

GRI - G4 COMPLIANT
In Accordance - Comprehensive

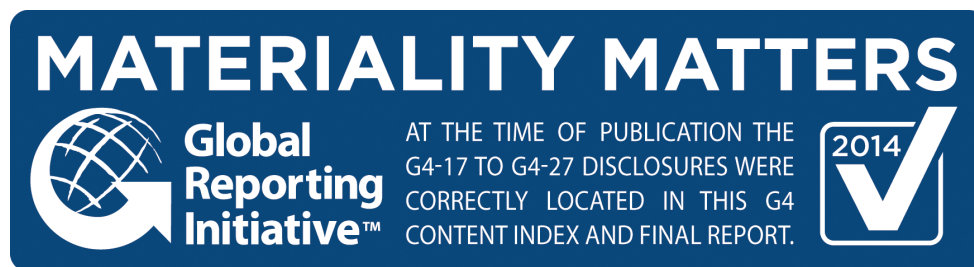


SUSTAINABILITY REPORT 2014

ITC LIMITED



FOR ALL OUR TOMORROWS



ITC's Sustainability Report is one among the first in India under "In Accordance - Comprehensive" category with "Materiality Matters" confirmation from Global Reporting Initiative (GRI). The Report is the first in India that has been third party assured at the highest criteria of "reasonable assurance" as per International Standard on Assurance Engagements (ISAE) 3000.

Explanatory Notes:

GRI offers two options for 'In Accordance' reporting with the G4 Guidelines: 'Core' and 'Comprehensive', with focus on Material Aspects and Disclosures on Management Approach for all Material Aspects being the primary requirement in both levels.

Core Option: Requires reporting on General Standard Disclosures such as organisational profile, stakeholder engagement and governance, and on at least one indicator per Material Aspect.

Comprehensive Option: In addition to General Standard Disclosures under Core option, this requires reporting on strategy, governance and ethics & integrity, and also on all indicators for all Material Aspects.

Reasonable Assurance as per ISAE 3000: ISAE 3000 uses the term reasonable assurance engagement and limited assurance engagement to distinguish between the two types of assurance engagement a practitioner is permitted to perform. The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner's conclusion. The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner's conclusion.

Contents

04

Chairman's Statement

10

Organisational Profile

Supply Chain 24

Certifications, Honours and Awards 28

32

Stakeholder Engagement and Materiality

44

Key Impacts, Risks and Opportunities

54

Report Profile, Scope and Boundary

60

Governance Structure



68

Category: Economic

Management Approach 70

Performance 70

82

Category: Environment

Management Approach 86

Energy 88

Air Emissions 94

Water Management 100

Recycling and Waste Management 112

Raw Materials 118

Biodiversity 122

126

Category: Social

Labour Practices and Decent Work 128

Human Rights Significant Investments 143

Social Investments - Mission Sunehra Kal 146

Product Responsibility 166

174

GRI Index

191

Food Supplement Index

195

Alignment to Business Responsibility Report Principles

196

Annexures

Policies and Guidelines 196

GHG Inventory 202

Memberships and Affiliations 203

205

Independent Assurance Statements



ITC: An Exemplar In Triple Bottom Line Performance



Environment



Carbon Positive:
9 Consecutive years



Water Positive:
12 years in a row



Solid Waste Recycling Positive: for the last 7 years



Soil & Moisture conservation to 1,49,000 hectares

ITC's Watershed Development initiative brings precious water to 1,49,000 hectares of moisture-stressed areas

38% Renewable Energy

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

Greenest luxury Hotel Chain

All ITC's premium luxury Hotels are LEED® Platinum certified

1,63,000 hectares greened

ITC's Social and Farm Forestry initiative has greened 1,63,000 hectares

Economic

Market capitalisation:
Over \$ 45 billion

Turnover: Over \$ 7 billion

26% Compound annual
growth in total shareholder
returns over the last 18 years

Over 31,000 employees

ITC Group provides direct employment to
more than 31,000 people

Powering growth with
multiple business drivers

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

Powered by the vitality of
world-class brands



Social

Creating around 6 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

Benefitting 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
for 10,00,000 milch animals

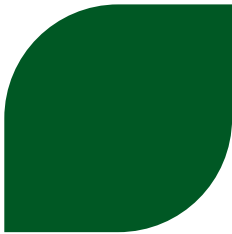
ITC's Livestock Development initiative has
provided animal husbandry services to over
10,00,000 milch animals

70 million person-days of
employment generated

ITC's Social and Farm Forestry initiative
has generated over 70 million person-days
of employment



Chairman's Statement



I have great pleasure in presenting ITC's Sustainability Report 2014.

With this edition, it is the 11th consecutive year of publishing an independently verified Sustainability Report. It is a matter of even greater satisfaction that this Report will be one of the first in India to be prepared in accordance with the new G4 guidelines of the Global Reporting Initiative (GRI), ahead of the transition deadline of 2015. The last ten years of conforming to the GRI guidelines at the highest levels of reporting has provided valuable insights in the pursuit of our journey to be an exemplar in sustainability practices.

I am also happy to once again reaffirm ITC's support to the principles of the United Nations Global Compact. It is indeed gratifying that the Company's social interventions are contributing meaningfully to the UN Millennium Development Goals.

ITC's sustainability journey has been challenging yet rewarding. Today it is indeed a matter of pride that the Company has been able to generate sustainable livelihood opportunities for around 6 million people. Relentless efforts to create benchmarks in environmental excellence

have led the Company to achieve the unique global distinction of being Carbon Positive for 9 successive years, Water Positive for 12 consecutive years and Solid Waste Recycling Positive for the last 7 years.

These milestones reflect the tireless efforts in realising ITC's abiding Vision to put societal value creation at the heart of its business strategy. It is a reaffirmation of our belief that businesses must make sustainable and inclusive growth a cornerstone of its strategic framework. This conviction is premised on some stark realities confronting the world today. Tremendous advancements in science and technology as well as a growing consumer market have created unbounded business opportunities. However, it is an unassailable fact that the limits to future growth will emerge predominantly from the largely unaddressed societal challenges of widespread poverty and environmental degradation.

This realisation has inspired our Vision and commitment to sub-serve larger national priorities. A Vision that has also spurred innovation to build societal value by harnessing the transformational capacity, creativity and vitality of the organisation. It is ITC's resolve to shape a new dimension of corporate social action by simultaneously generating sustainable livelihoods and natural capital even as it pursues enduring wealth creation for its shareholders. This triple bottom line approach is at the foundation of the theme of this Report – "For All Our Tomorrows."

ITC's Abiding Vision

Why is Sustainability important for Business ?

Global And National Challenges

This chosen path to contribute to a more secure future assumes larger significance in our current context. The global economy is struggling to raise itself from the morass it had sunk into in the aftermath of the financial crisis. Simultaneously, social challenges

are assuming scales seldom witnessed before. Amongst the issues that are vying for urgent attention are the potentially catastrophic combination of growing unemployment, widening social inequities and the threat of climate change. The World Bank's World Development Report estimates that 620 million youth, a majority of them women, are neither working nor looking for work. A new term, NEET – Not in Education, Employment or Training – has tragically become a part of the contemporary lexicon. This mass of disillusioned youth facing an uncertain and hopeless future is a potential ground for social unrest and turmoil.

The dimensions of these challenges in India are even more daunting. Our pride in becoming the world's third largest economy in terms of Purchasing Power Parity (PPP) is overshadowed by our distressingly low rank in the Human Development Index (HDI) at 134 among 187 countries. The demographic advantage of being one of the world's youngest countries can turn to become our largest concern, if gainful employment cannot be ensured to the 12 million that join the workforce every year. Therefore economic growth will have no meaning unless it creates sustainable livelihood opportunities in a country where an estimated 600 million live in multi-dimensional poverty.

Extreme weather swings triggered by climate change, devastating loss of biodiversity and life-giving ecological systems make the future more vulnerable especially for those mired in chronic poverty. The latest report by the Intergovernmental Panel on Climate Change (IPCC) has warned of an increased risk to security of food and drinking water due to the impact of global warming, drought, floods and erratic rainfall. India, Bangladesh and China, home to a large section of the world's population are said to be particularly at a higher risk. Therefore, growth strategies that nations and corporations employ must embrace a distinct effort to preserve and replenish precious environmental resources.

The enormity of these societal challenges cannot be mitigated by a solution set that just bolts on some sustainability components to an old economic model that has failed to deliver growth with equity. It is time that we engender a paradigm shift to redefine value



by aligning all economic activity to a super-ordinate goal of creating larger societal value; strategies that go far beyond material wealth creation alone to also enrich environmental and social capital.

ITC's Sustainability Approach And Action

It is my firm belief that Businesses possess unique strengths to make a much larger contribution to society. If the creative and innovative capacities that businesses employ to create world-class products and brands are leveraged to deliver social initiatives that serve a larger national objective, it can have a transformative impact on society. Moreover, the physical presence in communities around their business operations gives them a much larger opportunity to directly engage in synergistic activities that can create livelihoods and add to preservation of natural capital. More than financial resources, private enterprises also possess the more crucial managerial capability to ensure efficient delivery of social projects.

ITC's abiding Vision to create larger societal value for the nation and its stakeholders has powered a multi-pronged strategy to address the larger challenges of widespread social inequities and environmental degradation. The key priorities of this strategic objective is to leverage its enterprise strengths to contribute to the creation of large scale sustainable livelihoods and environmental resources. Towards this, ITC has crafted unique and innovative interventions within the ambit of its operations as well as in partnership with stakeholder communities to deliver superior triple bottom line performance.

Nearly 700 million people living in rural India have a direct and symbiotic dependence on climate sensitive sectors (agriculture, forest, fisheries) and natural resources (water, bio-diversity, mangroves, coastal zones, grasslands) for their subsistence and livelihoods. Limited options of alternative off-farm employment combined with endemic poverty continue to imperil the livelihood security of millions of small and marginal farmers, mainly in the rain-fed agricultural regions.

Recognising the complexity and scale of these issues, ITC's Integrated Rural Development Programme has been crafted to empower farmers and raise rural incomes, while at the same time enabling a comprehensive development of the rural ecosystem. The celebrated ITC e-Choupal is a case in point. Farmers are provided with critical information and relevant knowledge on farm productivity, prices and markets through the ITC e-Choupal. Customised extension services directly contribute to enhancing farm yields. This platform also enables access to cost-effective quality inputs for better productivity besides expanding the reach to markets. To offset agri-income

**Strategic
Objectives
And Key Priorities**

**Building Social
And Environmental
Capital**

If the creative and innovative capacities that businesses employ to create world-class products and brands are leveraged to deliver social initiatives that serve a larger national objective, it can have a transformative impact on society.

volatility as well as build capacities for investment, avenues for supplementary non-farm incomes have been created through the Choupal Livestock Development and the Choupal Women Empowerment programmes. The Choupal Watershed Development as well as Social & Farm Forestry Programmes augment natural resources to enable higher productivity, create a green cover and restore soil health. It is indeed heartening that the effectiveness of these programmes has also led to partnerships with several State Governments and the National Bank for Agriculture and Rural Development (NABARD) on such watershed development projects.

The innovative models designed to deliver these projects have enabled us to achieve significant scales of operation. The ITC e-Choupal has benefitted around 4 million farmers. The Social & Farm Forestry programme has greened over 1,60,000 hectares, generating over 70 million person days of employment. The Watershed development programme has enabled soil and moisture conservation of over 1,48,000 hectares benefiting over 1,27,000 households. The Women's Empowerment Programme has created sustainable livelihood opportunities for nearly 40,000 women, either through micro-enterprises, or assistance with loans to pursue income generating activities. The Livestock Development programme has provided animal husbandry services to over 10,00,000 animals, increasing milk yields substantially.

It is well known that one of the causes for social inequity is the inequity of opportunity, especially due to lack of proper education and training. To address this challenge, ITC has implemented focussed programmes on Primary Education, Skill Development and Vocational Training. The objective is to increase enrolments, minimise drop-outs, provide infrastructural support to Government schools as well as to expand vocational livelihood opportunities. Over 3,30,000 rural children have been benefitted, helping them to build a better future.

We believe that it is vital to significantly enhance the talent pool of youth from disadvantaged communities by equipping them with the necessary skills or qualifications and make them more employable in the formal sectors of the economy. The affirmative action initiatives of the Company have had a direct and tangible impact on the lives of nearly 84,000 beneficiaries belonging to disadvantaged sections of society, spread over 13 states of the country.

In addition to the large scale social interventions outlined above, ITC's sustainability objectives also encompass initiatives within the ambit of ITC's manufacturing and service operations.

Achieving Environmental Excellence

ITC continuously strives to improve processes and systems at all its Units to minimise its environmental impact as far as possible, create a work environment that is safe, healthy, productive and fair for its employees and proactively engage with its suppliers and partners to maximise value for all stakeholders. The Company's Units continue to achieve substantial improvements in the consumption of energy and water as well as in effluent management. Specific details are provided in other sections of the Report. Management systems and standards in ITC conform to relevant national and international standards and are integrated into its development programmes as applicable to its individual businesses. As part of its strategy for climate change mitigation and adaptation, ITC has also invested significantly in renewable energy generation. Today, 38 % of its energy consumption is from renewable sources, with a target to reach 50 % over the next 5 years.

Today
38 % of
ITC's energy
consumption is
from renewable
sources. All the
premium luxury
ITC Hotels are
LEED® Platinum
certified green
buildings.

A paradigm change can take place when consumers, investors, and civil society make an enlightened choice in favour of products and services of responsible companies, thereby making societal value creation an important part of a company's value proposition.

ITC has also been a frontrunner in the establishment of green buildings in India. It is a matter of justifiable pride that all the premium luxury ITC Hotels are LEED® Platinum certified. The ITC Green Centre has been re-certified as the highest rated green building in the world. The latest addition to our hotel group – the ITC Grand Chola - a 600-key super-premium luxury hotel complex in Chennai, is the world's largest LEED® Platinum certified green hotel. This property has also secured a 5 Star GRIHA rating, the highest national rating for green buildings in India. The recently commissioned commercial building ITC Green Centre at Manesar has also received the LEED® Platinum certification. In addition it has been awarded the BEE 5 Star rating by the Bureau of Energy Efficiency, Government of India. The green building movement continues to gain momentum in ITC with several of its factories now being LEED® certified.

Based on ITC's stakeholder engagements during the year, the Sustainability and CSR Policies were revisited to enable prioritised consideration of the economic, environmental and social impacts that are important to the organisation as well as its stakeholders. These Board-approved policies form the bedrock of the Company's approach and strategies in this context.

An acknowledged leader in sustainability practices, the Company has partnered with the Confederation of Indian Industry (CII) in setting up a Centre of Excellence for Sustainable Development. This Centre is engaged in a wide spectrum of value-added and targeted initiatives that create awareness, provide thought leadership, build capacity amongst Indian enterprises and reward exemplary performances in the area of sustainability.

Being Future-Ready

Despite the tremendous strides made in ITC's sustainability journey, the road ahead is not without its challenges. We compete in a market where many have not adopted a broader canvas of contributing to larger societal goals, but are largely focussed in the narrow pursuit of financial competitiveness alone. Therefore, for companies like ITC that synergise superior financial performance together with the creation of large-scale ecological and social capital, it is a continuing challenge to mobilise a much higher level of resources and organisational creativity to ensure meaningful triple bottom line contribution. Unfortunately markets, as they are structured today, reward only financial performance and do not prize companies that create larger societal value. However, a paradigm change can take place if strong market drivers emerge to support corporates that innovate to deliver larger sustainable and inclusive value. This important change will take place when consumers, investors, and civil society make an enlightened choice in favour of products and services of responsible companies, thereby making societal value creation an important part of a company's value proposition. Preferential government policy and incentives in favour of such companies will lend even further support to companies that sub-serve larger national priorities.

ITC's commitment to creating enduring value is manifest in its Vision, Values and Vitality that have created a future-ready organisation with a growing contribution to creating large-scale societal value. This vision is inspired by the Company's credo of "Let's Put India First" as well as

its values of Trusteeship, Transparency, Empowerment, Accountability and Ethical Corporate Citizenship, which are the cornerstones of ITC's Corporate Governance philosophy.

We recognise that the Company's capacity to create societal value will crucially depend on the continued robust growth of our businesses. ITC's aspiration to be a strong engine of growth for the Indian economy is manifest in its strategy to create multiple drivers of growth that will make a substantial and ever growing contribution to its stakeholders and the nation. By investing in the creation of world-class brands, supported by extensive R&D shaped at the ITC Life Sciences and Technology Centre and by leveraging all its enterprise strengths, the Company will continue to offer competitive and superior value propositions to its customers. ITC's world-class Indian brands will ensure that larger value is created, captured and retained in the country for national development and growth.

This Sustainability Report with its theme "For All Our Tomorrows" is once again a re-dedication of our pledge to create enduring value for our stakeholders. I hope our sincere efforts to shape a sustainable future will continue to foster a promising tomorrow for the generations to come.



Y C Deveshwar
Chairman, ITC Limited
May, 2014

ITC's
world-class
Indian brands
will ensure that
larger value is
created, captured
and retained
in the country
for national
development
and growth.

Organisational Profile





- Powering Growth with Multiple Business Drivers



- Creating World-Class Indian Brands



FMCG



Hotels



Paperboards, Paper and Packaging



Agri Business



Information Technology

ITC Limited is one of India's most valuable corporations with sustained performance in creating enduring value for the nation. Inspired by a vision to sub-serve larger national goals, ITC has progressively worked towards creating long-term shareholder value along with the enhancement of societal and environmental capital.



Enterprise Strengths



With a turnover of \$ 7 billion and a market capitalisation of \$ 45 billion, ITC has aggressively pursued a strategy

of diversification that has enabled it to unleash multiple drivers of growth for the Indian economy. This is backed by ITC's formidable array of enterprise strengths of deep consumer insights, manufacturing excellence, international quality products, globally contemporary business processes, agri-sourcing, excellent trade marketing and distribution, world-class human capital, investments in cutting edge R&D and ceaseless innovation. This strategy has enabled ITC to create a bouquet of vibrant world-class Indian brands across business segments that have demonstrated immense vitality in the global Indian marketplace. ITC has today created over 50 energetic brands across segments that not only delight millions of households, but also contribute significantly to the greater national imperative to create, capture and retain value for the Indian economy.



Livelihood Creation



ITC's larger commitment is reflected in its inclusive models that deliver large-scale societal and environmental

value. The Company has spearheaded game-changing development models in partnership with farmers and local rural communities to implement ITC's comprehensive social investments programmes. The partnership with local communities are key to the success of these programmes, as they foster a bottom-up participatory approach that encourages a sense of ownership in the process. These programmes have enhanced incomes and improved the quality of life through the creation of sustainable livelihood opportunities, apart from augmenting natural resources, which is critical for the sustenance of rural communities. Through its businesses and associated value chains, ITC has supported the generation of around 6 million livelihoods, touching the lives of many living at the margins in rural India.



\$ 45 billion

Market Capitalisation

ITC has aggressively pursued a strategy of diversification that has enabled it to unleash multiple drivers of growth for the Indian economy.



Transformational Impact



ITC's model of inclusive growth stems from its triple bottom line approach to business, that simultaneously

builds economic, social and environmental capital. Today, ITC is a global exemplar in sustainability and inclusive growth. Its sustainability initiatives and CSR programmes, like the celebrated e-Choupal, Social & Farm Forestry, Watershed Development, Animal Husbandry and Women's Empowerment, have had a transformational impact on rural India. It is the only enterprise in the world of comparable dimensions to be Carbon Positive (9 years in a row), sequestering nearly twice the amount of carbon it emits; Water Positive (12 consecutive years), creating twice the rainwater harvesting potential than it consumes; and Solid Waste Recycling Positive (for the last 7 years). 38% of the total energy requirement of the Company is met from renewable sources, a testimony to its commitment to adopting a low carbon growth path. All ITC's premium luxury hotels have the unique distinction of being LEED® Platinum certified, making it the world's greenest luxury hotel chain.



Achievements



ITC has received national and global recognition for its multi-faceted achievements. It has been rated among the World's

Best Big Companies, Asia's 'Fab 50' and one of India's Most Valuable Companies by Business Today. It has been ranked as the world's 8th largest 'sustainable value creator' among consumer goods companies globally, according to a report by the Boston Consulting Group (BCG). ITC Chairman Mr Y C Deveshwar has been ranked the 7th Best Performing CEO in the world by the Harvard Business Review in its January-February edition 2013. Mr Deveshwar has also been conferred the Padma Bhushan, one of the country's highest civilian honours, for his leadership in transforming ITC into an organisation with a deep commitment to national priorities of sustainable and inclusive growth.



ITC's sustainability initiatives and CSR programmes, like the celebrated e-Choupal, Social & Farm Forestry, Watershed Development, Animal Husbandry and Women's Empowerment, have had a transformational impact on rural India.

Fast Moving Consumer Goods

Keeping pace with the rapid growth of the FMCG industry in India, ITC has significantly scaled up its presence in this growing sector. Its impressive bouquet of offerings includes Branded Packaged Foods, Personal Care Products, Cigarettes, Lifestyle Retailing, Education and Stationery products, and Safety Matches and Incense Sticks (Agarbatti). Within a relatively short span of time, ITC has established several strong consumer brands in the Indian FMCG market.

ITC leverages its institutional strengths including focus on quality and innovation and differentiation, backed by deep consumer

insights, world class R&D and an efficient and responsive supply chain, manufacturing excellence and extensive distribution infrastructure to consolidate its position as a leader in the FMCG industry in India.

Branded Packaged Foods

ITC's Branded Packaged Foods Businesses are one of the fastest growing in India. Backed by significant investments in product development, innovation and manufacturing technology, ITC's Foods portfolio includes staples, spices, biscuits, snack foods, instant noodles, confectionery and ready-to-eat



ITC leverages its institutional strengths including focus on quality and innovation and differentiation, backed by deep consumer insights, world class R&D and an efficient and responsive supply chain, to consolidate its position as a leader in the FMCG industry in India.



meals. Driven by the market standing and consumer franchise of its popular brands - Aashirvaad, Sunfeast, Bingo!, Kitchens of India, mint-o, Candyman and Yippee! Over the past 5 years, the business has grown at an impressive rate faster than that of the industry.

Last year, several new and innovative products were added to the existing assortment of food products. The Biscuits and Confectionery categories saw the launch of premium and innovative products with the introduction of 'Sunfeast Delishus' gourmet cookies in two delectable variants - 'Nut Biscotti' and 'Nut and Raisins', and 'Candyman Jellicious' in the jelly segment. The Sunfeast portfolio was further augmented with the Farmlite range of health biscuits with oats and wheat fibre, available in two variants - almonds and raisins.





Personal Care Products

Anchored on extensive consumer research, innovation and product development, ITC's personal care portfolio offers products with clearly differentiated benefits to quality-seeking consumers.

ITC's range of bath and grooming products has redefined consumer perceptions and preferences through world-class offerings. Anchored on extensive consumer research, innovation and product development, ITC's personal care portfolio offers products with clearly differentiated benefits to quality-seeking consumers. ITC's Personal Care portfolio under the 'Essenza Di Wills', 'Fiama Di Wills', 'Vivel Cell Renew', 'Vivel', 'Engage' and 'Superia' brands includes bodycare, skincare and fragrances. In keeping with its focus on addressing various consumer benefit segments through the introduction

of innovative and differentiated products, the Business positioned Fiama Di Wills Gel Bathing Bar with skin conditioners as India's first skin conditioning shower gel in a bar format and modernised the Vivel portfolio with the launch of a unique skin nourishing range of soaps. New, visibly differentiated dual colour soaps were also introduced to strengthen the brand value proposition of nourishment through skin foods. The year also witnessed the launch of the second edition of the Fiama Di Wills Couture Spa Range of Gel Bathing Bars enriched with gold, skin conditioners and skin care enhancing





ingredients. These interventions have been well received by consumers fortifying ITC's presence in the Personal Care industry. The year also marked ITC's foray into the fast-growing Deodorants market with the successful launch of 'Engage' - a first-to-market range of deodorants for both men and women. The brand has been well received in the market garnering impressive consumer franchise in a relatively short span of time.

Cigarettes

ITC has enhanced its market standing through its unwavering focus on innovation, differentiated best-in-class offerings, quality, technology and exemplary environmental performance.



Lifestyle Retailing

ITC's Lifestyle Retailing Business has established a nationwide retailing presence to offer best-in-class fashion through a growing retail franchise through its 'Wills Lifestyle' and 'John Players' brands. The two brands of ITC's Lifestyle Retailing Business reach out to over 3,200 outlets with the retail presence of Wills Lifestyle having expanded to nearly 100 exclusive stores in 40 cities and more than 700 'shop-in-shops' in leading departmental stores and multi-brand outlets, servicing consumers who seek the most contemporary, premium pret fashion apparel.



The two brands of ITC's Lifestyle Retailing Business reach out to over 3,200 outlets.



Wills Lifestyle is a strongly established brand with its premium imagery, vibrant product portfolio and international shopping experience. The Wills Lifestyle portfolio has expanded over time to now having distinct wardrobe offers in the formal wear, casual wear, club wear and high-end occasion wear.

ITC has also established 'John Players' as a brand embodying the spirit of the modern youth that is playful, fashionable and cool. The latest addition in lifestyle retail, 'johnplayers. jeans' is the new language for the fashion-forward youth, featuring an innovative collection of denims and casual wear in edgy styling, bold patterns and contemporary fits. The presence of 'John Players' was expanded to 350 flagship stores and 1,400 multi brand outlets and departmental stores.



Education and Stationery Products

ITC's Education and Stationery brands - 'Classmate' and 'Paperkraft' offer consumers a wide range of differentiated products addressing the specific needs of each segment. Classmate's portfolio today comprises offerings spanning notebooks, writing instruments including pens and pencils, scholastic products such as geometry boxes, scales, erasers and sharpeners as well as art stationery such as wax crayons, colour pencils and sketch pens. With a view to expanding the market and enlarging the consumer base, ITC also launched a value



WILLS LIFESTYLE



With a view to expanding the market and enlarging the consumer base, ITC also launched a value notebook brand - christened 'Saathi' - in select States this year.

brand - christened 'Saathi'- in select States this year.

The Classmate notebook is a manifestation of the environmental capital built by ITC in its paper business. While the notebook cover is made from recycled board sourced from ITC's Forest Stewardship Council (FSC) certified Kovai mill, the paper used in the notebooks leverages ITC's world-class fibre line at Bhadrachalam which is India's first ozone treated elemental chlorine free facility.

Additionally, the collaborative supply chain established by the Business comprising 900 customers and 30 third party manufacturers, provides indirect employment to over 5,000 people. The small-scale manufacturers, with support from the Company, have built impressive quality and delivery capability resulting in a majority of them being certified to ISO 9001:2008 standards.

portfolio was augmented during the year with the launch of variants such as 'Sadhvi', 'Mogra' and 'Sambrani' under the umbrella brand Mangaldeep. ITC has sustained its market leadership in the Safety Matches category leveraging a strong brand portfolio across all market segments. The Matches and Agarbatti Business continues to contribute to ITC's commitment to the 'Triple Bottom Line', supporting over 18,000 livelihoods mainly amongst rural women through small-scale and cottage sector units and women's self-help groups. The Business continues to partner small and medium enterprises in improving their processes and raising quality standards.

Safety Matches and Incense sticks (Agarbattis)

ITC's Agarbatti category is driven by a growing franchise for the 'Mangaldeep' brand, superior consumer experience and enhanced distribution reach. The product



18,000

livelihoods mainly amongst rural women through small-scale and cottage sector units and women's self-help groups supported by the Matches and Agarbatti Business



Hotels

ITC Hotels, with its credo of “Responsible Luxury”, stands apart not only for its exquisite signature properties, cuisine and service excellence but also for being the greenest luxury hotel chain in the world, with all ITC’s premium luxury hotels being LEED® (Leadership in Energy and Environmental Design) Platinum certified. In line with this philosophy, ITC Hotels integrates world-class green practices with contemporary design elements to deliver the best of luxury in the greenest possible manner. ITC’s hotels have pioneered the concept of branded cuisine in India with globally acclaimed restaurants including Bukhara, Dum Pukht and Dakshin. ITC

has also set new benchmarks in wellness with its Kaya Kalp Spa brand that offers a new dimension in luxury and an enriching experience.

ITC’s Hotels Business maintained its position as one of the fastest growing hospitality chains in India, with more than 100 properties in over 70 locations. It operates under four distinct brands – ‘ITC Hotels’ for ‘luxury’, ‘WelcomHotel’ in the ‘five star segment’, ‘Fortune’ in the ‘mid-market to upscale segment’ and ‘WelcomHeritage’ in the ‘heritage leisure segment.’

ITC’s Hotels business, with its world-class properties, globally benchmarked levels of service excellence and customer centricity, is well positioned to sustain its leadership status in



ITC
Hotels
integrates
world-class green
practices with
contemporary
design elements
to deliver the
best of luxury
in the greenest
possible
manner.



the industry and to emerge as the largest hotel chain in the country over the next few years.

Paperboards, Paper and Packaging

PAPERBOARDS AND SPECIALTY PAPERS BUSINESS

ITC's Paperboards & Specialty Papers Business is India's largest, technologically advanced and most eco-friendly in this segment. The business caters to a wide spectrum of packaging, graphic, communication, writing, printing and specialty paper requirements through its 4 world-class manufacturing units, which are today FSC Chain of Custody certified. ITC is the first paper company in India to obtain the Forest Stewardship Council-Forest Management (FSC-FM) certification.

ITC's Paperboards and Paper Business is an icon of environmental stewardship. The Company established the country's first

Elemental Chlorine Free fibre line and Ozone Bleaching technology. 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 provides livelihood opportunities to tribals and small farmers. Leveraging its experience in afforestation, ITC embarked on an innovation to address the food-fibre conflict by creating an Agro-Forestry model that synergises tree growing with crop production. This model ensures both food and wood security and helps in the conservation of precious natural resources. ITC's Agro-Forestry model is designed to allocate 25% of the land to forestry and the remaining 75% land is available for agricultural crops. As a result multi-cropping is possible throughout the tenure of the tree life-cycle. In addition, through Agro-Forestry, the leaf litter increases the carbon content, and replenishes soil nutrients restoring fertility.

ITC's initiative, 'Wealth Out of Waste' (WOW), promotes and facilitates waste paper



ITC embarked on an innovation to address the food-fibre conflict by creating an Agro-Forestry model that synergises tree growing with crop production.



recycling to help conserve scarce natural resources and generate employment.

PACKAGING AND PRINTING BUSINESS

ITC is the largest value-added converter of paperboard packaging in India. Backed

Agri Business

ITC is today one of India's leading corporates in the agricultural sector. One of the largest exporters of agri products from the country, ITC sources the finest of Indian Feed Ingredients, Food Grains, Marine Products, Processed Fruits and Coffee. The bedrock of



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'.



by state-of-the-art technology, world-class quality and innovation, it provides a variety of value-added packaging solutions for the food & beverage, personal care products, consumer goods industries and so on. The Business supplies value-added packaging to ITC's various FMCG businesses. Its client list includes several well-known national and international companies.

The Business has 3 state of the art packaging factories at Tiruvottiyur near Chennai, Munger in Bihar, and Haridwar. 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'. ITC's Packaging factory near Chennai is powered by renewable energy.

ITC's Agri Business is its strong and enduring farmer partnerships that have revolutionised and transformed the rural agricultural sector through the 'ITC e-Choupal', the world's largest rural digital infrastructure network. ITC's Agri Business bears testimony to the Company's commitment to sustainable and inclusive growth.

Through its value chains, ITC has forged strong partnerships with farmers. Its pioneering initiatives in the agricultural sector have led to enhancement of farm productivity and empowerment of farmers. Coupled with deep understanding of agricultural practices and intensive research, the business continues to deliver incremental value across the agricultural value chain.

ITC is also engaged in the production of Leaf Tobacco. The Business constantly endeavours to achieve a balance between



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

economically viable leaf production with the highest degree of product integrity and environmental protection. This is achieved by advocating and educating farmers on the best practices in integrated crop management. This includes sensitising rural farmers on how to reduce agrochemical use, conserving soil fertility through contemporary technologies,

protecting water resources, improving quality, yield and farmer returns in tobacco production, minimising fuel consumption, promoting afforestation practices and the development of alternate fuels in curing.

Information Technology

ITC Infotech, the Company's wholly owned subsidiary, is one of the fastest growing mid-tier IT companies. It provides IT services and solutions to leading global customers across 140 countries in 5 continents.

ITC Infotech is focused on servicing the BFSI (Banking, Financial Services & Insurance), CPG&R (Consumer Packaged Goods & Retail), Life Sciences, Manufacturing & Engineering Services, THT (Travel, Hospitality and Transportation) and Media & Entertainment industries.



ITC Infotech, the Company's wholly owned subsidiary, is one of the fastest growing mid-tier IT companies.



Supply Chain



Innovative strategies have been designed and implemented to create sustainable value chains linked to ITC's businesses that encompass some of the most disadvantaged sections of society, especially those residing in rural India. The vitality of ITC's winning brands drive the competitiveness of these value chains.

Management Approach

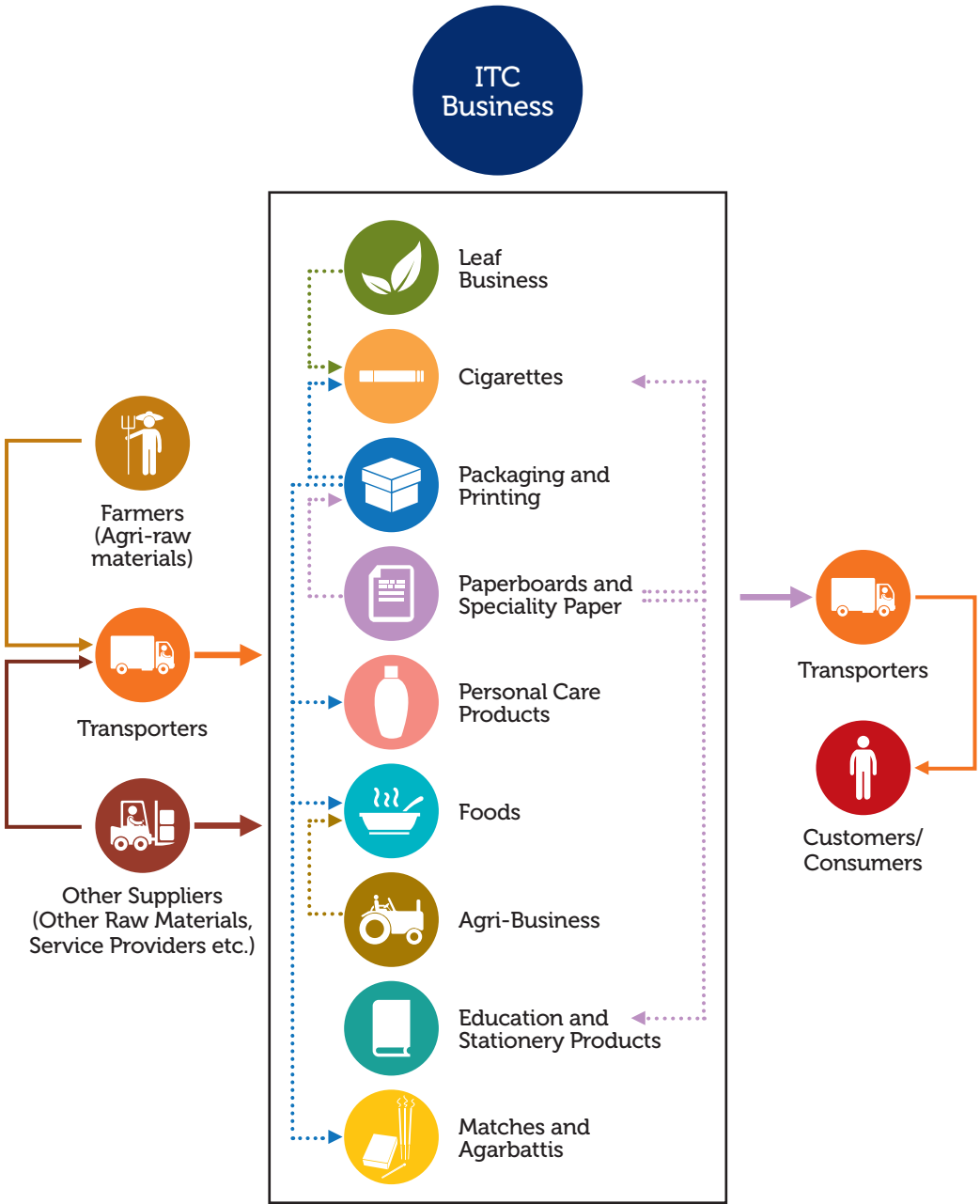
ITC's vision to serve larger national priorities is realised by the strategic approach of embedding sustainability in its core business models. Innovative strategies have therefore been designed and implemented to create sustainable value chains linked to ITC's businesses that encompass some of the most disadvantaged sections of society, especially those residing in rural India. The vitality of ITC's winning brands drive the competitiveness of these value chains. At the same time, these linkages provide unique sources of competitive advantage to the Company's businesses. ITC cognises that with expanding businesses under a diversified portfolio, holistic achievement of the Company's vision for sustainable development requires

due consideration of environmental and social impacts within the supply chain. It will therefore be important to extend ITC's Triple Bottom Line approach along the supply chain to ensure long-term competitiveness by adopting a balanced approach towards creation of social & environmental value and the economic viability of the businesses.

In order to formalise its existing sustainable procurement process, ITC now has a Board approved Policy on Responsible Sourcing which addresses the issues of labour practices, human rights, bribery, corruption, occupational health, safety and the environment. The policy is meant for Third Party Manufacturers (TPM), service providers including transporters, suppliers of agricultural & non-agricultural materials and capital goods, franchisees, dealers and distributors collectively referred to

as supply chain partners. A simplified representation of this relationship is provided below:

integral part of ITC's supply chain. Please refer to Social Investments - Mission Sunehra Kal section in this Report for details of our relationship with this important part of our supply chain.



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

.....▶ Indicates Material flow within ITC

As evident from the above representation of the generic supply chain structure for ITC businesses, the supply chains of most of ITC's businesses are vertically integrated. Farmers are the key suppliers to majority of our businesses which are dependent on agri-commodities and therefore constitute an

The Education and Stationery Products (ESPB), Matches & Agarbatti and Foods Businesses have significant Third Party Manufacturing (TPM) contributions. In line with our commitment to extend the Triple Bottom Line approach along our supply chain, we have started by including the Notebooks

manufacturers of ESPB which contributed to around 90% of the total business of ESPB, within the Reporting Boundary. The material aspects of these exclusive TPMs are included in this Report. Going forward, they will be helped in establishing systems to improve their environmental and social performance. Also during the year, ATC Limited, an associate company of ITC group has been brought within the reporting boundary, where as per plan, they were supported in implementing systems and processes to monitor the material environmental and social aspects in its manufacturing operations. It is proposed to bring the 2 TPMs of the Company's Cigarettes Business within the reporting boundary in 2014-15.



Sustainability in the Agri Supply Chain

AGRI COMMODITIES

Over the years, the Commodities operations in Agri-Business Division has been offering customised solutions by continuously aligning with the tastes and preferences of customers. These solutions not only help customers in enhancing their cost and quality competitiveness, but also create value for other partners, especially farmers.

The operations span the entire spectrum of activities starting from agri-services/ crop development to risk management, including sourcing, processing, supply chain, multi-modal logistics, stock management, and customer service. The solutions offered are a combination of all or some of these interventions. The solutions also offer the customers the flexibility in terms of quantity, timing, as well as packaging solutions for delivery of the agri-commodities.

The Division has been continuously investing in strengthening capability through multiple sourcing models, customised and identity preserved supply chain infrastructure and network, processing and warehousing tie-ups, and technology enabled systems and processes. The Division also works closely

with farmer groups to develop identified geographies for certified and organic crops. These investments coupled with deep understanding of agriculture, and the reach of the e-Choupal network, provides the opportunity to offer a wide range of reliable and consistent solutions that are efficient and effective along the entire supply chain.

ITC's e-Choupal network ensures traceability, identity preservation of the produce along the entire value chain as well as product integrity by leveraging Information Technology and digital infrastructure that enhances the competitiveness of the agri value chain. This has been achieved by empowering farmers through price discovery, knowledge, information as well as agricultural best practices. A hub and spoke model has been built along with the necessary physical infrastructure that has enabled multi-level aggregation. The model also ensures visibility of the agri-produce along the entire supply chain to the sourcing and processing units of the organisation.

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

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

LEAF TOBACCO

With challenges of low productivity per unit of land as well as low wages and increasing unavailability of farm labour, the agricultural sector is no exception to India's problem of growing social inequality. India is one of the largest producers and exporters of flue cured Virginia tobacco which is grown on rain-fed and residual moisture conditions primarily in the states of Karnataka and Andhra Pradesh. These areas are drought prone and at the same time deprived of adequate irrigation facilities thereby challenging the sustenance of agriculture dependant families. ITC sources tobacco for cigarette manufacturing from these rain-fed agricultural areas through auction platforms regulated by the Tobacco Board. Tobacco gives the farmers in these states an assured and a comparatively more remunerative source of income given the challenges of growing other crops in this region.

ITC's Leaf Tobacco Business lends support to farmers by educating them on improved varieties, novel seedling production methodologies, best practices in Integrated Crop Management, viz., reducing



agrochemical inputs, conserving soil fertility through contemporary technologies, protecting water resources, improving quality, yield and farmer returns in tobacco production and minimising fuel consumption.

