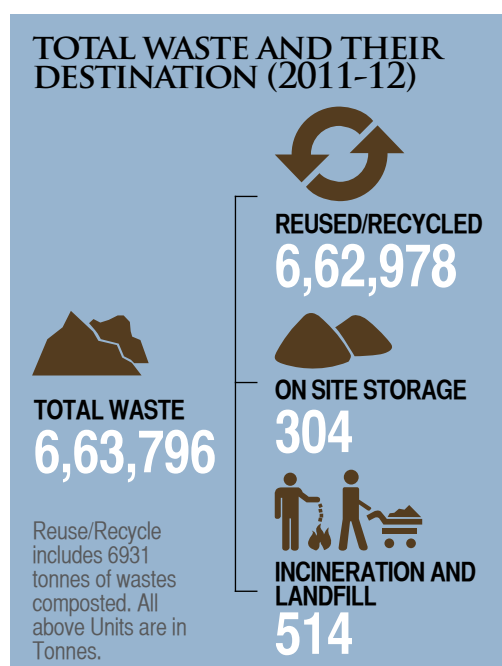


Since generation of waste cannot be completely eliminated due to limitations in processes or technology, ITC Businesses/Units are mandated to recycle all (100%) wastes. This not only conserves precious natural resources and energy but also prevents wastes from reaching landfills, with all its attendant problems like 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 99.9% of waste generated, although the total quantity of waste has increased by 4%.

ITC's Unit at Bhadrachalam which is India's largest integrated Paper & Paperboards mill, accounted for 77% of the total wastes generated in ITC. What is noteworthy is that this Unit recycled 99.9% wastes in 2011-12. This Unit at Bhadrachalam generated 1127 kg of waste per tonne of paper/paperboard in 2011-12; an increase of close to 1% over last year (1116 kg/tonne in 2010-11), due

to enhanced pulp production to substitute imported pulp 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 1,200 kg of solid waste per tonne of paper.

In 2011-12, ITC generated 277,069 tonnes of fly ash, (41.7% of total waste in ITC). This is 3.9% less than the previous year, due to better utilisation of carbon neutral fuel such as biomass thus reducing coal consumption.

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

The following Units reused/recycled entire wastes (more than 99%) generated out of their operations:

Cigarette factories at Munger, Bengaluru, Saharanpur, Kolkata and Pune, Paperboards & Specialty Papers Units at Bhadrachalam, and Tribeni, Personal Care Business Units at Haridwar and Manpura 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 Gardenia, ITC Kakatiya, ITC Sonar, My Fortune, Chennai, ITC Rajputana and WelcomHotel Sheraton New Delhi.

3.9%

LESS FLY ASH THAN
THE PREVIOUS YEAR
(277,069 TONNES)

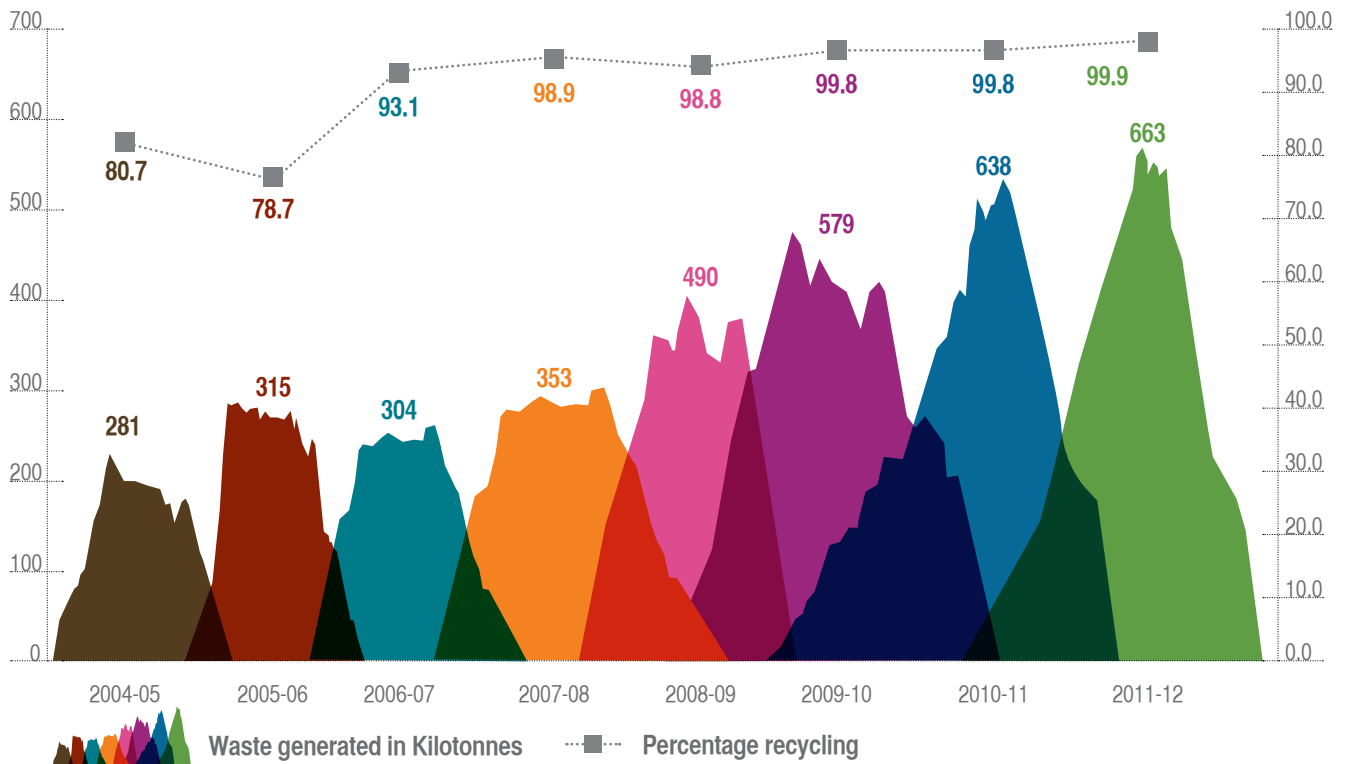
99.9%

WASTES WERE
RECYCLED AT
BHADRACHALAM IN
2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
Total waste (tonnes)	352,970	490,180	578,865	638,405	663,796
Waste recycled (tonnes)	349,264	484,287	577,766	637,452	662,978
% Recycled	98.90%	98.80%	99.80%	99.80%	99.90%
Un-recycled waste (tonnes)	3,706	5,893	1,099	953	818
External wastes used as raw materials (tonnes)	163,245	125,337	125,931	119,002	115,414
Waste recycling footprint (%)*	145	124	122	119	117

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

PROGRESS ON WASTE RECYCLING



WASTE USED AS RAW MATERIALS

ITC's Kovai Paperboards Unit, continued to use post-consumer wastepaper for the entire production and our Bhadrachalam Unit also utilised 26,471 tonnes of post-consumer waste paper as raw material.

ITC not only recycled almost all the solid waste generated by its Units, but also procured and recycled 1,15,414 tonnes of waste paper this year, resulting in yet another positive environmental footprint.

CREATING WEALTH OUT OF WASTE (WOW)

ITC's WOW initiative not only creates awareness among the public about the advantages of the "Reduce-Reuse-Recycle" process, protecting the environment, improving civic amenities, public health and hygiene but also generates cost-effective raw materials for the paper, plastics, metal and glass industries.

To emphasise the importance of source segregation, ITC provides special bags to accumulate dry wastes like paper, plastic and metals and arranges periodic collection through outsourced agencies. The waste paper is used by

ITC and the other materials are sold to recycling industries. Segregated dry waste can save almost 40% of municipal garbage handling costs, which can be utilised to improve civic amenities.

What started in a small way with households has now spread to schools, government offices, Corporates and other institutions. In 2007, the WOW initiative with an average monthly collection of 100 MT, spread itself across South India and in 2011-12, 26,000 tonnes of waste was collected through this initiative.

ITC: SOLID WASTE RECYCLING POSITIVE FOR 5 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



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

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

In 2011-12, the total significant air emissions included 701 tonnes of Particulate Matter (PM), 732 tonnes of NO_x and 841 tonnes of SO₂ emissions (In 2010-11, PM: 765, NO_x: 874 and SO₂: 1133 tonnes). The decrease in the total emissions over the last year is due to reduced use of internally generated energy from fossil fuels in ITC and better utilisation of energy from renewable sources.