In order to improve sustainability in the tobacco supply chain, ITC's Leaf Tobacco Business has undertaken a preliminary study for improving energy usage efficiencies in tobacco curing by the farmers in its operating region. Based on the preliminary assessment results, ITC is now working on the promotion of sustainable fuel management for tobacco curing in the supply chain. The Business is collaborating with the Tobacco Board and a taskforce has been formed for providing solutions to the tobacco farming community on sustainable fuel management. Research is currently ongoing for development of more fuel efficient technologies for tobacco curing e.g. roof insulation of barns, ventilation by forced convection through the barns, loose leaf barns, rocket barn etc., that have been tested to reduce fuel consumption by around 30% on a pilot scale. Based on further trials, such technologies will be scaled up. With an objective to develop a self-sustaining model, the Business has initiated the development of energy plantations on wastelands as part of its social investment programmes. These plantations are expected to cater to the total fuel requirements for tobacco curing in ITC's operating regions within the next 5 to 7 years. In addition, farmers are encouraged to use alternate fuels such as coffee husk, biomass briquettes etc. for tobacco curing with an aim to achieve sustainable fuel sourcing.

The Road Ahead

ITC will work towards the progressive implementation of the relevant Board approved policies on sustainability aspects along the supply chain through formalisation of appropriate systems and processes. Each Business will also develop plans to bring in their supply chain within the sustainability performance management system in a progressive way and efforts will be directed for continual improvement. Performance on these aspects will form part of the review by the Sustainability Compliance Review Committee.

With an objective to develop a self-sustaining model, the Business has initiated the development of energy plantations on waste lands as part of its social investment programmes. These plantations are expected to cater to the total fuel requirements for tobacco curing in ITC's operating regions within the next 5 to 7 years.

Certifications, Honours and Awards

Major Awards Over the Years

- Chairman Mr Y C Deveshwar was conferred the Padma Bhushan by the Government of India (2011).
- Harvard Business Review ranked ITC Chairman Mr Y C Deveshwar as the 7th Best Performing CEO in the World in its January-February 2013 edition.
- Chairman Mr Y C Deveshwar was conferred the Global Leadership Award by the US India Business Council of the US Chamber of Commerce (2010).
- ITC Chairman Mr Y C Deveshwar was conferred the Business Leader of the Year Award by the All India Management Association (AIMA).
- ITC was presented the World Business and Development Award at the historic Rio+20 UN Summit for its Social and Farm Forestry initiative.
- ITC has been presented the AIM Asian CSR Award by the Asian Forum on Corporate Social Responsibility (AFCSR), in recognition of its contribution to the creation of sustainable livelihoods and fostering economic growth in rural communities in India.
- ITC has won the prestigious 12th Businessworld FICCI CSR Award in the Large Enterprise category. The award recognises the most socially responsible Indian corporates in CSR.
- The FICCI Outstanding Vision Corporate Triple Impact Award, presented by the then Prime Minister, Dr Manmohan Singh (2008).
- The FICCI Award for Outstanding Achievement in Rural and Community Development, presented by the then Finance Minister, Shri Pranab Mukherjee (2010).
- Chairman Mr Y C Deveshwar received the Business Person of the Year Award from UK Trade & Investment (2006).
- Chairman Mr Y C Deveshwar was awarded the SAM/SPG Sustainability Leadership Award in Zurich (2007).
- The National Award for Excellence in Corporate Governance from the Institute of Company Secretaries of India (2007).
- ITC was ranked 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).

Harvard
Business
Review ranked
ITC Chairman
Mr Y C Deveshwar
as the 7th Best
Performing CEO
in the World in its
January-
February 2013
edition.

- 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 (2010).
- All ITC's super premium luxury hotels accorded LEED® Platinum certification, making ITC Hotels the 'Greenest Luxury Hotel Chain in the World' (2011).
- ITC's Paperboards and Specialty Papers Units at Bhadrachalam, Bollaram, Kovai and Tribeni are FSC Chain of Custody certified (2011).
- ITC's Unit in Bhadrachalam has been awarded the Forest Stewardship Council Forest Management (FSC-FM) certification by the SmartWood Programme of the Rainforest Alliance (2011).
- ITC's Chief Financial Officer, Mr Rajiv Tandon, was ranked the 'Best Overall CFO' at the fourth edition of the 'Business Today-Yes Bank Best CFO Awards.' In addition, Mr Tandon was also declared the winner in the category of 'Sustained Wealth Creation (large companies)'.
- ITC Maurya received the National Tourism Award from the Ministry of Tourism, Government of India, for the 'Best Eco Friendly Hotel'.
- ITC's Factory at Bengaluru was conferred the Frost & Sullivan Green Manufacturing Excellence Award (GMEA) 2014 in the "Overall Leaders" category.
- ITC's Corporate Communications Department received the PRSI (Public Relations Society of India) Awards in 5 categories and the ABCI (Association of Business Communication of India) Awards in 1 category.
- ITC Grand Chola received the green rating for integrated habitat assessment by the Energy Resource Institute (TERI) and Ministry of New & Renewable Energy (MNRE), Government of India.



The ITC Green Centre at Manesar was awarded the BEE 5 Star rating by the Bureau of Energy Efficiency, Government of India.

Major Awards 2013-14

- ITC was ranked 3rd among 40 leading companies in the Nielsen Corporate Image Monitor 2013-14, and was featured among the top 5 most admired companies in India. ITC was also perceived to be the 'Company most active in CSR' for the third year in a row.
- ITC voted among the top two "Buzziest Brands" in the "Corporate" category by "afaqs", one of the world's largest marketing and advertising portals.
- The ITC Green Centre at Manesar was awarded the BEE 5 Star rating by the Bureau of Energy Efficiency, Government of India.
- ITC Hotels was recognised as the Most Respected Company in the Hospitality category by the Business World Magazine.



- ITC was conferred the Karnataka State Environment Award for 2012-2013 for its outstanding contribution in Soil & Moisture Conservation and Livestock Development in Mysore.
- ITC's Paperboards and Specialty Papers Business has been conferred the Green Product of the Year award at the India Green Business Summit 2014.
- ITC's Agri Business has bagged the Rural Marketing Association of India (RMAI) Flame Award 2013 in the category of excellence in Brand Promotion.
- The Kalyanpura Integrated Watershed Development Project in Bhilwara, Rajasthan, won the Project Management Institute (PMI) award for Project of the Year – Contribution to the Community.
- ITC's Munger facility was awarded Platinum certification by the Confederation of Indian Industries' Indian Green Building Council (CII-IGBC).
- The Kovai Unit of ITC's Paperboards and Specialty Papers Division won the CII Environmental Best Practices Award 2013 from CII-GBC, Hyderabad, in the category of Innovative Environmental Project.
- ITC's Paperboards and Specialty Papers Unit at Bhadrachalam received the Most Innovative Environmental Project Award & the Most Useful Project Award at the CII Environmental Best Practices Awards 2013 from CII-GBC, Hyderabad.
- The Tiruvottiyur Unit of ITC's Packaging & Printing Business was conferred the

'Excellent Energy Efficient Unit' award by the Confederation of Indian Industry (CII).

- The Bhadrachalam Unit of ITC's Paperboards & Specialty Papers Business was conferred the 'Excellence in Energy Management' award by the Confederation of Indian Industry (CII).
- ITC's factory in Bengaluru received the "Energy Efficient Unit" award in the 14th National Awards for Excellence in Energy Management 2013 conferred by the Confederation of Indian Industry (CII).
- ITC's factory in Bengaluru bagged the runners-up trophy in the FICCI Water Award, 2013.
- The ITC Master Facility at Manesar, Gurgaon received the double green rating of Indian Green Building Council (IGBC) LEED® Platinum for Core & Shell construction and the US Green Building Council (USGBC) Platinum rating for Commercial Interiors.
- ITC Rajputana received the Green Building Awards from the Sanskriti Youva Sanstha.
- ITC's Green Leaf Threshing Project at Mysore has received the "Gold" rating 2014 from the Indian Green Building Council.
- ITC's WelcomHeritage was awarded the "Best Heritage Hotel Chain" by the 7th Today's Traveller Award 2013.
- ITC's Unit at Chirala was conferred the "Best Employee Relations Award in the Prakasam District for maintaining harmonious industrial relations and providing one of the best welfare facilities to employees.
- ITC's Unit at Anaparthi won three awards at the 27th National Convention on Quality Concepts (NCQC) organised by the Quality Circle Forum of India.
- ITC's Bhadrachalam Unit garnered the 2nd place at the State Energy Conservation Award – instituted by New & Renewable Energy Development Corporation of A.P. Ltd. (NREDCAP).
- Fiama Di Wills Men clinched its first digital award in the Web category at the coveted Indian Digital Media Awards 2013.
- ITC's Unit at Chirala received the Government of Andhra Pradesh's Best Management Award for 2012-13.



- ITC Hotels has been recognised as No. 1 in the world in the ‘Sustainability’ category at the ‘Global Vision Awards’ by Travel + Leisure Magazine, U.S.
- ITC Grand Chola ranked among the TOP 50 hotels of the world in the HOT List 2013, CondeNast Traveller.
- Times Food and Nightlife Awards for ITC Hotels’ restaurants – Peshawri, Chandravanshi Pavillion, Jharokha, Dum Pukht, Dakshin Coastal, Pan Asian, Bukhara, West View Bar & Grill , ITC Sonar’s Gourmet Shop - Bakery & Confectionary, Dum Pukht Jolly Nabobs, EDO and Cubbon Pavilion.
- ITC’s Packaging & Printing facility at Munger received the International Safety Award from the British Safety Council.
- ITC’s Paperboards and Specialty Papers Business, Kovai Unit, received the CII Southern Region EHS Excellence Award 2013.
- ITC Windsor received CII’s Leadership & Excellence Award for Environment, Health and Safety for the Hospitality Industry.
- ITC Gardenia also won the National Award for Excellence in Energy Management conferred by the Confederation of Indian Industry (CII).
- ITC’s Bengaluru Unit received the prestigious “Athyunnatha Suraksha Puraskara” from the National Safety Council, Karnataka Chapter.
- ITC’s Munger Facility also received the “Suraksha Puraskar” from the National Safety Council of India.
- ITC’s Saharanpur Unit received the “Prashansa Patra” Award by the National Safety Council of India.
- ITC’s Munger Facility received the award for Excellence in Pollution Control Management from the Bihar State Pollution Control Board.
- ITC’s Bengaluru Factory received the Best Practices in Solid Waste Management from Bengaluru Chamber of Commerce.
- ITC Windsor received an overall 4 star rating for Outstanding Leadership and Excellence in EHS across all industries such as Cement, Information Technology and Manufacturing.

EHS Certifications

■ ISO 14001: Environment Management Systems

All manufacturing units of ITC, all the major hotels (except the recently opened ITC Grand Chola) and the ITC Life Sciences & Technology Centre at Bengaluru.

■ OHSAS 18001: Occupational Health & Safety Management Systems

All the manufacturing units of ITC

■ SA 8000: Social Accountability

Leaf processing plants at Chirala and Anaparti and Mysore, ITC’s factory at Kolkata, Surya Nepal’s Simra Unit, Packaging and Printing Unit at Tiruvottiyur and ITC Infotech Bengaluru.

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

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

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

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

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

ITC Gardenia & ITC Grand Chola

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

ITC’s Units at Saharanpur, Bengaluru, Munger and Pune

■ Green Rating for Integrated Habitat Assessment (GRIHA)

5 star rating for ITC Grand Chola



Stakeholder Engagement and Materiality

ITC's approach to stakeholder engagement is based on the long term stable relationships that it has fostered with key stakeholders such as shareholders, farmers, customers, suppliers, employees, local communities, regulatory bodies and media.

In line with ITC's philosophy of creating enduring value for all its stakeholders, ITC has adopted a structured approach to building partnerships in sustainable business practices. ITC's approach to stakeholder engagement is based on the long term stable relationships that it has fostered with key stakeholders such as shareholders, farmers, customers, suppliers, employees, local communities, regulatory bodies, media etc. Recognising that stakeholder engagement is an integral part of partnership building, ITC has endeavoured to institutionalise these existing relationships through a formal process that includes:

- Identification of key stakeholders
- Consultation with the key stakeholders
- Identification and prioritisation of concerns and needs
- Addressing the prioritised concerns and needs in a consistent and transparent manner

ITC identifies and profiles stakeholder groups as well as individual stakeholder representatives who are directly/indirectly impacted by its business activities as well as those who can directly or indirectly exert influence on its business activities. While selecting stakeholder representatives, attempts are made to ensure that they

genuinely represent the views of their constituents, and can be relied upon to faithfully communicate the results of the engagements with ITC, back to their constituents.

Stakeholders' identification is guided by the attributes of stakeholders such as:

DEPENDENCY

Groups or individuals who are directly or indirectly dependent on the organisation's activities, products or services and associated performance, or whom the organisation is dependent on for operations e.g. shareholders, employees, farmers, suppliers, service providers and local communities.

RESPONSIBILITY

Groups or individuals to whom the organisation has, or potentially envisaged to have, legal, commercial, operational or ethical responsibilities e.g. customers; providers of financial capital.

IMMEDIACY

Groups or individuals who need immediate attention from the organisation with regard to economic, social or environmental issues.

INFLUENCE

Groups and individuals who can have impact on the organisation's or a stakeholder's strategic or operational decision-making e.g. Providers of financial capital; Government and Regulatory Authorities.

Therefore, broadly the key stakeholders identified by ITC include,

- Providers of financial capital
- Customers
- Employees
- Supply chain members
- Farmers
- Government and Regulatory Authorities
- Local Communities
- Civil society
- Media

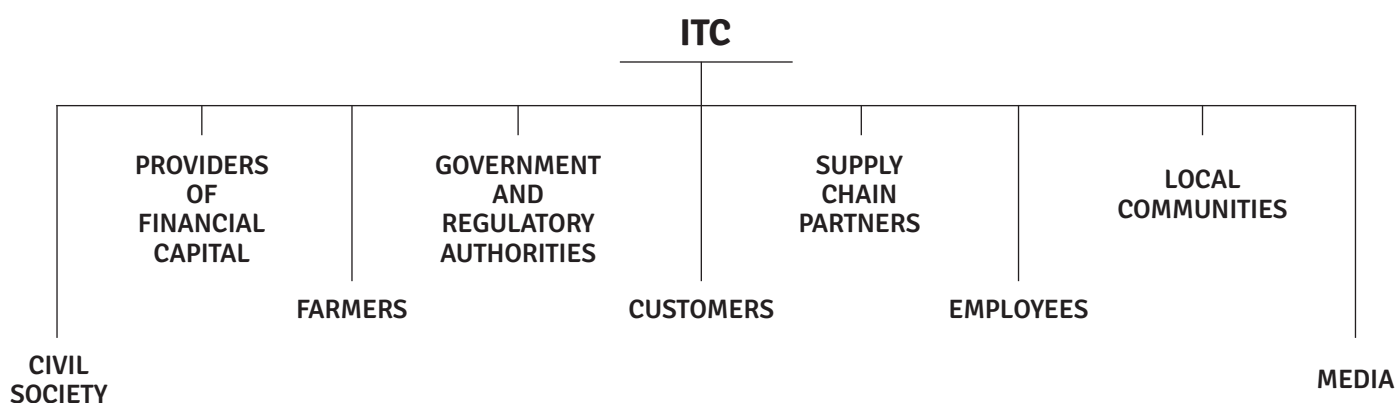
For each of these identified key stakeholders, the context for stakeholder consultation is established through creation of generic awareness about the organisation’s activities and immediate future plans through press releases, website, advertisements & other public presentations and social networking. Stakeholder consultation at ITC is a continual process both at the business as well as at the corporate level, depending on the target stakeholder being engaged with. Targeted consultation processes are conducted on a regular basis, giving due weightage to each stakeholder’s nature of engagement with the organisation. The consultative process includes the following:

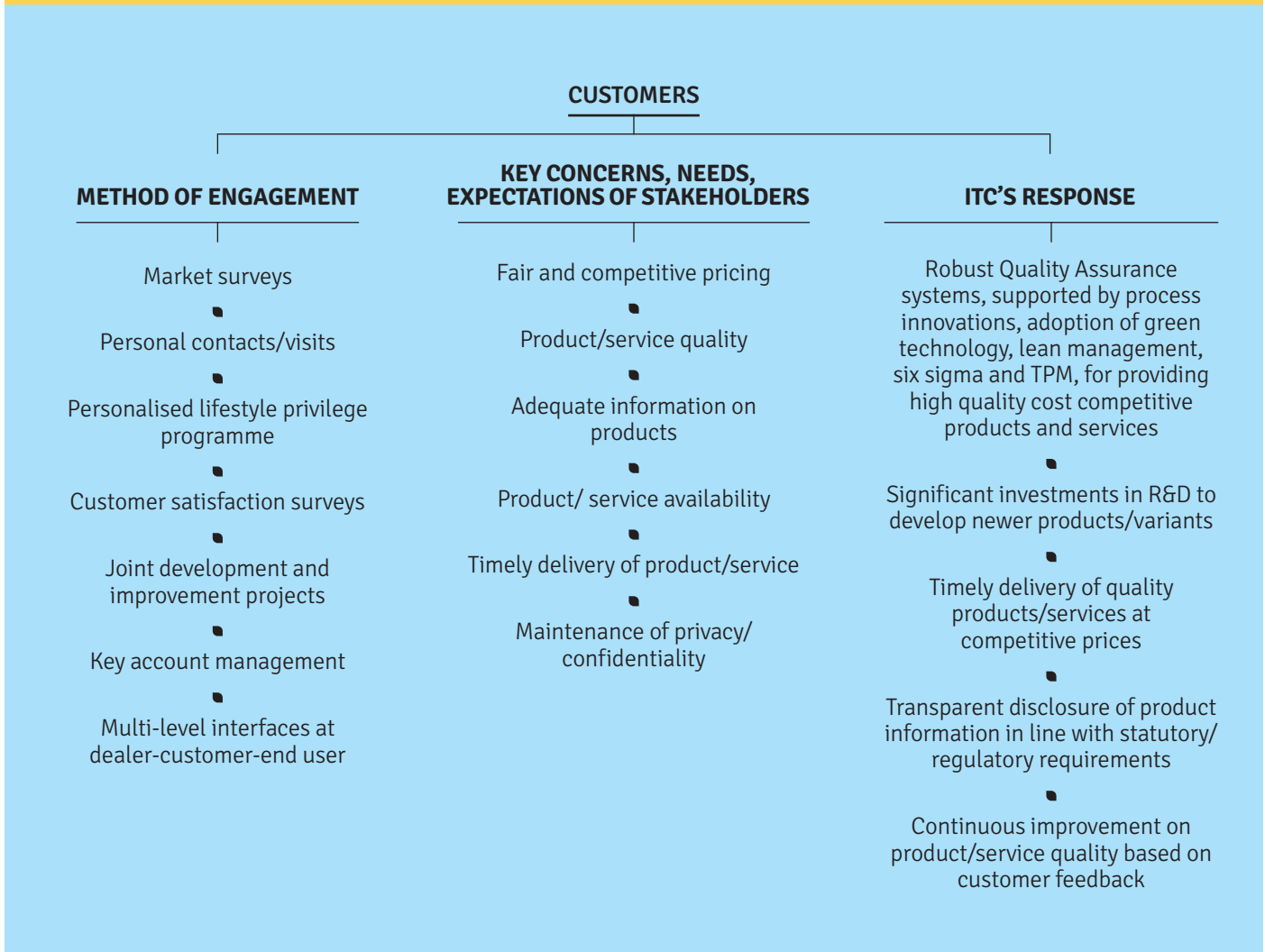
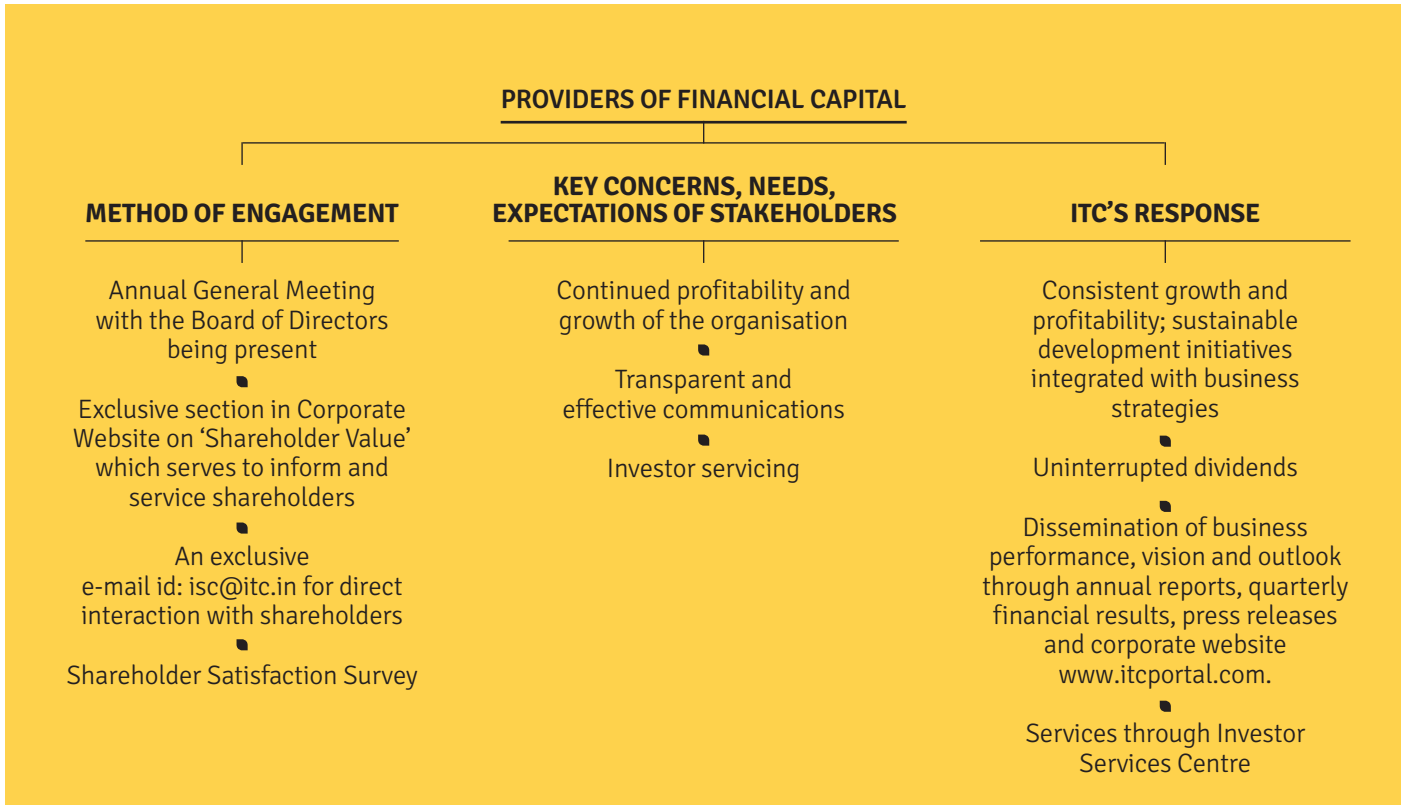
- Existing relationship with the organisation e.g. close relationship like that of the employees against more distant international civil society organisations, formal relationships like that with shareholders against more informal relationships with local communities, etc.
- Reliance on the organisation, which would necessitate that the stakeholder group should be able to express its views independently and freely without any fear of negative influence of its existing relationship with the organisation. This is especially applicable in the context of supply chain members who have direct business relationships with the organisation;
- Willingness to engage;



Stakeholder consultation at ITC is a continual process both at the business as well as at the corporate level, depending on the target stakeholder being engaged with.

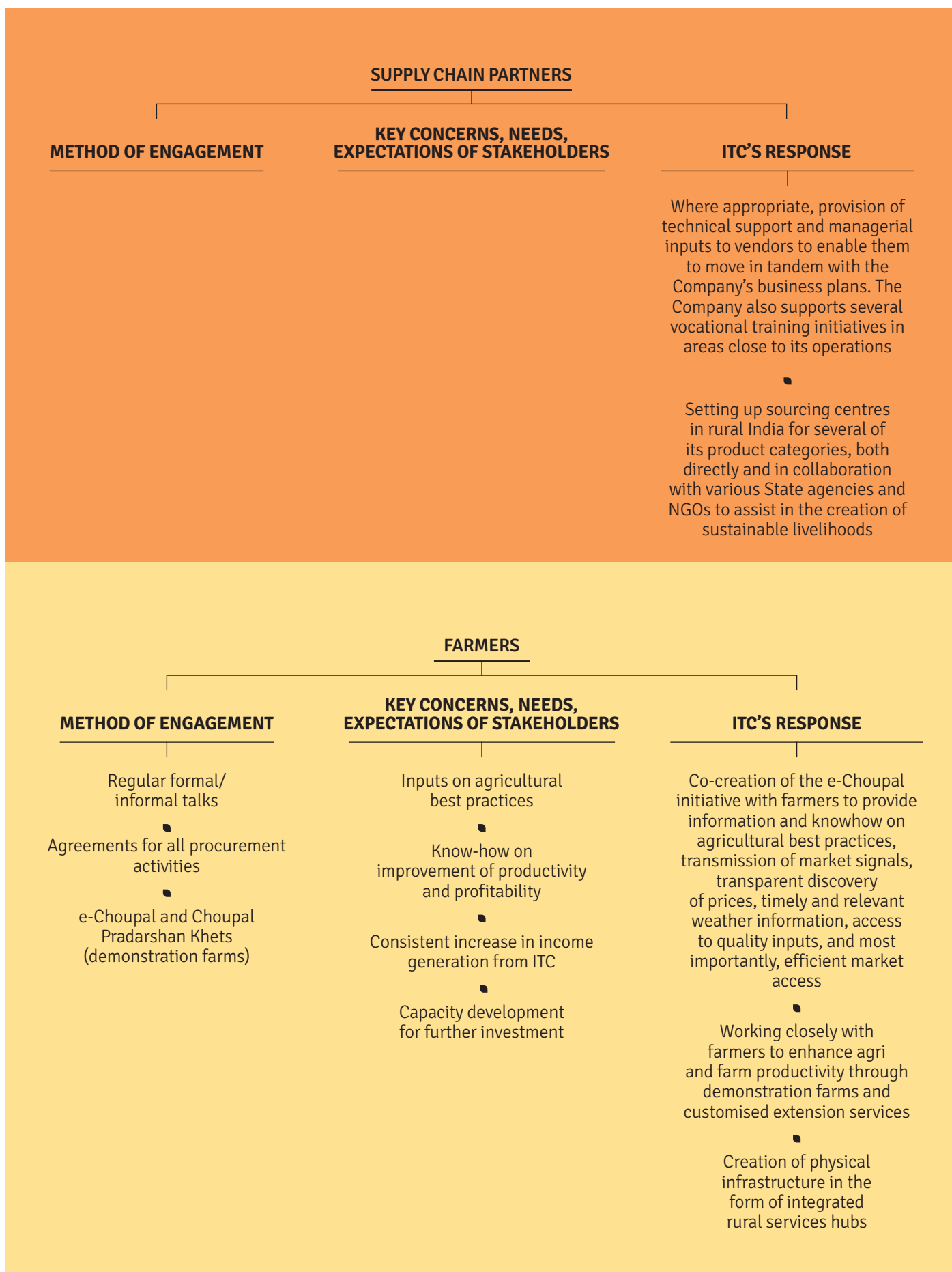
- Level of influence as applicable in cases of civil society, media and regulatory authorities
- The following diagram highlights the consultation mechanisms with these respective stakeholders, together with key concerns, requirements and expectations identified through them, and ITC’s response.

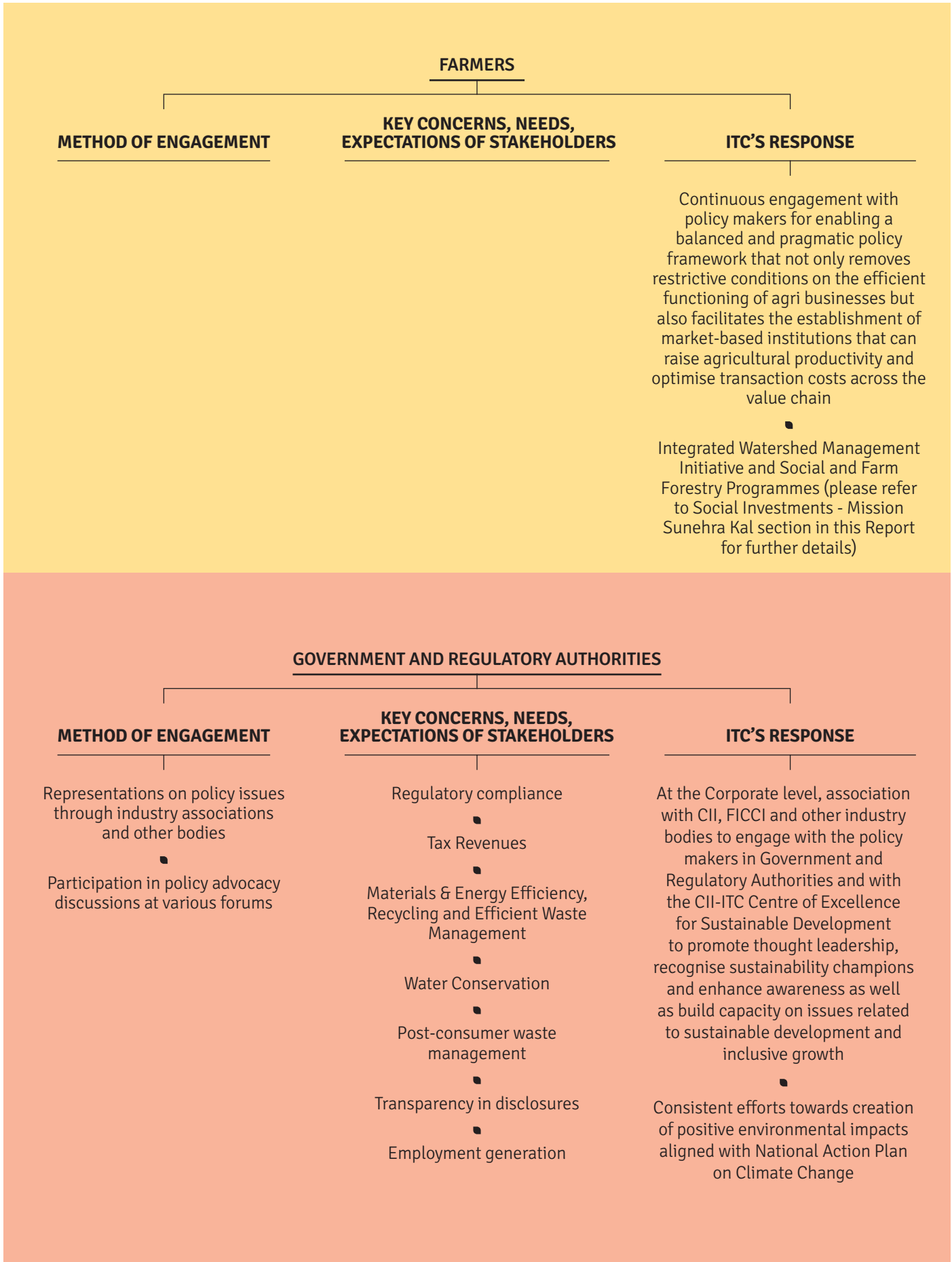


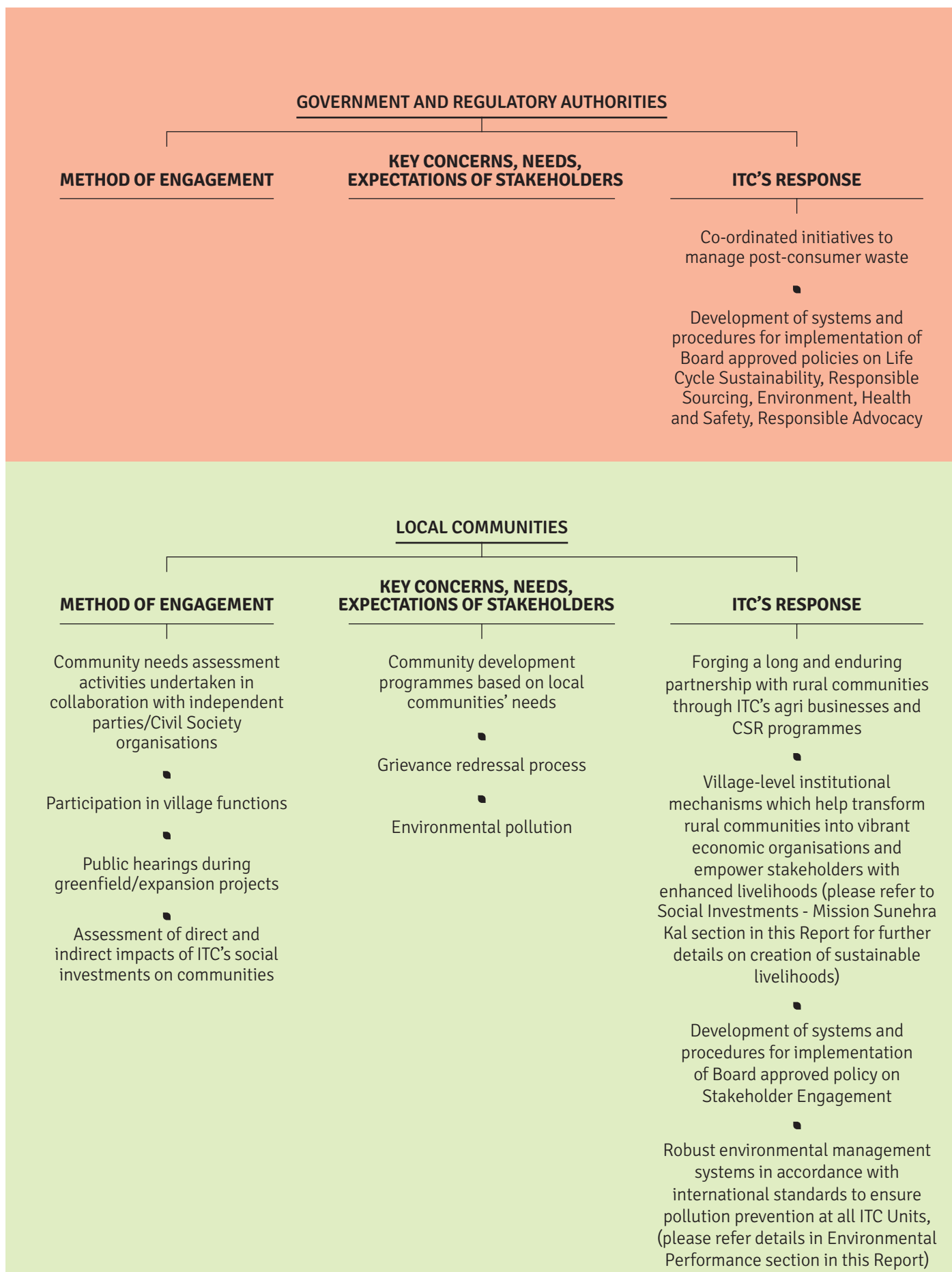


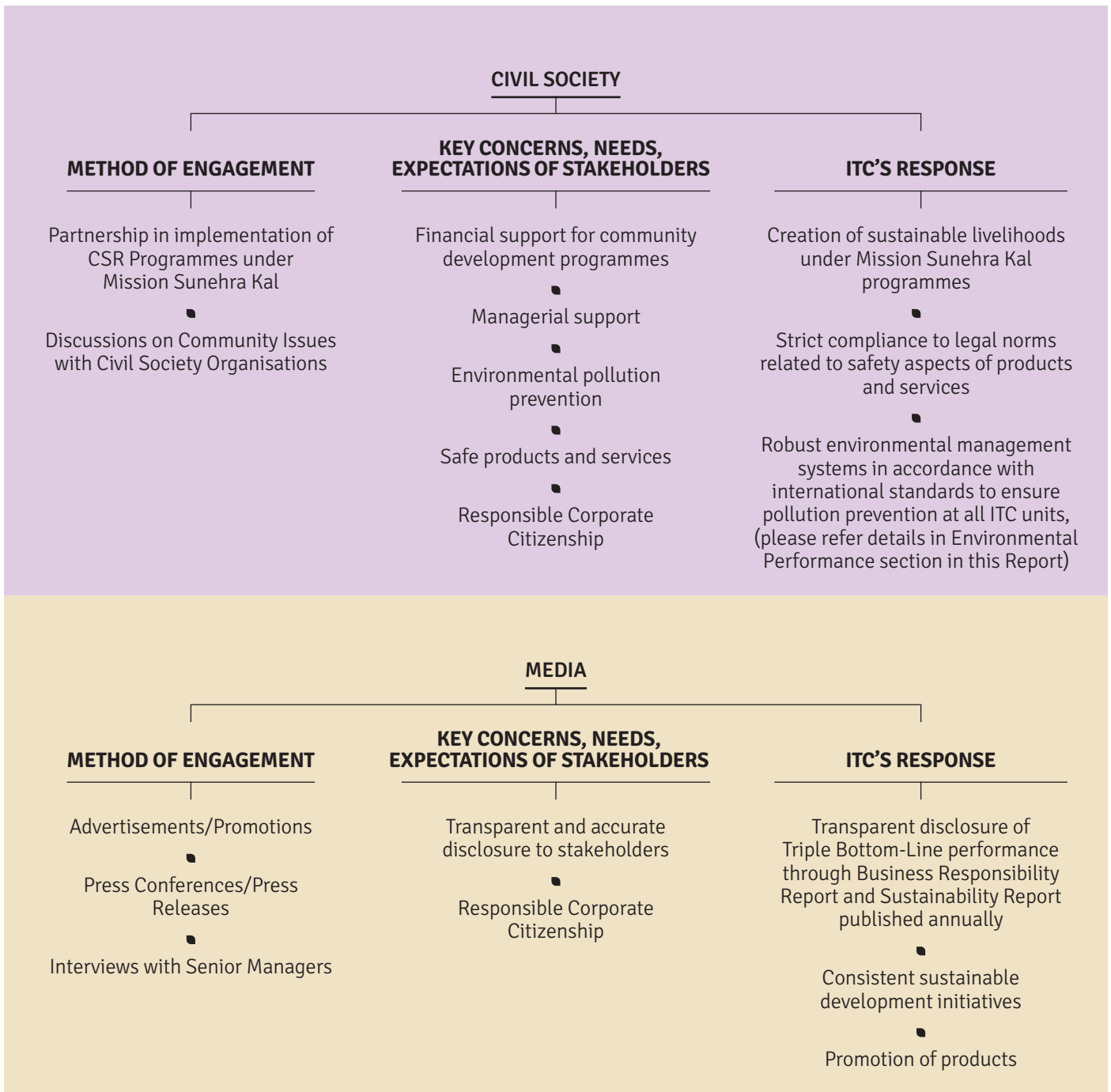












During the process of stakeholder engagement, ITC also identifies the degree of sensitivity of a particular concern or expectation. The sensitivity of an issue to a stakeholder, in terms of high/ low importance forms the basis of inputs provided for the materiality analysis of the organisation to the extent feasible. (Please refer to the Materiality Matrix explained in the subsequent section).

ITC's engagement practices with the different identified stakeholders are now being formalised in line with the Board approved

Policy on Stakeholder Engagement. In line with this Policy, ITC's stakeholder engagement process is thus being strengthened to ensure,

- A two-way arrangement to exchange views and information and to address relevant issues
- Transparency and accountability
- Monitoring and tracking those who have been consulted and the key concerns expressed
- Timely reporting back to those consulted, with clarifications on ITC's action plan

- Periodic review of actions taken
- Periodic redressal of key concerns
- Continued integration with ITC's materiality analysis, business operations and social development initiatives as far as feasible.

Materiality Analysis

ITC's materiality analysis is based upon the following three pronged approach:-

1. IDENTIFICATION OF MATERIAL ASPECTS

For each GRI-G4 defined aspect, ITC assessed its relevance in terms of the boundary of the impacts. In addition to the GRI-G4 defined aspects, ITC also cognised for business sector specific topics based on GRI Sustainability Topics for Sectors. Each of ITC's businesses evaluated the applicability of an aspect for the business and also for the key stakeholders of that business. For each business, the result was a list of material aspects considering the significance to the business and a matrix of aspects identified to be material for its key stakeholders.

2. PRIORITISATION

In order to prioritise the material aspects so identified, each ITC business further assessed the degree of importance

for each material aspect to its key stakeholders and itself.

The analysis of high or low importance of a particular aspect for a stakeholder group included evaluation of the stakeholder's perception of ITC's impact with respect to that material aspect and also expectations of the group regarding ITC's action and response against the impact. The key concerns, needs and expectations of stakeholders identified through past as well as on-going engagement constituted the basis of this evaluation (as detailed in pages 34-40).