In 2011-12, Particulate Matter emissions from Bhadrachalam were 1 kg per BDMT (Bone-Dry Metric Tonne) of production, an improvement of 24.2% over the previous year (1.32 kg/BDMT in 2010-11). 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 2011-12, the specific NO_x emission in Bhadrachalam was better than the standards stipulated in European countries, as illustrated below:

BHADRACHALAM	NOx (Kg/tonne)				
	2007-08	2008-09	2009-10	2010-11	2011-12
	0.43	0.69	0.60	0.58	0.46
Standards					
Sweden	1.2-2.4				
EU	1.0-1.8				
EU-BAT*	1.0-1.5				
Reported Values					
CEPI**	0.85				

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

Sources –

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

*EU-BAT:EU Norm Best Available technology

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



FOR ALL OUR
TOMORROWS

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

BHADRACHALAM	SO ₂ (Kg/tonne)				
	2007-08	2008-09	2009-10	2010-11	2011-12
	0.50	0.84	0.79	0.74	0.61
Standards					
Sweden			0.5-1.4		
EU			0.1-0.5		
EU-BAT*			0.2-0.4		
Reported Values					
CEPI**			0.24		

Sources –

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

*EU-BAT:EU Norm Best Available technology

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

In addition to the above parameters, our Unit at Bhadrachalam also monitors Hydrogen Sulphide. The average measured value for the year 2011-12 was 2.96 mg/Nm³, much lower than the regulatory norm of 10mg/Nm³.

All other Units are also making concerted efforts to reduce specific emission levels. Significant reduction in specific emission levels in some of the Units in ITC along with the percentage improvement over the previous year has been depicted below:

BUSINESS UNIT	LOCATION	% IMPROVEMENT IN SPECIFIC EMISSIONS		
		PM	NOx	SO ₂
Foods-Snacks	Pune	44.5	21.3	46.4
Personal Care-Soap Unit	Haridwar	23.1	17.0	92.8
Personal Care-Soap Unit	Manpura	72.3	82.5	99.5
Leaf Threshing Unit	Chirala	29.7	28.9	44.3
Packaging & Printing Unit	Haridwar	14.2	37.6	36.0
Cast Coating Unit	Bolaram	22.7	15.3	23.8
ITC Maratha	Mumbai	21.6	24.4	22.1
ITC Mughal	Agra	68.7	29.5	57.9
Cigarettes Unit	Bengaluru	30.9	72.1	78.6





OZONE DEPLETING SUBSTANCES (ODS)

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

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

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

In 2011-12, the total consumption of ODS by all our Units was 152 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 taken into consideration right from the design stage and include measures for leakage/spillage prevention, containment provisions, impervious flooring, leak detection system as well as all requirements as per Material Safety Data Sheets (MSDS) for hazardous chemicals. Safe work practices on handling & storage, procedures for leak detection and

spill control and preventive maintenance have been instituted to avoid any incidence of uncontrolled spills or leakage. The effectiveness of these measures is checked on a regular basis.

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

In 2011-12, 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

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

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

There was no violation of environmental laws/regulations in any ITC unit during 2011-12.

All the new/expansion projects have been undertaken after due Environmental Impact Assessments (EIA) and stakeholder consultations, as applicable.

ITC had developed and implemented an ODS phase out plan in accordance with the Government of India's ODS Rules, 2000



MATERIAL SUSTAINABILITY IN ITC'S BUSINESSES

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

A very significant and large proportion of raw materials in ITC businesses are sourced from agricultural farms and plantations. Our initiatives in developing large scale Social and farm forestry plantations, watershed developments, empowering the marginal farmers through e-Choupals (described elsewhere in this report) have helped in ensuring raw material sustainability in ITC Businesses. In 2011-12, ITC consumed over 16,00,000 tonnes of materials, out of which close to 94% of raw materials are agri based and thus renewable.

paperboards for packaging. This integration provides the Company unique opportunities to establish synergy thereby minimising environmental impact through optimum utilisation of raw materials, recycling/reuse of wastes and optimum logistics and transportation. This synergy, significantly, reduces environmental footprint of ITC products and services.

We have completed studies on life cycle assessment of some of our products/services. Based on the outcome of these studies, we plan to carry out more life cycle assessment of products/services to evaluate the environmental impacts at the various life cycle stages. This would help us in identifying opportunities for improving their environmental attributes.

In 2011-12, ITC consumed over 16,00,000 tonnes of materials, out of which close to 94% of raw materials are agri based and thus renewable

ENVIRONMENTAL FOOTPRINT OF OUR PRODUCTS:

ITC products can be broadly classified into the following categories:

1. FMCG (B to C) Products:

Cigarettes, Foods, Personal Care Products.

2. Industrial Supplies and Exports:

Paper, Paperboards, Packaging; Leaf Tobacco, etc.

3. Services:

Hotels and ITC Infotech.

Since ITC is vertically integrated to a large extent, it provides opportunities for successive value addition, within the system for several categories of products such as



Responsible Sourcing of Wood Fiber:

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 59% 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 17% comes from recycled fibre, processed at Kovai and Bhadrachalam and the balance 24% is imported pulp used at Bhadrachalam and Tribeni Units. 90.3% of fibre manufactured in Bhadrachalam is from wood

sourced from our social and farm forestry initiatives and the balance (9.7%) is from other sources. Fibre for operations at the Kovai Unit is totally sourced from recycled waste. 100% of wood and recycled fiber 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 57.44 million high quality saplings to farmers and planted 11,000 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.



**GLOBAL
FOREST
& TRADE
NETWORK**

Forest Stewardship Council Certifications

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

The FSC (Forest Stewardship Council) is an independent, non-governmental; not-for-profit organisation established to promote the responsible management of the world's forests and is recognised as the gold standard in the wood certification for ethical and legal sourcing. The FSC is represented in more than 107 countries around the world, and is the most widely accepted and respected amongst forest product certification schemes.

FSC endorsement implies that an organisation complies with its principles and criteria in the different areas of its functioning.

ITC's Paper and Paperboard Division can now supply FSC certified paper /paperboards from all its four Units with the FSC claim of 'FSC Mixed' or 'FSC Recycled'. FSC logo on products enables customers to buy confidently knowing that the products/package is from legal, sustainable and well managed sources

The FSC certification for ITC's Paperboards and Specialty Papers Units exemplifies the organisation's continued commitment to sustainable business practices and to the building of an inclusive and secure future for both its stake holders and the larger society.

In continuation of its commitment to expand its scope the organisation also got about 8,028 hectares of plantations owned by more than 9,000 small and marginal farmers certified for FSC – Forest Management as Group Manager. This ensures more supply of FSC

certified wood to its operations thereby giving options of reaching more certified material to the market. This certification brings better environmental practices and improves social benefits to the community around the Khammam district of Andhra Pradesh where the farm plots are located. The organisation is planning to bring in more areas under FSC – FM certification in the future.





SOCIAL PERFORMANCE

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





LABOUR PRACTICES AND DECENT WORK



FOR ALL OUR TOMORROWS

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





STAKEHOLDER ENGAGEMENT

Employees

ITC's robust strategy of organisation, climate of professionalism and time-tested caring culture constitute the framework for effectively channelising corporate vitality. ITC has made significant investments in developing talent across the organisational spectrum – from frontline management to business leadership, all geared to galvanise the Company to become more agile and stay ahead of change.

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

We have strived to attract and retain 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 rapidly embrace change.
- Developing leaders from a diverse pool of talented and passionate individuals.
- Creating an environment where employees are inspired, engaged and aligned with the Company's Vision, Mission and Core Values.

ENGAGING TALENT

Our Talent Management strategy is focused on building a 'future-ready' talent bank in the organisation to ensure a pipeline of high quality managerial talent, specialists and business leadership. 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 the opportunity to develop as leaders and contributors to a larger purpose. Our talent engagement approach is based on:

- Attracting and nurturing quality talent supported by significant investments in learning and development, a culture of care and concern supported by systems and processes that encourage engagement and involvement.
- Creating a responsive, stakeholder-centric and market focused culture that enhances organisational capability and vitality.

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

LOCAL HIRING & SENIOR MANAGEMENT

We recruit quality talent from premier campuses across the country through an objective and 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 resources. The strategy of organisation and its on-going emphasis on developing and supporting distributed leadership



has ensured that each of our Company's businesses are 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. In some of our Units, we also partner with local Industrial Training Institutes to provide vital inputs to the management of these institutions. A large number of youth are also provided apprenticeship opportunities in our manufacturing Units.

LABOUR PRACTICES AND DECENT WORK

Our human resource management systems and processes aim at creating a responsive, customer-centric and market focused culture that enhances organisational capability and vitality. Our unique employee value proposition backed by strong corporate equity enabled sustained engagement in challenging times.