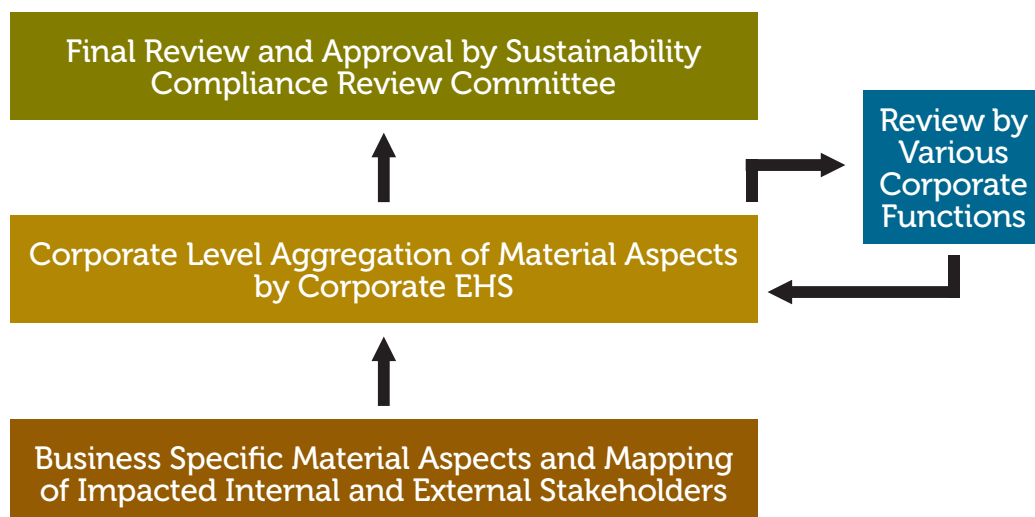
On the other hand, the degree of significance of a material aspect to a particular ITC business was assessed based on ITC's Corporate Strategies, policies and most importantly risks and opportunities for the business.

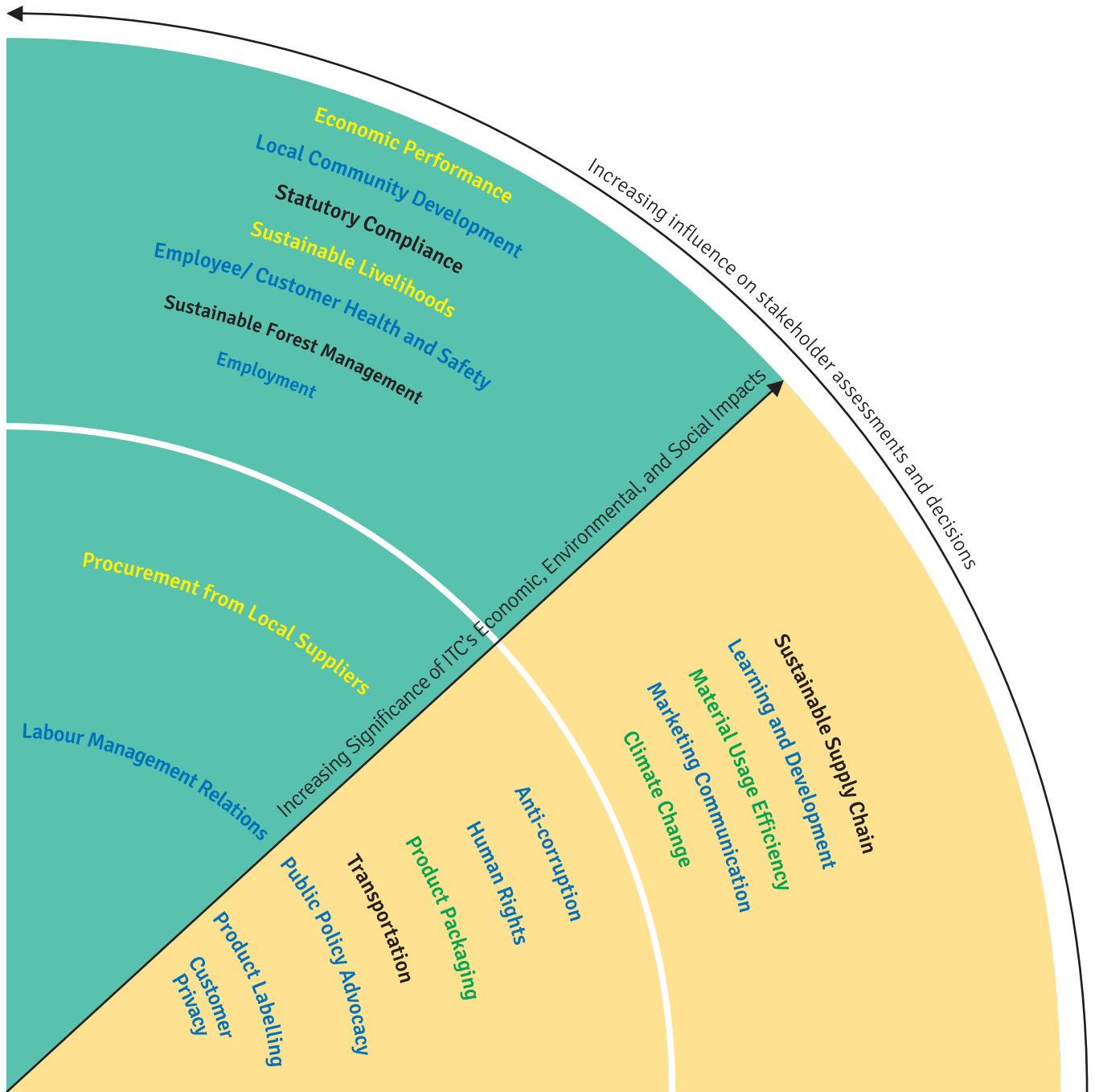
Final aggregation of the degree of importance of a material aspect to the key stakeholders of businesses and also level of significance to the business was done at the Corporate level in order to arrive at the materiality matrix.

The materiality matrix also facilitated ITC in designing the report content so as to provide a reasonable and balanced picture of the organisation's Triple Bottom Line impacts and its performance.

3. VALIDATION

Illustrated below is the structure of review followed for validation of the materiality analysis at ITC:





■ Economic
 ■ Environmental
 ■ Social
 ■ Environmental & Social

Disclosure on Material Aspects

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

Key Impacts, Risks and Opportunities: Sustainability Challenges



Sustainability Risk Portfolio

A business wise identification of sustainability risks has been carried out across various sectors in which ITC operates. This was based on reviews of various relevant publications, inputs provided by stakeholders and consultation with domain expert agencies. Sustainability challenges for ITC can be classified into two broad categories – those that are influenced by global events, and challenges that are unique to developing nations like India. It becomes essential to understand in this context that while India mirrors many of the global challenges, issues like poverty, social inequities, unemployment and environmental degradation assume even more acute and multi-dimensional characteristics in India.

Global Challenges

The sustainability agenda of developed nations is quite naturally shaped by events that have had the largest impact on them. These include the recent financial meltdown, job losses in the manufacturing sector and a looming demographic crisis due to an aging population.

It is also well acknowledged that challenges like climate change and global warming are affecting the entire planet. However the anticipated and real impacts for the developed world and developing countries are vastly different, both in scale and scope. These differences are multi-layered and multi-faceted given the dimensions of the challenges and the socio-economic environment prevailing in different countries. Given this context, countries like

India while cognising for the larger global challenges, will have to shape their own sustainability agenda with focus on specific issues that have a direct impact on the Indian society at large.

The Indian Context

In India, these social and environmental challenges are even more daunting. Even though India recently displaced Japan to become the world's third largest economy in terms of Purchasing Power Parity (PPP), a third of the world's poor still live in India, according to a 2013 UN Report. Global challenges on the social front assume even greater significance in India which is home to 17% of the world's population, with only 2.4% of the world's land share. India is already facing challenges of overpopulation and lack of proper education as well as a paucity of employment opportunities for the large population of youth that is now potentially part of India's demographic dividend. The need of the hour is an enabling policy framework that supports the expansion of employment opportunities and cognises for

the emerging market dynamics and the socio-economic environment. Of equal concern is India's continued downward slide on the Human Development Index and priority must be provided to reducing child and mother mortality, improving access to sanitation and quality education and reducing the inequalities of opportunity to enable people to lead a decent life.

On the environmental front, the latest report by the Intergovernmental Panel on Climate Change (IPCC) projects a large reduction in wheat yields in the Indo-Gangetic Plains. The report goes on to forecast a disruption of livelihoods, risk to terrestrial and marine ecosystems and risks of mortality, morbidity, and other harms during periods of extreme heat. In addition, factors like water scarcity, pollution of water sources, top soil loss, reduction in forest cover, among others, will negatively impact the already marginal existence of millions, especially in rural India. Unless these issues are tackled on an urgent footing, India may well become a powder keg of social unrest that will impact its long-term prospects as a country with immense potential for large-scale economic, social and environmental growth.

Countries like India while cognising for the larger global challenges, will have to shape their own sustainability agenda with focus on specific issues that have a direct impact on the Indian society at large.



Taxation and Regulation—Cigarettes

India's Unique Pattern of Tobacco Consumption

India has a unique pattern of tobacco consumption where the share of legal cigarettes in overall tobacco consumption is below 12%. The balance of tobacco consumption is represented by a host of traditional products such as various forms of chewing tobacco, bidis etc. As a result, India has the lowest per capita consumption of cigarettes in the world. While India accounts for over 17% of world population, it has a miniscule share of only 1.8% of global cigarette consumption but constitutes nearly 84% of the global consumption of smokeless tobacco.

India's tobacco control policies, however, are incompatible with its unique pattern of consumption as they have been dictated by a Western model of tobacco consumption, which is urban centric and where cigarettes represent over 90% of tobacco consumption.

The demand for cigarettes in India is highly price elastic and this is borne out by the fact that tobacco consumption in the form of legal cigarettes declined from 86 million kg. in 1981-82 to 68 million kg. in 2013-14 even as total tobacco consumption in the country increased from 406 million kg. in 1981-82 to 577 million kg. in 2013-14 during the same period. Thus, while overall tobacco consumption is increasing in India, the share of legal cigarettes in overall tobacco consumption has declined from 21% to below 12%.

High Rates of Taxation

The Cigarette industry had to contend with a steep increase in Excise Duty for two years in succession along with discriminatory and punitive increases in Value Added Tax (VAT) rates by some States. Such tax increases not only undermine the legal domestic cigarette industry and sub-optimize revenue potential from this sector but also fail to achieve the objective of tobacco control in the country.

According to various independent reports, there is a high degree of dual consumption with a significant number of cigarette consumers in India also consuming other forms of tobacco. High incidence of taxation and a discriminatory regulatory regime on cigarettes have, over the years, led to a significant shift in tobacco consumption to cheaper and revenue inefficient forms like bidis, chewing tobacco etc.

Illicit Trade

The policy of high taxation narrowly focussed on cigarettes also led to the rapid growth of illegal cigarettes in India. According to various studies, India is the 5th largest illicit cigarette market in the world. This has resulted in a significant revenue loss for the government, estimated by FICCI at around ₹ 6,000 crores. The size of the illegal industry in India, comprising smuggled foreign and domestic tax-evaded cigarettes, is currently estimated at 24.3 billion sticks per annum representing 19% of the overall cigarette market.

As per various international studies, illegal tobacco trade ranks among the top three organised criminal activities in the world.

High taxes on domestic cigarettes have led to an increasing demand for cheaper tax-evaded cigarettes. Therefore there is an urgent need for an equitable and balanced tax regime to enhance the revenue potential of tobacco and discourage the growing illicit trade. This can only be done by providing tax stability on cigarettes, while simultaneously widening the tobacco tax base.

ITC's Initiatives

- ITC will continue to engage with policy makers through industry associations for a balanced regulatory and fiscal framework for tobacco, equitable and harmonious VAT rates across States and implementation of a uniform GST rate.

- It has been ITC's strategic intent to create multiple drivers of growth by building a portfolio of world-class businesses in Fast Moving Consumer Goods, Paperboards, Paper and Packaging, Agri Business, Hotels and Information Technology, leveraging enterprise strengths such as consumer insights, innovative product development, brand building, state-of-the-art manufacturing, efficient supply chain and distribution infrastructure and sustained investments in R&D.

Impact on Livelihoods of Farmers

- The Tobacco industry provides direct and indirect employment to 38 million people in India, primarily in the agriculture sector.
- Tobacco continues to be a viable and remunerative crop for farmers in the regions where this crop is grown, given the prevailing agro-climatic nature and soil conditions of these regions. It gives farmers an assured income and good institutional support is also available for this crop.
- The disproportionately high taxation on cigarettes fuels transborder smuggling, leading to a reduction in domestic demand and impacts the market price for the farm produce. This adversely impacts the livelihood of farmers in general and the dependent community in particular. Tobacco farmers are important constituents of the tobacco industry.
- Increasing volumes of smuggled foreign cigarettes also result in the decline in demand for Indian tobaccos since these cigarettes do not use any Indian tobaccos. On the other hand, illegal cigarettes produced in India use tobaccos of dubious and inferior quality. Consequently, the proliferation of duty evaded cigarettes not only has an adverse impact on demand for high-quality Indian tobaccos but also a cascading impact on incomes of Indian farmers, long term viability of the legal cigarette industry as well as Government revenues.

Challenges Impacting Agriculture and Agri Business

- Agriculture in India engages around 50 per cent of the country's workforce and supports the livelihoods of 75 per cent of the population living below the poverty line.
- The sector consumes 80 per cent of the nation's fresh water resources, a quarter of the total electricity and more than 70 per cent of central government subsidies.
- However, it accounts for just about 14 per cent of GDP. Woefully therefore, the farmer's per capita income is less than one-fifth of the rest of the country's average.
- Such low incomes are a result of a deteriorating natural resource base, disconnected value chains, fragmented landholdings, weak infrastructure, inadequate knowledge and multiple intermediaries.
- In addition, around 55% of India's total sown area meets its requirements from rainwater alone. This assumes importance in the face of environmental challenges of erratic rainfall leading to drought and floods. A majority of the farmers are hence trapped in a vicious cycle of low productivity and low investments.
- A long-term view of tackling these issues entails a mosaic of alternative solutions at the policy level, which address the issue in the short, medium and long terms. These measures will also ensure larger private participation and investments leading to a large-scale revival of this sector.
- Constraints like non-implementation of the 'Model APMC' Act recommended by the Centre leads to multiple levels of transportation, handling expenses, and commissions of various agents. This essentially adds nearly 20% cost, through non-value-adding activities. The Model Act facilitates a direct interface between farmers and agri businesses and helps in reducing transaction costs by allowing alternative marketing models to co-exist, including providing farmers with the freedom to sell at the farm gate.

ITC's strategic intent is to create multiple drivers of growth by building a portfolio of world-class businesses in Fast Moving Consumer Goods, Paperboards, Paper and Packaging, Agri Business, Hotels and Information Technology, leveraging enterprise strengths such as consumer insights, innovative product development, brand building, state-of-the-art manufacturing, efficient supply chain and distribution infrastructure and sustained investments in R&D.

Challenges Impacting Agriculture and Agri Business

- Anywhere from 5% to 40% of food is wasted along the chain, depending on the inherent perishability of the crop and the season. It is possible to reduce this kind of wastage through methods to determine future prices and align production accordingly. Market instruments must therefore empower the farmers to produce as per tomorrow's demand, rather than be guided by yesterday's prices that results in wastages due to supply-demand imbalances.
- This is further aggravated by limitations that are 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 players and deprives them of critical risk management tools, such as options. Options assure farmers of a minimum price at the time of sowing itself, based on the future projections simulated by a market consensus. This aligns the production volumes to the future demand conditions and minimises the shortages as well as avoidable wastages.
- Considerable investment is also required to build infrastructure like climate-controlled storages and transport facilities to prevent wastage. The private sector certainly has the capacity to invest and add value to such infrastructure. However, regulations like the Essential Commodities Act (ECA), which impose stock limits and curb movements from time to time, create uncertainty in business viability, acting as a huge deterrent to such long-term investments.



It is essential to facilitate value-addition to farm produce, especially food, by way of processing on a large-scale. This will enable farmers to cash in on the consumption dividend offered by today's quality-conscious, convenience-preferring, variety-seeking, and safety-concerned consumers.

- It is also essential to facilitate value-addition to farm produce, especially food, by way of processing on a large-scale. This will enable farmers to cash in on the consumption dividend offered by today's quality-conscious, convenience-preferring, variety-seeking, and safety-concerned consumers.
- Given that a large part of India's total sown area meets its requirements from rainwater alone, it is imperative to invest in a wide spectrum of technology interventions that will make agriculture climate and weather proof. These include introduction of specially-developed varieties of seeds that withstand extreme weather, diverse soil conditions and various biotic stresses. In addition, scientific practices like precision farming, micro-irrigation, watershed development and power-efficient farm mechanisation need proliferation through focussed incentivisation.
- Solutions like crop and weather insurance are also essential to whet the risk-taking capability of the farmer, who can then invest to step up productivity, participate more effectively in agricultural value chains and garner a larger share of consumer spends.

- ITC operates across the agri value chain of 13 crops and is present in 17 states with substantial investments in resource intensive models that entail heavy capital infrastructure. These agri value chains that have empowered over 4 million farmers have been severely constrained by such restrictive regulations that do not distinguish between genuine agri businesses and unscrupulous hoarders.
- Policy reforms also need to encourage large-scale investments by the private sector, which can provide a much needed boost to this sector.
- There is also need for an enabling policy framework that boosts the provision of rural infrastructure so that wastage can be eliminated and farmers can receive better returns.

ITC's Initiatives

- ITC has empowered farmers and forged strong relationships with rural communities to enable sustainable sourcing solutions for over several decades. Recognising that poverty in rural India is primarily a result of the poor capacity of farmers in terms of lack of access to knowledge, information, price discovery, quality agricultural inputs and markets, the Company has devised unique models for agri sourcing that not only support sustainable agriculture but also contribute to substantial livelihood creation for inclusive development. In addition, ITC's Social Investments Programmes, including integrated watershed development, support the adoption of sustainable agricultural practices.
- ITC's e-Choupal network, which leverages information technology to empower farmers, is a rich repertoire of agri-based interventions and 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.
- ITC will continue to engage with policy makers through industry associations, organisations and other appropriate forums 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.

Recognising that poverty in rural India is primarily a result of the poor capacity of farmers in terms of lack of access to knowledge, information, price discovery, quality agricultural inputs and markets, the Company has devised unique models for agri sourcing that not only support sustainable agriculture but also contribute to substantial livelihood creation for inclusive development.

Climate Change and Environmental Degradation

- The race for unbridled economic growth has left a planet seriously depleted of environmental resources.
- The world's ecological footprint suggests that consumption of natural resources every year will be far more than the earth's capacity to regenerate.
- With increasing population, people will have access to limited resources which will be far less than what was available in 1950.
- The impact of climate change is manifest in the changed weather patterns and increasing frequency of extreme weather conditions. This affects agricultural production and severely impacts the livelihoods of farmers. Given that several of ITC's businesses are dependent on agricultural inputs, climate change and global warming have important ramifications for the Company and some of its major stakeholders – the farmers and communities in rural India.



ITC's Initiatives

- ITC has adopted the following strategies for climate change mitigation:
 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 catchment areas.
- Work towards minimising waste generation, maximising reuse & recycling and using external post-consumer waste as raw material in our units.
- Create sustainable livelihoods and promote sustainable agricultural practices.

Life Cycle Assessment studies have been carried out for different products to understand the impact across the value chain. Resource efficiency is integrated into product and process design and is addressed in the creation of physical infrastructure, the operations phase, logistics and waste management.

The adoption of these strategies has led to the following outcomes:

1. ITC has expanded its renewable energy portfolio with 38.1% of its energy consumption being met from renewable sources.
2. As 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, Gurgaon has been identified as the highest Platinum rated Green Building in the world by the US Green Building Council during its recertification in 2012. ITC's iconic property in Chennai, ITC Grand Chola, is now the largest LEED® Platinum rated green hotel in the world.

Resource efficiency is integrated into product and process design and is addressed in the creation of physical infrastructure, the operations phase, logistics and waste management.

3. ITC's afforestation programme has greened over 1,63,000 hectares, which has led to large-scale carbon sequestration besides creating over 70 million person days of employment.
4. ITC's watershed development programme provides soil and moisture conservation to 1,49,000 hectares. This has enabled the Company retain its Water Positive status for 12 years in a row.
5. ITC's Wealth Out of Waste programme promotes recycling and source segregation and creates awareness among all stakeholders on the benefits of the Reduce-Reuse-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 Positive status.

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 (water, bio-diversity, mangroves, coastal zones and grasslands) for their subsistence and livelihood. The limited options of alternative off-farm employment, combined with endemic poverty, continue to imperil the livelihood of millions of small and marginal farmers, 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:
 1. 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/hectares.
 2. As many as 99 districts spread over 14 states were identified by the Central Water Commission as drought prone. Such areas are concentrated in the states of Rajasthan, Karnataka, Andhra Pradesh, Gujarat and Madhya Pradesh.
 3. Of the total 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.
 4. Based on the current evidence, there is a compelling case to argue that these factors are likely to get exacerbated due to threat of 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
Wealth
Out of Waste
programme
promotes
recycling
and source
segregation
and creates
awareness among
all stakeholders
on the benefits
of the Reduce-
Reuse-Recycle
Approach.

ITC's Initiatives

- Recognising that business enterprises are the economic organs of society and draw on societal resources, ITC believes 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, the Company believes that this approach can unleash strong growth drivers to ensure inclusive and equitable development as well as long-term business sustainability and competitiveness.
- ITC has implemented an extensive social investments programme in geographies where it has strategic business interests and presence. To ensure long-term sustainability of these investments and to enable replication and scalability, these programmes have been implemented in the context of 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:
 1. ITC's e-Choupal network has benefitted over 4 million farmers in 40,000 villages.
 2. ITC's Social and Farm Forestry Programme has created over 70 million person days of employment for poor tribals and marginal farmers.
 3. ITC's Watershed Development Programme covers 1,49,000 hectares of moisture-stressed areas.
 4. ITC's Livestock Development Programme has reached out to over 10,00,000 milch animals.
 5. ITC's Women's Empowerment Programme has benefitted over 40,000 rural women.
 6. ITC's Supplementary Education Programme has covered over 3,00,000 children.

Supply Chain Management

- The engagement with our supply chain has expanded given the growth of our new consumer goods businesses and it will be important to integrate the Triple Bottom Line approach amongst the supply chain to ensure long-term competitiveness by adopting a balanced approach towards creation of livelihoods and economic viability of these units.
- 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 is being extended in a structured and phased manner.
- ITC encourages its supply chain to comply with certifications, such as ISO 9001, ISO 14001 and OHSAS 18001, to strengthen their quality, environmental and occupational health & safety systems.

Recognising that business enterprises are the economic organs of society and draw on societal resources, ITC believes that a company's performance must be measured by its Triple Bottom Line contribution to building economic, societal and environmental capital.

- The recent Board approved policies on Responsible Sourcing and Human Rights consideration of Stakeholders beyond the Workplace, provide the necessary framework for the progressive extension of the Company's Triple Bottom Line approach across the supply chain over the next few years.

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. It is critically important for an organisation to ensure the total safety of this valuable resource. 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

- ITC has made significant investments over the years to ensure that all its business units provide a safe, hygienic and humane environment to its employees. These are done on the basis of detailed engineering and management guidelines which are based on best international standards. To further strengthen efforts in this area, Safety Culture programmes are being institutionalised and behavioural architecture inputs are being used to rework and recalibrate EHS communication and training methodologies. Training on EHS is provided to all employees (including service providers' employees) and covers basic induction, job specific and refresher training.
- It has been observed over the years that the majority of road accidents have involved two wheelers and employees in the age group of 26-30 years. Accordingly a user-interactive 2-wheeler rider's safety programme was developed and rolled out in 2011-12. Businesses were advised to ensure that all employees using 2-wheelers are trained and that there is a constant reinforcement of the message of exercising extreme care while on the road. These efforts have resulted in a sharp reduction in road accidents. Despite the fact that road infrastructure and traffic management outside ITC's premises are well beyond our control, ITC is providing a special thrust on training and awareness building by translating the interactive ITC 2-wheeler rider's safety programme into local languages to ensure 100% coverage of all employees.

Safety Culture programmes are being institutionalised and behavioural architecture inputs are being used to rework and recalibrate EHS communication and training methodologies.



Report Profile, Scope and Boundary



This Eleventh Sustainability Report covers the sustainability performance of the Company for the period from April 1, 2013 to March 31, 2014. We report our performance on an annual basis and the last Sustainability Report was published in June 2013.

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: endingvalue@itc.in.

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

the Implementation Manual under G4 Sustainability Reporting Guidelines have been followed for reporting on the General and Specific Standard Disclosures. In addition, Sustainability issues for relevant sectors were also considered for materiality identification of ITC’s various businesses. The relevant aspects/indicators from GRI-G4 Food Sector supplement have also been considered while reporting the Foods Business performance.

For the 2014 Report it was decided that the reporting boundary would include significant 100% subsidiary companies only. Accordingly, Bay Islands Hotels Limited, Srinivasa Resorts Limited and Surya Nepal Private Limited have been excluded from the reporting boundary of 2013-14. These three subsidiary companies do not materially impact ITC’s sustainability performance during the reporting period.

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

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.

We continue our efforts to influence sustainability practices along the value chain and we intend to extend the process in the years to come, to cover all our significant suppliers. In this year, we have incorporated the performance of 20 exclusive Third Party Manufacturing (TPM) units catering to the Notebooks segment of the Education and Stationery Products Business and ATC Limited, an associate company of ITC as part of our supply chain.

The economic performance reported here is from the Company's Report & Accounts (R&A) 2014, audited by independent External Auditors - M/s Deloitte Haskins & Sells.

The data in the environment & social sections of the Report is based on actual performance of the various businesses, factories, hotels and large offices of the Company and the subsidiary ITC Infotech India Limited. A comprehensive Integrated Sustainability Data Management System has been implemented across the Company to collect, collate and

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.



analyse the sustainability performance data of each business. Robust internal systems and controls ensure the overall integrity and credibility of the disclosures in the Report.

In order to obtain an objective and impartial opinion or conclusions on the Report, ITC has been seeking assurance from independent professional assurance providers on all the Sustainability Reports since we started reporting in 2004. In the current year, authenticity of the data and systems disclosed in Sustainability Report 2014 and conformance with 'in accordance' - comprehensive requirements of the GRI G4 guidelines has been verified by M/s KPMG, an independent third party assurance provider. They have conducted the assurance engagement as per the International Standard for Assurance Engagements (ISAE) 3000 and have provided reasonable assurance - the statement of which forms a part of this Report. Summary of work performed by KPMG, the manner in which the assurance engagement has been conducted, the extent to which ITC has applied the GRI G4 Guidelines and the conclusions on the Report are provided in the Assurance Statements section of this Report.



Reporting Boundary

ITC Head Office: Kolkata (West Bengal)

FMCG

Cigarette Business

Divisional Head Quarters:
Kolkata (West Bengal)

Units at:

Kolkata (West Bengal)

Bengaluru (Karnataka)

Munger (Bihar)

Saharanpur (Uttar Pradesh)

and Pune (Maharashtra)

Trade Marketing and Distribution

FMCG - OTHERS

Foods Business

Divisional Head Quarters:

Bengaluru (Karnataka)

Units at:

Haridwar (Uttarakhand)

Pune (Maharashtra)

Personal Care Products Business

Divisional Head Quarters:

Kolkata (West Bengal)

Units at:

Haridwar (Uttarakhand)

Manpura (Himachal Pradesh)

Education and Stationery Products Business

Divisional Head Quarters:

Chennai (Tamil Nadu)

Third Party Manufacturers of

Note Books - 20 nos.

Matches and Agarbatti Business

Divisional Head Quarters:

Chennai (Tamil Nadu)

HOTELS

Divisional Head Quarters:

ITC Green Centre, Gurgaon (Haryana)

ITC Hotels:

ITC Maurya (New Delhi)



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

LEAF TOBACCO BUSINESS

Divisional Head Quarters:
Guntur (Andhra Pradesh)
Units at:
Anaparti (Andhra Pradesh)
Chirala (Andhra Pradesh)
Research Centre, Rajahmundry
(Andhra Pradesh)
Mysore (Karnataka)

AGRI BUSINESS

Divisional Head Quarters:
Hyderabad (Andhra Pradesh)

PAPERBOARDS AND SPECIALTY PAPERS BUSINESS

Divisional Head Quarters:
Hyderabad (Andhra Pradesh)
Units at:
Tribeni (West Bengal)

Bhadrachalam (Andhra Pradesh)
Bollaram (Andhra Pradesh)
Kovai (Tamil Nadu)

PACKAGING AND PRINTING BUSINESS

Divisional Head Quarters:
Chennai (Tamil Nadu)
Units at:
Munger (Bihar)
Tiruvottiyur (Tamil Nadu)
Haridwar (Uttarakhand)

LIFESTYLE RETAILING AND OTHERS

Lifestyle Retailing Business Head Quarters
at ITC Green Centre, Manesar (Haryana),
ITC Life Sciences & Technology Centre,
Bengaluru (Karnataka),
Central Projects Organisation,
Bengaluru (Karnataka)

SUBSIDIARIES

ITC Infotech India Limited
Units at:
Bengaluru (Karnataka)
Kolkata (West Bengal)

ASSOCIATES

ATC Limited,
Unit at Hosur (Tamil Nadu)

The following subsidiaries are included in the ITC's Consolidated Financial Statements but are not included in the Sustainability Report 2014:

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

The following Jointly controlled entities (incorporated Joint Ventures) are included in ITC's Consolidated Financial Statements but are not included in the Sustainability Report 2014:

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

The following Group's Associates are included in ITC's Consolidated Financial Statements but are not included in the Sustainability Report 2014:

Name	Remarks
Gujarat Hotels Limited	#
International Travel House Limited	#
Russell Investments Limited	⊙
Divya Management Limited	⊙
Antrang Finance Limited	⊙

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

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

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



Governance Structure



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

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

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

Governance Structure



* Effective 1st April, 2014, a 'Nomination & Compensation Committee' (in place of the 'Nominations Committee' and the 'Compensation Committee') was constituted in terms of the provisions of the Companies Act, 2013.

** Effective 1st April, 2014, the Board has constituted an 'Independent Directors Committee'.

Board of Directors

The ITC Board is a balanced Board comprising Executive Directors and Non-Executive 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 administration and enterprises.

Directors are appointed / re-appointed with the approval of the Shareholders for a period of three to five years or a shorter duration in accordance with retirement guidelines as determined by the Board from time to time.

The Nomination Committee recommends, inter alia, Executive Directors' appointment to the Board, appointment to the Corporate

Management Committee and the seniormost level of executive management below the Executive Directors.

The initial appointment of Executive Directors is normally for a period of three years. All Directors are liable to retire by rotation unless otherwise approved by the Shareholders or provided under any statute.

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

COMPOSITION OF THE BOARD

The strength of the Board as on 31st March, 2014, was fourteen, of which four were Executive Directors and seven Independent Directors. The composition of the Board, including other Directorships / Committee memberships of Directors was as follows:-

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

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

2. Denotes Membership / Chairmanship of Audit Committee and / or Investors Grievance Committee of Indian Public Limited Companies.

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

Board Committees

During the financial year 2013-14, there were five Board Committees – the Audit Committee, the Compensation Committee, the Stakeholders Relationship Committee, the Nominations Committee and the CSR and Sustainability Committee.

AUDIT COMMITTEE

The Audit Committee, as on 31st March, 2014, comprised five Non-Executive Directors, four of whom were Independent Directors. The Chairman of the Committee was an Independent Director. The Executive Director representing the Finance function, the Chief Financial Officer, the Head of Internal Audit and the representative of the Statutory Auditors were Invitees to the Audit Committee. The Head of Internal Audit was the Co-ordinator and the Company Secretary was the Secretary to the Committee. The representatives of the Cost Auditors are invited to meetings of the Audit Committee whenever matters relating to cost audit are considered. All members of the Committee are financially literate; three members, including the Chairman of the Committee, have accounting and financial management expertise.

COMPENSATION COMMITTEE

The Compensation Committee, as on 31st March, 2014, comprised five Non-Executive Directors, four of whom were Independent Directors. The Chairman of the Committee was an Independent Director.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee (earlier known as 'Investor Services Committee'), as on 31st March, 2014, comprised five Directors, three of whom were Independent Directors. The Chairman of the Committee was an Independent Director.

NOMINATIONS COMMITTEE

The Nominations Committee, as on 31st March, 2014, comprised the Chairman of the

Company and eight Non-Executive Directors, seven of whom were Independent Directors.

The Chairman of the Company was the Chairman of the Committee.

CSR AND SUSTAINABILITY COMMITTEE

The CSR and Sustainability Committee (earlier known as 'Sustainability Committee'), as on 31st March, 2014, comprised the Chairman of the Company and three Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Company was the Chairman of the Committee.

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

ITC has clearly defined roles and responsibilities for specific areas that encompass the economic, environment and social dimensions. The



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

Corporate Management Committee of the Company reviews and monitors performance on these dimensions to ensure progress on a continual basis.

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

The following are the Terms of Reference for the Sustainability Compliance Review Committee :-

- To provide direction on the implementation of ITC's sustainability policies

- To review critical concerns raised by stakeholder and the corrective actions taken, as applicable
- To review progress towards achievement of 50% renewable energy share by 2020 and water security
- To provide guidance on ITC's public disclosures and engagement with external agencies

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

ITC has constituted a Sustainability Compliance Review Committee, which presently comprises an Executive Director, two members of the Corporate Management Committee and five senior members of management.



- To approve appointment of third party assurance provider for sustainability reporting
- To review and approve the Annual Sustainability Report including the materiality matrix
- To facilitate the identification of issues beyond the horizon
- To review the sustainability risk portfolio of ITC and report back on closure by businesses



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.

have potential conflict with the interests of the Company at large; such confirmations are placed before the Board.

All transactions of the Company with related parties, if any, or their subsequent modifications, are required to be approved by the Audit Committee. Further, certain transactions with related parties which are not in the ordinary course of business or not on arm's length basis would also require the approval of the Board or Shareholders.

The Company has a code of conduct for prevention of insider trading in the securities



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.

Senior management is required to confirm on an annual basis that no material transaction has been entered into by them which could

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

Performance of the Highest Governance Body and Evaluation

The Board is equipped to perform its role of business assessment through inputs from time to time. Directors are fully briefed on all business related matters, risk assessment &

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.

ITC believes that every employee is a trustee of its stakeholders and must strictly adhere to the Code of Conduct and conduct himself/herself at all times in a professional and ethical manner.

minimisation procedures, and new initiatives proposed by the Company. Directors are also updated on changes / developments in the domestic / global corporate and industry scenario including those pertaining to statutes / legislation, social and economic environment.

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

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

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

Remuneration and Incentives

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

The ratio of remuneration of the highest paid employee to the median remuneration for the year 2013-14 was 252:1, computed on the basis of Total Compensation. The median Total Compensation covers all management staff and office associates (excluding the highest paid employee).

Components included in determining Total Compensation are Basic/Consolidated Salary, Supplementary Allowance, Utility Allowance, House Rent Allowance or Perquisite Value of Housing, other Cash Allowances, Variable Compensation including Annual Performance Bonus / Variable Pay/Sales Incentives as appropriate; and value of Perquisites computed as per IT guidelines.

The ratio of the annual increase (percentage) in Total Compensation of the highest paid employee to the median annual increase (percentage) in Total Compensation of all management staff and office associates (excluding the highest paid employee) was 10:28 in 2013-14.

Total Compensation excludes contributions towards Retirement Benefits and Options granted under the Employee Stock Option Scheme.

Compensation for unionised employees is determined on the basis of Long Term Agreements (LTA) with the unions.

Ethics and Integrity

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

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

The ITC Code of Conduct is displayed on the Company's corporate website and is shared with employees at the time of their induction into the Company. Any violation of the ITC

Code of Conduct by an employee renders him/her liable for disciplinary action.

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

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

Risk Management

As a diversified enterprise, the Company has always had a system-based approach to business risk management.

The Corporate Risk Management Cell works with the Businesses to establish and monitor the specific profiles including strategic, operational, environmental and social related risks. The process includes the prioritisation of risks, selection of appropriate mitigation strategies and periodic reviews of the progress on the management of risks.

A combination of centrally issued policies and divisionally evolved procedures brings

robustness to the process of ensuring that business risks are effectively addressed.

Appropriate structures have been put in place to proactively monitor and manage the inherent risks in Businesses with unique/relatively high risk profiles.

A 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 have been implemented.

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

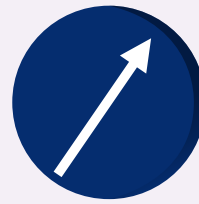


A robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives, based on effective strategy implementation.



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 18 years
- 50 fold increase in market capitalisation from 1996



Continuing with its chosen strategy of creating multiple drivers of growth, the Company is presently the leading FMCG marketer in India, a trailblazer in 'green hoteliering' and the second largest Hotel chain in India, 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.

Management Approach

ITC's commitment towards maintaining its high economic growth trajectory 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 not only the global Indian market but also progressively in offshore global markets.

As a premier 'Indian' enterprise, and with a larger commitment to enhancing its Triple Bottom Line contribution, ITC has consciously crafted innovative strategies for ensuring the competitiveness of the entire value chain of which it is a part. This philosophy has shaped the Company's approach to business to embrace '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 2014 (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 operating business environment,

opportunities, key challenges, etc. pertaining to each of the Company's businesses.

Economic Performance

ITC continued to deliver strong financial performance with healthy growth in revenues and high quality earnings. This performance is particularly significant when viewed against the backdrop of the extremely challenging business context in which it was achieved, namely, a sluggish macro-economic environment which saw GDP growth remaining below 5% for the second year in succession. ITC's robust financial performance was achieved against the backdrop of high inflation and a marked deceleration in the rate of growth of Private Final Consumption Expenditure; steep increase in taxes/duties on Cigarettes for two years in a row; weak demand conditions in the FMCG industry; gestation costs relating to the new FMCG businesses; sharp escalation in input costs in the Paperboards, Paper & Packaging Business and a weak demand & pricing environment in the Hotels businesses.

Gross Revenue for the year grew by 11.7% to ₹ 46,713 Crores. Net Revenue at ₹ 32,883 Crores grew by 11.1% primarily driven by a 16.0% growth in the non-cigarette FMCG businesses, 14.7% growth in Paperboards, Paper & Packaging together with 10.6% growth in the Cigarettes Business. Profit Before Tax increased by 18.5% to ₹ 12,659 Crores while Net profits at ₹ 8,785 Crores registered a growth of 18.4%.

Earnings Per Share for the year stood at ₹ 11.09 (previous year ₹ 9.45), while Cash flows from Operations aggregated ₹ 10,760 Crores compared to ₹ 9,596 Crores in the previous year.

Continuing with its chosen strategy of creating multiple drivers of growth, the Company is presently the leading FMCG marketer in India, a trailblazer in 'green hoteliering' and the second largest Hotel chain in India, 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.

ITC is one of India's most admired and valuable corporations with a market capitalisation of over ₹ 2,70,000 Crores and has consistently featured amongst the top 10 private sector companies in terms of market capitalisation and profits over the last eighteen years.

Additionally, during this period, the Company's Net Revenues and Profits after taxes recorded an impressive compound growth of 15.3% and 21.6% per annum respectively. Return

on Capital Employed improved substantially from 28.4% to 45.8%. Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compound annual growth rate of over 25.9%, placing the Company amongst the foremost in the country in terms of efficiency of servicing financial capital.

For the year ended 31st March, 2014, ITC declared a Dividend of ₹ 6.00 per share (previous year ₹ 5.25 per share).

ITC is one of India's most admired and valuable corporations with a market capitalisation of over ₹ 2,70,000 Crores and has consistently featured amongst the top 10 private sector companies in terms of market capitalisation and profits over the last eighteen years.

Direct Economic Impact

Key Economic Indicators*	₹ Crores					
	2010	2011	2012	2013	2014	CAGR
Gross Revenue	26,200	30,528	34,872	41,810	46,713	16%
Net Revenue	18,153	21,168	24,798	29,606	32,883	16%
Exports	2,239	2,464	2,315	3,474	4,046	16%
Contribution to Government/Exchequer	13,491	15,860	18,006	22,343	25,669	17%
Cost of Bought out Goods and Services	10,819	12,374	14,255	17,031	18,391	14%
Employee Benefits Expense	1,003	1,140	1,258	1,387	1,608	13%
Payments to Providers of Capital	3,500	4,498	5,669	6,800	7,977	23%
- Interest and Dividend	3,891	3,512	3,596	4,235	4,775	
- Retained Profits	-391	986	2,073	2,565	3,202	

* Detailed Financial Performance available at www.itcportal.com

ITC continued to make significant investments across its business domains, even as it has been successful in progressively generating higher returns on the assets deployed.

Revenue And Profit Before Depreciation Interest and Tax (PBDIT)

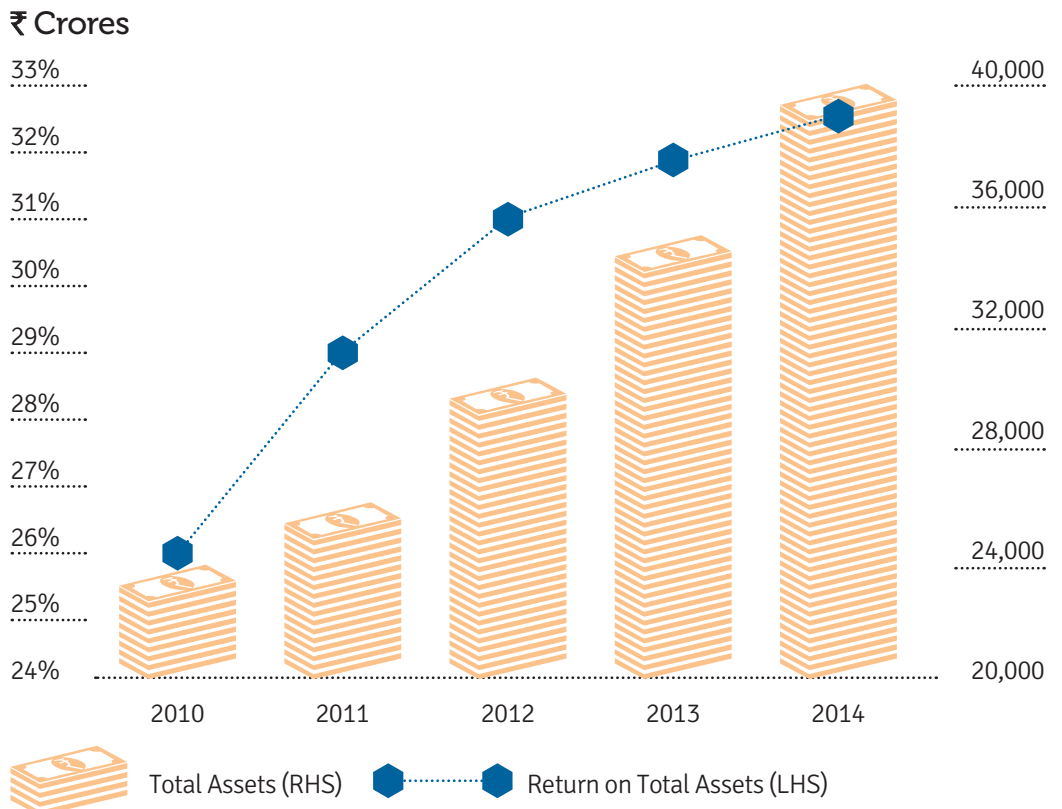
						₹ Crores
Year	2010	2011	2012	2013	2014	CAGR
Gross Revenue	26,200	30,528	34,872	41,810	46,713	16%
PBDIT	6,689	7,993	9,674	11,566	13,562	19%

Total Assets and Returns

Despite the extremely challenging business environment during the year under review, ITC continued to make significant investments across its business domains, even as it has been successful in progressively generating higher returns on the assets deployed. Therefore, while the Balance Sheet size of the Company has expanded at a compound rate of 14% over the previous five years to reach ₹ 39,229 Crores as at 31st March, 2014, returns on assets deployed have increased from about 26% to about 32% during the same period.



Return on Total Assets



Market Capitalisation and Earnings Per Share

ITC is one of India's most admired and valuable corporations and has, over the last 18 years, consistently featured amongst the top 10 private sector companies in terms of market capitalisation & profits. The Company's shares are amongst the most influential stocks in the Indian equity market.



Year	1996	2010	2011	2012	2013	2014	CAGR
Market Capitalisation (₹ Crores)*	5,571	100,476	140,408	177,360	244,245	280,708	24%
Adjusted EPS (₹)**	0.35	5.31	6.45	7.88	9.39	11.05	21%

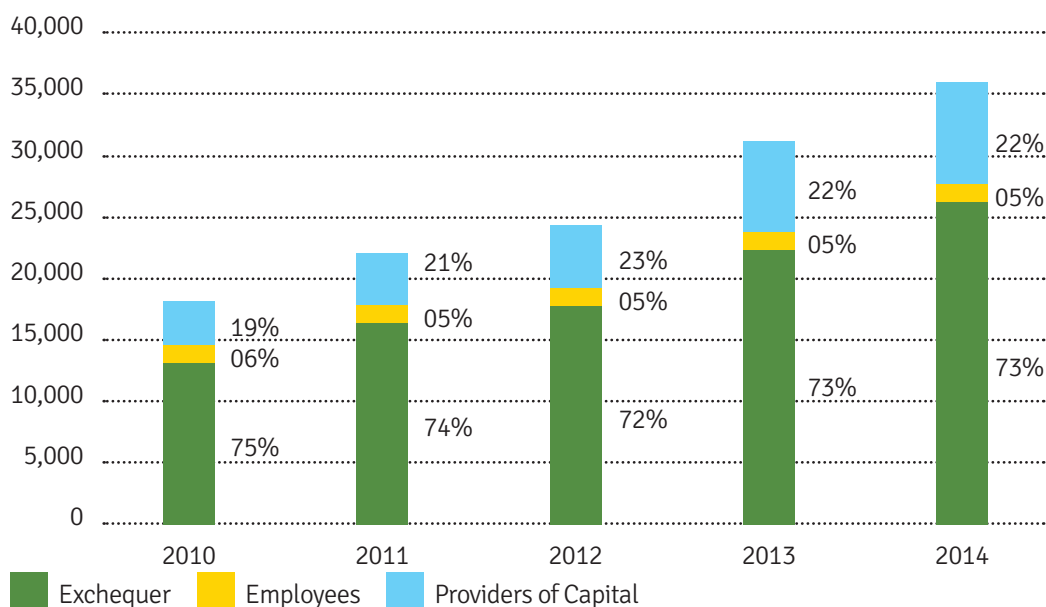
* Market Capitalisation based on year-end closing prices quoted on the Bombay Stock Exchange.

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

Analysis of Value Added

Distribution of Value Added

₹ Crores



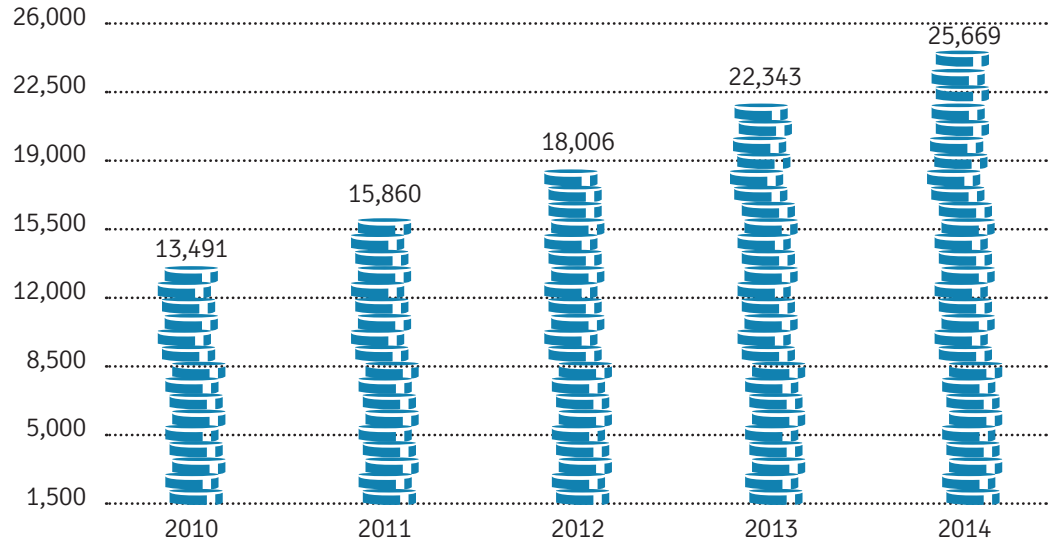
Contribution to the National Exchequer

The Company's contribution accounts for about 7.7% 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 nationally in the private sector.



Contribution To Exchequer

₹ Crores



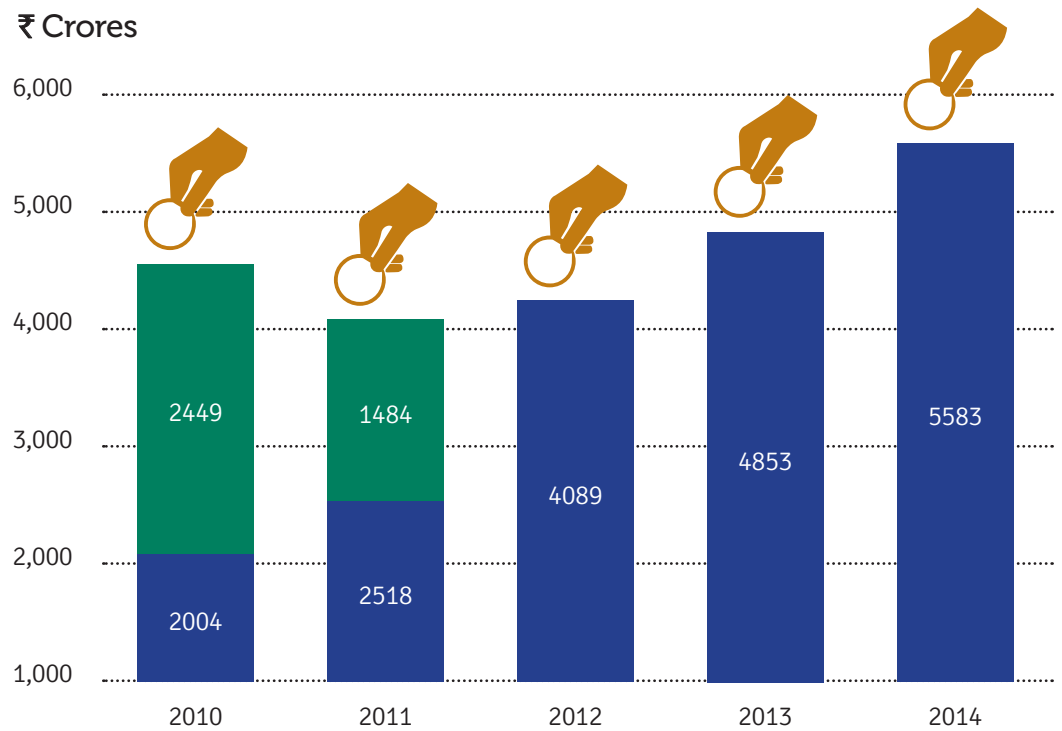
 Contribution to Exchequer



Dividend Payout

For the current year, the Company has declared a dividend of ₹ 6.00 per share of ₹ 1/- each.

Dividend Paid (incl. Dividend Distribution Tax)

₹ Crores



 Ordinary Dividend  2010 - Special Centenary Dividend
2011 - Special Dividend on 100th AGM

Locally Based Suppliers

The Company's suppliers, both local and international, constitute one of its important stakeholder groups. Supplier engagements are established on a conducive procurement culture supported by policies, processes and best practices to ensure that procurement activities are conducted in an open, transparent and non-discriminatory manner. Strong processes are in place to identify, develop and qualify vendors on the basis of supply assurance, innovation quotient, product quality and delivering value for money. Procurement activity is conducted through established formal competitive processes and documented discussions, recommendations and decisions.

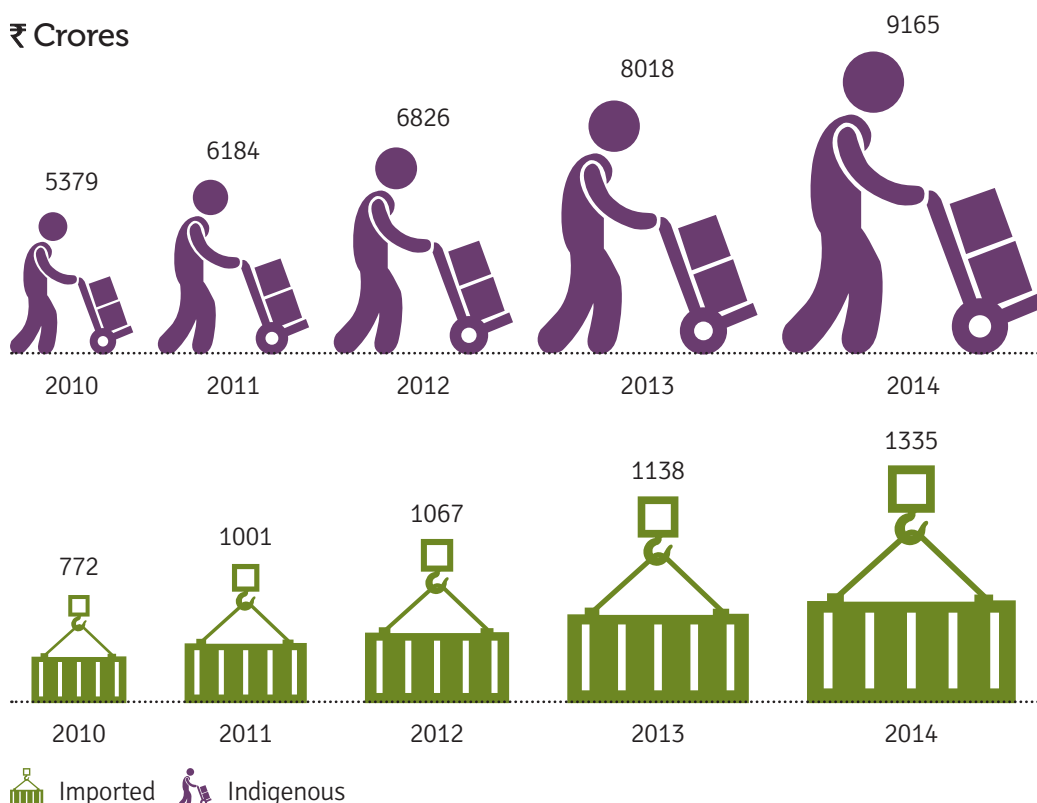
All businesses of the Company operate modern facilities and utilise state-of-the-art technologies to ensure benchmarked quality and value. Accordingly, the Company sources specialised production machinery from reputed international and Indian manufacturers – across large, medium and small scale sectors. Utility machinery such

as boilers, generator sets, air-conditioning and refrigeration machinery and electrical & electronic systems are sourced largely from Indian or India-based suppliers. Competent Indian contractors carry out construction and renovation of new manufacturing facilities, hotels, warehouses & offices. More than 87% of raw materials and stores & spares have been locally procured during the reporting year.

The Company actively encourages competency development among local vendors and its vendor base includes numerous medium and small scale enterprises that are proximate to its manufacturing locations. Where appropriate, vendors are provided technical support and managerial inputs to enable them to move in tandem with the Company's business plans. The Company also supports several vocational training initiatives in the vicinity of its operations. These have been effective in empowering youth with requisite skills and increased opportunities for entrepreneurial development. In addition, the Company has continued to set up sourcing centres in rural India for several of its product categories, both directly and in collaboration with various State agencies and NGOs to assist in the creation of sustainable livelihoods.

Raw Materials, Stores and Spares Consumed

₹ Crores



Supplier engagements are established on a conducive procurement culture supported by policies, processes and best practices to ensure that procurement activities are conducted in an open, transparent and non-discriminatory manner.

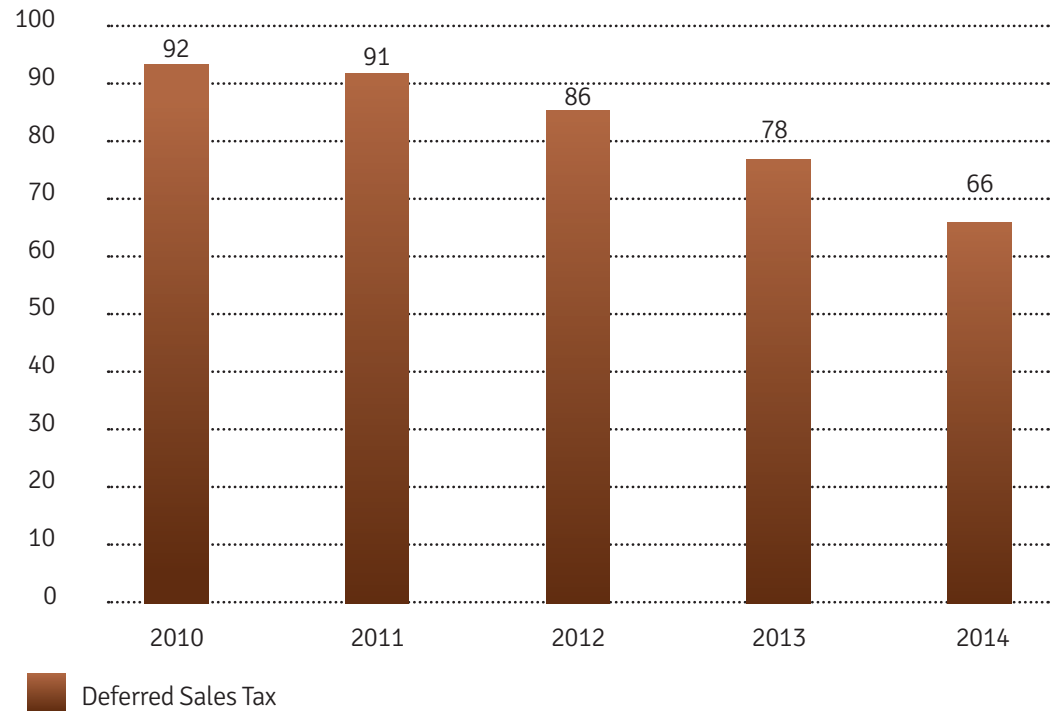
Financial Assistance from Government

Tax, which is repayable over a period ranging from 10 to 14 years. The amount of such assistance in the form of Deferred Sales Tax due to be repaid by the Paperboards and Specialty Papers Division (PSPD) is given below:

The states of Andhra Pradesh and Tamil Nadu offer incentives by way of deferment of Sales

Deferred Sales Tax

₹ Crores



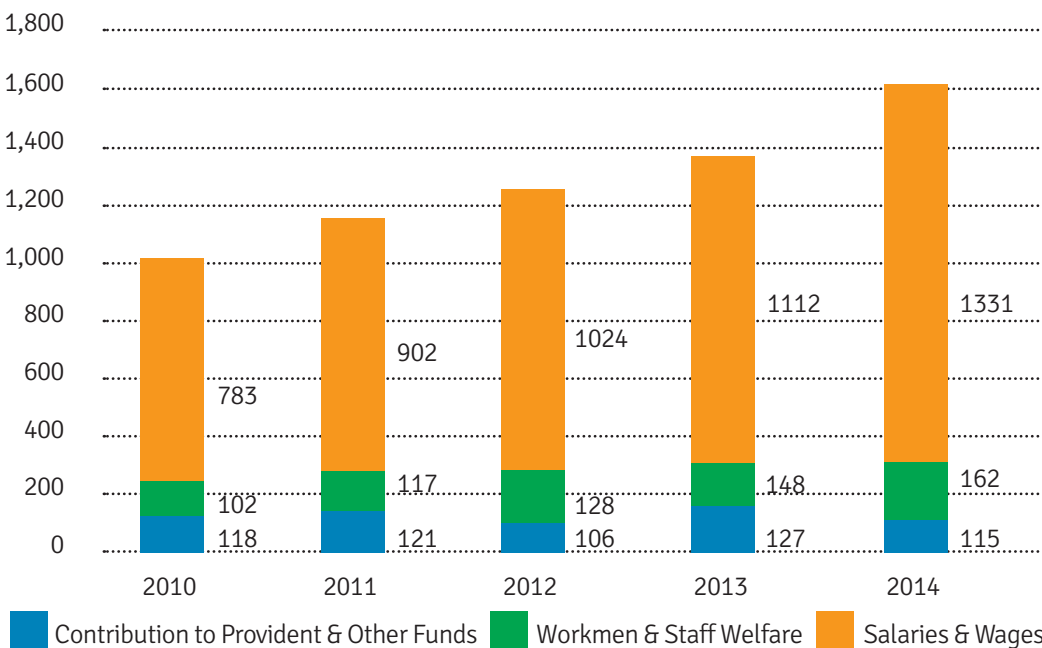


Engaging Talent, Local Hiring and Senior Management

ITC's human resource management systems and processes are relentlessly

customer-focused, competition-differentiated, performance-driven and future-capable. The Company's Human Resource Development strategy seeks to fulfil this mandate through careful selection and rigorous implementation of a wide range of programmes and interventions.

₹ Crores



ITC's human resource management systems and processes are relentlessly customer-focused, competition-differentiated, performance-driven and future-capable.

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

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

political, religious or union organisation or majority/minority group.

The Company's talent management strategy is focused on building a future-ready talent bank in the organisation to ensure a pipeline of high-quality managerial talent, specialists and business leaders. ITC's talent engagement approach focuses on attracting and nurturing quality talent, supported by significant investments in learning and development.

In 2013-14, the minimum wage paid to entry level workers of the Company was equal to or more than the statutory minimum wage applicable at all locations of ITC's operations. Employees' Retirement Benefit Schemes include employee pension, provident fund and gratuity, which are administered through duly constituted and approved independent trusts.

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



of discrimination amongst its employees in compensation, training and employee benefits, based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a

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.

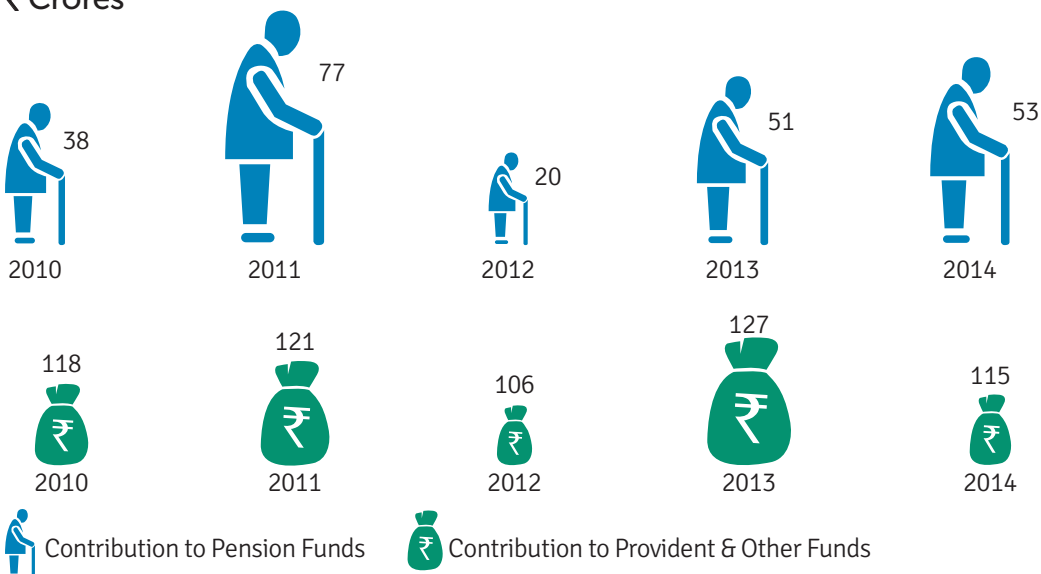


Pension plans and other applicable employee benefits obligations are determined and funded in accordance with independent actuarial valuation. Expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario.

ITC has diversified plan assets in order to protect capital and optimise returns within acceptable risk parameters. In addition, funds are consistently sustained to meet requisite superannuation commitments.

Contribution to Provident and Other Funds

₹ Crores



Corporate Social Responsibility

ITC's overarching aspiration to create significant and sustainable societal value is inspired by a vision to subserve a larger national purpose and abide by the strong value of trusteeship. This larger commitment is manifest in ITC's CSR initiatives that include the most disadvantaged sections of society, especially in rural India, through economic empowerment based on grassroots capacity building. In the social sector, the two most important stakeholders for the Company are:

- Rural communities with whom ITC's agri-businesses have forged a long and enduring partnership through their crop development activities and the ITC e-Choupal, the world's largest unique rural digital infrastructure network that enables dissemination of valuable information relating to weather conditions, agricultural best practices, ruling market prices etc.; these households operate in rain-fed conditions in some of the most moisture-stressed regions of the country.
- Communities residing in close proximity of the Company's production units, whose

full potential cannot be realised due to poor social infrastructure in the areas of education and health.

In pursuance of the Company's policy on Corporate Social Responsibility (ITC's CSR Policy detailed in the Policies & Guidelines section of this Report and in the section on Report of the Directors & Management Discussion and Analysis in the Annual Report and Accounts 2014), the thrust of the Company's CSR strategy and programmes has been focused on (a) Diversification of farming systems of rural communities by broad-basing the farm and off-farm based livelihoods portfolio of the poor, through an integrated approach that includes the development of wastelands, watersheds, agriculture and animal husbandry, and (b) Economic empowerment of women and creation of social capital in the catchment habitations of manufacturing units to enable these communities to acquire relevant and contemporary skills.

Various CSR activities in which the Company has been engaged during the current year are listed on the next page.

ITC's overarching aspiration to create significant and sustainable societal value is inspired by a vision to subserve a larger national purpose and abide by the strong value of trusteeship.



Area	Activities/Initiatives/Programmes (including through trusts established by the Company)
Promoting and facilitating primary education, employment enhancing vocational skills and livelihood enhancement programmes	Promotion and Support of Primary Education
	Vocational Training/ Skills Development
	Livelihood Enhancement (Integrated Animal Husbandry Programme, Agri-extension services, Livestock Development, Farm Productivity Enhancement)
Ensuring Environmental Sustainability	Environmental Sustainability (Social Forestry, Soil and Moisture Conservation, Sustainable Water Security, source segregation of recyclable materials through Wealth Out of Waste initiative, Conservation of Natural Resources, promotion and advocacy of sustainability in partnership with CII-ITC Centre of Excellence etc.)
Rural Development Projects	Rural Development
Eradicating hunger, poverty and malnutrition, promoting health care (including preventive healthcare) and sanitation and making available safe drinking water	Sanitation
	Health infrastructure, healthcare and medical aid
Women's Empowerment and programmes for reducing inequalities faced by socially and economically backward groups	Women's Micro Enterprises, Sustainable livelihoods for women
Protection of national heritage, Art and Culture	Promotion of Art and Culture

* Details are available in the Social Investments - Mission Sunehra Kal section of this Report

The Company's CSR spends over the last three years is as follows:

	₹ Crores		
	2012	2013	2014
Corporate Social Responsibility spends*	58	78	107
Average Net Profits (as specified under Companies Act, 2013) for three immediately preceding Financial Years (FYs)	6003	7320	8847
CSR spends as a % of Average Net Profits (as defined by Companies Act, 2013) for three immediately preceding Financial Years (FYs)	0.96%	1.06%	1.20%

* The expenditure on CSR has been aligned with the activities specified in Schedule VII to the Companies Act, 2013. Previous year's figures have also been realigned to correspond with the current year's disclosures.



Environmental Performance



▪ Management Approach

▪ Energy

▪ Significant Air Emissions

▪ Water Management

▪ Recycling and Waste Management

▪ Raw Materials

▪ Biodiversity



Environment



ITC has identified several physical and regulatory risks that can impact the long-term sustainability of the organisation.

The challenges related to environment and ecosystems especially due to climate change are complex, long-term and inter-related, especially in terms of its impact on water and availability of other natural resources. This in turn has wide-ranging implications on ITC and its stakeholders. ITC accordingly has identified several physical and regulatory risks that can impact the long-term sustainability of the organisation:-

- In India, about 75% of its population and around 50% of its workforce is dependent on agriculture and related activities for livelihoods. Since over two-thirds of agricultural output is generated through rain-fed agriculture, any change in precipitation patterns owing to climate change would significantly disrupt yields.
- Retreating glaciers will also adversely impact water availability in snow-fed rivers, which are a lifeline to a significant portion of the country's population. Rising sea levels on the other hand will increase the risk of contaminating coastal groundwater supplies, thereby further aggravating the situation.
- Resultant disruption in crop yields could lead to increased competition for agricultural commodities.
- Extreme weather events like hurricanes and typhoons are an anticipated outcome of climate change. These may pose a major threat to ITC properties in coastal areas and may disrupt operations. These extreme weather events can also disrupt rail and road traffic links, further affecting supply of essential raw materials and finished goods.
- Increased temperatures would increase air conditioning costs and also impact agricultural productivity.

- Energy security is expected to be one of the biggest developmental challenges with around 400 million people lacking reliable access to energy in India. Climate change impacts will assume increasing importance in the context of continued usage of fossil fuels and development of viable sustainable alternatives and achieving highest levels of energy efficiency will be of paramount importance.
- India's commitment to the United Nations Framework Convention on Climate Change, to reduce its GHG emissions per unit of GDP by 20-25% by 2020 over 2005 levels (as part of the Nationally Appropriate Mitigation Action plan) is also in alignment with its National Action Plan on Climate Change. This could lead to a carbon tax or additional requirements under the Perform,

Achieve, Trade (PAT) and Renewable Energy Certificates (REC) schemes in order to incentivise low carbon energy usage, which could have an impact on our Paperboards and Specialty Papers Business.

- Rapid and unplanned urbanisation is putting increasing pressure on basic civic infrastructure and issues such as municipal waste disposal are assuming critical importance. Given our significant presence in the FMCG as well as Packaging Business segments, ITC also cognises for these concerns. The Company is progressively implementing appropriate programmes in partnership with Civil Society Organisations to address the twin issues of waste management and creation of sustainable livelihoods for people engaged in the informal rag picking business.

Energy security is expected to be one of the biggest developmental challenges with around 400 million people lacking reliable access to energy in India.



Management Approach

At an organisational level, the Company has adopted the following approach in its relentless efforts to continuously improve environmental performance:-

- Ensuring the sustainability of agriculture through integrated watershed development and soil and moisture conservation projects whilst creating sustainable livelihoods for large numbers of marginal farmers.
- Evaluating agricultural productivity/adaptation issues related to climate change and providing support to farmers through extension services which includes information on better agricultural practices, market access, etc.
- Maximising water usage efficiencies and augmenting rainwater harvesting.
- Reinforcing the protection of our assets in coastal areas in anticipation of increased severity of storms and cyclones.
- Developing appropriate contingency and insurance plans for uninterrupted production and delivery, in situations of extreme weather events that may disrupt road and rail traffic.
- Moving beyond statutory compliance with respect to emissions, effluents and wastes.
- Incorporating “Green Building”/“Green Factory” features into existing and upcoming establishments.
- Adopting a low carbon growth path by reducing specific energy consumption, increasing the use of energy from renewable sources, reducing specific GHG emissions and enhancing carbon sequestration.
- Contributing towards waste management through minimisation of its own waste generation, maximising waste reuse & recycling and using post-consumer waste as raw material.

ITC Businesses have internalised environmental best practices on the basis of which, it strives to maximise the efficiencies of



natural resource usage across its operations. In addition, ITC also constantly endeavours to create a positive environmental footprint. Large-scale Social and Farm Forestry, Integrated Watershed Development, Sustainable Agriculture Practices and logistic network optimisation of our FMCG products, etc. are a few examples of extensive initiatives in this direction.

Board approved Policies such as those on Environment, Health and Safety, Life Cycle Sustainability of Products and Services and Responsible Sourcing, provide the necessary direction to address the direct impacts of the Company’s own operations as well as progressively extend the efforts along the supply chain. (please refer to Policies available at www.itcportal.com)

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

ITC’s approach focusses on ensuring the sustainability of agriculture through integrated watershed development and soil and moisture conservation projects whilst creating sustainable livelihoods for large numbers of marginal farmers.



ITC's Corporate Environment, Health & Safety (EHS) Department is responsible for reviewing and updating Corporate Standards, verifying compliance, providing guidance and support as required. Compliance is regularly monitored and evaluated by the Sustainability Compliance Review Committee (SCRC) of the Corporate Management Committee (CMC).

forward, ITC will also undertake life cycle assessment studies of more of its products and services for identifying opportunities to continuously improve environmental impacts across the value chain.

The Road Ahead

At present, some of the businesses have completed necessary internal assessments so as to set targets and record progress on key performance indicators. The implementation of an organisation-wide integrated sustainability data management system provides the platform to benchmark performance internally among business units, as well as monitor data of each business on resource utilisation and environmental impact vis-a-vis production. Studies are being carried out so that business-wise quantified targets can be progressively defined for prioritised material environmental aspects. Systems for performance review against targets are also being put in place. Going



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

Energy



Management Approach

Economic progress and long-term business sustainability are today threatened by the challenge of natural resource depletion and its impacts on long term energy security. This is manifest in the consistent and sharp increase in electricity and fuel prices over the years.

ITC has responded to the evolving energy scenario in the country by aligning its corporate strategy so as to ensure:

1. Identification and evaluation of energy security risks given ITC's future expansion plans, evolving regulatory frameworks, techno-commercial feasibility and socio-political aspects.

2. Phased implementation of energy conservation initiatives and renewable energy generation projects.

In 2013-14, 38.1% of the total energy consumption of ITC was met from renewable energy sources. ITC intends to achieve a 50% renewable energy share by 2020 in a progressive manner. A detailed study was carried out during 2013-14 to understand the issues related to the achievement of this target, taking into account various businesses as well as unit-specific aspects like existing energy portfolio and energy conservation & renewable energy projects, future expansion plans, etc. Evolving regulatory frameworks in each state were also taken into account, for instance Perform Achieve and Trade (PAT) mechanism, Renewable Energy Purchase Obligation, etc. Since the Paperboards and Specialty Papers Business accounts for 90%


of the Company's energy consumption, special attention was paid to its unique requirements.

Our Performance

ENERGY CONSUMPTION WITHIN THE ORGANISATION

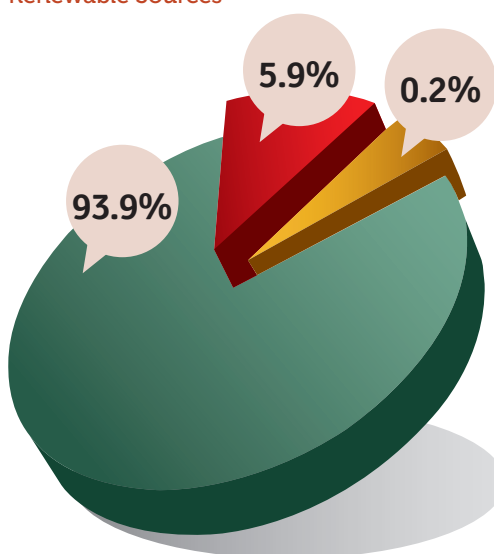
In 2013-14, ITC Units consumed 21,433 Terra Joules (TJ) of energy. Despite significant growth in almost all businesses (7.8% growth in production volumes at Paperboards and Specialty Papers Business itself), there has been a marginal increase of 0.4% in the total energy consumption as compared to the previous year (21,347 TJ in 2012-13). This has been achieved through better capacity utilisation and concerted efforts on energy conservation implemented across several ITC Units.

Sources of Energy in ITC (2013-14)

	Energy Purchased from State Utilities	3.0%
	Energy from Renewable Sources	38.1%
	Energy Directly from Fossil Fuels	58.9%



Break-up of Energy from Renewable Sources

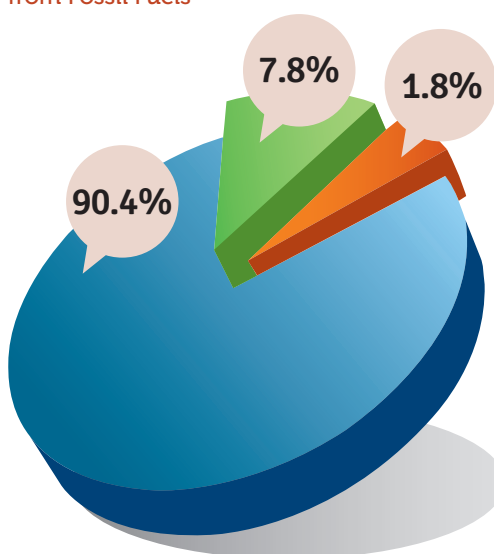


■ Biomass ■ Wind ■ Solar

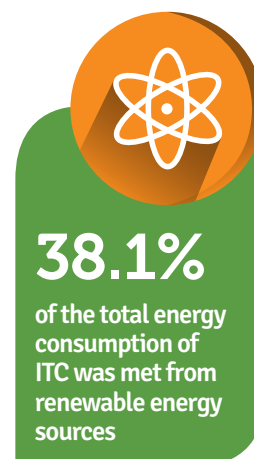
Renewable energy to the extent of 8,175 TJ in ITC was derived from the following sources:-

- Black liquor waste from pulping process and waste wood biomass from chipping operations in the Bhadrachalam Unit and locally sourced chip/sawdust and deoiled bran in the Kovai Unit of the Paperboards and Specialty Papers Business
- Wind Energy farms for Packaging & Printing, Cigarettes, Hotels, Paperboards & Specialty Papers and Leaf Tobacco Businesses

Break-up of Direct Energy from Fossil Fuels



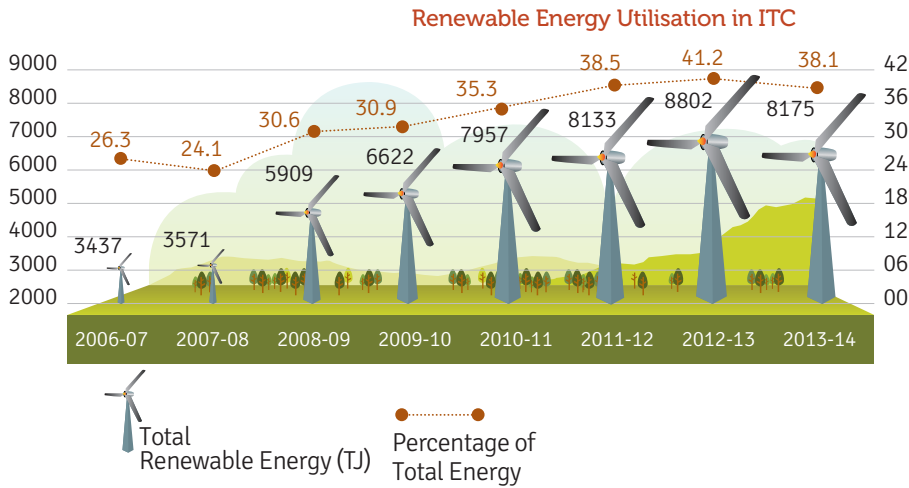
■ Solid Fuel ■ Liquid Fuel ■ Gaseous Fuel



ITC intends to achieve a 50% renewable energy share by 2020 in a progressive manner.

■ Solar thermal systems in several Units

In 2013-14, the total energy contribution from renewable sources, decreased by 7.1% over the previous year (8,802 TJ in 2012-13).



Primary contributors to this decline in renewable energy generation were:-

■ The Paperboards Unit at Bhadrachalam confronted the challenge of reduced availability of domestic wood, which led to a reduction in the production of virgin pulp and greater dependence on imported pulp. This in turn resulted in reduced generation of black liquor which was compensated by higher coal production.

■ Reduced consumption of chip/saw dust and deoiled bran due to availability issues at the Paperboards Unit in Kovai.

Substantial improvements in specific energy performance were achieved at many of the Units through a focused approach on energy conservation through rigorous third party audits and implementation of the recommendations coupled with better capacity utilisation. As a result of implementation of energy conservation measures, a saving of 81.03 TJ in direct energy consumption and of 45.99 TJ in indirect energy consumption has been achieved in 2013-14.

The LEED® Platinum rating has been accorded to all of ITC's luxury hotels, making it the greenest luxury hotel chain in the world. This, in effect, implies a significant reduction in specific energy consumption with respect

to conventionally designed hotels. ITC hotels are not only energy efficient by design but also conserve fossil fuels by maximising

Energy Consumption within ITC across Businesses:

Businesses	Energy consumption (in TJ)	% Contribution to ITC Total
Paperboards and Specialty Papers	19,264	89.9%
Hotels	612	2.9%
Leaf Tobacco	421	2.0%
Cigarettes	369	1.7%
Foods & Personal Care Products	375	1.7%
Packaging and Printing	293	1.4%
Others*	99	0.4%

* Others include Agri Business, ITC Infotech, ITC Life Sciences & Technology Centre and large offices

use of wind energy. Several of ITC's hotels are sourcing 100% of their electrical energy requirements from wind farms. In order to continually reduce our energy footprint, green features are also being incorporated in all existing hotels, manufacturing Units, warehouses and office complexes apart from all new construction.



Substantial improvements in specific energy performance were achieved at many of the Units through a focused approach on energy conservation through rigorous third party audits and implementation of the recommendations coupled with better capacity utilisation.

Provided below is a snapshot of the Units improved significantly in 2013-14, over the where specific energy consumption has previous year:

Name of Unit	Specific Energy Consumption in		Unit of Measurement	Percentage Reduction	Remarks
	2012-13	2013-14			
Paperboards and Specialty Papers Unit at Kovai	16.63	13.79	GJ/t	17.1	Improved capacity utilisation and implementation of energy conservation measures
Printing and Packaging Unit at Haridwar	5.42	4.74	GJ/t	12.5	Improved capacity utilisation and implementation of energy conservation measures
Hotel ITC Maurya	0.79	0.70	GJ/Number of Guest Room Nights	11.4	Implementation of energy conservation measures
Cigarette Unit at Munger	5.37	4.81	GJ/MNC eq.*	10.4	Improved grid availability and implementation of energy conservation measures
Paperboards and Specialty Papers Unit at Bhadrachalam	33.77	31.25	GJ/t	7.5	Reduction in pulping volumes and implementation of energy conservation measures

The LEED® Platinum rating has been accorded to all of ITC's luxury hotels, making it the greenest luxury hotel chain in the world.

Figures are rounded off to nearest decimal

* MNC eq - Million Number of Cigarettes equivalent



However, specific energy consumption has increased in the Units mentioned in the table below during 2013-14 in comparison to the previous year. Though these Units contribute only 1.2% to the overall ITC energy consumption figures, measures are being initiated to reverse the trend.

For calculating energy consumption within the organisation, ITC has followed the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) 'GHG Corporate Accounting and

Reporting Standard'. In order to ensure adoption of uniform methodologies across the organisation, Standard Operating Procedures have been laid down, to facilitate quality control in terms of monitoring, recording and finally collation, using ITC's Integrated Sustainability Data Management System (ISDMS). Energy factors (Net Calorific Values) for solid fuels are taken from the actual fuel-test reports while for liquid and gaseous fuels, default factors from the IPCC Guideline for National Green House Gas Inventories (2006) have been taken into consideration.

For calculating energy consumption within the organisation, ITC has followed the WRI and WBCSD 'GHG Corporate Accounting and Reporting Standard'.