During 2011-12, our full-time direct employees numbered almost 31,000 of which nearly 2,278 employees in the Leaf Tobacco business were engaged on a seasonal basis due to the very nature of the business.

In addition, approximately 11,887 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 526 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 13,000 of our direct employees are members of various unions. Employees were aligned and involved in the implementation of significant investments in technology and process improvements aimed at enhancing productivity, quality and delivery effectiveness. The harmonious relations at all operating Units is a reflection of the Company's approach to employee engagement focusing on a collaborative approach and mutuality of interests. There have been no disputes in ITC Units, nor has the Company lost any workbase on account of the same during 2011-12.

Our remuneration philosophy recognises performance and meritocracy, whilst being competitive and sustainable. This is reflected in the total employee cost of ₹1265 crores during 2011-12, which represents an 11% compounded annual growth over the last three years.

ATTRITION

The unique value proposition and the integrated approach to managing human resources is anchored on ITC's Group Philosophy and ITC's HR Philosophy. This enabled significant attraction, retention and motivation of employees. The overall attrition across management and non-management

Our human resource management systems and processes aim at creating a responsive, customer-centric and market focused culture that enhances organisational capability and vitality





employees for 2011-12 was 14%. Within the management cadre*, attrition was 11%.

* Management cadre consists of managers in Responsibility Levels 1 to 8 and does not include managers working with subsidiaries of ITC Limited

LEARNING AND DEVELOPMENT

ITC's Learning and Development initiatives are powered by a strong Learning & Development Vision – '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 2011-12 were aligned with this agenda. The on-going core programmes

were revitalised to reflect the emerging capability requirements. In addition to core programmes, customised programmes were also offered to address the needs expressed by businesses, aimed at building specific capabilities at various levels of the organisation.

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

In 2011-12, over 1,26,000 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 2011-12, over 1,26,000 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



FOR ALL OUR
TOMORROWS

OCCUPATIONAL HEALTH AND SAFETY



TC gives special emphasis to the Occupational Health & Safety of its employees (including that of service providers) and all visitors to its establishments. This is ensured through strict adherence to Corporate Environment, Health & Safety Guidelines, which have incorporated best international standards and practices. Corporate resources and expert third party agencies audit all ITC establishments on a periodic basis in order to verify compliance. 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 and 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 suggestion 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 together with the project. Pre commissioning audits are



also conducted to ensure compliance to all EHS requirements.

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

In order to disseminate the learnings from accidents, details of serious accidents, along with the root cause analysis and proposed corrective measures are communicated across the Company. This enables Units to be equipped for spearheading proactive measures that can eliminate/control similar situations.

LOST TIME ACCIDENTS, INJURY RATE AND LOST DAY RATE

All these efforts have yielded satisfactory results in safety performance during the reporting period. In 2011-12, the number of Lost Time Accidents (LTA) of ITC employees has been reduced to 7, which is 42% lower than the LTAs in the previous year, as is detailed below:

LOST TIME ACCIDENTS (LTA)

2011-12	07	2005-06	16	7 LTA HAPPENED DURING 2011-12
2010-11	12	2004-05	37	
2009-10	23	2003-04	27	
2008-09	15	2002-03	35	
2007-08	20	2001-02	33	
2006-07	14			

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

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

There was however 1 very unfortunate fatal accident reported from the Specialty Papers Unit of Tribeni in 2011-12, wherein a skilled employee was seriously injured during



maintenance work on a compressor, and passed away after a month of treatment. Based on detailed investigation of the accident, necessary corrective action has been implemented in all Units, which have similar equipments.

Lost day rate, defined as the number of days lost due to accidents for every 2,00,000 person hours, for the year 2011-12 was 25.3 (2.23 in 2010-11). This was mainly due to the fatal accident in Tribeni, which resulted in 48,000 man-hours lost on account of fatality (as per the Indian Standard IS: 3786-1983).

Injury rate, the frequency of injuries in relation to total time worked, has been brought down considerably. There has been an improvement of 60% in the injury rate as compared to 2010-11, despite significant growth in all Businesses. This reflects a consistent decline in the injury rate as has been illustrated below.

INJURY RATE (IR)

2011-12	0.02	2005-06	0.09
2010-11	0.05	2004-05	0.21
2009-10	0.09	2003-04	0.17
2008-09	0.06	2002-03	0.20
2007-08	0.09	2001-02	0.22
2006-07	0.08		

0.02
INJURY
RATE FOR
2011-12

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

A comprehensive incident/accident reporting system has been established in all Units. These incidents/accidents undergo a thorough investigation for identifying root causes and accordingly, corrective/preventive measures initiated

42%

LOWER LTA THAN
PREVIOUS YEAR

60%

IMPROVEMENT IN
THE INJURY RATE AS
COMPARED TO 2010-11



ZERO ACCIDENT UNITS

Many Units at ITC attained the goal of 'zero accidents' through effective implementation of safety management systems and adoption of state-of-the-art technologies. The following Units have achieved zero lost time accidents in 2011-12:

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

OCCUPATIONAL HEALTH

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

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

In 2011-12, 12,812 employees underwent preventive medical examinations, to identify symptoms of any occupational

PREVENTIVE MEDICAL EXAMINATION

2011-12	12,812
2010-11	12,430
2009-10	10,801
2008-09	11,510
2007-08	9,752
2006-07	8,006
2005-06	8,135
2004-05	7,718
2003-04	5,996
2002-03	4,556
2001-02	4,593



12,812

PREVENTIVE MEDICAL
EXAMINATION
CONDUCTED DURING
2011-12

illness and there were no occupation related illnesses reported from Units.

HIV/AIDS

We remained committed to various programmes and interventions introduced in response to the serious threat posed by HIV/AIDS. During 2011-12, we conducted 122 awareness programmes for the employees and communities around our Units. The interventions covered a total of 6,649 people of which 5,532 were our employees while the remaining were members of the local community. In addition we also organised counseling sessions at various locations covering a total of 1,482 people, of which 904 were our employees.

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



HUMAN RIGHTS SIGNIFICANT INVESTMENTS



During 2011-12, nearly 55% of our total capex cash flow of ₹2409 crores was incurred on machinery and technology, sourced from reputed global suppliers/vendors who follow internationally accepted norms and standards on Human Rights. Approximately ₹967 Crores were invested on new factories, hotels and modernisations.

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

In 2011-12 large projects such as construction of the Packaging & 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 factories at Kolkata are in progress. The Green Leaf Threshing Plant at Mysore and the Cigarette factory at Pune have been completed during the reporting period. All these were managed and supervised by ITC managers, who also ensured proper implementation of Human Rights compliance.

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

HUMAN RIGHTS: SUPPLY CHAIN

As a large and multi-product enterprise whose products are benchmarked

nationally and internationally, we recognise our responsibility to proactively encourage high levels of 'Human Rights' standards in our supply chain.

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

- Our major businesses are vertically integrated across several Divisions that follow ITC policies.
- We procure inputs for the Company's agri-based businesses entirely from state controlled trading platforms and the open market.
- We position our managers at all significant 'outsourced' manufacturing facilities (Cigarettes, Personal Care, Branded Apparels and Packaged Foods) to ensure high standards of product quality and adherence to ITC's guidelines on EHS and labour practices. Government officials also routinely inspect these units to ensure 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 2011-12, the total number of service providers was 6,311 of which 1,570 operated within the Company's premises and 4,741 worked off-site. 98% of contracts on-site and 95% of contracts off-site, included important clauses on Human Rights, environment, health and safety. No contracts were cancelled during the year as a result of non-compliance with ITC's human rights clauses.

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



PREVENTION OF DISCRIMINATION AT THE WORK PLACE

During 2011-12, no incident of discrimination in any of the ITC units was reported either to the concerned units or statutory authorities.

FREEDOM OF ASSOCIATION

During 2011-12, 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 2011-12, no incidents of child or forced labour were reported either to the concerned units or statutory authorities.

DIVERSITY AND EQUAL OPPORTUNITY

We believe that every individual brings a different and unique set of perspectives and capabilities to the team. A discrimination-free workplace for employees provides the environment in which diverse talents can bloom and be nurtured.

GOVERNANCE BODIES AND DIVERSITY

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

The Board of Directors at the apex, as trustees of shareholders and responsible for



the strategic supervision of the Company, consists of 4 Executive Directors (including the Chairman) and 12 Non-Executive Directors as on March 31, 2012. The Non-Executive Directors come from different fields, thereby ensuring multi-dimensional perspectives in setting the strategic agenda.

The strategic management of the Company rests with the Corporate Management Committee comprising full time Executive Directors and 7 members drawn from senior management representing diverse functions.

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

EQUAL REMUNERATION

Our compensation philosophy does not differentiate on gender, caste or age. It is linked to responsibility levels and 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, which promotes diversity and offers 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 behaviour, both within the organisation as well as in our external relationships. We believe that unethical behaviour corrupts organisational culture and undermines shareholder value.

A booklet on ITC's Code of Conduct, which also contains the policies against corruption, is periodically circulated to all managers. In addition, it is posted on the corporate intranet sites and the ITC Portal. The Audit Committee of the Board met ten 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 2011-12.

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 2011-12.



SOCIAL INVESTMENTS- MISSION SUNHERA KAL



FOR ALL OUR TOMORROWS

- Strengthening rural livelihoods through:
 - 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



In pursuit of the Company's commitment to create larger societal value, ITC's Social Investments Programme continues to be driven by the needs and concerns of two important stakeholders: The rural households aligned to our Agri Businesses and families residing in the vicinity of our factories. Out of the total, 67 projects covered rural households in the catchments of Agri Businesses, with a focus mainly on interventions to strengthen and broad-base their livelihood options. The balance 34 projects covered households in the command areas of our factories, mainly concentrating on farm and non-farm livelihoods through micro-enterprises and the creation of social capital.

e-CHOUPAL

ITC's e-Choupal network, which leverages information technology to empower farmers is a rich repertoire of agri-based interventions not only addresses the core needs of farmers in terms of infrastructure, connectivity, price discovery and market access, but also provides a significant boost to farm productivity through extension services and research based agri-inputs. Initiatives like the 'Choupal Pradarshan Khet' bring suitable agricultural best practices to farmers and have demonstrated significant productivity gains. These interventions have helped transform village communities into vibrant economic organisations, by enhancing incomes and co-creating markets. ITC's e-Choupals serve 40,000 villages and 4 million farmers, making it the world's largest rural digital infrastructure.

SOCIAL INVESTMENT PROGRAMME

ITC's social investment programmes are guided by the company's CSR policy, which

focuses on aligning and integrating with the business value chains of the Company, and making them outcome oriented. The projects promoted under the Social Investments programme increased from 76 in the last financial year to 101 this year. Covering over 4.37 lakh households from about 8,710 villages, the projects were spread across 60 districts in the states of Andhra Pradesh, Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal.

WASTELAND DEVELOPMENT- SOCIAL FORESTRY

The Social Forestry Programme to promote pulpwood plantations in Andhra Pradesh and energy security in Karnataka, cumulatively

ACTIVITY	PERFORMANCE		CUM TO DATE
	TARGET	ACTUAL	
Coverage			
No of new villages	220	776	1,321
No of new beneficiaries	496	5,319	29,741
Plantation Area (Ha)	4,780	4,375	24,195
Saplings Planted (Lakhs)	138	317	1,228
Agro-forestry Area (Ha)	187	330	330

covered a total of 24,195 hectares in 1,321 villages impacting nearly 30,000 poor households. Apart from increasing biomass cover, these initiatives have a salutary effect on agricultural production by preventing soil erosion and recharging groundwater, meeting the energy and fodder needs of households, and also becoming a sustainable base of raw material for our Paperboards and Paper Business. Energy plantations were promoted in four districts of Karnataka - Chamrajnagar, Mysore, Hassan and Mandya. Considering that this is a new project area, it was encouraging to note a 50% increase over the previous year to 528 hectares in 2011-12.

945 hectares

THE TOTAL AREA HARVESTED BY THE END OF THE YEAR, YIELDING 28,451 TONNES OF RAW MATERIAL

40%

INCREASE IN THE INCOME PER HOUSEHOLD

The projects promoted under the Social Investments programme increased from 76 in the last financial year to 101 this year, covering over 4.37 lakh households in 8,710 villages



The introduction of the agro-forestry model was a significant milestone that was achieved during the year, along with the successful completion of the Forest Stewardship Council – Forest Management (FSC-FM) Certification audit. The audit was conducted in November 2011 by a team appointed by the Rainforest Alliance, the nodal agency for the FSC certification. The auditors visited the field sites to see the plantations, interacted with the beneficiaries and also saw the watershed interventions.

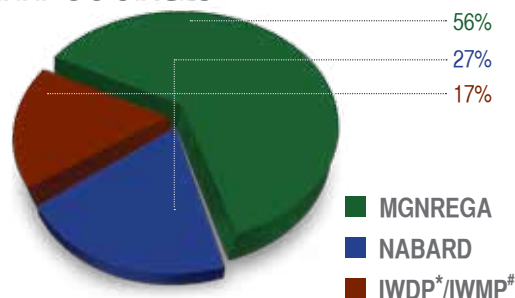
Another important development during the year was the piloting of a biodiversity conservation project in Khammam district under which about 50,000 seedlings of native tree species were planted and a plot for in-situ conservation of biodiversity developed. This plot is spread across 2.75 hectares and has a floral population of 35 different species.

The total area harvested by the end of the year was 945 ha, yielding 28,451 tonnes of raw material, all of which was supplied to ITC's Paperboards & Speciality Papers business. A significant development was the increase of nearly 40% in the income per household and per hectare as compared to the previous years. This was a result of increase in yields per hectare between the two years – from 23 tonnes/ha to 30 tonnes/ha as a result of the productivity enhancement measures introduced last year.

ACTIVITY	PERFORMANCE 2011-12
Area (Ha)	945
Farmers (No)	988
Volume supplied to PSPD (Ton)	28,451
Total Income (Rs Lakh)	625
Repayment to committee/NGO	7
Earnings/Household	63,249
Earnings/Hectare	66,144

ACTIVITY	PERFORMANCE (2011-12)		CUM TO DATE
	TARGET	ACTUAL	
Water-Harvesting			
Minor Structures (No)	404	224	2,207
Major Structures (No)	234	218	1,464
Total Structures	638	442	3,671
Watershed Area			
Area Treated (Ha)	26,846	18,231	57,400
Critical Irrigation Area (Ha)	8,949	6,761	32,091
Total Watershed Area	35,795	24,992	89,491
Direct Beneficiaries (No)	16,301	23,433	88,697
Employment mandays (lakhs)	10.74	7.67	26.04

PPP-SOURCES



*Integrated Watershed Development Programme
#Integrated Watershed Management Programme

SOIL AND MOISTURE CONSERVATION

The Soil and Moisture Conservation Programme, designed to assist farmers in identified moisture-stressed districts, increased by another 24,992 ha. 442 water harvesting structures were created during the year 2011-12. Currently the total area covered under the watershed programme cumulatively stands at 89,491 hectares.

Our project in Sehore (Madhya Pradesh) was at the vanguard of a welcome and encouraging development. It was included in the list of 47 best sites by the Rajiv Gandhi Mission for Watershed Management, Government of Madhya Pradesh, for exposure visits by all concerned government staff of the IWMP projects being implemented by the government.

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

- Two new MoUs were signed with the Government of Rajasthan for promoting sustainable livelihoods through watershed development in the districts of

The Soil and Moisture Conservation Programme, designed to assist farmers in identified moisture-stressed districts, currently covers nearly 90,000 hectares

90,000 hectares

COVERED UNDER
ITC'S WATERSHED
DEVELOPMENT
PROGRAMME

442

WATER HARVESTING
STRUCTURES WERE
CREATED IN 2011-12



Agri extension services as well as agri inputs were provided to nearly 4,000 farmers during the year

Bundi and Pratapgarh under MGNREGA. It has been planned to treat 10,000 hectares for soil moisture conservation over a period of 5 years. With this, the total area for watershed development under the PPP projects now stands at 1.23 lakh hectares.

- Work on the PPP projects with the state governments has been progressing well. By the close of the financial year, the PPP projects cumulatively covered nearly 14,000 hectares (18% of the 5 year target) in the three states where government programmes are being implemented.
- Under the NABARD partnership projects, more than 12,000 hectares have been covered to date, forming 36% of the total target.
- Conforming to the priority of creating capacities of the PRIs, training programmes were organised for Gram Panchayat members, Gramsevakas and VDC members. These were done in the project districts of Maharashtra on MGNREGS, Panchayati Raj Institutions, and the roles and responsibilities of different stakeholders.

IMPROVED AGRICULTURAL PRACTICES

The total number of group wells and sprinkler systems promoted to date under the programme stands at 497 and 770 respectively. 6 new Agri-business Centres (ABCs) were introduced in the tobacco tracts of Andhra Pradesh, taking the total to 33. These centres provided extension services and agri-inputs to nearly 4,000 farmers. In addition to these ongoing activities, there was special focus on two new initiatives during the year. Direct recharge of defunct wells was initiated, with coverage of 61 wells by the end of the year. In order to ensure a methodical and systematic dissemination of improved agricultural practices, 37 farmer schools with 918 farmer students promoted demonstration plots on improved varieties and best agronomical practices. It was observed that the focused interventions in sustainable agricultural practices through Farmer Field Schools lead to noticeable increase in average yields. The cost of cultivation also decreased significantly by using locally sourced material and technologies.