Name of Unit	Specific Energy Consumption in		Unit of Measurement	Percentage Increase	Remarks
	2012-13	2013-14			
Cigarettes manufacturing Unit at Kolkata	1.58	1.95	GJ/MNC eq	23.4	Due to ongoing project activities, parallel production facilities being maintained. This was a temporary arrangement and with commissioning of new facility in Jan 2014.
Personal Care Products (Soap) Unit at Manpura	0.83	1.03	GJ/t	24.1	Change in the product mix
Foods (Biscuit) Unit at Haridwar	3.08	3.66	GJ/t	18.8	Addition of new product variants
Packaging and Printing Unit at Tiruvottiyur	4.30	5.08	GJ/t	18.1	Change in the product mix, new product and 'label' and increase in flexibles

Figures are rounded off to nearest decimal



ENERGY CONSUMPTION OUTSIDE OF THE ORGANISATION

During 2013-14, ITC has expanded the boundary of energy accounting, both upstream and downstream. Accordingly, 1,641 TJ of energy consumed outside of the organisation has been accounted for in 2013-14 as part of inbound transportation of raw materials, outbound transportation of products and wastes, employee commuting, local road travel by Hotels business guests, Third Party Manufacturing (TPM) units catering to the notebooks segment of Education and Stationery Products Business, and ATC Limited, an associated company. For computation methodology, please refer to Annexure – GHG Inventory: Quantification Methodologies. The boundary of accounting will be progressively expanded in the years to come, based on our ability to overcome challenges with regard to data quality.

The Road Ahead

Based on a holistic feasibility analysis and the fact that majority of the Company's energy consumption in the entire value chain of products is attributable to manufacturing operations, ITC's businesses will continue to accord high priority to energy efficiency projects within a Unit's premises. ITC recognises that availability of biomass for fuel will face increasing competition and while solar and wind energy can contribute towards meeting electrical energy requirements, finding alternatives to fossil fuel for meeting its thermal energy requirements will be more challenging. Accordingly specific focus will be accorded to energy conservation and efforts will be made to drive the same in a strategic manner.



ITC's businesses will continue to accord high priority to energy efficiency projects within a Unit's premises.

Air Emissions



Greenhouse Gases

Management Approach

ITC firmly believes that the future competitiveness of organisations will depend on their ability to adopt effective strategies for a low carbon growth path. ITC has responded to the challenges emerging from the threat of climate change by aligning its corporate strategy with the National Action Plan on Climate Change (NAPCC). This has already been detailed in the 'Disclosure on Management Approach' section.

Our Performance

ITC has computed its greenhouse gas (GHG) inventory, including GHG emissions, biogenic carbon dioxide (CO₂) emissions and GHG removals, in accordance with ISO 14064:2006, which is the latest international standard specifying principles and requirements at the organisation level for quantification and reporting of GHG emissions and removals. The 2013-14 inventory has been verified by KPMG at the "Reasonable Assurance" level. To set organisational boundaries for consolidated GHG emissions, ITC has utilised the operational control approach for the various entities covered under the Report. Based on applicability, ITC has accounted for the following gases in its GHG inventory:

ITC firmly believes that the future competitiveness of organisations will depend on their ability to adopt effective strategies for a low carbon growth path.

Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF₆).

In 2013-14, ITC's total GHG emissions (Scope 1, 2 & 3) were 16,12,914 tonnes of CO₂-equivalent (14,74,558 tonnes in 2012-13) and CO₂ emissions from combustion of biomass was 7,42,220 tonnes (8,38,969 tonnes in 2012-13). The increase in total GHG emissions with respect to 2012-13 is primarily attributable to the following:

- Increase in Scope 1 emissions as a result of increased fossil fuel consumption due to the reduced availability of bio-mass in the Paperboards and Specialty Papers Business, as well as the inclusion of two new Units, the Mysore Unit of ITC's Leaf Tobacco Business and ITC Grand Chola of ITC's Hotels Business, within the reporting boundary (please refer to Energy section in page 90 for further details)
- Increase in Scope 3 emissions owing to inclusion of emissions from transportation

of materials by ITC's Agri Business Division and the Mysore Unit of the Leaf Tobacco Business as well as increased emissions from transportation of products and raw materials by ITC's Paperboards and Specialty Papers Business.

ITC's GHG inventory for the year 2013-14 is as follows:

Direct GHG Emissions (Scope 1)	12,34,128 tonnes
CO ₂ Emissions from combustion of biomass	7,42,220 tonnes
Energy Indirect GHG Emissions (Scope 2)	1,76,649 tonnes
Other Indirect GHG Emissions (Scope 3)	2,02,137 tonnes
GHG Removals	45,29,311 tonnes

ITC has computed its greenhouse gas (GHG) inventory, including GHG emissions, biogenic carbon dioxide (CO₂) emissions and GHG removals, in accordance with ISO 14064:2006, which is the latest international standard specifying principles and requirements at the organisation level for quantification and reporting of GHG emissions and removals. The 2013-14 inventory has been verified by KPMG at the "Reasonable Assurance" level.



GHG Emissions and Sequestration



- * Dip in CO₂ sequestration in 2010-11 caused by reduced productivity of Eucalyptus plantations due to infestation in some areas and lesser incremental addition of plantation area.
- * Dip in CO₂ sequestration numbers in 2012-13 is primarily due to the revision in methodology of computing the CO₂ sequestration in order to comply with ISO 14064:2006 requirements.
- * Increase in CO₂ sequestration in 2013-14 is primarily due to increase in the planted area of Subabul and Casuarina species as compared to the previous year.

ITC’s Social and Farm Forestry Initiatives have added close to 21,000 hectares of plantations during 2013-14. Total plantations as on March 31, 2014 stand at over 1,63,000 hectares. The Social and Farm Forestry Initiatives have helped sequester 45,29,311 tonnes of CO₂ in this year, thus consolidating ITC’s status as a ‘Carbon Positive Company’ for the 9th year in a row.

From 2013-14 onwards, ITC has started monitoring the GHG intensity of its operations, in terms of the Scope 1 and Scope 2 emissions:-

Specific GHG emissions of Paperboards and Specialty Papers Business Units, which together accounted for around 82% of total GHG emissions (Scope 1 and Scope 2) in ITC, are given in the table below.

Paperboards and Specialty Papers Business

Name of Unit	Specific GHG Emissions (tCO ₂ e/ tonne of production)
Bhadrachalam	1.71
Bollaram	0.10
Kovai	1.08
Tribeni	4.80*

* This Unit specialises in low GSM products and laminates which are energy intensive, and uses fossil fuel based energy.

Total plantations as on March 31, 2014 stand at over 1,63,000 hectares.

The specific GHG emissions of ITC's other businesses, which contributed to about 16% of the total GHG emissions (Scope 1 and Scope 2), are given below.

Business	Specific GHG Emissions	Unit for Specific GHG Emissions
Cigarettes	0.593	tCO ₂ e/ MNC eq
Foods	0.518	tCO ₂ e/ tonne
Packaging and Printing	0.504	tCO ₂ e/ tonne
Leaf Tobacco	0.425	tCO ₂ e/ tonne
Hotels	0.087	tCO ₂ e/ Number of Guest Room Nights

ITC's accounting of Scope 1, 2 & 3 GHG emissions is based on the 'GHG Protocol Corporate Accounting and Reporting Standard' and the 'GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard' issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The standards, methodologies, tools and assumptions used for quantification of the GHG emissions and removals by various sources, have been explained at length in Annexure - GHG Inventory: Quantification Methodologies.

ITC's efforts in energy reduction across its various Units and the optimisation of distribution logistics of finished goods for its FMCG Businesses have helped control GHG emissions in 2013-14.

In 2013-14, 20,909 tonnes of GHG emissions (scope 1 & 2) were avoided by the implementation of energy conservation measures.

Specific Scope 3 emissions due to transportation of FMCG products (Cigarettes, Personal Care and Foods) in 2013-14 have

decreased by 8.1% (tonnes of CO₂e emission/tonne of product transported) as compared to the previous year for the same product categories. This has been achieved by improvement in vehicle utilisation capacity across the supply chain and extensive network de-layering in order to increase direct shipments to destination warehouses, thereby avoiding intermediate movements.

The Road Ahead

ITC intends to progressively expand the boundary for monitoring and reporting of Scope 3 GHG emissions, beyond the existing coverage of significant Third Party Manufacturers (TPMs), upstream and downstream transportation of materials and employee commuting. Our focus will be to continuously reduce Specific GHG emissions in manufacturing operations as well as transportation of materials.

In order to spearhead its carbon positive growth path, ITC plans to set realistic and tangible targets of reduction in specific Scope 1 and 2 emissions based on historical performance as well as future plans. It is expected that the process of target setting for each Business and individual Units will be completed during 2014-15.

OTHER SIGNIFICANT AIR EMISSIONS

Management Approach

Uncontrolled air pollution in terms of emissions of SO_x, NO_x, Particulate Matter etc. may have adverse impacts on vegetation, health of human beings and animals, biodiversity as well as crop yields. Cognising for the adverse impacts of air pollutants on the ecosystem and the critical need towards mitigating them, ITC has continued to invest

ITC's efforts in the direction of energy reduction in various Units and the optimisation of distribution logistics of finished goods for its FMCG Businesses have helped control GHG emissions in 2013-14.

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 and electrostatic precipitators.

Our Performance

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 2013-14, total significant air emissions included 781 tonnes of PM, 776 tonnes of NO_x and 883 tonnes of SO₂ emission (in 2012-13,

PM: 690, NO_x: 649 and SO₂: 790 tonnes). The increase in the total emissions over last year was due to the increased utilisation of fossil fuels in ITC, as a result of reduced availability of bio-mass.

In 2013-14, PM emission from the Bhadrachalam Unit was 0.972 kg per BDMT (Bone-Dry Metric Tonne) of production, way below the average emission of 3.8 kg per BDMT by large scale Indian mills as per the Report by the Centre for Science & Environment (Source: 'All About Paper – The life cycle of Indian Pulp and Paper Industry', Green Rating project, 2004).

In 2013-14, the specific NO_x emission in the Unit at Bhadrachalam continued to be lower than the standards stipulated in European countries, as illustrated below:

Bhadrachalam	NO _x (kg/tonne)						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	0.43	0.69	0.60	0.58	0.46	0.35	0.33
Standards							
Sweden	1.2-2.4						
EU	1.0-1.8						
EU-BAT*	1.0-1.5						
Reported Values							
CEPI**	0.85						

The Bhadrachalam Unit is also 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	2012-13	2013-14
	0.50	0.84	0.79	0.74	0.61	0.53	0.51
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

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 addition to the above parameters, our Paperboards Unit at Bhadrachalam also monitors Hydrogen Sulphide, the average measured value of which for the year 2013-14 was 3.72 mg/Nm³, which was much lower than the regulatory norm of 10mg/Nm³.

Ozone Depleting Substances: In accordance with the Government of India's Ozone Depleting Substances (ODS) Rules, 2000, ITC has developed and implemented an ODS phase out plan. The main features of the plan include procurement of new equipments which are free of Chlorofluorocarbons (CFC), Halons and Methyl Chloroform (MCF); monitoring and reducing consumption of ODS; replacement of all the existing equipment using ODS well before the stipulated phase-out period and recover all the ODS from the equipment being replaced for recycling or safe disposal.

In 2013-14, the total consumption of ODS by all our Units was 79.1 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, provisions for containment, impervious flooring, leak detection system as well as all requirements as per Material Safety Data Sheets (MSDS) for hazardous chemicals. To avoid any incidence of uncontrolled spills or leakage, ITC has instituted safe work practices on handling and storage, procedures for leak detection & spill control and preventive maintenance. The effectiveness of these measures is checked on a regular basis.

We also continuously evaluate the feasibility of substituting hazardous chemicals with less or non-hazardous materials. In 2013-14, there was no significant spillage of any chemical, oil, fuel or hazardous waste in any of our Units.

The Road Ahead

All Units of ITC would continue to make concerted efforts in reducing specific emission levels. Significant reduction in specific emission levels will be achieved primarily through use of cleaner fuels, improvement in energy conservation and increased utilisation of renewable energy sources. The details are given in the Disclosure on Management Approach – Environment Section.



In accordance with the Government of India's Ozone Depleting Substances (ODS) Rules, 2000, ITC has developed and implemented an ODS phase out plan.

Water Management



Management Approach

The issue of water availability assumes critical significance in light of the fact that agriculture in India, which provides employment to over 50% of the workforce, is largely rain fed.

The availability of water continues to be a serious concern across the world. This problem will be further aggravated in India in the coming years, leading to a difficult and turbulent future arising out of severe water stress, as highlighted by the 2014 Inter-governmental Panel on Climate Change Report. The issue of water availability assumes critical significance in light of the fact that agriculture in India, which provides employment to over 50% of the workforce, is largely rain fed, with around 55% of net sown area meeting its water requirements from rainwater alone. Given the social and historical context of farming in India and the absence of adequate infrastructural support, any significant disruption in rainfall patterns

will have considerable adverse impacts on agricultural yields. Such an untenable situation may even threaten the very fabric of social stability. Water availability therefore becomes especially critical for a Company like ITC, as most of its businesses depend significantly on agri-inputs.

Increased water scarcity may also impact ITC's Paperboards and Specialty Papers Business which is relatively more water intensive in its operations. With continuous decline in ground water and uneven supply of surface water, it may become even more challenging for businesses to meet their requirements.

Another issue that is assuming alarming proportions is the fact that disruptions in rainfall patterns will also impact water quality. Increased ground water mining is exacerbating an issue that has already assumed critical dimensions due

to contamination as well as inadequate recharge. Such poor quality water requires additional treatment and additional costs before it can become usable. Risk of localised contamination like arsenic, fluoride, etc., which is already prevalent in some of the states where ITC operates, is also expected to increase. Such contamination can lead to severe health hazards and thus can have significant impacts.

These challenges may bring about additional regulatory limits on water withdrawal. These are already being enforced in some of the States where ITC operates and may affect operations due to a decrease in water availability.

Recognising the daunting challenges arising out of water-stress, ITC has adopted the following strategies that focus on the replenishment as well as conservation of this precious natural resource.

1. ASSESSMENT OF WATER STRESS AT ITC UNITS

ITC has undertaken the evaluation of water availability/ stress through

'India Water Tool' which will further help in the assessment of water related risks at the site-level.

2. WATER CONSERVATION

Conducting water audits, benchmarking and implementation of best practices to achieve the lowest possible specific freshwater intake (water per unit of product/service).

3. ZERO EFFLUENT DISCHARGE

Treating effluent so as to ensure that discharge quality is better than statutory requirements and progressing towards recycling/ reusing of all treated effluent.

4. RAIN WATER HARVESTING

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



ITC has adopted strategies that focus on the replenishment as well as conservation of water.

stakeholder engagements and on the basis of data available with Government agencies. ITC is also engaged with World Business Council for Sustainable Development (WBCSD) in developing the

5. WATER STEWARDSHIP

Work has been initiated on a pilot basis at one of our Units to work towards meeting the water security needs of all stakeholders

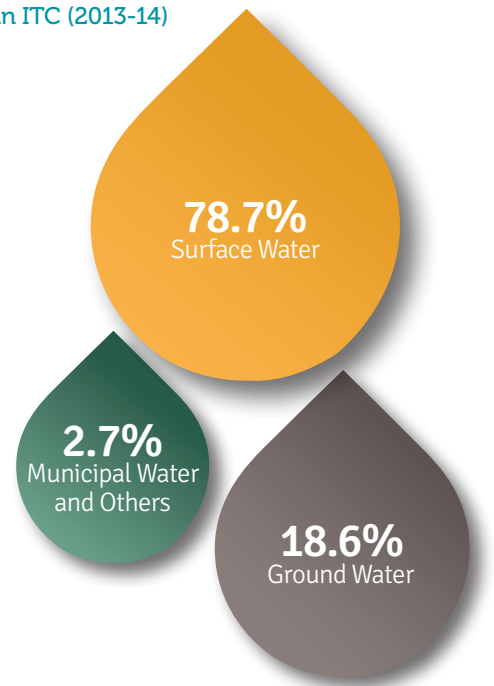


at the local watershed level. This has been undertaken based on the principles of the Alliance for Water Stewardship (AWS) Standard. Based on the learning and outcomes, this will be extended across other business units as well.

benchmarking and adopting leading practices facilitated the reduction of specific water intake as illustrated in the following sections.

Water Sources

Sources of Water
in ITC (2013-14)



Our Performance

Water Conservation

In 2013-14, ITC Units withdrew 33.73 million kilolitres (kl) of freshwater, an increment of 4.9% over the previous year (32.15 million kl in 2012-13). The increase in total fresh water intake can be attributed to the increased production of 7.8% by the Paperboards and Specialty Papers Business (accounting for around 92% of the total fresh water withdrawal by ITC), and inclusion of both the Mysore Unit of the Company's Leaf Threshing Business and ITC Grand Chola Chennai, of the Hotels Business into the reporting boundary. Focused efforts of all Units to reduce intake by conducting water audits,

Focused efforts of all Units to reduce intake by conducting water audits, benchmarking and adopting leading practices facilitated the reduction of specific freshwater intake.

Of the 33.73 million kl of fresh water withdrawn, 78.7% of water resources were sourced from rivers, 18.6% from ground water sources and only 2.7% from municipal and other water sources.

This year, the Paperboards & Specialty Papers mills at Bhadrachalam, Kovai & Tribeni together accounted for 92.4% of the total fresh water withdrawal by ITC.

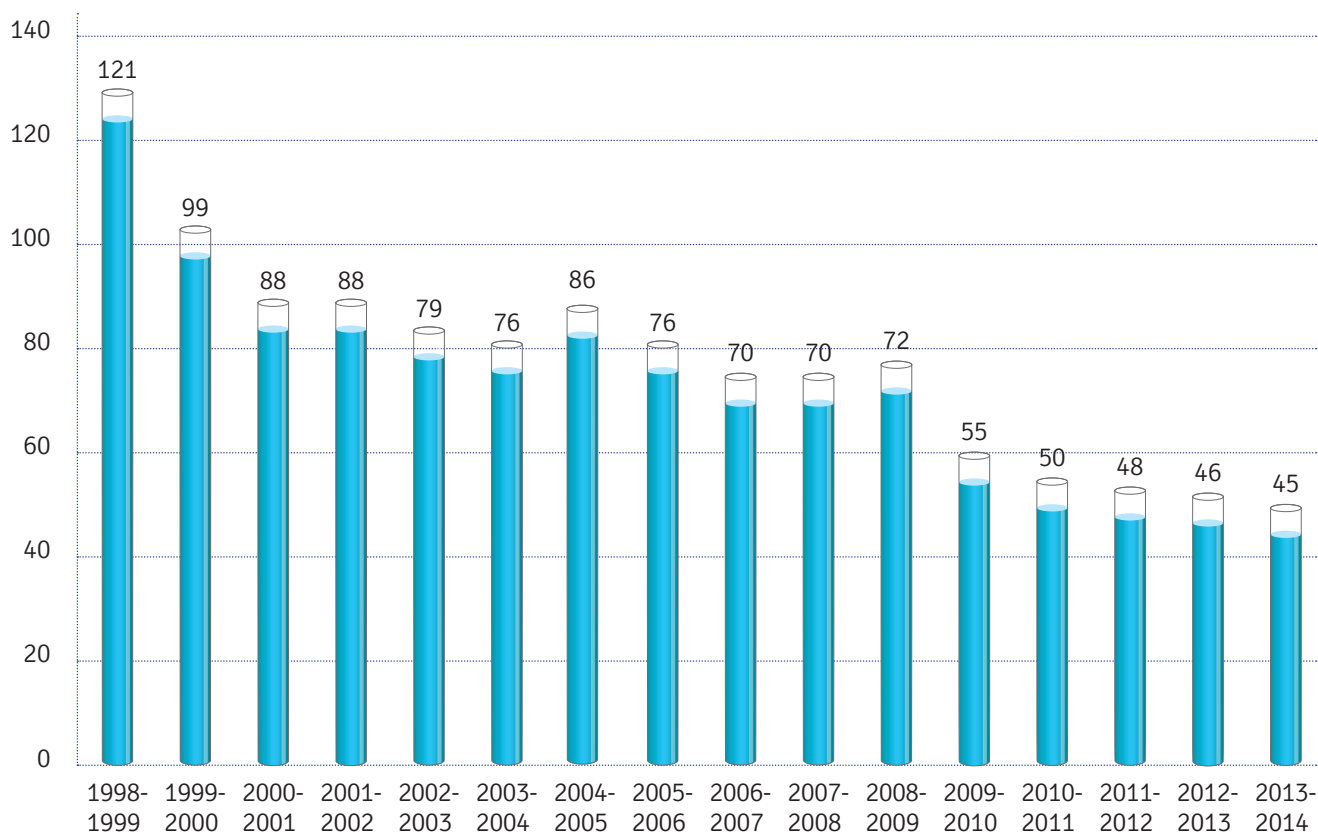
Paperboards Unit at Bhadrachalam

India's largest integrated paper and paperboards mill accounted for 74.6% of the total fresh water intake in ITC. In 2013-14, the Bhadrachalam Unit's freshwater intake was 45.1 kl per tonne of product, a reduction of 2.8% over last year's 46.4 kl/tonne, primarily due to various water conservation initiatives undertaken by the Unit. It is worth mentioning that this surpasses the proposed benchmark



standard of 63 kl/tonne 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).

Specific Fresh Water Intake in Bhadrachalam Unit (kl/tonne)



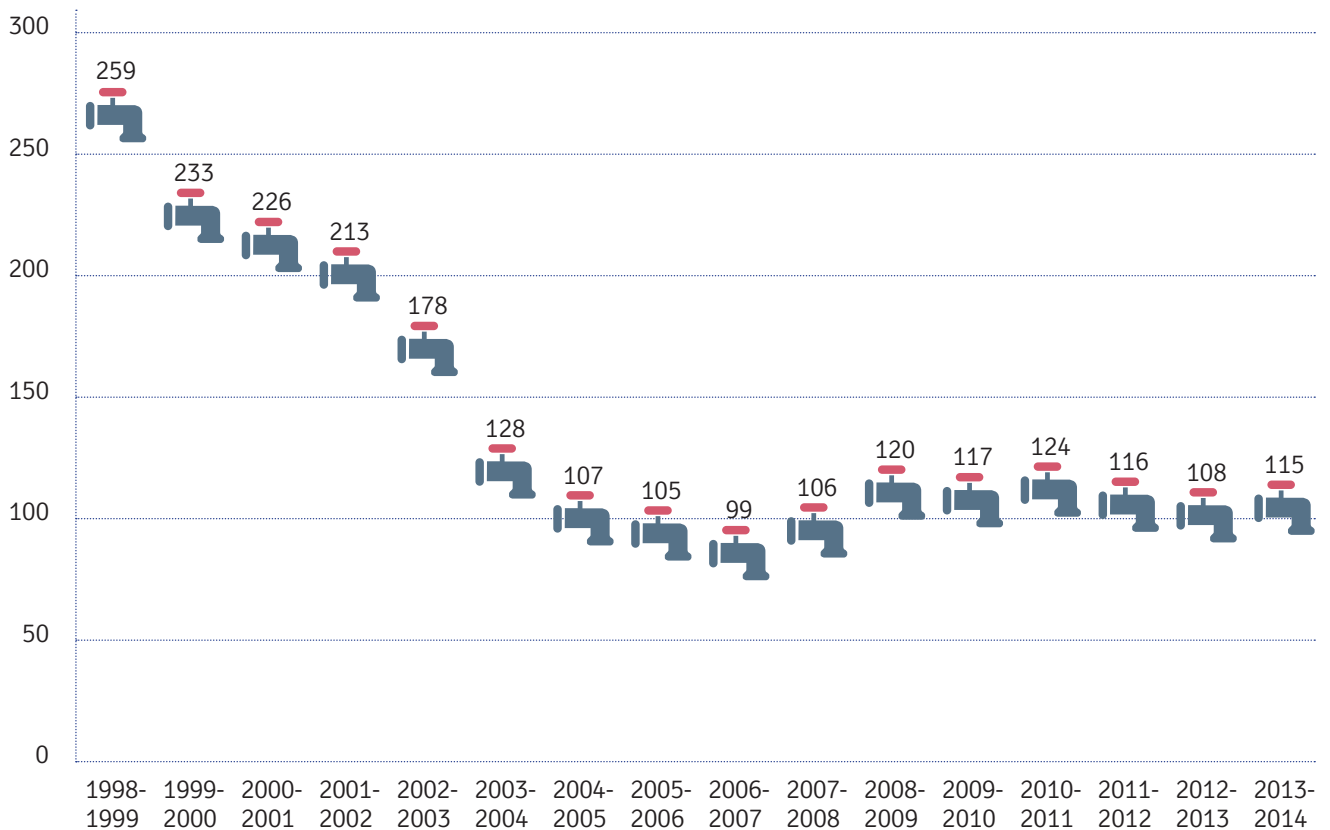
The Unit has achieved a 55.8% reduction of specific freshwater intake per tonne of product during the reporting period, in comparison to 1998-99.

Specialty Papers Unit at Tribeni

ITC's Unit at Tribeni manufactures specialty paper, which is a water intensive process. The Unit has achieved around 56% reduction of specific freshwater intake per tonne of product during the reporting period, in comparison to 1998-99. However, there is an increase of 6.3% in the specific freshwater intake over the previous year primarily due to the commissioning activities of the new power plant. Additional efforts are underway to achieve further reduction in specific freshwater intake in the Unit.



Specific Fresh Water Intake in Tribeni Mill (kl/tonne)

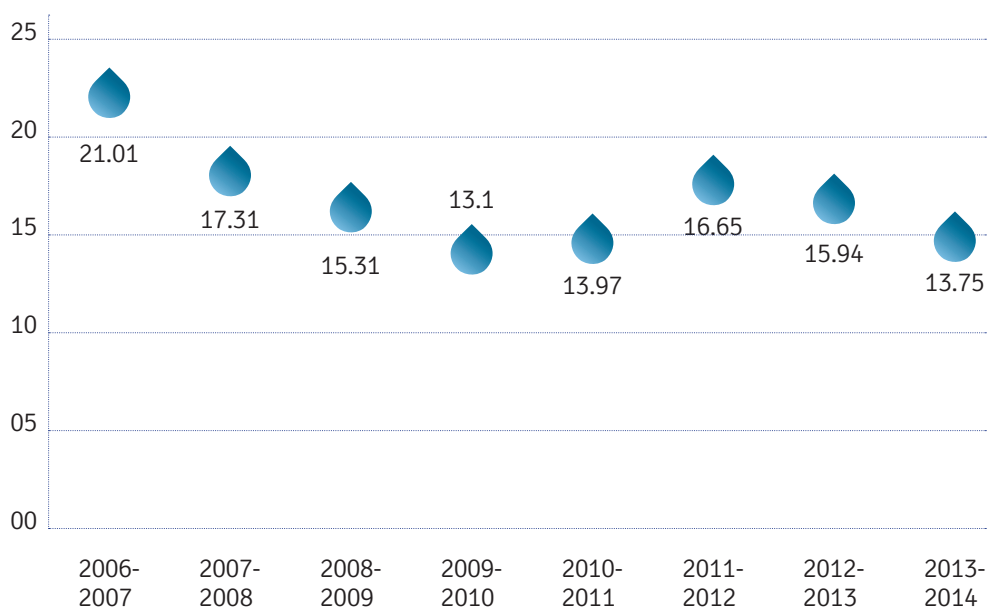


Paperboards Unit at Kovai

The specific freshwater intake (kl/tonne) in the Paperboards & Specialty Papers Unit at Kovai was 34.6% lower than the specific

fresh water intake during 2006-07 (the Unit was acquired by ITC in March 2004 and data compilation was started from 2006-07 onwards). Various water conservation measures undertaken by the Unit during the year led to the reduction in specific fresh water intake from 15.94 kl/tonne in 2012-13 to 13.75 kl/tonne in 2013-14.

Specific Fresh Water Intake in Kovai (kl/tonne)



This specific freshwater intake of 13.75 kl/tonne surpasses the proposed benchmark standard of 19 kl/tonne set by NPC in New Delhi in 2006 for this category of paper mills.



In addition, the following Units have reported significant reduction in specific freshwater intake in 2013-14 as compared to 2012-13:-

Business	Unit	Unit of Measurement	Specific freshwater intake		% Reduction	Primary Factors
			2012-13	2013-14		
Cigarettes	Pune	kl/MNC equivalent	7.0	4.2	40.0	Water conservation measures
Cigarettes	Munger	kl/MNC equivalent	4.4	3.9	11.4	
Personal Care Products	Soap and Talc, Haridwar	kl/tonne	1.8	1.3	27.8	Improved capacity utilisation or change in product mix and water conservation measures
Foods	Snacks and Noodles, Haridwar	kl/tonne	3.6	2.9	19.4	
Hotel	Sheraton New Delhi	kl/Number of Room Nights	1.5	1.2	20.0	
Hotel	ITC Maratha	kl/Number of Room Nights	1.5	1.4	6.7	
Hotel	ITC Windsor	kl/Number of Room Nights	1.4	1.3	7.1	
Leaf Tobacco	Anaparti	kl/tonne	2.3	2.0	13.0	

Figures are rounded off to nearest decimal



The following Units have reported significant increment in specific freshwater intake in 2013-14 as compared to 2012-13:-

Business	Unit	Unit of Measurement	Specific freshwater intake		% Increase	Primary Factors
			2012-13	2013-14		
Packaging and Printing	Haridwar	kl/tonne	2.7	3.8	40.7	Water use in project activities in the new 'Integrated Packaging Unit'
Personal Care Products	Soap, Manpura	kl/tonne	1.0	1.3	30.0	Commencement of a new product line that has a comparatively higher water requirement
Hotel	ITC Gardenia	kl/Number of Guest Room Nights	1.3	1.6	23.1	Leakage in treated grey water line, which was later rectified
Cigarettes	Kidderpore	kl/MNC equivalent	1.9	2.3	21.0	Increase in domestic water consumption owing to increased workforce and trial runs of new facilities and project activities
Cigarettes	Saharanpur	kl/MNC equivalent	4.0	4.5	12.5	Decrease in production volumes



Figures are rounded off to nearest decimal



Effluent Discharge



The two Paperboards and Specialty Papers Units at Bhadrachalam and Tribeni accounted for 98.64% of total wastewater discharged outside the Unit premises in ITC. The quality of the treated effluent from these Units was far better than the stipulated standards, as depicted below:

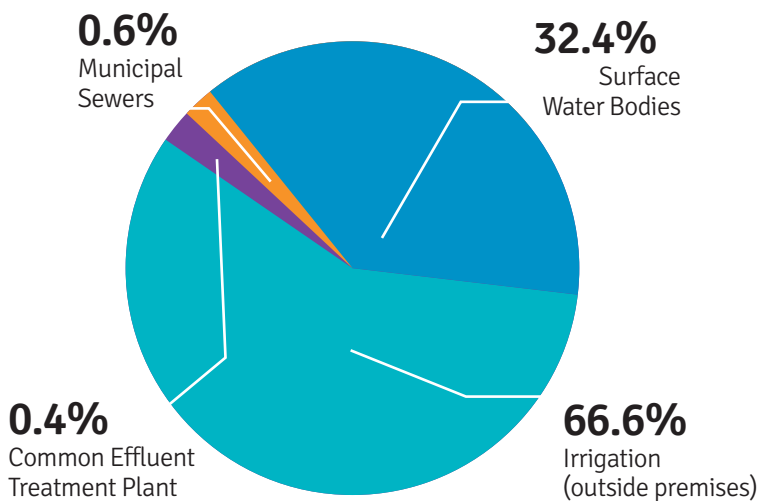
Many ITC Units have already achieved the goal of zero effluent discharge outside the Unit premises.

ITC is committed to achieving zero effluent discharge through treating and recycling of all wastewater and harvesting of rainwater on its properties. This not only reduces fresh water intake but also maximises groundwater recharge, reduces run-off etc.

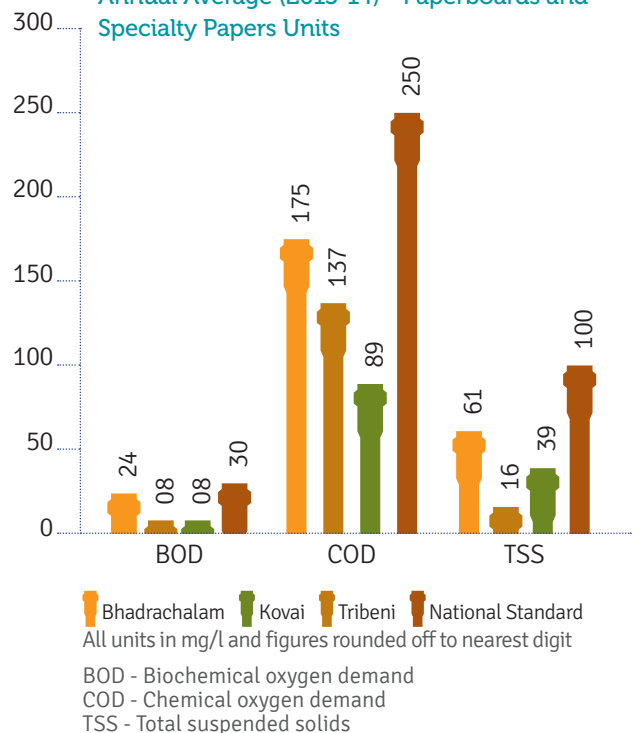
Many ITC Units have already achieved the goal of zero effluent discharge outside the Unit premises. These include: Cigarette Factories at Bengaluru, Saharanpur & Pune, Leaf Processing Units at Anaparti, Chirala & Mysore, Packaging & Printing Unit at Tiruvottiyur, Life Sciences & Technology Centre at Bengaluru, Research Centre at Rajahmundry, Paperboards and Specialty Papers Business Units at Kovai and Bollaram, Personal Care Products Business Unit at Manpura, Lifestyle Retailing Business Unit at Manesar, Hotels Unit ITC Rajputana at Jaipur, and ITC Green Centre at Gurgaon.

In 2013-14, a total volume of 23.9 million kl of treated effluent was discharged outside the premises by ITC units, out of which 66.6% was used for irrigation by communities in the vicinity. In a nation now confronted with the growing challenges of water security, this treated effluent is a resource that the neighbouring communities increasingly rely upon to meet their irrigation requirements.

Treated Effluent Discharge by Destination



Treated Effluent Quality: Annual Average (2013-14) - Paperboards and Specialty Papers Units



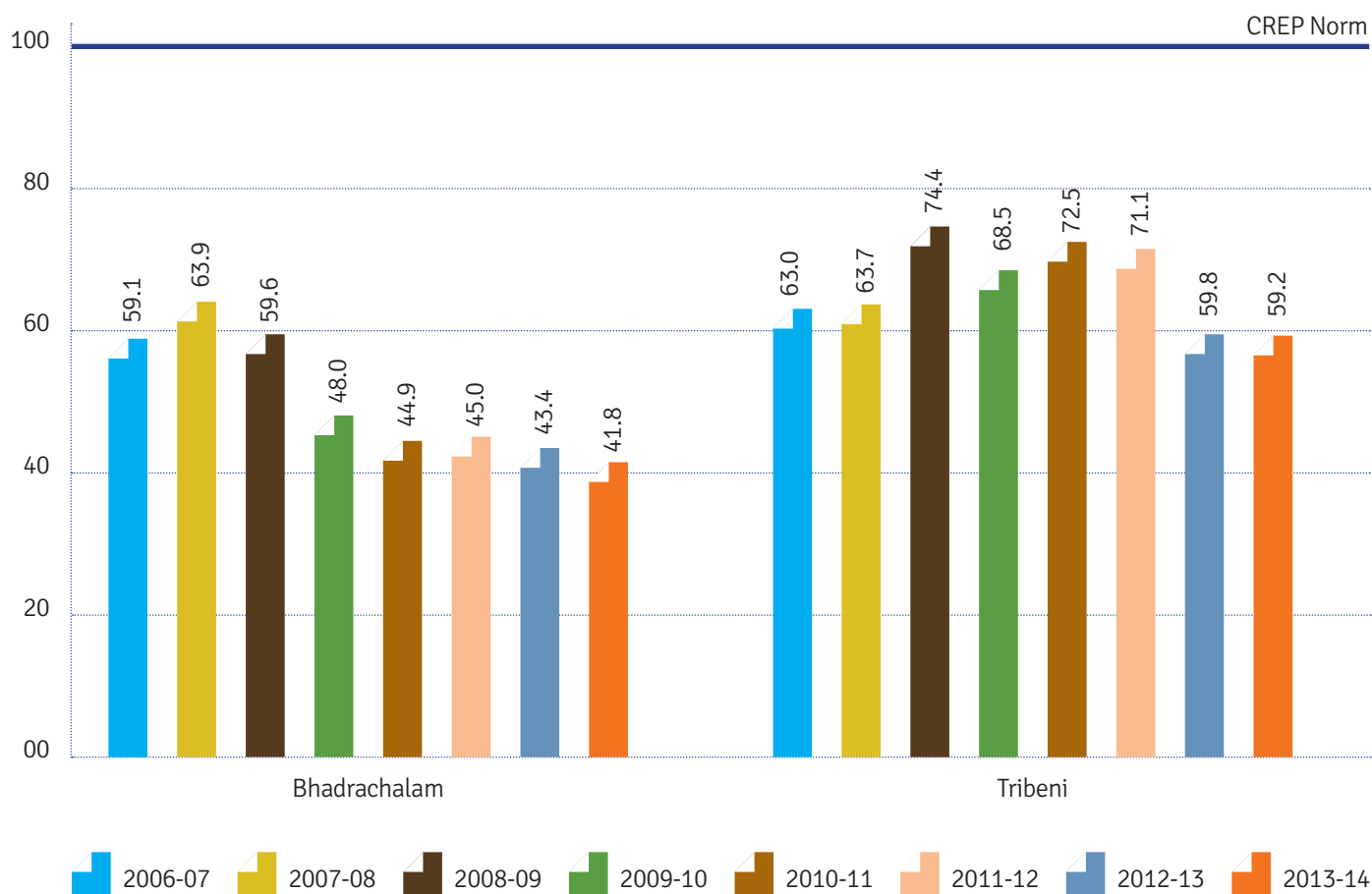
The Bhadrachalam and Tribeni Units have also maintained standards that are well within the norms prescribed by the Corporate Responsibility for Environmental Protection (CREP), a voluntary charter by the Ministry of Environment & Forests and Central Pollution Control Board for large pulp and paper manufacturing units with respect to specific treated effluent discharge.

The National Productivity Council (NPC)'s Report on 'Proposed Standard for Pulp and Paper Industries in India' suggests a benchmark standard of 50 kl/tonne of specific treated effluent discharge for the integrated pulp and paper industry. This is applicable to our Paperboards Unit at Bhadrachalam. The current level of 41.8 kl/tonne at the Bhadrachalam Unit surpasses the above proposed benchmark.



The Bhadrachalam and Tribeni Units have also maintained standards that are well within the norms prescribed by the Corporate Responsibility for Environmental Protection (CREP).

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

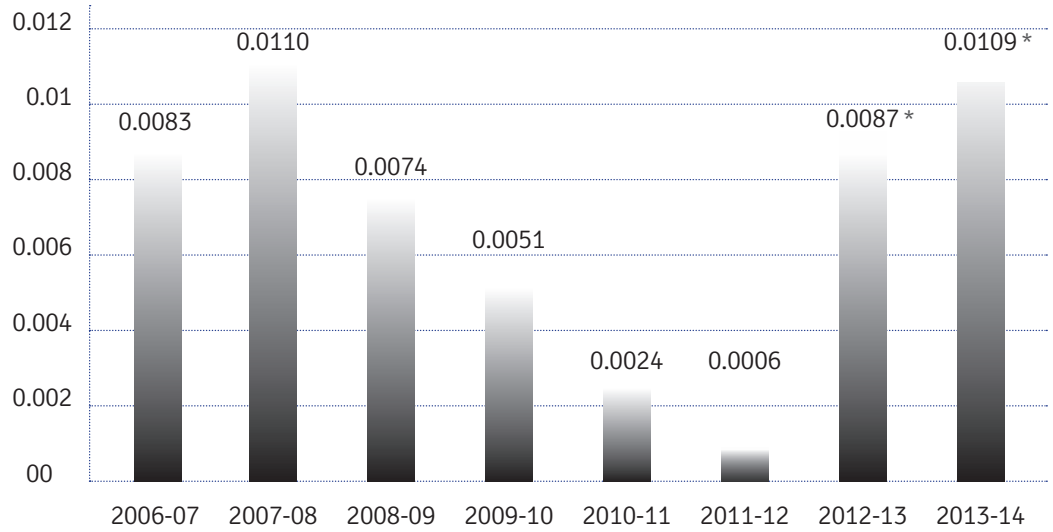


Similarly, the above report suggests a benchmark standard of 15m³/tonne for wastepaper-based pulp and paper mills. ITC's Unit at Kovai, which falls under the

wastepaper-based pulp and paper mills category, did not discharge any treated effluent outside its premises this year.

As on March 31, 2014, ITC's Integrated Watershed Development Projects, covering nearly 1,49,000 hectares of land, support the Water Positive status of the Company for the 12th year in a row.

Specific AOX Levels in Bhadrachalam Unit (kg/tonne)



* Variations in AOX levels are due to change in process and product mix

In the current year, the Adsorbable Organic Halides (AOX) level (applicable only to the Bhadrachalam Unit) was 0.0109 kg/tonne of product, which is well below the norm stipulated by Ministry of Environment and Forests (MOEF), national and international benchmark figures as depicted below:

MOEF, National and International Benchmark Standards for Specific AOX Levels in kg/tonne

	kg/tonne
MOEF standard	1
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 Company's continued interventions in rainwater harvesting both in the Company premises and socially relevant watershed areas has enlarged our water positive footprint.