INTEGRATED ANIMAL HUSBANDRY PROGRAMME

The programme for genetic improvement of cattle through artificial insemination to produce high-yielding crossbred progenies has been given special emphasis because it reaches out to the most impoverished, and has the potential to enable them to live with social and economic dignity. 83 new Cattle Development Centres (CDCs)

ACTIVITY	PERFORMANCE 2011-12		CUM TO DATE
	TARGET	ACTUAL	
CDC Centres (No)	110	83	293
Breed Improvement			
No of Als (lakhs)	2.69	2.32	8.07
No of Pregnancies (lakhs)	1.10	1.02	3.53
No of Calving (lakhs)	0.93	0.67	2.18
Vaccination & Health (lakhs)	0.56	1.04	5.53

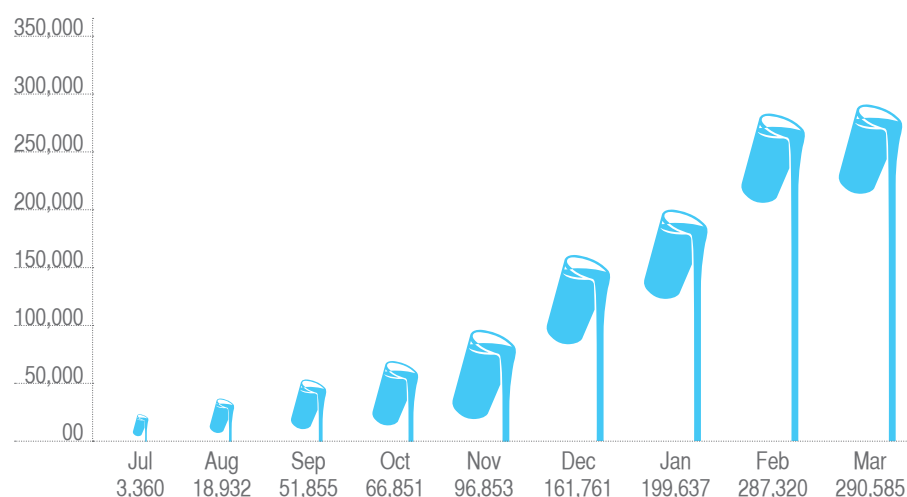
were established during the year, taking the total to 293 centres covering more than 8,200 villages, resulting in 2.32 lakh artificial inseminations during the year. ITC's first PPP project in livestock development for 10 CDCs was sanctioned by NABARD for Hoshangabad district (Madhya Pradesh).

Taking the next step in the development of a viable livestock economy, dairy development in Munger was a major focus area this year. Farmers from 60 villages were mobilised for milk procurement on 3 milk routes. The process of establishing a robust procurement infrastructure was initiated with the installation of 3 Bulk Milk Chillers (BMC) along with one storage tank. The

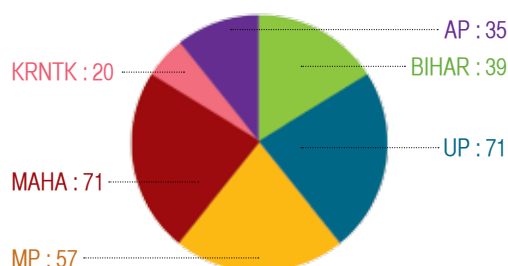
total handling capacity created was 14,000 lpd. Backward linkages for dairy inputs, particularly cattle feed, was strengthened during the year, with the quantity of cattle feed supplied to farmers increasing significantly during the year.

As a result of all these inputs, procurement of milk was encouraging during the year. Starting with 102 litres from 31 farmers in July 2011, the average collection per month increased to 9,400 lpd in March 2012, with about 1,300 farmers pouring milk on a regular basis. The total milk handled during the year was nearly 12 lakh litres.

MONTHLY MILK HANDLING (LITRES)



DISTRIBUTION OF CATTLE DEVELOPMENT CENTRES BY STATES





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 at creating sustainable livelihoods through community development for our second group of stakeholders - communities in the command areas of our factories.

WOMEN'S EMPOWERMENT

The Women's Empowerment Programme covered over 16,000 women through 1,380 self-help groups (SHG) with total savings of ₹285 lakhs. Cumulatively, more than 39,000 women were gainfully employed either through micro-enterprises, or were assisted with loans to pursue income-generating activities.

More than 39,000 women were gainfully employed either through micro-enterprises, or were assisted with loans to pursue income-generating activities





Agarbatti production through SHGs saw significant scale-up during the year. 349 metric tonnes of raw agarbatti for scenting was produced during the year from the units established in Munger (Bihar) and Hardoi (Uttar Pradesh). The scenting unit in Munger supplied 293 million sticks worth ₹314 lakhs to the Agarbatti business. The activity provides supplementary incomes to more than 2,000 women.

PRIMARY EDUCATION AND HEALTH AND SANITATION

A strong foundation in primary education and skill building for the children in the community is a major step towards ensuring improvements in the HDI indices for the community as a whole. The initiative's focus is to minimise drop-outs and ensure that every child is in school and learning. It aims at enriching the process of learning. It also enhances the learning environment by providing infrastructural support to the government schools.

Over 19,000 new students were covered through Supplementary Learning Centres and Anganwadis. Of these, 952 first generation learners were mainstreamed into formal schools. 919 youth benefited this year from the skill development initiative.

To improve the health and sanitation conditions in villages around the Bhadrachalam, Kovai and Chirala units, 275 toilets were constructed. These toilets are constructed in a radius of 10 kms of the factory. All these initiatives were undertaken on a cost sharing basis.

19,000

NEW STUDENTS WERE
COVERED DURING THE
YEAR 2011-12

ACTIVITY	PERFORMANCE 2011-12		CUM TO DATE
	TARGET	ACTUAL	
Primary Education			
Govt. Schools Infra Support (No)	130	177	918
Children Covered (Lakhs)	0.22	0.19	2.66
Vocational Training			
No. of Students (New)	830	919	3,245
Placements (No of Students)		209	237
Health & Sanitation			
Sanitary Toilets (No)	350	275	3,495
Health Camps	10	334	651



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 product 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 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. All the Units of the Foods Division owned by ITC have already been Hazard Analysis and Critical Control Point (HACCP) certified. Majority of the outsourced manufacturing units have also achieved this certification

and the remaining Units are progressing fast towards achieving this certification.

All the products in our Education & Stationery Products Business use approved non-hazardous materials e.g. ECF (Elemental Chlorine Free) paper, ink, dyes etc. Since the primary consumers of these products are children, stringent process quality control measures are in place to ensure safe products.





In our Agarbatti Business IFRA (International Fragrance Resource Association, Geneva) approved chemicals are used in the fragrances for the manufacture of Mangaldeep Agarbattis. The laid down processes in manufacturing are designed to ensure product safety and consistency.

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, quality of the software is assured through well-defined QMS following SEI – CMM framework and certified by ISO 9001-2000 IT guidelines. 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 other than those sourced internally, 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 the EC directive 2003/89/EC and the US FDA Act are not used in any of the virgin grade boards and papers. The Bollaram Unit, manufacturing food grade board for direct food contact, is 'third party' certified in accordance with BRC/loP (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.

In our Safety Matches Business, all products conform to the specified standards as per BIS. In addition, all match sticks in our products are specially carborised to prevent after glow thereby enhancing consumer safety.

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)



Our Packaging & Printing Business uses only safe/approved 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) followed by Munger Unit.

In the Agri Business, 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 in 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 Labeling.

All our Businesses comply with all statutes on labeling and product information and have put in place systems to ensure compliance including review before the launch of any new category. Our Consumer Goods Businesses including branded packaged foods, personal care products, lifestyle retailing, safety matches and others comply fully with the Standards of Weights and Measures Act and Packaged Commodity Rules.

Our Paperboards & Specialty Papers Business, Packaging and Printing as well as our Agri-Business comply with all product-labelling requirements and follow internal quality procedures as per agreed customer specifications. Our Leaf Tobacco Business and Foods Business ensure 'Product Traceability' in the supply chain from farm to the customer.

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



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.

We have standard operating procedures to ensure that all marketing communications are responsible communication done in accordance with voluntary codes adopted by each Business and applicable statutes. These are vetted by the internal legal team and compliance is ensured by the internal audit department.

Marketing and Advertising Communications of all our businesses are subjected to stringent internal checks by the Legal Department. Our Consumer Goods Businesses adhere to voluntary and legal codes of conduct and voluntarily follow the ASCI (Advertising Standards Council of India) Code for all marketing communications.

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

COMPLIANCE CONCERNING PROVISION AND USE OF PRODUCTS AND SERVICES

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

We continued to comply with all applicable statutes during 2011-12.

We have standard operating procedures to ensure that all marketing communications are responsible communication done in accordance with voluntary codes adopted by each Business and applicable statutes





GRI Indicators - Index

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Level of Reporting and Explanation	
Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organisation: relevance of sustainability to the organisation and its strategy	Statement of Continuing Support.	04	●
1.2	Description of key impacts, risks and opportunities	"	07	●
Organisational Profile *				
2.1	Name of the organisation		16	●
2.2	Primary brands, products and services		16	●
2.3	Operational structure of the organisation		16	●
2.4	Location of Organisation's Headquarters		31	●
2.5	Number of countries where the organisation operates		31	●
2.6	Nature of ownership and legal form		16	●
2.7	Markets served		16	●
2.8	Scale of the reporting organisation		16-25, 46, 86	●
2.9	Significant changes during the reporting period regarding the size, structure and ownership		31	●
2.10	Awards received in the reporting period		26	●
Report Parameters *				
Report Profile				
3.1	Reporting Period		31	●
3.2	Date of most recent previous Report		31	●
3.3	Reporting cycle		31	●
3.4	Contact Point for questions regarding the Report or its contents		31	●
Report Scope and Boundary				
3.5	Process for defining Report content		31, 40-43	●
3.6	Boundary of the Report		32	●
3.7	Specific limitations on the scope or boundary of the Report		31	●

* There is no COP requirement

● Fully Reported ◐ Partially Reported ○ Not Reported

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Level of Reporting and Explanation	
3.8	Basis for reporting on joint ventures, subsidiaries, leased/ outsourced operations and other entities		31, We are including the sustainability performance of all Units under ITC and the Units where ITC has a majority stake. Although the sustainability performance of outsourced Units is not material from the overall ITC context, we plan to expand the boundary of reporting to include significant outsourced operations in future.	•
3.9	Data measurement techniques and bases of calculations including assumptions and techniques		31	•
3.10	Explanation of the effect of any re-instatement of information provided in the earlier Reports		31	•
3.11	Significant changes from previous reporting period		31	•
3.12	GRI Content index		106	•
3.13	Assurance		128	•

Governance, Commitments and Engagement

Governance		Actions Taken to Implement Principles 1-10		
4.1	Governance structure of the organisation	"	35	•
4.2	The Chair of the highest Governance body	"	37	•
4.3	Independent and/or non-executive members	"	37	•
4.4	Mechanisms for shareholders and employees to provide recommendations	"	38	•
4.5	Linkage between compensation for members of highest governance body and the organisation's performance	"	37	•
4.6	Process for the highest governance body to ensure conflicts of interest are avoided	"	38	•
4.7	Qualifications and expertise of the members of the highest governance body	"	37	•
4.8	Statements of mission or values, codes of conduct and principles	"	118	•
4.9	Procedures of the highest governance body for overseeing the management of economic, environmental, and social performance	"	40	•
4.10	Processes for evaluating the highest governance body's own performance	"	37	•
Commitments to External Initiatives				
4.11	The precautionary approach or principle	Actions Taken to Implement Principle 7	38	•
4.12	Externally developed economic, environmental, and social charters, principles	Actions Taken to Implement Principles 1-10	4	•
4.13	Memberships in associations	"	126	•
Stakeholder Engagement				
4.14	List of stakeholder groups	Sharing the COP with the Company's Stakeholders	40	•
4.15	Basis for identification and selection of Stakeholders	"	40	•
4.16	Approaches to stakeholder engagement, including frequency of engagement	"	40	•
4.17	Key topics and concerns and how the organisation has responded to those	"	40-43	•

* There is no COP requirement

• Fully Reported ◐ Partially Reported ○ Not Reported



FOR ALL OUR
TOMORROWS

GRI - G3 Indicators		GRI - G3 Indicator Description	UNGC COP Element	Page/Level of Reporting and Explanation	
Economic					
		Disclosure on Management Approach	Actions Taken to Implement Principles 1, 4, 6 and 7	113	●
		Economic Performance			
EC1		Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	*	46	●
EC2		Financial implications and other risks and opportunities for the organisation's activities due to climate change	Actions Taken to Implement Principle 7	56	●
EC3		Coverage of the organisation's defined benefit plan obligations	*	49	●
EC4		Significant financial assistance received from government	*	48	●
		Market Presence			
EC6		Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	*	48	●
EC7		Procedure for local hiring, and proportion of senior management hired from the local community at locations of significant operation	Actions Taken and Outcomes from Implementing Principle 6	48	●
		Indirect Economic Impacts			
EC8		Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	*	50	●
Environmental					
		Disclosure on Management Approach	Actions Taken to Implement Principles 7, 8 and 9	113	⊖
				Transport is not identified as a separate aspect. The emissions are covered under Scope 3 which is progressively expanded. Traffic management forms part of the local management plan of each Business Unit. Where necessary third party expert studies are carried out to arrive at acceptable solutions.	
		Materials			
EN1		Materials used by weight or volume	Outcomes from Implementing Principle 8	80	●
EN2		Percentage of materials used that are recycled input materials	Outcomes from Implementing Principles 8 and 9	80	●
		Energy			
EN3		Direct energy consumption by primary energy source	Outcomes from Implementing Principle 8	58	●
EN4		Indirect energy consumption by primary source	"	58	●
EN5		Energy saved due to conservation and efficiency improvement	Outcomes from Implementing Principles 8 and 9	60	●
		Water			
EN8		Total water withdrawal by source	Outcomes from Implementing Principle 8	64	●
EN10		Percentage and total volume of water recycled and reused	Outcomes from Implementing Principles 8 and 9	64	●
* There is no COP requirement			● Fully Reported	⊖ Partially Reported	○ Not Reported

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Level of Reporting and Explanation	
Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Outcomes from Implementing Principle 8	79	●
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	"	79	●
Emissions, Effluents and Waste				
EN16	Total direct and indirect greenhouse gas emissions by weight	Outcomes from Implementing Principle 8	61	●
EN17	Other relevant indirect greenhouse gas emissions by weight	"	61	●
EN19	Emissions of ozone-depleting substances by weight	"	79	●
EN20	NOx, SOx and other significant air emissions by type and weight	"	77	●
EN21	Total water discharge by quality and destination	"	67	●
EN22	Total weight of waste by type and disposal method	"	72	●
EN23	Total number and volume of significant spills	"	79	●
Products and Services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact	Actions Taken to Implement Principles 7, 8 and 9	80	●
Mitigation				
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Outcomes from Implementing Principles 8 and 9	81, We are progressing in the implementation of a system to capture this information for reporting in 2014.	⊖
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Outcomes from Implementing Principle 8	79	●
Social				
Labour Practices and Decent Work		Actions Taken to Implement Principles 1, 3 and 6	114	●
Employment				
LA1	Total workforce by employment type, employment contract, and region	*	86	●
LA2	Total number and rate of employee turnover by age group, gender and region	Outcomes from Implementing Principle 6	86, We have embarked on the improvement of data reporting systems/procedures which will enable us to report on this in the year 2013.	⊖
Labour/Management Relations				
LA4	Percentage of employees covered by collective bargaining agreements	Outcomes from Implementing Principles 1 and 3	86	●
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Outcomes from Implementing Principle 3	120	●
Occupational Health & Safety				
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related	Outcomes from Implementing Principle 1	88, We have implemented data reporting systems to collate this information and data would be ready for reporting in 2013.	⊖

* There is no COP requirement

● Fully Reported ⊖ Partially Reported ○ Not Reported



GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Level of Reporting and Explanation	
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	90	●
	Training & Education			
LA10	Average hours of training per year per employee, by employee category	*	87, We have implemented data reporting systems to collate this information and data would be ready for reporting in 2013.	⊖
	Diversity and Equal Opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Outcomes from Implementing Principles 1 and 6	92	●
LA14	Ratio of basic salary of men to women by employee category	"	92	●
Human Rights				
Disclosure on Management Approach		Actions Taken to Implement Principles 1, 2, 3, 4, 5 and 6	115 123 Security is part of a Unit's management responsibility, which in turn is bound by Company policies, the compliance to which are internally audited.	⊖
	Investment and Procurement Practices			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Outcomes from Implementing Principles 1, 2, 3, 4, 5, and 6	91	●
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	91	●
	Non-Discrimination			
HR4	Total number of incidents of discrimination and actions taken	Actions Taken and Outcomes from Implementing Principles 1, 2 and 6	92	●
	Freedom of Association and Collective Bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Actions Taken to Implement Principles 1, 2 and 3	92	●
	Child Labour			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Actions Taken to Implement Principles 1, 2 and 5	92	●
	Forced and Compulsory Labour			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Actions Taken to Implement Principles 1, 2 and 4	92	●
Society				
Disclosure on Management Approach		Actions Taken to Implement Principles 10	116 We comply with all applicable statutes, which cover all aspects of anti-competitive behaviour. These are audited by internal audit teams for compliance.	●