As on March 31, 2014, ITC's Integrated Watershed Development Projects, covering nearly 1,49,000 hectares of land, support the Water Positive status of the Company for the 12th year in a row. The total rainwater harvesting potential created by the Company so far is over two times the net water consumption by our operations.



Water Balance at ITC	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Fresh Water Intake	24.1	22.48	24.98	25.58	25.79	27.46	32.72	29.96	29.36	29.02	32.15	33.73
Treated Effluents Discharge	14.64	14.04	19.55	20.96	19.58	18.92	24.52	23.41	22.21	22.80	22.89	23.90
Percentage of treated effluent utilised for irrigation by nearby community	**	**	86.90	86.80	80.50	79.40	72.30	84.80	60.70	68.50	71.68	66.61
Net Water Consumption	9.49	8.44	5.43	4.62	6.21	8.54	8.20	6.55	7.15	6.22	9.26	9.83
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	0.67	0.77
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	20.80	22.50
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*	21.47*	23.27*

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

** Not available

All figures in million kl, except percentage

The Road Ahead

As water stress is a major risk for many of our Businesses, ITC plans to carry out appropriate hydrological studies at identified water stressed Units to develop a comprehensive understanding of these issues. A pilot study to this effect has been initiated at one of our Units to achieve the following objectives:

Phase I: Detailed assessment of water usage and water quality inside the Unit's premises to comprehend the minimum freshwater withdrawal required to operate the plant. This phase has been completed and measures to optimise water usage are being implemented.

Phase II: Evaluation of water withdrawal and wastewater discharge impacts at the local watershed level. This will enable the Company to understand the impacts of withdrawal from source and discharge of treated effluents by all stakeholders. The specific interventions necessary for ensuring water security for all stakeholders within the defined watershed area can then be identified. This study is presently underway.

Once the final recommendations are available, ITC will engage with other stakeholders to implement necessary projects.

As water stress is a major risk for many of our Businesses, ITC plans to carry out appropriate hydrological studies at identified water stressed Units to develop a comprehensive understanding of these issues.

Recycling and Waste Management



Management Approach

The issue of waste management has assumed critical significance for the country today. Rapid urbanisation, increasing population, higher consumption levels and inadequate infrastructure are putting a severe strain on the ecology. A large amount of wastes being generated today end up in landfills. Apart from the increasing pressures on natural resources, the issue of burgeoning waste also contributes to soil & groundwater contamination and Greenhouse Gas (GHG) emissions, leading to serious concerns of public health, sanitation as well as large scale environmental degradation.

Often considered to be only an urban phenomenon, inadequate waste management today threatens the quality of life throughout India. Heaps of unattended waste, foraged by cattle and rag-pickers alike, have become a common sight both in urban and rural areas of the country.

In alignment with ITC's commitment to reduce its environmental impact and create a positive ecological footprint, the Company has adopted the following approaches on waste management:

1. RESOURCE CONSERVATION

All ITC Units are mandated to reduce specific waste generation through constant monitoring and improvement of efficiencies in material utilisation.

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 and recycling of waste.








3. TOWARDS 100% RECYCLING

Each category of waste is individually addressed and tracked to ensure that it can be reused wherever possible, and if not, recycled. This ensures that almost no waste from our businesses lands up in municipal or private landfills.

4. CREATING A POSITIVE ENVIRONMENTAL FOOTPRINT

ITC's Paper and Paperboards Units are encouraged to increase the utilisation 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 leads to the additional public benefit of encouraging better municipal waste management.

Business-wise Break-up of Wastes Generated in ITC (2013-14)

	Paperboards and Specialty Papers	90.8%
	Packaging and Printing	3.1%
	Leaf Tobacco	2.8%
	Cigarettes	1.3%
	Foods and Personal Care Products	1.2%
	Hotels	0.7%
	Others (Offices, ITC Infotech, Lifestyle Retailing)	0.1%

Resource Conservation

In 2013-14, ITC Units generated 7,11,887 tonnes of waste (6,82,405 tonnes in 2012-13). This 4.3 % increase over last year in total waste generated was due to increased production by the Paperboards and Specialty Papers Division (up 7.8%), a business that contributes to 90.8% of the total waste generated by ITC's operations. The increase can also be attributed to the inclusion of data from the Mysore Unit of ITC's Leaf Tobacco Business and ITC Grand Chola of ITC's Hotels Division. However, many business Units have reduced their specific waste generation performance (waste generated per unit of product/service).

ITC's Unit at Bhadrachalam, which accounts for 76.2% of the total waste generated in ITC, has reduced specific waste generation to 1,044 kg per tonne of paper and paperboard in 2013-14 from 1,111 kg per tonne in 2012-13.

According to the Centre for Science and Environment Report, 'All About Paper' (2004), similar paper mills generate around 1,200 kg of solid waste per tonne of product.

A few examples of other ITC Units which achieved significant reduction in specific waste generation are given on the next page.



All ITC Units are required to ensure that wastes are segregated at source in accordance with Company-defined guidelines. This ensures maximum reuse and recycling of waste.

Business	Unit	Specific Waste Generation		Unit of Measurement	Percentage Reduction	Primary Factors
		2012-13	2013-14			
Hotels	ITC Mughal	7.1	3.3	kg/Number of Room Nights	53.5	Process improvement and waste reduction programmes
Hotels	ITC Rajputana	6.8	3.3	kg/Number of Room Nights	51.5	
Hotels	ITC Sonar	6.5	3.3	kg/Number of Room Nights	49.2	
Hotels	ITC Maratha	11.3	6.9	kg/Number of Room Nights	38.9	
Hotels	WelcomHotel Sheraton New Delhi	2.0	1.7	kg/Number of Room Nights	15.0	
Foods Snacks Unit	Haridwar	101.2	89.1	kg/tonne	12.0	Improved capacity utilisation and process improvement

Figures are rounded off to nearest decimal

On the other hand, the following Units have reported significant increase in specific waste generation. Though these Units contribute to only 5.2% of the total waste generated within ITC, requisite measures are being implemented to address this issue.

Business	Unit	Specific Waste Generation		Unit of Measurement	Percentage Increase	Primary Factors
		2012-2013	2013-2014			
Cigarettes	Kidderpore	0.04	0.15	t/MNCeq	275.0	In the previous year, Corrugated Fibreboard Container (CFC) waste was not considered as it was recycled at Leaf Tobacco Business. This year CFC recycling has been done locally and hence included in the waste quantity.
Cigarettes	Pune	0.06	0.15	t/MNCeq	150.0	
Cigarettes	Munger	0.11	0.15	t/MNCeq	36.4	
Cigarettes	Saharanpur	0.10	0.13	t/MNCeq	27.3	
Foods	Biscuits, Haridwar	92.1	135.2	kg/tonne	46.8	Trial runs for new products and introduction of new product variants
Packaging and Printing	Munger	205.5	270.1	kg/tonne	31.4	Disposal of one time rain damaged paperboards
Packaging and Printing	Haridwar	250.4	314.1	kg/tonne	25.4	Start-up of new product lines in the new 'Integrated Packaging Unit'
Personal Care Products	Soap, Manpura	20.9	25.7	kg/tonne	22.9	New product line commissioning activities
Paperboards and Specialty Papers	Kovai	179.7	209.5	kg/tonne	16.6	Increased procurement of domestic waste paper as raw material and consequent increase in miscellaneous wastes, and change in product mix

Figures are rounded off to nearest decimal

Item	Quantity (tonnes)	Disposal
Sludge from effluent treatment plant of Paperboards and Specialty Papers factories	20047	To authorised recyclers
	19	Authorised Landfill
	3	In-house Storage
Empty containers of hazardous chemicals	430	Decontaminated and returned to original suppliers
Used oil/ waste contaminated with oil/oil soaked cotton waste	304	To authorised recyclers
	1	In-house storage
	7	Incinerated
Used lead acid batteries	82	Returned to original suppliers for recycling
	13	In-house storage
Spent solvents/ink/ink sludge/adhesives/ Process waste/Chemical sludge/ Sludge from fuel tanks	103	Recycled
	284	Incinerated/or sent to authorised landfills/ stored within the Unit
Biomedical waste (from medical centres within our units)	2	Incinerated/Autoclaved
E - Waste	17	Recycled
	3	In-house storage



99.9%

of waste generated by ITC Units is recycled

Focused attention on identifying and tracking of all waste streams as well as their characterisation and quantification have helped ensure the recycling of 99.9% of the total waste generated in all ITC business Units.

Segregation of Waste

Of the total waste generated at ITC, only 2.9% by weight can be categorised as hazardous waste as per Indian statutes. In 2013-14, 98.4% of this hazardous waste was recycled by external agencies (as illustrated above). The balance 1.6% was disposed of or stored completely in accordance with applicable statutes. In addition, apart from hazardous wastes transported to external treatment sites by authorised transport agencies as applicable, no other hazardous wastes were transported between locations owned or managed by the organisation.

All ITC Units have established systems and procedures to verify the authorisations and licenses of hazardous waste recyclers in order to ensure that these wastes are transported, recycled or disposed of in compliance with regulations and norms. Corporate EHS

verifies compliance in each of the Units on a periodic basis.

Waste Destination

The illustration below depicts the final destinations of total wastes generated during 2013-14:

Total waste and its destination (2013-14)



Wastes reused/recycled include 8375 tonnes of waste composted. (All above Units are in Tonnes)

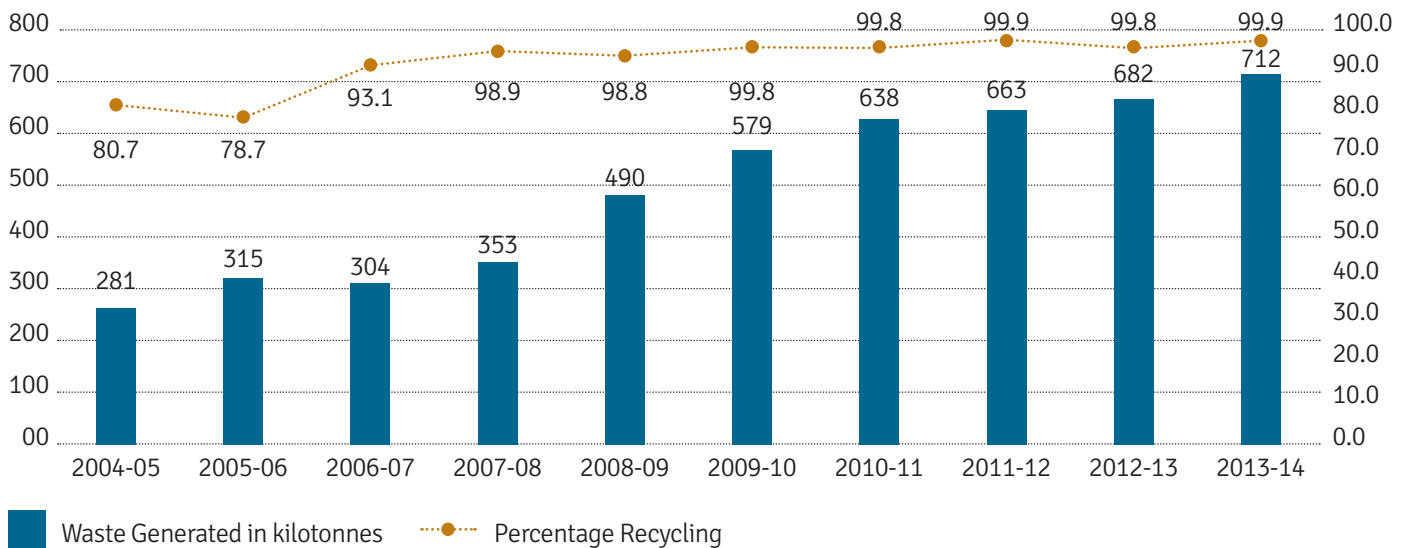
* Includes mainly hazardous waste and construction waste from project activities. We are exploring solutions for recycling and reuse of the same.

Focused attention on identifying and tracking of all waste streams as well as their characterisation and quantification have helped ensure the recycling of 99.9% of the total waste generated in all ITC business Units. It is noteworthy that in 2013-14, ITC's Unit at Bhadrachalam, which is India's largest integrated Paper & Paperboards mill, together with the following Units managed to recycle 99.9% of the waste generated.

- Cigarette factories at Munger, Bengaluru, Saharanpur, Kolkata and Pune.
- Paperboards and Specialty Papers Units at Tribeni.

- Personal Care Business Units at Haridwar.
- Foods Business Units at Haridwar (Snacks) and Pune (Snacks and Noodles).
- Leaf Tobacco processing Units at Chirala and Mysore.
- Research Centre at Rajahmundry.
- ILTD Divisional Head Office in Guntur.
- ITC Green Centre at Gurgaon.
- Hotels: ITC Maurya, ITC Maratha, ITC Grand Central, ITC Windsor, ITC Mughal, ITC Gardenia, ITC Sonar, ITC Rajputana and WelcomHotel Sheraton New Delhi.

Progress on Waste Recycling



In 2013-14, ITC also generated 3,28,029 tonnes of fly ash, (46% of total waste in ITC), 100% of which has been utilised for brick making and cement manufacturing.

Waste Used as Raw Materials

As evident above, the high degree of recycling achieved across ITC, together with the use of post-consumer waste by the Paperboards and Specialty Paper Units at Kovai and Bhadrachalam, has enabled the Company to further expand its waste recycling footprint.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total Waste Generated (tonnes)	3,52,970	4,90,180	5,78,865	6,38,405	6,63,796	6,82,405	7,11,887
Waste Recycled (tonnes)	3,49,264	4,84,287	5,77,766	6,37,452	6,62,978	6,81,129	7,11,033
Percentage Recycled	98.9	98.8	99.8	99.8	99.9	99.8	99.9
Un-recycled waste (tonnes)	3,706	5,893	1,099	953	818	1276	854
External Wastes used as Raw Materials (tonnes)	1,63,245	1,25,337	1,25,931	1,19,002	1,15,414	1,18,462	1,09,998
Waste Recycling Footprint (%) *	145	124	122	119	117	117	115

*Waste Recycling Footprint (%): (Waste Recycled + external waste used as raw material) x 100/Total waste generated in ITC

Waste from Supply Chain

As a preliminary step, ITC has accounted for the waste generated in 2013-14 from the operations of exclusive third party manufacturing units catering to the notebooks segment of ITC's Education and Stationery Products Business, as well as ATC Limited, our associate company. This information is detailed below. This coverage will be progressively expanded in the future.

Supply Chain Members	Total Waste Generated (in tonnes)	% Recycled
Exclusive TPM Units for Notebooks segment	2625	95.9
ATC Limited	616	99.9

The Road Ahead

ITC will continue to focus on improving material efficiencies and reducing specific waste generation in addition to continued efforts on total recycling of waste generated within its premises. In line with ITC's Policies on Life-Cycle Sustainability and Responsible Sourcing, ITC will engage with supply chain partners to build awareness in reducing or recycling of waste generated in the years to come. The existing Wealth out of Waste (WOW) programme will be expanded to address the issue of sustainable livelihoods for people engaged informally in the waste business, while at the same time providing a solution to tackle the challenge of post-consumer waste. In addition, as part of the WOW initiative, ITC is also exploring the usability of compact boards made out of plastic waste (the dominant component in municipal wastes) for furniture, etc. Field trials for the same are currently underway. Based on the results of these field trials, commercial applications for these compact boards will be taken up in a phased manner. This would go a long way in further augmenting the incomes of people informally engaged in waste management.

ITC will continue to focus on improving material efficiencies and reducing specific waste generation in addition to continued efforts on total recycling of waste generated within its premises.

Raw Materials



Management Approach

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

1. FMCG (B to C) Products

Cigarettes, Foods, Personal Care Products, Education and Stationery products, Matches and Agarbatti.

2. INDUSTRIAL SUPPLIES AND EXPORTS

Paper, Paperboards, Packaging, Leaf Tobacco, etc.

3. Services

Hoteliering and Information Technology.

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

We have completed studies on life cycle assessment of some of our products in Paper, Paperboards & Packaging and Lifestyle Retailing Businesses. This has helped in

identifying broad areas for improvements as well as building internal competencies to enable us to expand these studies to other products and services.

All ITC Units continue to pursue efficient use of natural resources through extensive R&D and waste elimination/reduction through process management. In addition, the recent Board approved Policies on Life Cycle Sustainability and Responsible Sourcing now provide the necessary focus on sustainable sourcing of raw materials to ensure their long-term availability. These policies will be implemented across all Businesses starting 2014-15 in a phased manner.

Performance

A very significant 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, integrated watershed management and empowering marginal farmers have all helped in

improving the overall sustainability of the value chain. In 2013-14, ITC consumed over 29,00,000 tonnes of materials, out of which close to 98% were from agricultural farms and plantations which are renewable.

Responsible Sourcing of Wood Fibre

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

In 2013-14, approximately 48% of the total fibre requirements of ITC's Paperboards and Specialty Papers Division was met by the pulp manufactured at Bhadrachalam, another 22% came from recycled fibre, processed at ITC's Units in Kovai and Bhadrachalam, and the balance 30% was imported pulp. For wood pulp manufactured at the Bhadrachalam Unit,



In 2013-14, ITC consumed over 29,00,000 tonnes of materials, out of which close to 98% were from agricultural farms and plantations which are renewable.

72% of the wood was sourced from our social and farm forestry initiatives, while the balance 28% wood was sourced from known and legal domestic and imported supplies. 100% of the fibre used for operations at the Kovai Unit was sourced from recycled fibre. Internal R&D has produced high yielding, site specific, disease resistant eucalyptus and subabul clones supported by extensive knowledge of plantation management practices which provide a robust foundation for the social and farm forestry programme. During the year, ITC distributed 138 million high quality saplings to farmers and close to 21,000 additional hectares were planted under ITC's social and farm forestry initiatives.

Apart from the obvious benefits of increasing the green cover, plantation on 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, erstwhile degraded soils are being constantly enriched.

Forest Stewardship Council Certifications

All the four Units of ITC's Paperboards and Specialty Papers Division i.e Bhadrachalam, Bollaram, Kovai and Tribeni, which received the prestigious 'FSC Chain of Custody' Certification in 2009, are maintaining their status.

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.

ITC's Paperboards and Specialty Papers Division can now supply FSC certified paper /paperboards from all its four Units with the FSC claim of 'FSC Mixed' or 'FSC Recycled'. The FSC logo endorses that the product/package is from legal, sustainable and well managed sources and thereby provides confidence to customers. The

Internal R&D has produced high yielding, site specific, disease resistant eucalyptus and subabul clones supported by extensive knowledge of plantation management practices which provide a robust foundation for the social and farm forestry programme.





For sustainable sourcing of wood pulp, ITC is planning to bring in more plantation areas under the FSC – Forest Management certification in future.

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 its stakeholders.

In continuation of its commitment to expand its scope, the organisation, till date, has facilitated the certification of 22,804 hectares of plantations owned by more than 24,000 small and marginal farmers under the FSC Forest Management Certification.

Agri-commodities

ITC's Agri Business primarily engages in sourcing of agri-commodities like wheat, coffee, potato, shrimps, soya and processed fruits, sourced and supplied based on customer requirements of quality, quantity and packaging. Consistent investments are made towards strengthening capability through multiple sourcing models, customised and identity preserved supply chain infrastructure and network, processing and warehousing tie-ups and technology enabled systems and processes. The Business also works closely with farmer groups to develop identified geographies for certified

and organic crops. These investments coupled with deep understanding of agriculture, and the reach of the ITC e-Choupal network, provides the opportunity to offer a wide range of reliable and consistent solutions to customers that are efficient and effective.

The Road Ahead

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

Moreover, for sustainable sourcing of wood pulp, ITC is planning to bring in more plantation areas under the FSC – Forest Management certification in future. This certification should help bring in better environmental practices and improved social benefits to the local communities.

Biodiversity



ITC has implemented several initiatives to address the issues of revival and nurture of native species of flora and fauna, thereby leading to large-scale replenishment of natural resources and ensuring a sustainable future for the communities residing in the Company's catchment areas.

Management Approach

ITC recognises that the preservation and nurture of biodiversity is essential to ensure the long-term sustainability of not only farming communities but the agricultural sector itself. ITC has accordingly implemented several initiatives to address the issues of revival and nurture of native species of flora and fauna, thereby leading to large-scale replenishment of natural resources and ensuring a sustainable future for the communities residing in the Company's catchment areas.

Biodiversity Risk and Opportunity Assessment

One of ITC's large agri business divisions has undertaken a detailed risk analysis of its impacts on biodiversity. It has spearheaded the implementation of the Biodiversity Risk and Opportunity Assessment (BROA) process across its entire operating region. For this purpose the Business has partnered with Earth Watch Institute, UK, an international non-profit organisation specialising in Biodiversity Risk & Opportunity Study. The objective is to identify the impacts and dependencies of crop development on terrestrial, soil and aquatic biodiversity in agricultural landscapes; assess and prioritise the risks and opportunities arising

from those impacts and dependencies; produce Action and Monitoring Plans for the business to address them. The agricultural landscape level approach would encompass not only farm sites and immediate area of production, but also the wider features that agricultural production depends upon. For this assessment, ITC has engaged with many internal and external stakeholders including farmers, local communities, Department of Agriculture, Forest Department, local Universities, NGOs and suppliers. The first stage of the BROA has been completed in select agricultural landscapes in Mysore District and is currently underway in other operating areas of the business. Based on the findings of this analysis, ITC will put in place systems and processes to address the concerns therein.

native tree species, implement soil and water conservation measures, and adopt livelihood and employment generation activities through pisciculture, apiculture and other related activities. In the past two years, ITC has developed 9 biodiversity plots involving farmers and community members covering a total area of 56.28 acres in Khammam, East Godavari, West Godavari & Visakhapatnam districts of Andhra Pradesh. This initiative has helped in conserving more than a thousand floral and faunal species. Many species of birds have started nesting in the area, which has also become a breeding ground for reptiles, amphibians and butterflies. These biodiversity plots have also helped in improving ground water level and soil fertility thereby enhancing the livelihood generation opportunities of local communities.

ITC has developed 9 biodiversity plots involving famers and community members covering a total area of 56.28 acres in Khammam, East Godavari, West Godavari & Visakhapatnam districts of Andhra Pradesh.

Social Forestry

ITC has successfully launched a programme to conserve and improve biodiversity in its Social Forestry and Farm Forestry catchment areas, which would not only revive and enhance native floral and faunal biodiversity, but also contribute to livelihood and employment generation. ITC has spearheaded this programme to develop biodiversity plots by motivating local communities to plant

Revival of Commons and Biodiversity Conservation Plots

The maintenance and nourishment of common pasturelands assume critical significance for rural communities. Livestock is not only a means to a secondary income,





resource management in the drought-prone area, ITC forged a unique public-private-community partnership with the Government of Rajasthan and the Foundation for Ecological Security (FES) and launched an integrated watershed development project in 2007. At the closure of the project in 2010, ITC had treated 5,171 hectares in five Gram Panchayats, covering 19 villages.

Greening Commons

An important part of the project was to protect the pastures to regenerate the root stocks of native species. The project laid special emphasis on developing the commons and planted 1,000 hectares with native species and grass. The saplings were developed from seeds collected from the surrounding areas to maintain the nativeness of the species.

Soil and moisture conservation measures, drainage line treatment and greening of pastureland led to the flourishing of biodiversity in the project area. To measure the impact of the project initiative, ecological surveys, covering different seasons, were carried out. According to the surveys, the vegetation in the project area showed

but also a safety net, especially in times of hardship like drought or floods. In that respect pasturelands become a common property of villages. However changes in land use and the ‘Tragedy of the Commons,’ have put these pasturelands in constant threat of encroachment and degradation, thereby adversely affecting the communities dependent on them.

ITC’s Watershed Development Programme in Kalyanpura in Rajasthan led to the revival of biodiversity in the area as well as greening of arid pastures. To address the issue of natural



ITC’s Watershed Development Programme in Kalyanpura in Rajasthan led to the revival of biodiversity in the area as well as greening of arid pastures.



It was noted that plant diversity and density were higher outside the forest areas, demonstrating the value of the project interventions in the pastures of the Kalyanpura watershed.

considerable improvement. The project demonstrated that in just three years there was a marked change in species richness, density, diversity and regeneration.

It was noted that plant diversity and density were higher outside the forest areas, demonstrating the value of the project interventions in the pastures of the Kalyanpura watershed. Pastures recorded 54 species (maximum richness), compared to agriculture land or forests. In the grasslands, among the 10 tree species recorded, mature trees comprised three species, while regeneration was represented by six species. In contrast, there was no mature tree in the forestland, while regeneration was represented by only two of the eight tree species documented in this land use.

The baseline data for faunal biodiversity was collected for birds, which showed a doubling in their species, from 40 to 86, including migratory birds.

The project demonstrated that a well-

planned watershed development programme can nurture and revive biodiversity. The diversity of flora and fauna status is crucial for any natural and productive ecosystems as it provides ecological services, which strengthen watershed development. Though ecological restoration is a long-term process, the results of this project show what is possible in a short span of time if field-specific approaches are applied and implementation is done in a rigorous manner.

The Road Ahead

Based on the results of the BROA study in agricultural landscapes as well as the outcomes of the implementation of agro-forestry and bio-diversity conservation models, ITC would progressively delineate a biodiversity strategy by combining elements related to substantial biodiversity conservation and improvement, as well as prevention, management, and remediation of damage to natural habitats (if any).

Social Performance



▪ Labour Practices and Decent Work

▪ Social Investments - Mission Sunehra Kal

▪ Product Responsibility



Labour Practices And Decent Work



Management Approach

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

Employees – Invaluable Assets

Recent events, both globally and nationally, have reinforced the critical role that

employees and harmonious employee relations play in enhancing an organisation's growth and image. Frequent cases of industrial violence, which in some cases are fatal, strikes and lockouts and the associated turmoil play a major role in disrupting operations, impacting the market and damaging the image of companies. In addition, a demotivated workforce leads to high turnover, frequent absenteeism, low productivity and strained employee relations, which adversely impact the performance of the company.

At ITC we firmly believe that our people invigorate the organisation and make it exceptional, both in driving world class performance and in nurturing and enhancing its reputational capital. ITC today has not only survived and grown for over a century, but has made substantial progress primarily because



of a workforce that is highly motivated, trained, determined and ably supported by a culture of excellence founded on values that are imbibed and visibly demonstrated.

Ensuring an Energetic & Self-Motivated Work Force

ITC strives to build a culture that nurtures superior capabilities, high performance and future-ready human resources through

its abiding commitment to employee engagement that upholds individual dignity and rewards merit. ITC has consistently fostered a culture that rewards continuous learning, collaboration and development across the organisation to meet the challenges posed by ever-changing market realities. ITC's employment practices are premised on attracting and retaining talent based on merit. Its capability building programmes ensure both vertical as well as lateral 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.

ITC is equally 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.

The Board of the Company has approved policies covering crucial aspects of employee engagement and human rights.

Implementation

ITC Units have appropriate systems and processes in place to ensure compliance with these Policies and with statutory provisions, including processes to redress grievances. The implementation of these policies are



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



ITC is equally committed to conducting business in a manner that reflects its high ethical standards.



ITC's innovative talent management programme, "Building Winning Businesses. Building Business Leaders. Creating Value for India," strives to deliver its unique promise of attracting, developing and retaining high-quality talent. The organisation is guided by a holistic principle of enquiry, concerned with how the pattern of multiple elements of talent sourcing, work design, performance management and remuneration, individual growth and development is related to talent management, rather than how individual elements impact talent. Leadership development is considered integral to talent management. ITC's "strategy of organisation" serves as an excellent platform to build distributed business leadership. Another

ensured by Divisional / SBU Chief Executives, through members of the respective Management Committees. Compliance is regularly monitored and evaluated by the Sustainability Compliance Review Committee (SCRC). The report of the SCRC is reviewed by the Corporate Management Committee every quarter.

Outcomes

ITC's commitment to its employees and their well-being is reflected in its compliance with all its stated policies.

Human Resource Strategy

In order to sustain its position as one of India's most valuable corporations, ITC has relentlessly pursued a strategy of being customer-focused, competition-differentiated, performance-driven and future-capable. The Company's Human Resource Development strategy seeks to fulfill this mandate through careful selection and rigorous implementation of a wide range of programmes and interventions.



important dimension of building leadership is the Company's strategic learning and development agenda. This agenda is geared to cater to building front-line managerial capability, middle-management functional leadership and organisational stewardship capability of senior management. This three-pronged strategy of leadership development has ensured that each of the Company's businesses is managed by a team of competent, passionate and inspiring leaders, capable of building an organisation anchored in a culture of learning, innovation, high performance and value creation.

Engaging Talent

Our Talent Management strategy is focused on building a high quality 'future-ready' pool of managers, specialists and business leaders. Our talent brand embodies our commitment to developing managers with functional expertise, leadership capability and a desire to contribute to a larger purpose. The approach is based on:

- Attracting and nurturing quality talent supported by significant investments in learning and development. This is backed by a culture of care and concern and is supported by systems and processes that encourage



proactive engagement and involvement.

- Creating a responsive, stakeholder-centric and market-focused culture that enhances organisational capability and vitality.
- Providing multiple platforms across the organisation to enable information sharing and to encourage employees to discuss, engage and learn from functional experts and from each other.

Building Business Leaders

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 which has ensured that each of our businesses is managed by a team of competent, passionate and inspiring leaders. Our Company's talent and capability building practices have been commended in the Nielsen 2013 Campustrack survey. According to the survey, our organisation has emerged amongst the top five employers of choice in premier management campuses and amongst the top three in premier technology campuses that ITC recruits from.



Our
Talent
Management
strategy is focused
on building a
high quality
'future-ready'
pool of managers,
specialists and
business
leaders.

Supporting Communities: Generating Employment, Enhancing Employability

We encourage local employment in our manufacturing units 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. We have also partnered with agencies that impart vocational training on skills related to sales & distribution, hospitality, construction and technology with an objective of enhancing the employability of youth from disadvantaged sections of society. A large number of youth is also provided with apprentice training opportunities in our manufacturing units.

The different value chains related to our Businesses provide direct and indirect employment to around 6 million people, whose livelihoods are substantially linked to their association with the Company. Indirect employment covers our supply and distribution and agri-sourcing network as well as initiatives under social and farm forestry,

e-Choupals, women's empowerment, micro-enterprises and livestock development.

Employees

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

During 2013-14, our full-time direct employees numbered 30,442 of which 2,202 employees in the Leaf Tobacco business were engaged on a seasonal basis due to the very nature of the business. Of the total number of employees, 3,088 are women. The number of new appointees for the reporting period is 4,876 of which 19% are women.

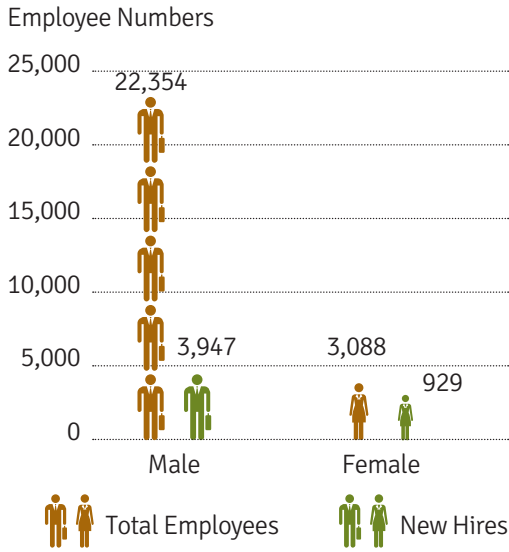
In addition, 19,629 employees of service providers were engaged during the period. 12,962 of our direct employees are members of various unions. Employees are involved in the implementation of best-in-class technology and process improvements aimed at enhancing productivity and quality. The harmonious 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. All changes are proposed, discussed and finalised during the Long



The different value chains related to our Businesses provide direct and indirect employment to around 6 million people, whose livelihoods are substantially linked to their association with the Company.



Gender wise employee break up



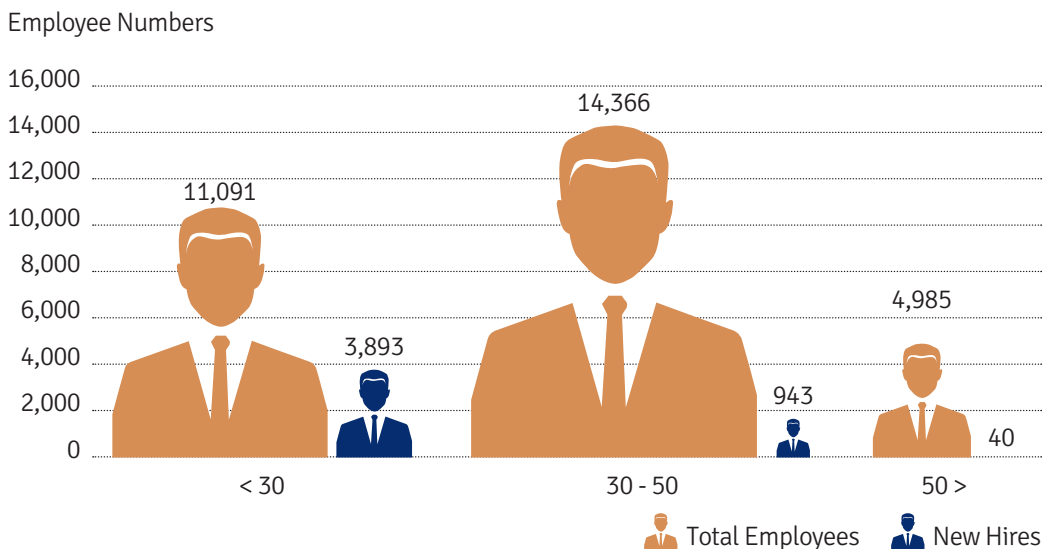
Term Agreement negotiations. During the year there was one strike resulting in a loss of 3,042 person days of work which is equivalent to 0.02% of the total person days worked.

Employee Well Being

ITC believes that its competitive capability to build future-ready businesses and create enduring value for stakeholders is enriched by a dedicated and high-quality human resource pool. Therefore, nurturing quality talent and caring for the well-being of employees are an integral part of ITC's work culture.



Age wise employee breakup



Employees are involved in the implementation of best-in-class technology and process improvements aimed at enhancing productivity and quality.

This approach focuses on creating a conducive work environment that helps deliver winning performance. Benefits such as medical assistance (including hospitalisation), group accident insurance scheme, annual leave along with leave encashment and retirement benefits, amongst others, are provided to all permanent and temporary workers. During the year under review, 138 employees applied and were given maternity leave. Of the 138, 95 have returned to work while 37 are still on leave.

Attrition

ITC has ensured significant attraction and retention of employees, primarily backed by its robust talent management strategy of offering diverse experiences and challenges across varied business contexts, unparalleled investments towards development and growth of employees, as well as a market driven and competitive remuneration philosophy. The overall attrition (voluntary separation, retirement, termination and abandonment of services) across management and non-management employees for 2013-14 was 14%. The attrition for management level

employees was 20% whereas the attrition for non-management workers was 8.6%. The gender wise attrition was at 12.5% and 28.2% for male and female employees respectively.

Diversity and Equal Opportunity

ITC believes that diversity at the workplace creates an environment conducive to engagement, alignment, innovation and high performance. This is achieved by a policy that ensures diversity and non-discrimination across the Company.

Our approach to human resource is premised on the fundamental belief of fostering meritocracy in the organisation, which promotes diversity and offers equal opportunity to all employees. This ensures that there is no discrimination in compensation, training and employee benefits, based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a political, religious or union organisation or majority/minority group.



ITC has ensured significant attraction and retention of employees, primarily backed by its robust talent management strategy



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

Learning And Development

ITC's Capability Development Agenda flows from its Vision, Mission, Strategic Agenda and the 3-Horizon Growth strategy. All Learning and Development initiatives offered during 2013-14 were aligned to this agenda.

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

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

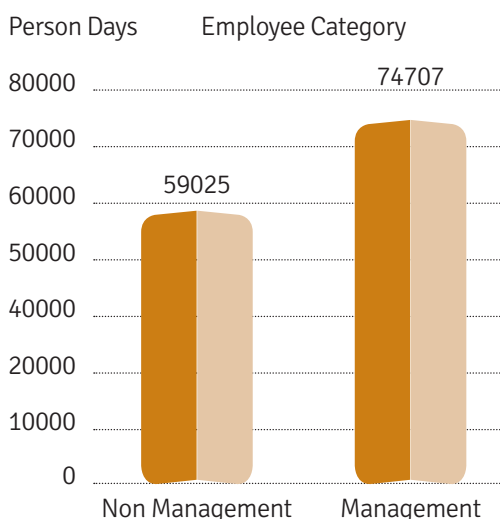
Employee training at the factory level focusses on continuous skill upgradation on the basis of skill-gap assessment and planned technology induction.

In 2013-14, 1,33,732 person-days of formal training were organised for employees at various levels. In addition, on-the-job learning opportunities were provided to a cross section of employees supported by inputs from peers and superiors.

ITC's Performance Management System also plays a pivotal role in charting out the development agenda of employees in the management cadre. In 2013-14 all eligible managers underwent performance reviews.



Learning and Development



Occupational Health and Safety



ITC believes that its workforce is a key asset that contributes to the Company's standing as one of India's most valuable corporations. The Company believes that a safe and healthy work environment is a basic requirement for ensuring employee well-being and that best practices in occupational health & safety enhance the Company's overall performance. This helps in the attraction and retention of quality talent and enhances the equity of the Company as a responsible employer.

Management Approach

ITC's approach towards best-in-class occupational health and safety standards is articulated in a Board approved EHS Policy

that emphasises continuous improvement and is based on an EHS management system developed in accordance with internationally recognised standards, supported by continued investments towards best-in-class infrastructure and quality human resources.

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

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

At the operational stage, all our factories, hotels, warehouses and offices have established Environment, Health & Safety (EHS) Management systems. These include designated roles and responsibilities and competent EHS resources to ensure compliance with defined internal EHS

Guidelines. As per these guidelines, every Unit is required to have EHS committees to promote active participation of employees and service providers in EHS management. The committees have equal representation from workers and management. These Guidelines also require raising of awareness amongst employees, their families and surrounding communities on off-the-job safety aspects such as home safety, safe use of LPG in the kitchen, HIV/AIDS, hepatitis, dengue, malaria and road safety. As part of our preventive medical programme, various categories of employees, based on their age and exposure to occupational hazards, undergo periodic medical check-ups.

Compliance is verified through internal audits conducted by the CEHS across ITC establishments, on a periodic basis and forms part of the report back to CMC (monthly) and the Board (quarterly), together with accident statistics, their investigation and subsequent closure.

The EHS resources of the Divisions provide necessary support to ensure proper



Environment, Occupational Health & Safety requirements are integrated at the design stage itself for all new investments in the built environment.



Detailed investigation and analysis of accidents helped us better understand the challenges being faced, particularly by our Business Units.

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

10 (against 16 in 2012-13), as illustrated below. Since 2004-05, although the number of Units have increased manifold from 23 in 2004-05 to 47 in 2013-14, the Lost Time Accidents (defined as an accident where the injured person does not return to work in the next scheduled shift) have come down by 73% due to significant efforts made by all Units towards our zero accident goal. Detailed investigation and analysis of accidents helped us better understand the challenges being faced by our Business Units. Besides the strong engineering approach, behaviour-based safety programmes are being institutionalised and behavioural architecture inputs are being used to rework and recalibrate our approach, which are detailed in the subsequent section - 'The Road Ahead'.

On-Site Safety Performance

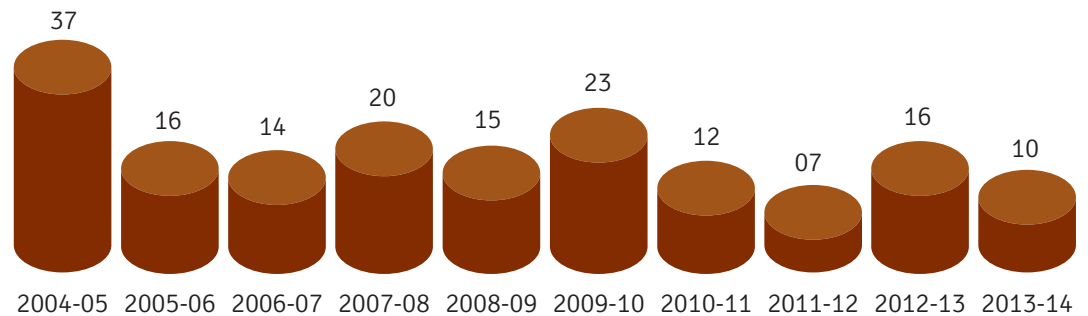
ITC EMPLOYEES

In 2013-14, the number of on-site Lost Time Accidents (LTA) for ITC employees was



73%
Reduction in Lost Time Accidents

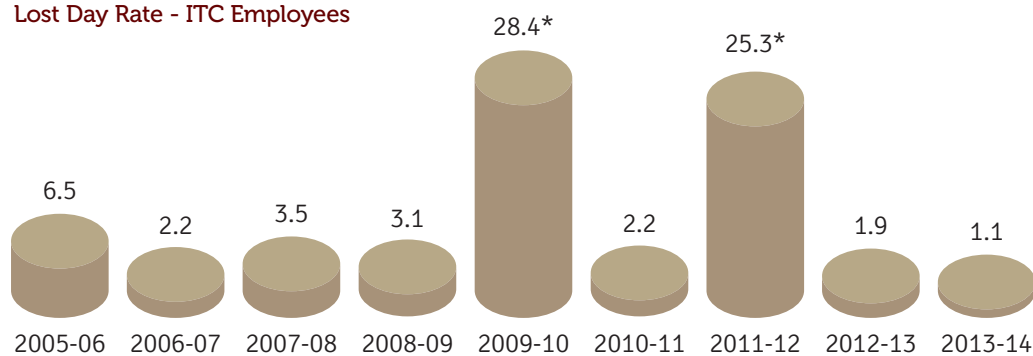
Lost Time Accidents (LTA)



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



Lost Day Rate - ITC Employees



* Increase in lost day rate in 2009-10 & 2011-12 was due to one fatal accident in each of the years, wherein loss of 6,000 man days of work was considered, as per IS 3786 - 1983: "Method for computation of frequency and severity rates for industrial injuries and classification of industrial accidents."