* There is no COP requirement

● Fully Reported ⊖ Partially Reported ○ Not Reported

GRI - G3 Indicators	GRI - G3 Indicator Description	UNGC COP Element	Page/Level of Reporting and Explanation	
	Community			
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	*	95	●
	Corruption			
SO2	Percentage and total number of business units analysed for risks related to corruption	Outcomes from Implementing Principle 10	93	●
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures		93	●
SO4	Actions taken in response to incidents of corruption	Actions Taken to Implement Principle 10	93	●
	Public Policy			
SO5	Public policy positions and participation in public policy development and lobbying	Actions Taken to Implement Principles 1-10	93	●
	Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	*	93	●
Product Responsibility				
Disclosure on Management Approach		Actions Taken to Implement Principles 1 and 8	117	⊖
			Systems and procedures are in place for the Businesses, where this aspect is material such as ITC Infotech and ITC Hotels, where compliance to written policies are audited regularly.	
	Customer Health and Safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Actions Taken and Outcomes from Implementing Principle 1	102, We have initiated life cycle assessment studies for certain product categories to enable us to report in 2015.	⊖
	Products and Services labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Actions Taken and Outcomes from Implementing Principle 8	104	●
	Marketing Communications			
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	*	105, We have standard operating procedures which ensure that all marketing communications are responsible communication, done in accordance with the Advertising Standards Council of India requirements and applicable statutes. These are vetted by the internal legal team.	●
	Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	*	105	●

* There is no COP requirement

● Fully Reported ⊖ Partially Reported ○ Not Reported



GRI-G3: Food Processing Sector Supplement (FPSS)

GRI-G3 FPSS Indicator	GRI-G3 FPSS Indicator Description	Page/Level of Reporting and Explanation	
	Sourcing		⊖
	Disclosure on Management Approach	As per our current policy, we do not use Genetically Modified Organisms (GMOs).	
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy.	We are implementing an integrated sustainability data management system to collate such data all across businesses.	⊖
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard.	We are implementing an integrated sustainability data management system to collate such data all across businesses.	⊖
	Labour Practices and Decent Work		
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country.	86	
FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need.	Initiatives underway from the packaged Foods Business: (i) products with additional nutrients and fortification aimed towards 'Bottom of the Pyramid' consumers - Biscuits/Wheat flour by early 2014 (ii) Reduction of sodium in snacks products by December 2013. (iii) Working on products of safe consumption for population with metabolic disorders; plan will be finalised by April 2014.	● ⊖
	Product Responsibility		
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.	102	
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars.	Eliminate Transfats in all packaged food products by 2015. Reduction of sodium in snacks products by December 2013. Working on products of safe consumption for population with metabolic disorders; plan will be finalised by April 2014.	● ⊖
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives.	Products will be introduced in the next financial year.	⊖
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements.	We are developing a policy in this regard to be put in place in this financial year.	⊖
	Animal Welfare		
	Not applicable as it is not a material aspect		

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 2012 (available on www.itcportal.com) for a detailed discussion on the Company's market standing in each of the business segments, as well as the business environment, opportunities, key challenges, etc. pertaining to each of the Company's businesses (available on www.itcportal.com).

ENVIRONMENTAL PERFORMANCE

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

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

- Moving beyond Statutory compliance – with respect to emissions, effluents and waste.
- A low carbon growth path – reduce specific energy consumption, increase contribution from renewable energy sources and increase carbon sequestration.
- Maximise water usage efficiencies and rainwater harvesting
- Minimise waste generation, achieve 100% waste recycling and use external waste as raw material, where possible.

Responsibility - It is the overall responsibility



of the Divisional/Strategic Business Unit (SBU) Chief Executives, through the members of their Divisional Management Committees, General Managers and Unit Heads, to ensure implementation of Policies and Corporate Standards on Environmental Performance, including institution of various committees and designating specific responsibilities.

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

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

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

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

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

ITC understands that it is exposed to risks related to climate change. Protection of our assets in coastal areas has been reinforced in anticipation of increased severity of storms and cyclones, which may occur. Disruption in road and rail traffic by such extreme events may also affect individual unit's output, which has been taken care of by appropriate contingency and insurance plans. Higher surface temperatures (increased air conditioning costs) and disruption in water supplies are other anticipated risks. ITC has started a conscious movement towards

green buildings by construction of the ITC Green Centre at Gurgaon, which in 2004 was the largest platinum rated LEED certified building in the world. All premium luxury hotels of ITC are LEED Platinum certified, making it the greenest hotel chain in the world. All new construction by ITC now 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 DECENTWORKENVIRONMENT

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

Responsibility - It is the overall responsibility of the Divisional Chief Executives, through the members of their Divisional Management Committees, Human Resources and EHS Functions, to ensure that employment and EHS practices in all units are in accordance with the policy outlined above and to ensure total compliance with all statutory provisions

governing labour practices and decent work. Specific responsibilities are assigned to different individuals based on the roles being performed by them.

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

Management - The Company leadership 'walking the talk' and a relentless focus on implementing the policy underline the Company's approach to employment practices and creating a decent work environment.

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

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

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

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

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

Ensure that the Company's record of

attraction and retention of talent is superior to other companies in the comparative sample.

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

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

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

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

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

HUMAN RIGHTS

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

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

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

Management - The Human Rights policies approved by the CMC provide guidelines for the implementation of these policies



and their periodic review. Corporate HR provides specialist services to assist in implementation and monitoring.

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

Monitoring & Follow-up - The HR resources of the Divisions ensure periodic follow-up to ensure implementation. The Internal Audit function of the Company is charged with the responsibility of ensuring compliance.

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

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

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

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

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

SOCIETY

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

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

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

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

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

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

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

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

out system audits regularly.

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

In pursuit of these objectives, the following goals have been set for the next five years -

- Bring 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 25,000 women entrepreneurs with a sustainable source of supplementary incomes.
- Improve the genetic stock of atleast 5,00,000 cattle through artificial insemination practices.
- Provide supplementary education support services to at least 3,00,000 children.

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

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

RESPONSIBILITY FOR PRODUCTS AND SERVICES

Management Approach - ITC ensures that all products and services offered to the consumer are in full compliance with all applicable national standards and aspires to achieve best in class international standards on environmental impacts, health and safety. Measures such as migration from solvent based inks to water based inks in the Packaging and Printing Business and replacing chlorine bleaching process

with ozone bleaching in the Paperboards & Specialty Papers Business allows us, for example, to offer complete food grade packaging solutions, while having hotels, factories and offices comply with Green Building Standards and the International Safety Standards allows us to offer a green and safe environment for all our customers and employees. ITC continues its efforts on these aspects to achieve continual improvements in standards.

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

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

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

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

POLICIES AND GUIDELINES



VISION, MISSION AND CORE VALUES

ITC'S VISION

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

ITC'S MISSION

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

ITC'S CORE VALUES

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

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

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

Respect for People- We are result oriented, setting high performance standards for

ourselves as individuals and teams. We will simultaneously respect and value people and uphold humanness and human dignity. We acknowledge that every individual brings different perspectives and capabilities to the team and that a strong team is founded on a variety of perspectives.

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

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

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

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

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

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

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

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

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

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

ITC CODE OF CONDUCT

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

report the same to the Head of Corporate Human Resources. The Code is available on the Company's corporate website.

ITC 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 Social Investments/ Corporate Social Responsibility (CSR)

Philosophy- Inspired by a vision to serve a larger national purpose and abide with the strong value of Trusteeship, ITC has crafted innovative business models to create larger societal capital while simultaneously delivering long term shareholder value. This

overarching aspiration to create meaningful societal value is manifest in ITC's strategy to enhance the competitiveness of value chains of which it is a part. It is therefore a conscious strategy to design and implement Social Investments/CSR programmes in the context of ITC's businesses, by enriching value chains that encompass the most disadvantaged sections of society, especially those residing in rural India, through economic empowerment based on grass-roots capacity building.