Lost day rate, defined as the number of days lost due to accidents for every 2,00,000 person hours worked, over the years is depicted above. The lost day rate reflects a downward trend since 2005-06, barring 2009-10 and 2011-12, owing to one fatal accident in each of these periods.

safe work procedures. Regular briefing and tool box talk have been made an integral part of ITC's safety management system, for continuously updating all service providers' employees on safe work procedures.

Since last year, we have also started reporting on the safety performance of our service

Injury Rate (IR)



Injury rate, defined as the frequency of injuries in relation to total time worked, over the last 10 years showed a significant improvement. Since 2004-05, there has been a reduction of injury rate from 0.21 to 0.03 in 2013-14 (an improvement of 86%).

providers' employees within ITC premises. Though total onsite lost time accidents for service providers' employees for the year was 15 (as against 16 in 2012-13), this is inclusive of 3 very unfortunate on-site fatalities of service providers' employees, out of which two had been in ITC's Paperboards and Specialty Papers Bhadrachalam Unit and one in ITC Gardenia, our hotel at Bengaluru.

Employees of Service Providers

All vendors and service providers within ITC premises are required to follow the same systems and procedures detailed under ITC's Corporate EHS Guidelines. All service providers' employees also undergo adequate standard as well as job-specific training for

Fatal Accidents: Details of the three fatalities that took place within ITC units during 2013-14 are as follows:

One of the employees of a service provider in ITC's Paperboards and Specialty Papers Unit at Bhadrachalam fell from a height of 3.9 metres while removing waste paper from a working platform and passed

All vendors and service providers within ITC premises are required to follow the same systems and procedures detailed under ITC's Corporate EHS Guidelines.



away subsequently due to internal brain haemorrhage. In the second case at the same Unit, a truck cleaner while resting in the coal yard area, was run over by a pay-loader and sustained fatal injuries on his head. The third fatal accident was in ITC Gardenia, wherein an employee of a service provider engaged for housekeeping activities, while cleaning a chandelier, lost balance and fell along with the chandelier, resulting in fatal injuries on his head and neck.

All the fatal accidents have been investigated in depth and appropriate interventions have been implemented in the Businesses. These interventions include improving risk management practices, strengthening the behavioural safety initiatives, commissioning specific studies such as a traffic safety management study for ITC's Unit at Bhadrachalam to rationalise traffic management within the premises, as well as initiation of disciplinary action against supervisory staff, as applicable.

Zero Accident Units

The following Units at ITC attained the goal of 'zero accidents' in 2013-14:

- Cigarette Units at Saharanpur, Kolkata & Pune

- Leaf Threshing Unit at Anaparti
- Packaging & Printing Units at Haridwar & Munger
- Paperboards and Specialty Papers Unit at Bollaram
- Personal Care Products Unit at Manpura
- Life Sciences and Technology Centre, Bengaluru
- Research Centre at Rajahmundry
- ITC Green Centre, Gurgaon
- ITC Infotech Units at Bengaluru and Kolkata
- Trade Marketing and Distribution
- ITC Head Quarters, Kolkata
- Divisional Head Quarters of Cigarettes Business, Agri Business, Leaf Tobacco Business, Paperboards & Specialty Papers Business, Packaging & Printing Business, Foods Business, Personal Care Products Business, Matches & Agarbattis, Education and Stationery Products Business and Lifestyle Retailing Business.
- Hotels: ITC Maurya, ITC Mughal, ITC Grand Central, ITC Rajputana, ITC Maratha, ITC Sonar, ITC Windsor, ITC Grand Chola, My Fortune, Chennai & WelcomHotel Sheraton New Delhi



Over the years, the number of Units delivering “zero on-site lost time accidents” performance has progressively increased and more importantly, have held on to their performance. Out of the above 35 units, 16 Units have been consistently achieving “zero lost time accidents” status for the last 3 years.

Off-Site Safety Performance

In line with our goal to achieve “zero accidents” across our operations, we have started putting in place adequate systems to ensure the safety of our own employees working off-site. In ITC, off-site is defined as places other than on-site while on official duty, including commuting to and from residence to the place of work. In order to identify suitable management

interventions, detailed investigation of all off-site accidents over the years has been carried out. These analyses reveal that the majority of off-site accidents have involved 2-wheeler riders. Accordingly, a user-interactive 2-wheeler rider’s safety programme was developed and rolled out in 2011-12. Businesses were advised to ensure that all employees using 2-wheelers are trained and that there is a constant reinforcement of the message of exercising extreme care while on the road. Despite this, there has been an increase in the number of road accidents as compared to the previous year, out of which 85% involved employees riding 2-wheelers, which included one very unfortunate off-site fatal accident in which an ITC Executive on a 2-wheeler died in a road accident while on official duty. Though road infrastructure and traffic management outside our premises are well beyond our control, we are providing a special thrust on training and awareness building by translating the interactive ITC 2-wheeler rider’s safety programme into local languages to ensure 100% coverage of all employees.

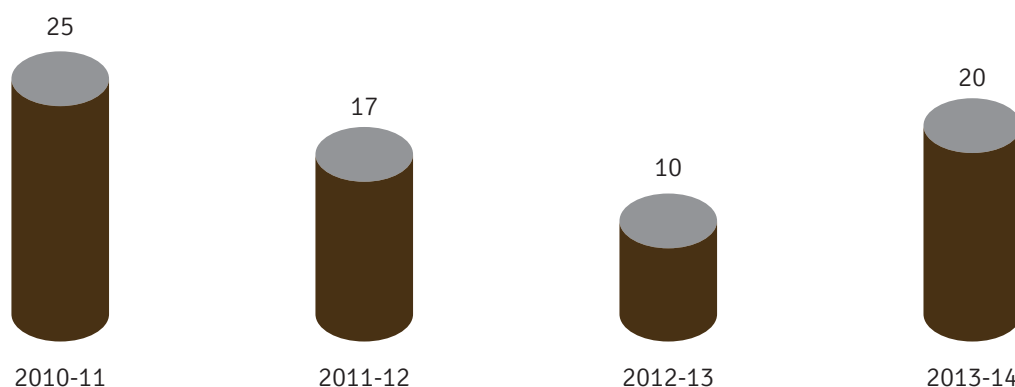
16
Units have been achieving zero lost time accidents for the last three years

Occupational Health

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

Units are provided with occupational health centres with adequate medical staff to monitor occupational health and

Road Accidents Trend



The focus now is on fostering a culture of safety and use of behavioural architecture techniques.

provide immediate relief when required. In addition, at least 2% of our employees are professionally trained as first aiders.

Identified medical examinations are conducted for various categories of employees based on age-groups as well as exposure to occupational hazards. These medical examinations take place annually/ once in 3/5 years as applicable.

Accordingly in 2013-14, 14,874 employees underwent preventive medical examinations and there were no occupation related illnesses identified in any of our business Units.

HIV/AIDS and other Serious Diseases

We have remained committed to do our best in response to the threat posed by various serious diseases including HIV/AIDS. During 2013-14, awareness/ counselling sessions were conducted for the employees and communities around our Units covering a total of 16,665 people, out of which 11,330 were our employees while the remaining were local community members.

The Road Ahead

Based on the root-cause analysis of accidents over the years, the approach to safety has been redefined. The focus now is on fostering a culture of safety and use of behavioural

architecture techniques. This is being enabled by the creation of an organisation-wide culture of safety, involving individual ownership and integration with business processes, which also supports a “One Unit-One team” approach. Such a shared ownership not only ensures accountability but also provides the opportunity for optimisation in safety hardware costs. Our safety management system is being evolved to ensure that training and other communications are relevant and that they factor in the local socio-economic context thus confirming the transition from “awareness developed” to “changed behaviour”.

While we continue to focus on strengthening engineering control measures through ‘design for safety’, pre-commissioning/ operational audits and training interventions, behaviour-based safety programmes, initiated in two of ITC’s Units, will also be extended to other Units in the coming years. It is also of paramount importance that safety as a value system is inculcated among new recruits in the organisation through meaningful and impactful communication. A corporate safety induction training programme based on this concept has been developed using cognitive neuroscience and behavioural economics inputs. Based on the success of this programme, more such interventions will be planned at Unit/Divisional levels. This approach, which combines empowerment and ownership with targeted interventions and stringent accountability, should help us in our journey towards achieving the “Zero Accidents” goal.

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





Human Rights Significant Investments

During 2013-14, nearly ₹1,632 crores out of total capex cash flow of ₹2,661 crores was incurred on machinery and technology, sourced from reputed global suppliers/vendors. Approximately ₹692 crores were invested on new factories, hotels and modernisations.

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

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

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

Human Rights: Supply Chain

As a large multi-business Enterprise with products that are benchmarked nationally and internationally, we recognise our responsibility to proactively encourage high standards of 'Human Rights' across our Supply Chain. Our approach to managing Human Rights in the following distinct categories is described below:

- Our Businesses are vertically integrated across several Divisions, all of which ensure adherence to ITC Human Rights policies.
- We procure inputs for the Company's agri-based businesses entirely from state controlled trading platforms and the open market. The Process is designed to ensure

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



As a large multi-business Enterprise with products that are benchmarked nationally and internationally, we recognise our responsibility to proactively encourage high standards of 'Human Rights' across our Supply Chain.

transparency and best prices for even small and marginal farmers.

- ITC ensures the adherence to its Policy on Human Rights, Labour Practices and decent Work Environment for all its employees and for all Service Providers operating within its Establishments. ITC has zero tolerance for non-compliance in this area.

During 2013-14, the total number of Service Providers was 2,574 of which 1,646 operated within the Company's premises and 928 worked off-site. All on-site contracts include important clauses on Environment, Health and Safety.

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

Freedom of Association

During 2013-14, 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

with risks to the right to exercise Freedom of Association and Collective Bargaining.

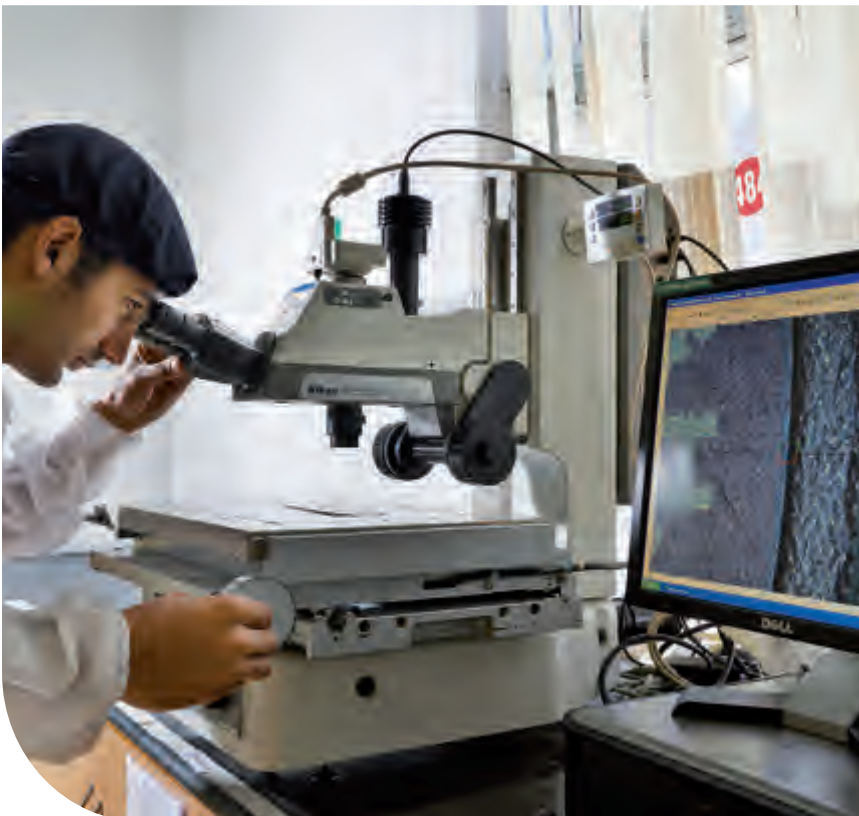
Prohibiting Child Labour and Preventing Forced Labour at Workplace

During 2013-14, there were no incidents of child labour or forced labour within ITC establishments. In the subsequent year, we will initiate the process of strengthening Systems to educate, mandate and thereafter track adherence to ITC's Policy on Human Rights in the Supply Chain. This Process should be well established over the next five years.

Diversity and Equal Opportunity

In line with the Company's Policy on Diversity and Equal Opportunity (Please refer to Policies on ITC's Corporate website - www.itcportal.com). and given the socio-cultural diversity of our country, ITC's recruitment and selection processes are geared towards enabling representation from across regions, ethnicities, religions and different social strata.

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



Responsible Advocacy



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

The Company, for its social development projects, organises meetings with the local administration and state governments to seek their participation and involvement. Their expert advice and counsel are also sought and approvals obtained, where required, for the planned interventions. The Company also engages in public-private-partnerships (PPP) with the state governments for such projects. The CII-ITC Centre of Excellence for Sustainable Development also interacts with the Government and policy makers to promote sustainable development and inclusive growth through corporate action.

ITC's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders.

Social Investments - Mission Sunehra Kal



Strengthening rural livelihoods through:

ITC e-Choupal

Wasteland
Development through
Social Forestry

Soil & Moisture
Conservation
Programmes

Livestock
Development
Initiatives

**Building skills
and social
infrastructure
through:**

Primary Education,
Health & Sanitation

Women's
Empowerment &
Gender Equality

Management Approach

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

Commitment to creating larger societal value

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

- The rural communities engaged in agriculture, from whom ITC procures a substantial share of raw materials. Almost all these crops are grown under rain-fed conditions in some of the most moisture stressed regions of the country. Given the critical reliance of several of our businesses on agri-supply chains, it is in the Company's interest to enable rural farmers to strengthen their production system and enhance yields on a sustainable basis.

- The communities residing in close proximity of ITC's production units, so as to enable them improve their standard of living. ITC's inclusive models enable these neighbouring communities to live a life of social and economic dignity, thus responding meaningfully to their needs and aspirations.

Constructive Stakeholder Engagement

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

- Promotion of climate-smart rural development by broad-basing the farm and off-farm livelihoods portfolio of the poor and marginalised. Such interventions strengthen the existing productive base as well as provide alternate sources of incomes, which helps minimise the dependence of farmers on rain-fed crops for economic survival.
- Nurture and develop social capital to create a more level playing field for skill-related modern production and to meet the competitive demands for higher productivity. Both, in turn, generate higher incomes and help in alleviating poverty.

Striding a wider canvas in the interest of the nation, ITC is committed to pursuing excellence in sustainability and preserving India's unique cultural heritage.

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

Implementation

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

Outcomes

Innovative interventions have been designed and implemented that:

- Create sustainable livelihoods for some of the most disadvantaged sections of the society.



The overarching aim of the Company's social sector engagement is to empower stakeholder communities to conserve, augment and manage their social and environmental capital in order to promote sustainable livelihoods or employability on a significant scale.

- Nurture the environment by promoting sustainability practices through industry associations.
- Preserve and promote Indian heritage and culture.

Recognising that business enterprises are economic organs of society and draw on societal resources, it is ITC's belief that a company's performance must be measured by its Triple Bottom Line contribution to building economic, social and environmental capital towards enhancing societal sustainability. ITC believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity. In line with this belief, ITC

continues to craft unique models to generate livelihoods and environmental capital. Such Corporate Social Responsibility ("CSR") projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and environmental replenishment.

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

- The rural communities with whom ITC's agri-businesses have forged long and enduring partnerships through their crop development and procurement activities. The majority of these communities are located in drought-prone regions and therefore most vulnerable to the adverse impacts of seasonality and environmental degradation. Almost entirely dependent

ITC believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity.

ITC's Responses to Stakeholder Needs

Key Stakeholders	Objectives	Strategic Interventions	Desired Outcomes
Rural households aligned to ITC's agri-businesses	<ul style="list-style-type: none"> Biomass cover of 33% of project areas Progress towards 'safe groundwater zone' status Achieve 0.75-1% soil organic carbon 50% of village GDP from dairy activities 	Natural Resource Management, Integrated Animal Husbandry, Sustainable Agriculture	Sustainable & accelerated growth in livelihoods and farm incomes
Communities residing around ITC's factories	<ul style="list-style-type: none"> Poor women to have access to credit or supplementary income Every child in school and learning well Appropriate skills for all unemployed youth No open defecation 	Sustainable Livelihoods Creation, Social Infrastructure, Skilling	Dignity of life through economic & social empowerment
State & Central Governments	Innovate and pilot development models of excellence for replication, scale and efficient execution	Initiatives promoting national goals of poverty alleviation and environmental protection	Multi-stakeholder partnership to maximise development impact

on common property resources, they are among the most disadvantaged sections of rural communities.

- The communities residing in close proximity of our production units, whose full potential cannot be realised due to poor social infrastructure in the areas of education, skill enhancement, health and sanitation.
- The Central Government and State Governments, with which we partner to roll out and scale up innovative projects piloted to create replicable models of development.

ITC e-Choupal

Recognising the various challenges faced by the farmer, the ITC e-Choupal was designed to provide a 360-degree intervention to trigger a virtuous cycle of higher farm productivity, higher income, enlarged capacity for farmer risk management, and thereby larger investments to enable higher quality and productivity.

The first level of the e-Choupal system consists of a network of village internet

kiosks that enables even small and marginal farmers in rural India who are delinked from the formal market to access real time information on weather, market prices, relevant knowledge and quality inputs to enhance farm productivity and quality and command better prices, thus making them more competitive in the national and global markets. The kiosks are managed by farmers themselves and one selected farmer called the sanchalak is trained to help his community access ready information in their local language. At the next level of the e-Choupal system are the Choupal Saagars, which are procurement-cum-retail hubs located within tractorable distance of 25-30 kms. The e-Choupal network also provides customised extension services, knowhow on best farming practices, quality agri-inputs like seeds, herbicides, fertilisers and pesticides through a single channel.

By providing knowhow and connecting farmers to markets, the e-Choupal network has enabled a virtual integration of the supply chain and eliminated wasteful intermediation and multiple handling, which led to significant reduction in transaction



40,000

villages benefited from the e-Choupal initiative

ITC e-Choupal was designed to provide a 360-degree intervention to trigger a virtuous cycle of higher farm productivity, higher income, enlarged capacity for farmer risk management, and thereby larger investments to enable higher quality and productivity.



The e-Choupal is an important component of ITC's multi-dimensional Integrated Rural Development Programme that had evolved from its deep understanding of the challenges and opportunities inherent in the farm sector.



costs apart from expanding markets and enhancing rural incomes.

The e-Choupal initiative today covers 40,000 villages benefitting 4 million farmers. As a result of these interventions, ITC e-Choupal initiative has enabled farmers to raise productivity levels and incomes through capacity building, technology transfer including knowhow, building market linkages and value chain integration. There is visible development in the e-Choupal villages with rising purchasing power, as well as infrastructure development arising out of increased economic activity. Efficient market signals have also led to crop quality improvement, aligning it with consumer preferences.

The e-Choupal is an important component of ITC's multi-dimensional Integrated Rural Development Programme that had evolved from its deep understanding of the challenges and opportunities inherent in the farm sector. The strategy of this intervention which is aimed at empowering farmers and raising rural incomes is broadly centred around four distinct dimensions, which together enable a comprehensive development of the rural ecosystem. These dimensions are in the areas of (a) information and knowledge dissemination. (b) Access to quality inputs and markets. (c) Generating supplementary incomes and (d) Natural resource augmentation. Farmers

are provided with critical information and relevant knowledge on farm productivity, prices and markets through the ITC e-Choupal. This platform also enables access to quality inputs for better productivity besides expanding the reach to markets. Initiatives such as Livestock Development and Women Empowerment create avenues for supplementary non-farm incomes to protect against agri-income volatility as well as build capacities for investment. Watershed Development as well as Afforestation Programmes augment natural resources to enable higher productivity, create a green cover and restore soil health.

Taken together, the ITC-Choupal programmes have had a transformational impact in many areas of rural India.

ITC'S SOCIAL INVESTMENT PROGRAMMES

ITC has put in place a mutually reinforcing CSR Programme – christened Mission Sunehra Kal (MSK) – which has been designed to liberate even the most underprivileged and marginalised among these stakeholder groups, from the shackles of poverty and underdevelopment through economic

empowerment based on grassroots capacity building. ITC is ideally positioned to respond to these challenges, given its core objective of empowering its stakeholder communities to promote sustainable livelihoods, which, in turn, is strategically aligned to the national goals of poverty eradication and environmental regeneration.

Rural Households – Climate Smart Agriculture

Already water-stressed and facing widespread environmental degradation, approximately two-third of the country's



population is rural and dependent on agriculture and allied activities for their livelihoods. The overwhelming majority are small/marginal farmers whose only option is rain-fed agriculture. With a direct and symbiotic dependence on climate sensitive sectors, they naturally have low adaptive capacities. Stagnating productivity is exacerbated by the fragile natural resource base, fragmented land-holdings, unscientific land management practices, overuse of chemical fertilisers, falling incomes and, increasingly, by the growing effects of climate change. Dwindling bio-mass has created pressure on fodder and energy needs for these households. Livelihood security

is further constrained by limited off-farm employment options, poor infrastructure and inadequate marketing channels. These factors all combine to perpetuate a cycle of endemic poverty.

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

- Enhance the ecological resource base of the rural economy by strengthening

ITC is ideally positioned to respond to the challenges of poverty and underdevelopment, given its core objective of empowering its stakeholder communities to promote sustainable livelihoods, which, in turn, is strategically aligned to the national goals of poverty eradication and environmental regeneration.





Animal Husbandry and Dairy Development

ITC's Livestock Development programme promotes animal husbandry as a viable livelihood option by leveraging the fact that the majority of rural households own cattle. It is estimated that animal husbandry contributes 30-50% of rural household incomes, but livestock quality is poor and milk yields abysmal. ITC provides doorstep artificial insemination (AI) services to produce cross-bred progeny with yields that are significantly higher, converting a low-yielding asset into a profitable new livelihood opportunity. A comprehensive package of services, covering AI and all aspects of cattle health, is provided through Cattle Development Centres (CDCs) which are manned by local youth trained as technicians.

Commencing in 2003-04, there are currently 261 CDCs, spread across 7 states. 3.98 lakh cross-bred progeny have been born to date and animal husbandry services were provided to over 10 lakh breedable cattle.

The Company's CSR initiatives aimed at enhancing milk production, increasing dairy farm productivity and ensuring remunerative prices to farmers in multiple locations continued to make good progress during



community-based governance of natural resources that protects, preserves, nurtures and expands such resources;

- Employ a bottom-up participatory approach that ensures an in-built flexibility to address diverse needs – aiming to create empowered village institutions and enable communities to co-operatively conserve and manage their resources;
- Encourage collaborative processes and multi-stakeholder partnerships to enable identification of the best strategies to address community needs and expand the development footprint of each project;
- Put in place end-to-end solutions that address the spectrum of needs of these communities instead of focusing solely on a single issue.

COVERAGE

The projects promoted under the CSR programme increased from 107 in 2012-13 to 110 during the reporting period. These projects are spread across 13 states covering 61 districts. The interventions reach out to more than 6.40 lakh households in more than 9,100 villages. Of the total projects currently being implemented, 83% are designed for rural stakeholder households, while the balance 17% addresses stakeholders residing around our factories. The CSR programme is spread across the states of Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Uttarakhand, Uttar Pradesh and West Bengal.

ITC provides doorstep artificial insemination (AI) services to produce cross-bred progeny with yields that are significantly higher, converting a low-yielding asset into a profitable new livelihood opportunity.



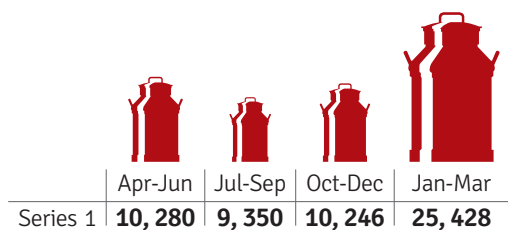
Activity	2012-13	2013-14	Cum to 2013-14
CDC Centres (No)	10	(42)	261
Breed Improvement			
No of AIs (Lakhs)	2.75	2.55	13.37
No of Pregnancies (Lakhs)	1.30	1.40	6.24
No of Calving (Lakhs)	0.89	0.91	3.98
Vaccination & Health (Lakhs)	0.72	0.14	5.03



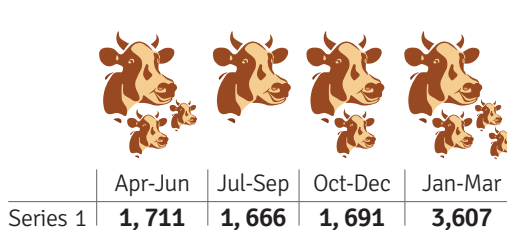
194

Milk Producer Groups have come up in Munger

Average Daily Procurement, 2013-14 (kgs/day)



Average Number of Farmers per day



the year. A unique cashless milk payment system which enables direct electronic payment into farmers' bank accounts, together with a comprehensive package of extension services such as veterinary care, breeding, supply of balanced cattle feed and feed supplements, fodder propagation and training of dairy farmers has been initiated. In Munger (Bihar), the milk procurement network has increased to 194 Milk Producer Groups (MPGs) with over 4,500 members. The average daily procurement in Munger was 13,729 lpd with a peak of 35,441 lpd. Extension services were also promoted in 28 villages in Nanauta and Gangoh blocks of Saharanpur (UP). Baseline surveys

to determine the status of the livestock economy in Pune district (Maharashtra) was completed during the year.

Social Forestry

PROGRAMME DESIGN

The Social Forestry programme is specifically targeted towards small-holders (in particular Scheduled Tribes and Scheduled Castes). Marginalised, both economically and socially with landholdings generally less than 1 hectare, they are not considered credit worthy

The Company's CSR initiatives aimed at enhancing milk production, increasing dairy farm productivity and ensuring remunerative prices to farmers in multiple locations continued to make good progress during the year.

by formal lenders and are compelled to work as daily wage earners or indebted labour. They are often forced to resort to seasonal out-migration to earn their livelihood. These households are mobilised to form Wood Producers Associations (WPAs) through which ITC provides long-term interest-free loans and a package of extension services – silvicultural training, land development, financial management, plantation and documentation maintenance.

Members are mandated to repay their loans (single payment or in instalments) to the association after the first harvest to build a corpus for the Village Development Fund (VDF), which is used to extend loans for further plantations, for emergencies and to invest in community assets. During the gestation period, lops and tops help to meet household fuel requirements while

intercropping is encouraged to provide a source of income and nutrition.

PERFORMANCE

Commencing in 2001-02, the programme has cumulatively greened nearly 45,000 hectares in Andhra Pradesh and 2,600 hectares in Karnataka. Plantation activities like land development, planting, felling, debarking, etc. generate employment, especially for the landless. To date, both the Farm and Social Forestry programmes have generated over 73 million person-days of employment. A total of 1,058 village WPAs have a collective VDF of ₹ 1.14 crores.

The highlights of this year included: (a) the incorporation of bio-diversity conservation as an integral part of the Social Forestry programme, which aims for in-situ conservation



Activity	2012-13	2013-14
Harvest		
Area (Hectares)	756	1,623
Farmers (No)	813	2,321
Volume Harvested (Tonnes)	28,137	60,519
Total Income (₹ Lakh)	773	2,949
Repayment to Committee/ NGO	6	20
Earnings/ Household	95,067	127,067
Earnings/ Hectare	102,247	181,724

To date, both the Farm and Social Forestry programmes have generated over 73 million person-days of employment.

Activity	2012-13	2013-14	Cum to 2013-14
Coverage			
No of new villages	396	719	2,436
No of new beneficiaries	10,102	12,827	52,670
Plantation Area			
Andhra Pradesh (Hectares)	8,554	12,649	44,605
Karnataka (Hectares)	700	1,083	2,577
Saplings Planted (Lakhs)	821	888	2,936
Agro-forestry Area (Hectares)	492	3,848	4,670

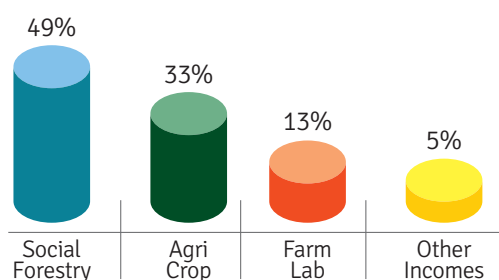
of the local flora by protecting and improving production conditions in the selected plots; and (b) Expansion in the coverage of agro-forestry, aimed at food and wood security; 3,848 hectares were brought under agro-forestry, an eight-fold increase compared to the previous year. The most common intercrops grown comprised cotton, pulses, vegetables and chilli.

The total area harvested by the end of the year (1,623 hectares) was more than double that of the previous year as was the total harvest (61,000 tonnes) generating a total wealth of nearly ₹ 30 crores for poor and marginal farmers. This resulted in an appreciable increase in the earnings per hectare and per household, sufficient to pull poor households out of a low income/debt trap. Plantation incomes represent earnings from a previously unproductive asset, which has gained value as the tangible economic benefits of the programme have escalated land prices and lease rates.

■ **Share of Total Income by Source:** The study found that earnings from SF were a significant addition to the total income of the beneficiaries, amounting to Rs 7,000/- annually, which was found to be 11% of the total annual income of the households. More importantly, the increase in income from various sources post introduction of the project was the highest for SF plantations. It accounted for nearly half of the increase in total household incomes, significantly higher than even agricultural crops.

3,848
hectares were brought under Agro-Forestry, an eight-fold increase compared to the previous year

Share of Increased Income by Source (%)



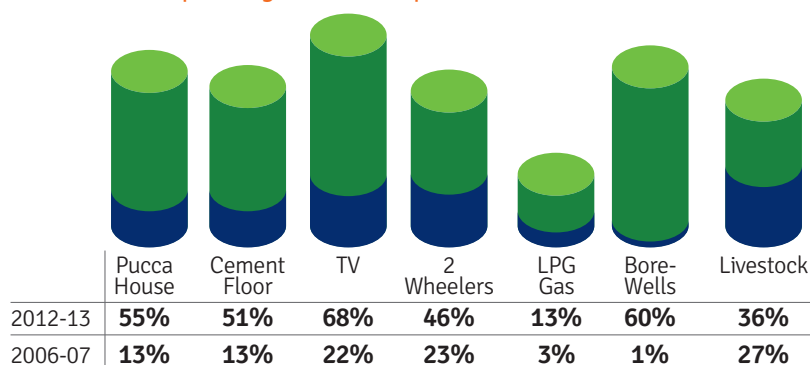
IMPACT

An impact assessment survey was conducted in November–December 2012 by iKOnet Research & Consultants covering 1,648 beneficiaries in 62 sample villages in the Khammam District. Some of the significant findings of the study are as follows:

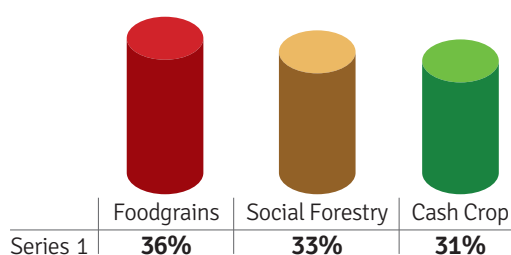
■ **Change in Land-use pattern:** The Social Forestry (SF) Plantations were found to cover large tracts of uplands and fallow lands which are generally under no productive use. The plantations thus emerged as a superior land-use option against other agricultural crops for such lands. As a result, SF plantations have emerged as the second most important crop in the region after foodgrains.

■ **Asset ownership changes:** The most noticeable impact has been on asset creation as a result of the lump sum earnings every 4 years from the plantations. More than half the households have invested in better and safer housing (pucca homes or cement floors). Expenditure on household durables

Asset Ownership Changes (% of Sample Households)



Land Use by Major Crops (% of total)



like TV, mobile phones and even air coolers has increased with 60% of the respondents attesting to the presence of one or all of the above in their households after earnings from the SF programmes. A significant section of the beneficiaries purchased bicycles and motorbikes. Expenditure on agriculture also increased, especially in investments on tractors, irrigation facilities and livestock.

Soil and Moisture Conservation

PROGRAMME DESIGN

ITC's Integrated Watershed Development programme targets the most disadvantaged sections of the community – small and marginal farmers who are almost entirely dependent on common property resources, including water. Extensive Participatory Rural Appraisal (PRA) exercises identify target beneficiaries who are constituted into Water User Groups (WUGs), with priority on the adequate representation of women. PRAs also lead to the formation of village micro-plans that identify optimal watershed initiatives and detailed planned interventions including locations, responsibilities for implementation at various levels and the financial outlay involved. Though ITC is the major source of funding, community contributions range from 20-75%, depending on their socio-economic conditions. Local contribution helps generate a high level of ownership, which leads to more efficient conservation and use of resources.

WUGs undergo intensive training in watershed management techniques, structure maintenance, water use regulation and formulation of user charges. They plan, implement and monitor all activities including the building of micro-water harvesting structures (check dams, village ponds, percolation tanks, etc.) adopting suitable water saving technologies and

soil and moisture conservation measures (contour bunds, loose boulder contours, gully plugs, etc.), and eco-restoration through revegetating common lands. Community wisdom and local knowledge is an important input in planning, e.g. the type of structure, biomass needs, etc. The emphasis is on using traditional methods in conjunction with modern techniques to build location-specific, low-cost structures, relying on local materials and simple technology. Water user charges go towards creating a corpus used to maintain the structures – a key factor in the long-term sustainability of the projects.

PERFORMANCE

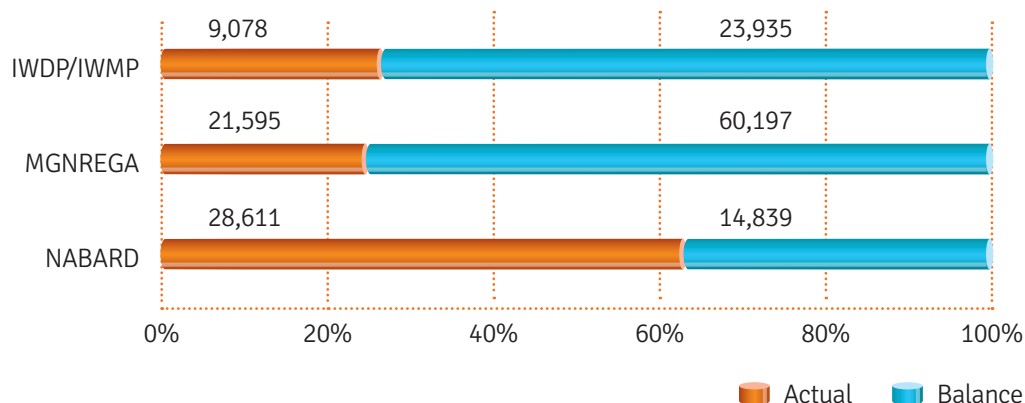
Commencing in 2000-01, the programme is currently spread across 1,027 villages in 7 states. 1,234 WUGs have built 4,974 water harvesting structures and accumulated a Maintenance Fund of ₹ 79 lakhs. The total area brought under soil & moisture conservation is 1.49 lakh hectares, including provision of critical irrigation to 50,465 hectares, benefiting 1.27 lakh households. By extending critical irrigation and improving water availability throughout the year, the programme has enabled these farmers to increase yields (by an average of 20%) and return to multi-cropping across the majority of the programme area. To date, the programme has created 4 million person-days of employment through construction activities and the rise in agricultural productivity.

Three new MOUs were signed with the Government of Maharashtra (for Satara district) and the Government of Madhya

Three new MOUs were signed with the Government of Maharashtra (for Satara district) and the Government of Madhya Pradesh (for Sehore district) to implement the government's Integrated Watershed Management Programme.

Activity	2012-13	2013-14	Cum to 2013-14
Water Harvesting			
Minor Structures (No)	236	533	2,976
Major Structures (No)	234	300	1,998
Total Structures (No)	470	833	4,974
Watershed Area			
Area Treated (Hectares)	21,261	19,664	98,325
Critical Irrigation Area (Hectares)	5,375	12,998	50,465
Total Watershed Area (Hectares)	26,636	32,662	148,789
Direct Beneficiaries (No)	19,271	19,426	127,394
EMPL Mandays (Lakhs)	9.21	4.94	40.18

Progress in PPP Projects by Sources



Pradesh (for Sehore district) to implement the government’s Integrated Watershed Management Programme. With this, the total area to be brought under soil and moisture conservation through PPP projects has increased to over 1.58 lakh hectares.

By the end of the financial year, 66% of the total target area under the NABARD projects had been completed in the states of Madhya Pradesh, Andhra Pradesh, Maharashtra, Rajasthan and Bihar. 27% of the target had been met in the collaboration with State Governments of Madhya Pradesh, Maharashtra and Rajasthan.

IMPACT

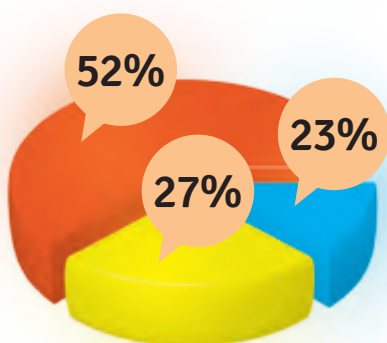
Household Incomes: The watershed development programme in Yavatmal district (Maharashtra) was implemented during 2007-12. The impact study of the project, carried out by Access Livelihoods Consulting, revealed that income as a result of the watershed interventions increased by nearly 50% for both agriculturalists and farm labourers.

Changes in Household Incomes

	Before Intervention	After Intervention	% change
Agricultural Income	37,981	58,036	53%
Daily Wage Income	21,126	31,566	49%

ITC’s Integrated Watershed Development programme targets the most disadvantaged sections of the community – small and marginal farmers who are almost entirely dependent on common property resources.

Coverage Area in PPP Projects by Source



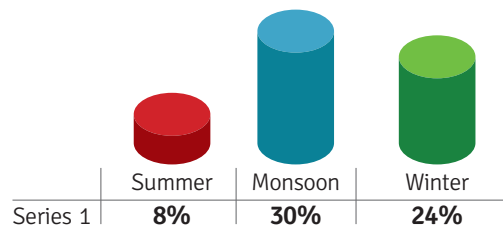
MGNREGA NABARD IWDP/IWMP

Partner	Area (Hectares)
NABARD	43,450
Rajasthan Government	43,117
Madhya Pradesh Government	23,944
Maharashtra Government	47,744
Grand Total	158,255



- Groundwater Recharge:** The same study for the Yavatmal watershed project also showed the change in groundwater status as a result of the watershed interventions. The well survey data of the study shows that increase in the water column was observed for all seasons, with a significant increase observed even in the winter months. The very fact that water is available in the summer months clearly demonstrates that the project was successful in ensuring recharge.

Changes in Water Column (%)



- Irrigation Costs:** The soil and moisture conservation programme was started in Prakasam district (Andhra Pradesh) in 2001 and continues till date. The impact evaluation of the project, undertaken by Synergy Resource Advisory Consultants, found that water was now available in the water-harvesting structures for periods ranging from 25 days to round the year. As a result, farmers have access to water for at least one irrigation cycle and sometimes, depending on the precipitation, for both cycles. Further, with water now available locally, the cost of sourcing water has reduced. Savings, as estimated by the farmers, average between ₹ 10,000 - ₹ 15,000 per acre.

and realise better incomes through high value crops. These include water saving technologies (drip and sprinkler systems, group irrigation wells), the establishment of compost units (especially as an additional source of income for women), encouraging the use of organic compost, promoting organic and Integrated Pest Management (IPM) spices and scientific land-use models.

PERFORMANCE

In line with our objective on planned expansion of sustainable agriculture (SA) practices on a large scale, there was significant increase in the number of compost pits, demonstration plots and Farmer Field Schools (FFS). With the formation of 37 new Agri Business Centres (ABC) during the year, the total functional ABCs stand at 88, that deliver extension services and knowhow on advanced Package of Practices (PoP) to over 13,600 farmers.



Mutually reinforcing ITC's Watershed Development programme, the Sustainable Agricultural Practices initiative promotes a combination of solutions to optimise water management, enhance land productivity and realise better incomes through high value crops.

Improved Agricultural Practices

PROGRAMME DESIGN

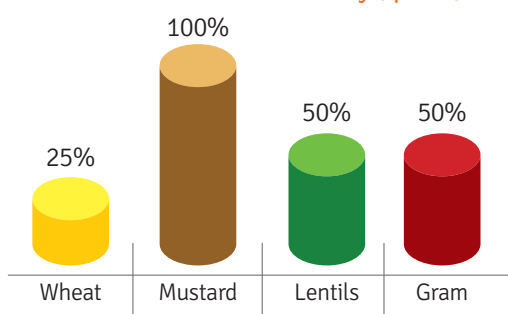
Mutually reinforcing ITC's Watershed Development programme, the Sustainable Agricultural Practices initiative promotes a combination of solutions to optimise water management, enhance land productivity

IMPACT

The combined impact of soil and moisture conservation and improved agriculture practices on crop productivity has been very significant in all the project areas. A study by iKOnet Research & Consultants for the project in Bhilwara (Rajasthan) revealed that productivity increased for almost all crops in both seasons.