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

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

Policy- It is ITC's policy :

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

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

Implementation

- The plans will be formulated in line with the strategic direction provided by the Board Committee on Sustainability.
- The programmes will, where appropriate, be developed in consultation with direct stakeholders in order to ensure a bottom-



up planning approach. ITC will also endeavour to create multi-stakeholder partnerships with NGOs, governments etc. for a larger development impact.

- The Corporate Management Committee (CMC) and Divisional Chief Executives may, from time to time, suggest additional areas of social intervention in line with the overall objectives of the Company and its Divisions.
- The programmes may be implemented directly by the Company under the supervision of the Management Committee for Social Investments/ Divisional Management Committees (DMCs), or through Trusts, Foundations etc.
- The Strategy of Organisation for addressing the various dimensions of CSR will be reviewed from time to time and cleared with the CMC.

Monitoring & Audit

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

Measures to monitor and assess progress include the following:

- Monthly report-backs of expenditure against budgets and review thereof (including where applicable progress review against milestones) in accordance with applicable processes under Corporate Governance, in instances of one time expenditure and in respect of activities executed by the Company and its Divisions.
- Quarterly and annual reports on impact indicators provided by the project implementing partners supplemented by:
- Quarterly and annual audits by accounting firms appointed by the Company to monitor financial performance and a systems audit to ensure that laid down procedures are followed. Financial and systems audits of selected projects by ITC's Internal Audit.

- ii) Impact analysis of mature projects (more than 3 years old) by third parties.

POLICY ON HIV/AIDS

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

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

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

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

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

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

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

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

HUMAN RIGHTS CONSIDERATION IN SIGNIFICANT INVESTMENTS

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

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

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

HUMAN RIGHTS CONSIDERATION ACROSS THE SUPPLY CHAIN

Policy- ITC endeavours to ensure that all its service providers/vendors incorporate high standards of human rights, safety, health, labour practices and environment in their operations as practiced by the Company.

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

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

PREVENTION OF DISCRIMINATION AT WORKPLACE

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

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

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

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

FREEDOM OF ASSOCIATION

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



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

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

PROHIBITION OF CHILD AND FORCED LABOUR

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

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

The implementation of the policy is the responsibility of the Unit's HR Department and the security staff who do not permit minors to enter the factory as workers. Employment contracts and other records, documenting all relevant details of the employees, including age, are maintained at all units and are open to verification by any authorised personnel or relevant statutory body.

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

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

PREVENTION OF CORRUPTION AT WORKPLACE

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

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

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

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

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

e-WASTE MANAGEMENT

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

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

MEMBERSHIPS AND AFFILIATIONS – 2012

- 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
- Employers' Association of Northern India
- Experience India Society
- Export Inspection Council of India
- Federation of Andhra Pradesh Chambers of Commerce and Industry
- Federation of Biscuits Manufacturers Association of India
- Federation of Hotels & Restaurants Association of India
- Federation of Indian Export Organisations
- Federation of Indian Chambers of Commerce and Industry
- Federation of Industries and Commerce of North Eastern Region
- Federation of Jharkhand Chambers of Commerce & Industry
- Federation of Karnataka Chambers of Commerce & Industry
- Federation of Madhya Pradesh Chambers of Commerce & Industry
- Gujarat Chamber of Commerce & Industry
- Guwahati Management Association
- Hotel Association of India
- International Market Assessment India Limited
- Indian Association of Tour Operators
- Indian Chamber of Commerce Calcutta

- Indian Chamber of Commerce and Industry, Coimbatore
- Indian Coffee Trade Association
- Indian Confectionery Manufacturers Association
- Indian Green Building Council
- Indian Institute of Packaging
- Indian Merchants' Chamber
- Indian Oil & Produce Exporters Association
- Indian Paper Manufacturers Association
- Indian Printing Packaging and Allied Machinery Manufacturers Association
- Indian Pulp & Paper Technical Association
- Indian 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
- Industrial Waste Management Association
- Institute of Directors
- International Chamber of Commerce
- International Life Science Institute
- International Packaging Group
- Karnataka Planters Association
- Kerala Management Association
- Leatherhead Food International, UK
- Madras Chamber of Commerce & Industry
- Madras Management Association
- Madras Printers and Lithographers Association
- Maharashtra Economic Development Council
- Mahratta Chamber of Commerce, Industry & Agriculture
- Marine Products Export Development Authority
- Multi Commodity Exchange of India Limited
- Nag - Vidarbha Chamber of Commerce
- National Council of Applied Economic Research
- National Safety Council
- Oil Technologists' Association of India
- Pacific Asia Travel Association
- Paper Film and Foil Converters Association
- PHD Chamber of Commerce and Industry
- Protein Food and Nutrition Development Association of India
- 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 All India Association of Industries
- The Bengal Chamber of Commerce & Industry
- The Central Organisation for Oil Industry and Trade
- The Clothing Manufacturers Association of India
- The Energy and Research Institute
- The Food Safety and Standards Authority of India
- The United Planters' Association of Southern India
- The Utkal Chamber of Commerce & Industry
- The Visakhapatnam Chamber of Commerce & Industry
- Travel Agents Association of India
- US Food and Drug Administration
- 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.

INDEPENDENT ASSURANCE STATEMENT

ITC Limited (the “Company”) has requested Ernst & Young Pvt. Ltd. (EY) to provide an independent assurance on its Sustainability Report 2012 (the “Report”) which covers its sustainability performance from 1 April 2011 to 31 March 2012. The Company’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 related to specific environment and social performance for the period of 1st April 2011 to 31st March 2012, in 9 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 mentioned below:

- ITD (Tobacco Division) – Saharanpur & Kidderpore
- FBD (Foods Division) – Pune (Snacks)
- Hotels – ITC Maratha, Mumbai & ITC Sonar, Kolkata
- PPD (Printing and Packaging Division) – Tiruvottiyur
- PSPD (Paperboards and Specialty Papers Division) – Bhadrachalam & Bollaram
- ILTD (Leaf Tobacco Division) - Chirala

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

- EN 1 Materials used by weight or volume
- EN 3 Direct energy consumption by primary energy source
- EN 4 Indirect energy consumption by primary source
- EN 8 Total water withdrawal by source
- EN 10 Percentage and volume of total water recycled and reused
- EN 16 Total direct and indirect greenhouse gas (GHG) emissions by weight
- EN 19 Emissions of ozone-depleting substances by weight
- EN 20 NOx, SOx, and other significant air emissions by type and weight
- EN 21 Total water discharge by quality and destination
- EN 22 Total weight of waste by type and disposal method
- LA 1 Total workforce by employment type, employment contract, and region
- LA 4 Percentage of employees covered by collective bargaining agreements
- LA7 Safety performance (Fatality, reportable injury and man-days lost)
- LA 10 Average training manhours per employee by category
- HR 2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken
- SO 1 Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting

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

- Review of 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 (1 April 2011 to 31 March 2012);
- 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, we are informed, 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, complete and transparent manner, the information on environmental and social parameters pertaining to the GRI indicators on material consumption, energy, water consumption and discharge, GHG emissions, wastes, safety performance and social programmes.

OBSERVATIONS

The Company continued to demonstrate its commitment to key sustainability issues through its actions on carbon sequestration, waste recycling, creating rainwater harvesting potential and creating sustainable livelihoods. The Company's carbon positive status is based on improvements in specific energy consumption, increasing share of energy from renewable resources and sequestration of CO₂ emissions through social and farm forestry initiatives. The water positive status is based on reduction of specific water consumption and creation of rainwater harvesting structures with an evaluated rainwater harvesting potential. Solid waste recycling positive status of the Company is by recycling of wastes generated out of their operations and external wastes used as raw material.

Ernst & Young Private Limited



Sudipta Das

Partner

19th September, 2012

Kolkata

Application Level

A+

Standard Disclosure

G3 Profile Disclosures

G3 Management
Approach Disclosures

G3 Performance
Indicators & Sectors
Supplement
Performance Indicators

Output

Output

Output

Reported on
1.1 - 1.2
2.1 - 2.10
3.1 - 3.13
4.1 - 4.17

Management Approach
disclosed for each
Indicator category

Responded on each
core G3 indicator
with due regard to
Materiality Principle by
either -
a) reporting on the
indicator, or
b) explaining the reason
for its omission

Report Externally Assured by Ernst & Young

Transforming Lives and Landscapes



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

Empowering more than **4 million** farmers



ITC's Primary Education Initiative

Educating over **3,00,000** children



ITC's Afforestation Programme

Greening over **1,38,000** hectares



ITC's Women's Empowerment Initiative

Creating nearly **40,000** sustainable livelihoods for women



ITC's Watershed Development Programme

Irrigating over **98,000** hectares of dryland



ITC's Livestock Development Initiative

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



www.itcportal.com

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