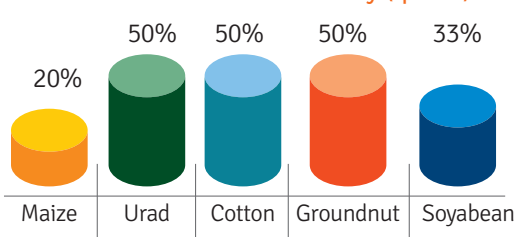
- Rabi:** A 25% increase in productivity of wheat, a major rabi crop, was observed in all programme villages. Mustard production had doubled in the project villages and productivity of lentils and grams had increased by nearly 50%.

Rabi - % Increase in Productivity (q/acre)



- Kharif:** Productivity of maize and soya, major kharif crops, increased by 20% and 33% respectively. Yields of urad, cotton and groundnut increased to more than 50%.

Kharif - % Increase in Productivity (q/acre)



The study also found that changes in productivity were significant compared to the control plots, where productivity status was found to be almost similar to the situation that existed before the project was introduced in the villages.

Activity	2012-13	2013-14	Cum to 2013-14
Minor Irrigation			
Group Irrigation (No)		115	612
Sprinklers (No)	34	385	1,189
Sustainable Agriculture			
IPNM/Varietal Demo (No of plots)	4,733	14,695	26,342
IPNM/Varietal Demo (Area - Hectares)	1,417	6,194	9,126
Compost Units (Nos.)	503	5,440	19,886
Farmer Field Schools (Functional Nos.)	162	284	284
Farmer Field Students (Functional Nos.)	5,129	5,562	5,562
Agri Business Centres			
No of ABCs (Functional Nos.)	51	88	88
Farmers Serviced (No)	3,211	2,447	13,658
Value of Inputs (₹ Lakh)	86	213	367



Factory Catchments – Creating Social Capital

Habitats around industrial clusters are typically overcrowded and congested. Infrastructure is poor or creaking under the pressure of an increasing population base, drawn to such regions in the hope of gainful employment. Sanitation 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. The exposure to our factories is on two counts:

- A concentration of unemployed or under-employed youth with aspirations to work in our factories but who do not possess the necessary skills or qualifications to work in modern production facilities.
- Sharp disparities between lifestyles represent an ever-present threat of our operations getting disrupted.

The primary focus in the catchment of our factories is to create the necessary and enabling pre-conditions for future growth

and prosperity of households living below the poverty line. A few of the fundamental causes for people feeling disempowered and apathetic towards their future are lack of employment opportunities. These are aggravated by illiteracy and ill-health, which prevent them from seizing opportunities that the labour market offers because they are either unqualified or energy-deficient.

Women's Empowerment

PROGRAMME DESIGN

ITC's Women's Economic Empowerment programme mobilises poor women to form micro-credit Self Help Groups (SHGs). Members make compulsory monthly contributions to create an initial corpus which is built upon with seed money from ITC. They receive training on managing funds and handling bank accounts to enable them to take their own financial decisions. Once the SHGs mature, financing loans for income generation activities are given to members, either from their own corpus or through banks.

The primary focus in the catchment of our factories is to create the necessary and enabling pre-conditions for future growth and prosperity of households living below the poverty line.



Agarbatti Production and Sales

	2011-12	2012-13	2013-14
Raw Agarbatti			
Production (MT)	336	834	1445
Sales (₹ Lakhs)	177	355	855
Women Members	2299	3292	3714
Scenting Unit			
Despatch (Mln. Sticks)	294	367	319
Sales (₹ Lakhs)	314	445	417
Women Members	42	48	89

PERFORMANCE

Commencing in 2000, the programme currently supports 1,682 operational SHGs with 20,230 members and cumulative savings of ₹ 3.52 crores. 31,034 women are self-employed, while 7,731 women are employed in micro enterprises.

Agarbatti production was given a fillip during the year with the introduction of pedal machines, which increased output and, therefore, incomes for women. 1,368 pedal machines were operational in the states of Bihar, Uttar Pradesh, Tamil Nadu, Andhra Pradesh, Madhya Pradesh and Maharashtra to create livelihoods for women in rural areas. Production of raw agarbattis was 1,445 tonnes during the year. The women owned and managed scenting units dispatched a total of 319 million sticks with a turnover of ₹ 4.17 crores.

IMPACT

The impact assessment of the women-led micro-enterprise programme in Munger (Bihar), launched in 2004, was conducted by SHAPE. The study findings give evidence of a profound shift in the status of women in these villages:

- From homemakers to earners of independent supplementary income - 74% of the respondents who had been solely homemakers, with no independent income of their own, now cite agarbatti rolling as their chief source of income. Of those who were previously earning incomes, most were engaged in agricultural labour (6.7%) or sewing (4.5%). Virtually all these respondents continue to pursue these

activities along with agarbatti rolling which provides a convenient means to augment their incomes

- Expenditure pattern by virtue of income from rolling - 87% of respondents stated that extra income from agarbatti rolling helped in meeting day-to-day household expenses, while 53% cite school fees as their major expenditure, 55% spend on festivals and family occasions and 24% were able to spend on house infrastructure.
- Better positioned for Savings & Loan Repayment - The impact was seen to be more significant in the case of pedal rollers. About 33% of pedal roller respondents invested some of their income in savings, compared to only 9% of hand roller respondents. Similarly, about 31% of pedal roller respondents reported that they found it easier to pay back loans and borrow less (both in terms of amount and frequency) in contrast to 4.5% of hand roller respondents.



42,000

Sustainable livelihoods for rural women

ITC's Women's Economic Empowerment programme mobilises poor women to form micro-credit SHGs.

Primary Education, Vocational Training and Health & Sanitation

Primary education is one of the major indicators for raising overall cognitive development in a child and has a direct correlation with the country's Human Development Indices (HDI). It is equally important to upgrade skills of youth to better compete with the emerging needs in the job market.

ITC's primary education programme provides furniture, books, teaching aids and structural additions e.g. classrooms and toilets as infrastructural assistance to Government primary schools in the vicinity of its operating units. Supplementary Learning Centres (SLCs) set up by the programme provide additional coaching to help children keep up in school. Educated unemployed or college-going local youth are trained and employed as tutors in the SLCs which are situated in premises provided by the community. The programme also supports

a network of libraries and resource centres and builds parental and community involvement in education through regular



interactions and meetings. An initiative called Read India Plus Programme was introduced in the latter part of the year that aimed at improving education levels of children in and around ITC's production units. 30,000 new students were covered through all these above initiatives during the year, taking the total number of children covered till date to 3.36 lakhs. Infrastructure support was provided to 47 government primary schools during the year, taking the total number to over 1,011.

More than 2,400 youths were covered this year by the skill development initiatives, of which 38% belonged to the SC/ST communities, thus contributing to the Company's affirmative action commitment.

In order to promote hygienic environment through prevention of open defecation and to reduce incidence of water-borne diseases, 829 low-cost sanitary latrines were constructed for poor households on a cost sharing basis, around the factory locations of Andhra Pradesh, Bihar, Tamil Nadu and Karnataka.

Conclusion

For India to progress on a path of sustainable and inclusive growth, and secure long-term economic competitiveness, ITC believes that it is imperative that the private sector plays a more proactive role in the social sector. Anchored in community based self-help initiatives, the ultimate aim of ITC's programmes is to build self-reliant, empowered local institutions that can catalyse change at the grassroots and develop leadership within stakeholder



3,36,000

Students have been covered under ITC's primary education programme

An initiative called Read India Plus Programme was introduced in the latter part of the year that aimed at improving education levels of children in and around ITC's production units.

Activity	2012-13	2013-14	Cum to 2013-14
Primary Education			
Govt Schools Infra Support	46	47	1,011
Children Covered (Lakhs)	0.40	0.30	3.36
Vocational Training			
No. of Students (New)	627	2,443	6,315
Placements (No of Students)	681	279	1,197
Health & Sanitation			
Sanitary Toilets (No)	352	829	4,676
Health Awareness Camps (No)	63	30	445

communities. ITC's CSR programmes are working towards this objective by building competencies at the local level – managerial, administrative and financial capabilities – that will eventually make the roles of external funding and implementation agencies redundant. The aim is to give communities control over their own resources and enable them to participate in the formulation and implementation of development strategies.

The Road Ahead

Going forward, in a continuing affirmation of our commitment to sustainable and inclusive growth, we have set the following targets for **the next 3 years:**

SOCIAL FORESTRY

In our endeavour to provide fuelwood and fodder security to small and marginal farmers, the area to be brought under Social and Farm Forestry in Andhra Pradesh and Karnataka will increase by an additional 70,000 hectares, taking the total area to 2.30 lakh hectares.

WATERSHED DEVELOPMENT

Our commitment of improving the soil moisture regime of farmers operating in the rainfed regions of the country will find expression in watershed development of 1.30 lakh hectares, taking the total to more than 2.80 lakh hectares. To provide critical irrigation to these farmers, 3,000 new water-harvesting structures will be constructed, taking the total to 8,000 leading to a total freshwater storage of 29 million cubic metres.

SUSTAINABLE AGRICULTURE

To ensure higher yields on a sustainable basis and lower costs of production, sustainable agricultural practices will be significantly ramped up from the current 9,000 hectares to more than 50,000 hectares.

ANIMAL HUSBANDRY DEVELOPMENT

In order to hedge risks of farmers, we will

continue to improve the performance of the livestock sector in our project villages by providing integrated services to 4 lakh additional milch animals, taking the total number of animals covered to 14 lakhs. More than 35,000 farmers will benefit through higher realisations for their milk through state-of-art milk procurement network and transparent measurement systems.

WOMEN'S ECONOMIC EMPOWERMENT

The Company's women's empowerment programme will continue to find avenues for gainful employment or supplementary incomes for 3,000 poor women from our project areas, taking the total coverage to 45,000.

EDUCATION & SKILLS

We will continue to improve the learning levels of primary school goers by reaching out to 25,000 additional children, taking the total to 3.60 lakh children. Acknowledging the urgency of creating a large pool of skilled human resources, the vocational training programme will be ramped up significantly to cover 36,000 additional youth, taking the total to 43,000 youth.

Our commitment of improving the soil moisture regime of farmers operating in the rainfed regions of the country will find expression in watershed development of 1.30 lakh hectares, taking the total to more than 2.80 lakh hectares.



CREATING ENDURING INSTITUTIONS

CII-ITC Centre of Excellence for Sustainable Development

The CII-ITC Centre of Excellence for Sustainable Development is a co-creation of the apex national Chamber, the Confederation of Indian Industry, and ITC. With its abiding objective of promoting sustainability amongst corporates, the Centre is engaged in a wide spectrum of value-added and targeted initiatives that create awareness, provide thought leadership, build capacity amongst Indian enterprises and reward exemplary performances.

During the year, the Centre has made a meaningful contribution in drafting rules for Section 135 of the Companies Act 2013. The Centre was also awarded a four-year EU Switch Asia project titled 'Green Retail India' to promote sustainable development of India's food and beverage retail sector. The Centre has also partnered with the International Integrated Reporting Council (IIRC) to promote Integrated Reporting (IR) in India. The Centre will further constitute an IR business network in the country to provide Indian business ownership in the development and implementation of the IR framework. Based on a request from The Ministry of Environment & Forests (MoEF) the Centre is hosting the India Business and Biodiversity Initiative (IBBI) platform. This national level initiative will represent India's business sector at the UN Global Business and Biodiversity Initiative. Over the last year, the Centre also published several case studies and research papers on Sustainability and CSR.

With its abiding objective of promoting sustainability amongst corporates, the Centre is engaged in a wide spectrum of value-added and targeted initiatives that create awareness, provide thought leadership, build capacity amongst Indian enterprises and reward exemplary performances.



The Centre also instituted the world's first corporate sustainability label, "Sustainable Plus", that provides a brand identity tool for companies to communicate that they are sustainable, responsible and well-governed. The Centre's 31 open programmes and 40 in-company programmes on a gamut of areas including Value Innovation, Sustainability Reporting, Stakeholder Engagement, Social Return on Investment (SRoI), Supply Chain, and Corporate Sustainability Performance management, conducted both in India and abroad, reached out to over 2,700 participants.

The 8th Annual Sustainability Solutions Summit continued its legacy of bringing together thought-and-action leaders from across the globe to discuss and propagate innovative and actionable solutions towards building a more sustainable future. The Centre also recognises and rewards the most significant contributions to sustainable development in the country through the CII-ITC Sustainability Awards.

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 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 Finance Committee under the Montreal Protocol. It is also represented on the Board of the Central Pollution Control Board and other bodies.

ITC Sangeet Research Academy

The ITC Sangeet Research Academy (ITC-SRA) is a true embodiment of sustained corporate commitment to a priceless national heritage. It is a unique institution which has been at the forefront of disseminating the ancient tradition of Hindustani Classical Music. The Academy is also recognised for being the finest repository of Hindustani Classical



Music. With a commitment that has remained consistent for over 37 years, ITC-SRA is the world's first and only professionally managed modern Gurukul, blending scientific research and technology methods with the purity of the age old Guru-Shishya tradition. While relentlessly focusing on Hindustani Classical Music, the Academy has also expanded its performance watershed to include the Carnatic genre as well as the rich heritage of folk music of Bengal. 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. The Academy also constantly endeavours to work together with other music organisations and institutions of repute.

With a commitment that has remained consistent for over 37 years, ITC-SRA is the world's first and only professionally managed modern Gurukul, blending scientific research methods and technology methods with the purity of the age old Guru-Shishya tradition.

Product Responsibility



Management Approach

CUSTOMER HEALTH AND SAFETY

Given ITC's presence in the FMCG and Hospitality sectors, its products and services can have a direct impact on the health and safety of consumers and other stakeholders. The Company has accordingly established stringent processes and systems to ensure that all products and services are in total compliance with all regulatory requirements. In addition, product and service attributes are constantly evaluated to ensure progress towards compliance with best international standards and practices. This is an integral part of the Company's DNA and all efforts are made to ensure that there is no deviation on this account.

Our uncompromising commitment to ensuring compliance with relevant standards of health and safety commences at the design stage, wherein appropriate health and safety elements across manufacturing, delivery and consumption are identified and evaluated, and control measures implemented as and when necessary. New products are developed after careful consideration of global developments. This is supported by comprehensive research and testing facilities at the ITC Life Sciences & Technology Centre, whose laboratories conform to ISO/IEC 17025 and are certified by National Accreditation Board for Testing and Calibration (NABL). ITC uses proprietary software for regular monitoring and review of stringent raw materials specifications. Manufacturing units and hotels have state-of-the-art facilities, cutting edge technology and internationally benchmarked quality

The Company has established stringent processes and systems to ensure that all products and services are in total compliance with all regulatory requirements.

management systems, which are constantly reviewed and upgraded. For businesses that make use of third party manufacturing facilities, the quality performance of each manufacturer is monitored on a daily basis.

The summary of systems and initiatives across some of our businesses is listed out in the following table:

Business	Initiatives for improvement of health and safety impacts of products/ services
Agri - Business	<p>The Business primarily engages in sourcing of agri-commodities like Wheat, Coffee, Potato, Shrimps, Soya and Processed Fruits. These commodities are sourced and supplied based on customer requirements of quality, quantity and packaging. Hence, there is no direct assessment of the health and safety aspects of the product. However, stringent process control and quality inspection norms have been established to ensure the quality of all products. All items are stored according to specifications in warehouses, which are selected based on prescribed norms. Systems and processes are in place to ensure the hygiene of the stored stocks. Products are shipped after meticulous testing either in-house, or at accredited labs or agencies, if required by customers. For processed fruit products that cater to specific customer segments, the Business has received the following international certifications for its organic and sustainable farm practices processed fruits business to cater to specific customer segments:</p>

Manufacturing units and hotels have state-of-the-art facilities, cutting edge technology and internationally benchmarked quality management systems, which are constantly reviewed and upgraded.



Business	Initiatives for improvement of health and safety impacts of products/ services
Agri - Business	<p>Fairtrade certification endorsing that its products meet certain environmental, labour, and developmental standards</p> <p>Demeter Certification for Biodynamic Farming, a holistic method of agriculture</p> <p>USDA Organic Certification for Organic Farming</p> <p>Bio-Suisse Certification for Organic Farming</p>
Foods	<p>52 out of 63 manufacturing locations, including third party manufacturing units, are Hazard Analysis and Critical Control Point (HACCP)/ ISO 22000 certified, ensuring that products use the best quality ingredients and utilise the highest quality processes. The objective is to continuously provide consumers with products that not only “Taste Good” but also “Do Good”. Consequently, large investments are made towards R&D on products to deliver relevant functionalities based upon specific formulations for specific health needs, like reducing salt, sugar and oil across all products. These processes will start showing results over the next few years. Recently launched products like ‘Sunfeast Oats Marie’ and the newly launched ‘Sunfeast Farmlite’ attempt to seamlessly integrate healthy ingredients like oats and fibre into consumer snacking preferences.</p>
Cigarettes	<p>The Business uses proprietary software to regularly monitor and review stringent product specifications of all raw materials. With consistent focus on product innovation, new product development in the Business involves consideration of global developments and is supported by comprehensive research and testing facilities at the ITC Life Sciences & Technology Centre, where laboratories conform to ISO/IEC 17025 standards and are certified by NABL.</p>
Leaf Tobacco	<p>Product hygiene standards in tobacco cultivation are accorded the highest importance. Accordingly, awareness among tobacco farmers on the importance of producing sustainable quality tobacco with residue free product is constantly reinforced during field-level trainings and seminars in ITC’s operating region. For frequent assessment on product integrity, farm-level and packed-level toxicant audit studies are undertaken wherein all leaf samples from farmlands and packed cases of finished products are closely monitored for toxicant residues. Several additional measures were implemented across the value chain during the year towards minimisation of Non Tobacco Related Matter (NTRM).</p>
Personal Care Products	<p>The Business follows a comprehensive approach for improving the health and safety impacts of its products in each of the following life cycle stages:</p> <p>Research and development</p> <p>All safety tests from prototype development to final product are conducted in accordance with standard international guidelines</p>

52 out of 63 manufacturing locations, including third party manufacturing units of Foods Business, are Hazard Analysis and Critical Control Point (HACCP)/ ISO 22000 certified.

Business	Initiatives for improvement of health and safety impacts of products/ services
Personal Care Products	<p>Research and Development</p> <p>Ingredients used in products undergo rigorous analysis, based on existing scientific literature, for their toxicity and skin sensitisation prior to clearance for use in product development</p> <p>Certification</p> <p>Product safety and efficacy is certified through external accredited laboratories</p> <p>Manufacturing and production</p> <p>Products are manufactured under strict hygienic conditions and in an automated environment</p> <p>Documented Quality Management System, including procured material checks, in-process checks and finished goods quality checks, ensures that the manufactured products are consistent and of high quality.</p>
Hotels	<p>ITC Maurya, ITC Mughal, ITC Maratha, ITC Grand Central, ITC Sonar, IT Windsor, ITC Kakatiya, ITC Rajputana, Sheraton New Delhi and My Fortune Chennai have established food safety management systems certified as per HACCP/ ISO 22000. ITC Hotels R&D endeavours to adhere to GHP & GMP (Good Hygiene Practices & Good Manufacturing Practices) along with the ISO 22000 food safety management system. The Hotels Business also conforms to relevant applications of PAS 220 (Prerequisite programmes on food safety for food manufacturing). In addition, to ensure the life safety of all customers, ITC has elaborate fire safety guidelines which have to be complied with by all Hotels. These guidelines are based upon National Fire Protection Association (NFPA) Codes and other international best practices. They supplement the general EHS Guidelines applicable to all ITC's businesses, the compliance to which is audited by the Corporate EHS Department on a regular basis.</p>
Education and Stationery Products	<p>The Business uses only approved non-hazardous materials, like ECF (Elemental Chlorine Free) paper, ink, dyes etc. Since the primary consumers of these products are children, stringent processes and quality control measures are in place to ensure that their safety is not compromised in any manner.</p>
Lifestyle Retailing	<p>All raw materials and garments are tested at the in-house laboratory for post usage experience and conformance to quality standards. The standards and product specifications are periodically validated by international testing agencies. Quality is monitored through an internal Product Quality Rating System (PQRS) together with the external Acceptable Quality Level (AQL) norm that is followed internationally by apparel businesses. The Wills Lifestyle brand has received the "Oeko-Tex" certification (w.e.f. January 2012), becoming the first brand in the domestic apparel retail segment in India to obtain such a recognition. The certification has been conferred by Hohenstein Textile Testing Institute GmbH & Co.</p>

ITC Hotels R&D endeavours to adhere to GHP & GMP (Good Hygiene Practices & Good Manufacturing Practices) along with the ISO 22000 food safety management system.

Business	Initiatives for improvement of health and safety impacts of products/ services
Lifestyle Retailing	<p>KG, Germany. It guarantees that the products are free from more than 100 substances that are potentially dangerous to human life and ensures that Wills Lifestyle garments are completely safe for consumers, while at the same time maintaining a relevant style quotient in its products.</p>
Packaging and Printing	<p>Various initiatives have been undertaken in developing packaging solutions that use environment friendly raw materials such as water-based varnishes and reduction in material usage in terms of mass and thickness reduction in products. The Business engages with customers on a continuous basis to provide solutions that help protect functional needs like product integrity and visual imagery, whilst providing scope for use of alternate materials. The bulk of board packaging is already being done with non-toluene based inks. In the area of flexibles packaging, joint projects with customers have been undertaken to promote biodegradable flexibles packaging and printing with non-toluene and non-ketone based inks. In order to strengthen the health & safety requirement of products, all operations at the Haridwar factory and flexibles operations at the Tiruvottiyur Unit have been certified as per British Retail Consortium (BRC) Global Standard for Packaging and Packaging Materials.</p>
Paperboards and Specialty Papers	<p>ITC has been the pioneer in manufacturing Elemental Chlorine Free (ECF) pulp in India. This ensures that the levels of dioxins and furans in the pulp are less than 1 PPT (Parts Per Trillion). The global migration test is conducted periodically on all food-grade paper and paperboards for compliance with the US FDA standards and to adhere to prescribed limits for presence of heavy metals. All manufacturing ingredients are procured from reputed suppliers and conform to US FDA and equivalent standards. The Business ensures that the components of food allergens listed in the EC directive 2003/89/ EC and the US FDA Act are not used in any virgin grade boards and papers. The Bollaram Unit, which manufactures food grade board for direct food contact, is 'third party' certified in accordance with BRC/IoP (British Retail Consortium/Institute of Packaging) standards. Smithers Pira, a renowned testing and consultancy firm, certifies ITC's 'Indobarr' and 'Cyber Propac' brands to be compliant with German BFR standards for Food Packaging.</p>
Matches and Agarbatti	<p>Chemicals approved by IFRA (International Fragrance Resource Association, Geneva) are used to prepare fragrances, which are required in the manufacture of dipped Mangaldeep agarbattis. The manufacturing processes of the Matches and Agarbatti Business are designed to ensure product safety and consistency.</p>

Various initiatives have been undertaken in developing packaging solutions that use environment friendly raw materials such as water-based varnishes and reduction in material usage in terms of mass and thickness reduction in products.



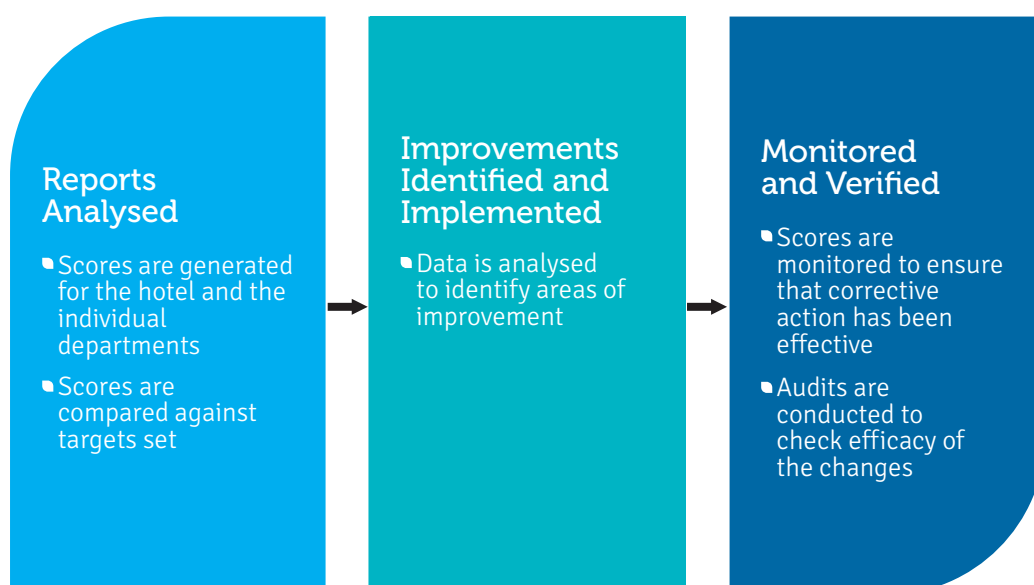
As an organisation which makes comprehensive efforts to ensure legitimacy, transparency and good governance, ITC's business operations strive to comply with every relevant law of the nation.

Product Information and Labelling

As an organisation which makes comprehensive efforts to ensure legitimacy, transparency and good governance, ITC's business operations strive to comply with every relevant law of the nation. Systems

have been put in place to ensure compliance before the launch of any new category or product.

Regular customer feedback system forms an integral part of B2C businesses, like Hotels, Information Technology, Cigarettes as well as other FMCG businesses, where there is direct interface with customers. Represented below is the customer satisfaction survey followed by ITC's Hotels Business.



In the case of FMCG products, consumers are provided several communication channels like email, telephone number, website address and feedback forms to enable them to contact the relevant business. Processes are laid down to ensure that consumers are provided with responses on their feedback in a timely manner. In the Information Technology Business also, there are formal mechanisms in place to measure customer experience. The Customer Service Satisfaction Survey is an annual check on the robustness of the engagement, culminating in a Customer Experience Index. The survey is conducted amongst Chief Executives and Senior Management, and is based on a structured questionnaire customised for the recipient. Multiple parameters and business outcomes are measured including satisfaction, loyalty, advocacy and value for money. The outcomes and insights from the survey drive customer engagement and service delivery improvement initiatives at the organisation, geography, business unit and account level.

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

Marketing Communications

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

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

Marketing and Advertising Communications of all ITC's businesses are subjected to stringent internal checks by the Legal Department. The Company's consumer goods businesses adhere to voluntary and legal codes of conduct and follow the ASCI (Advertising Standards Council of India) Code for all marketing communications. During the year, a marketing communication on a new product category was reworked based on the direction received from ASCI.

Marketing communications for ITC's Hotels Business is governed by self-regulation and guided by the Indian Society of Advertisers (ISA) rules and guidelines.

ITC follows standard operating procedures to ensure that its marketing communication is in accordance with voluntary codes adopted by each business and the applicable statutes.



Customer Privacy

Maintenance of customer privacy is relevant primarily for ITC's Information Technology and Hotels Businesses, both of which have well established systems and procedures for ensuring zero non-compliance. Network Architecture and Information Security controls are driven by industry best practices. The Business has drafted a privacy policy in line with the IT Act, 2000, that covers all aspects of data privacy with respect to sensitive information. The Business has also formulated an Information Management policy, which caters to the IT security aspects of the ISO 27001 ISMS framework. The IT operations arm of ITC Infotech Limited is ISO 27001 certified for its business processes to deliver IT services and projects. Documented procedures are available and practised to grant physical access to information, e.g. the defined and restricted access rights to IT Room/Server Room and User Access Management based on ISO 27001 and as agreed with customers. The Business has also put in place measures at various control areas in order to meet customers' requirements for data security. These include desktop access, server access, network access, operating system, application security, data transfer, penetration testing, etc. Clear guidelines are provided for data backup, retention periods, the media on which backups have to be maintained and storage at remote location.

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

Performance

ITC's Hotels and Information Technology Businesses received no complaints regarding breach of customer privacy or loss of customer data in 2013-14. For the year 2013-14, the average WoW Ratio (Guest Satisfaction Index) for the Hotels Business was 91.70%.

Compliance

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

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

As per this system, there were no incidents of non-compliance reported during 2013-14.

The Road Ahead

In order to further improve the health and safety impacts of products, the Foods Business is working on ways to progressively introduce biodegradable/recyclable packaging solutions. Such solutions will be developed to ensure that they do not compromise with product integrity, while addressing the issues related to packaging materials that are dictated by the unique characteristics of India in terms of both climatic and logistical conditions. Specific programmes have also been initiated by ITC's Packaging and Printing Business for environment friendly products such as using low migration inks for direct food packaging and moving from recycled to virgin boards wherever there is direct contact with food.

ITC has established systems wherein every Business and Corporate Department has to submit a periodic statutory compliance report to the CMC/Board on all business regulatory, product specific, finance/revenue related, personnel related, technical/process related and environment related statutes and other applicable laws and regulations applicable.

GRI - G4 Indicators Index

GRI - G4 Disclosures		UNGC - COP Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
STRATEGY AND ANALYSIS					
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	Statement of continuing support	04-09	-	-
G4-2	Description of key impacts, risks, and opportunities	*	44-53	-	-
ORGANISATIONAL PROFILE					
G4-3	Name of the organisation	*	12	-	-
G4-4	Primary brands, products, and services	*	14-23	-	-
G4-5	Location of the organisation's headquarters	*	54	-	-
G4-6	Number of countries where the organisation operates	*	12	-	-
G4-7	Nature of ownership and legal form	*	Report and Accounts 2014	-	-
G4-8	Markets served	*	12	-	-
G4-9	Scale of the organisation	*	12	-	-
G4-10	Details on workforce broken down by gender, employment contract, employment type etc.	Outcomes from implementation of Principle 6	132-133	-	-
G4-11	Percentage of total employees covered by collective bargaining agreements	Outcomes from implementation of Principle 3	132	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-12	Description of the organisation's supply chain	*	24-27	-	-
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	*	12-23, Report and Accounts 2014	-	-
G4-14	How the precautionary approach or principle is addressed by the organisation	Actions taken to implement Principle 7	67	-	-
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	United Nations Global Compact (UNGC) - This Sustainability Report is used to communicate progress on implementation of UNGC Principles	04	-	-
G4-16	Memberships of associations and national/ international advocacy organisations in which the organisation holds a position on the governance body and participates in projects or committees	*	203-204	-	-
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	Entities included in the organisation's consolidated financial statements with indication of coverage in the report	*	54-59	-	Yes/ 205-207
G4-18	Process for defining the report content and the Aspect Boundaries	*	41	-	Yes/ 205-207
G4-19	Material Aspects identified in the process for defining report content	*	42	-	Yes/ 205-207
G4-20	Description of Aspect Boundary within the organisation for each material aspect	*	54-57	-	Yes/ 205-207

GRI - G4 Disclosures		UNGC - COP Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-21	Description of Aspect Boundary outside the organisation for each material aspect	*	24-25, 54-55, 93, 95, 117, 32-41	-	Yes/ 205-207
G4-22	Explanation of the effect of any re-statement of information provided in the earlier Reports	*	No re-statement of information	-	Yes/ 205-207
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	*	54	-	Yes/ 205-207
STAKEHOLDER ENGAGEMENT					
G4-24	List of stakeholder groups engaged by the organisation	Sharing COP with Stakeholders	32-33	-	Yes/ 205-207
G4-25	Basis for identification and selection of stakeholders with whom to engage	Sharing COP with Stakeholders	32-33	-	Yes/ 205-207
G4-26	Organisation's approach to stakeholder engagement	Sharing COP with Stakeholders	32-33, 40-41	-	Yes/ 205-207
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	Sharing COP with Stakeholders	34-40	-	Yes/ 205-207
REPORT PROFILE					
G4-28	Reporting Period	*	54	-	-
G4-29	Date of most recent previous Report	*	54	-	-
G4-30	Reporting cycle	*	54	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-31	Contact point for questions regarding the report or its contents	*	54	-	-
G4-32	GRI Content Index	*	174-194	-	-
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report; relationship with the assurance providers; the highest governance body's involvement in seeking assurance for the organisation's Sustainability Report	*	56	-	-
GOVERNANCE					
G4-34	Governance structure of the organisation; committees responsible for decision-making on economic, environmental and social impacts	Actions taken to implement principles 1 -10	60-64	-	Yes/ 205-207
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Actions taken to implement principles 1 -10	63-64	-	Yes/ 205-207
G4-36	Executive-level positions with responsibility for economic, environmental and social topics	Actions taken to implement principles 1 -10	61-64	-	Yes/ 205-207
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Actions taken to implement principles 1 -10	64	-	Yes/ 205-207
G4-38	Composition of the highest governance body and its committees	Actions taken to implement principles 1 -10	62-64	-	Yes/ 205-207

GRI - G4 Disclosures		UNGC - COP Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-39	Function of the Chair of the highest governance body within the organisation's management and the reasons for his arrangement as an executive officer	Actions taken to implement principles 1 -10	65	-	Yes/ 205-207
G4-40	Nomination and selection processes for the highest governance body and its committees; the criteria used for nominating and selecting highest governance body members	Actions taken to implement principles 1 -10	62-64	-	Yes/ 205-207
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed; disclosure of conflicts of interest to stakeholders	Actions taken to implement principles 1 -10	65	-	Yes/ 205-207
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Actions taken to implement principles 1 -10	63-64	-	Yes/ 205-207
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Actions taken to implement principles 1 -10	66	-	Yes/ 205-207
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics; actions taken in response to evaluation results	Actions taken to implement principles 1 -10	66	-	Yes/ 205-207
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities; use of stakeholder consultation for supporting the process	Actions taken to implement principles 1 -10	63-64, 67	-	Yes/ 205-207

GRI - G4 Disclosures		UNGC - COP Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-46	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Actions taken to implement principles 1 -10	63-64, 67	-	Yes/ 205-207
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Actions taken to implement principles 1 -10	62	-	Yes/ 205-207
G4-48	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered	Actions taken to implement principles 1 -10	63-64	-	Yes/ 205-207
G4-49	Process for communicating critical concerns to the highest governance body	Actions taken to implement principles 1 -10	63-64	-	Yes/ 205-207
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	Actions taken to implement principles 1 -10	63-64, 67	-	-
G4-51	Remuneration policies for the highest governance body and senior executives; how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	Actions taken to implement principles 1 -10	66	-	Yes/ 205-207
G4-52	Process for determining remuneration	*	66	-	-
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	*	66	-	-
G4-54	Ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)	*	66	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	*	66	-	-
ETHICS AND INTEGRITY					
G4-56	Organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Actions taken to implement principles 10	66-67, 196-197	-	Yes/ 205-207
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity	Actions taken to implement principles 10	66-67	-	Yes/ 205-207
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organisational integrity	Actions taken to implement principles 10	66-67	-	-
Specific Standard Disclosures - Material Aspects					
DMA and Indicators	Description	Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
CATEGORY: ECONOMIC					
MATERIAL ASPECT: ECONOMIC PERFORMANCE					
G4-DMA	Generic Disclosures on Management Approach (DMA)	*	70	-	-
G4-EC1	Direct economic value generated and distributed	*	70-74	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Action taken on Principle 7	-	We have not disclosed the following information owing to unavailability of appropriate framework and reliable information needed for representative estimation of the financial implications of the risk or opportunity. We will evaluate appropriate framework for complete disclosure on this indicator within next 3-5 years.	-
G4-EC3	Coverage of the organisation's defined benefit plan obligations	*	78-79	-	-
G4-EC4	Financial assistance received from government	*	76	-	-
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-DMA	Aspect-specific DMA	*	80	-	-
G4-EC7	Development and impact of infrastructure investments and services supported	*	81	-	-
G4-EC8	Significant indirect economic impacts, including the extent of impacts	*	148-162	-	-
MATERIAL ASPECT: PROCUREMENT PRACTICES					
G4-DMA	Aspect-specific DMA	*	75	-	-
G4-EC9	Proportion of spending on local suppliers	*	75	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
CATEGORY: ENVIRONMENTAL					
G4-DMA	Generic Disclosures on Management Approach (DMA)	Actions taken to implement principles 7, 8, 9	84-87	-	-
MATERIAL ASPECT: MATERIALS					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7,8	118-119, 121	-	-
G4-EN1	Materials used by weight or volume	Outcomes from implementing Principle 7,8	119	-	Yes/ 205-207
G4-EN2	Percentage of materials used that are recycled input materials	Outcomes from implementing Principle 8	119-120	-	-
MATERIAL ASPECT: ENERGY					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7,8,9	88-89, 93	-	-
G4-EN3	Energy consumption within the organisation	Outcomes from implementing Principle 7,8	89-92	-	Yes/ 205-207
G4-EN4	Energy consumption outside of the organisation	Outcomes from implementing Principle 8	93	-	-
G4-EN5	Energy intensity	Outcomes from implementing Principle 8	91-92	-	Yes/ 205-207
G4-EN6	Reduction of energy consumption	Outcomes from implementing Principle 8,9	90	-	-
G4-EN7	Reductions in energy requirements of products and services	Outcomes from implementing Principle 8,9	90	-	-
MATERIAL ASPECT: WATER					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7,8	100-102, 111	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-EN8	Total water withdrawal by source	Outcomes from implementing Principle 7,8	102-107	-	Yes/ 205-207
G4-EN9	Water sources significantly affected by withdrawal of water	Outcomes from implementing Principle 8	111	-	-
G4-EN10	Percentage and total volume of water recycled and reused	Outcomes from implementing Principle 8	108, 111	-	Yes/ 205-207
MATERIAL ASPECT: BIODIVERSITY					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 8	122-125	-	
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-		None of ITC's operational sites are owned, leased, managed in, or are adjacent to, protected areas and areas of high biodiversity value, therefore, these standard disclosures are not applicable.	-
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	-	-		-
G4-EN13	Habitats protected or restored	-	-		-
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	-		-
MATERIAL ASPECT: EMISSIONS					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7,8,9	94, 97, 99	-	-
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Outcomes from implementing Principle 7,8	95	-	Yes/ 205-207, 208-210
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Outcomes from implementing Principle 7,8	95	-	Yes/ 205-207, 208-210
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Outcomes from implementing Principle 7,8	95	-	Yes/ 205-207, 208-210

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-EN18	Greenhouse gas (GHG) emissions intensity	Outcomes on Principle 7,8,9	96-97	-	Yes/ 205-207
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Outcomes on Principle 7,8,9	97	-	-
G4-EN20	Emissions of ozone-depleting substances (ODS)	Outcomes on Principle 7,8	99	-	-
G4-EN21	NOX, SOX, and other significant air emissions	Outcomes on Principle 7,8	97-99	-	-
MATERIAL ASPECT: EFFLUENTS AND WASTE					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 8	100-102, 112-113, 117	-	-
G4-EN22	Total water discharge by quality and destination	Outcomes from implementing principle 8	108-110	-	Yes/ 205-207
G4-EN23	Total weight of waste by type and disposal method	Outcomes from implementing principle 8	113-117	-	Yes/ 205-207
G4-EN24	Total number and volume of significant spills	Outcomes from implementing principle 8	99	-	-
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Outcomes from implementing principle 8	-	This standard disclosure is not applicable as there was no transport, import, export or treatment of waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII.	-
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	Outcomes from implementing principle 8	111	-	-
MATERIAL ASPECT: PRODUCTS AND SERVICES					
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Outcomes from implementing Principles 7,8,9	90	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Outcomes from implementing Principle 8	-	In 2013-14, we have not reported on this indicator due to unavailability of reliable information. We are making efforts to address this issue and we expect to report on this aspect by 2015	-
MATERIAL ASPECT: SUSTAINABLE FOREST MANAGEMENT					
DMA	Aspect-specific DMA	Actions taken to implement principles 7,8,9	119-121, 122-125	-	-
MATERIAL ASPECT: COMPLIANCE					
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Outcomes from implementing Principle 8	173	-	Yes/ 205-207
MATERIAL ASPECT: TRANSPORT					
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Outcomes from implementing Principles 7,8	95-97	-	-
CATEGORY: SOCIAL					
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK					
MATERIAL ASPECT: EMPLOYMENT					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 3,4,5,6	128-132	-	-
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Outcomes from implementation of Principle 6	132-134	-	Yes/ 205-207

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	-	134	-	-
G4-LA3	Return to work and retention rates after parental leave, by gender	Outcomes from implementation of Principle 6	134	-	-
MATERIAL ASPECT: LABOR/MANAGEMENT RELATIONS					
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Outcomes from implementation of Principle 3	Minimum notice periods regarding operational changes form part of long term agreements with employees.	-	Yes/ 205-207
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Aspect-specific DMA	-	136-138, 142	-	-
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	*	137	-	-
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	*	138-142	-	Yes/ 205-207
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	*	141-142	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-LA8	Health and safety topics covered in formal agreements with trade unions	*	-	Health and safety topics are covered in long term agreements with employees. In the absence of a system for capturing the relevant information business-wise, we have not reported on this indicator in 2013-14. However we expect to be able to report from 2014-15 onwards.	-
MATERIAL ASPECT: TRAINING AND EDUCATION					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Outcomes from implementation of Principle 6	135	-	-
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	*	135	-	-
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Outcomes from implementation of Principle 6	135	-	-
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Outcomes from implementation of Principle 6	62, 133, 134	-	-
SUB-CATEGORY: HUMAN RIGHTS					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principles 1,2,4,5	128-131, 143-144	-	-
MATERIAL ASPECT: NON-DISCRIMINATION					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Outcomes from implementation of Principle 6	144	-	Yes/ 205-207

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	Aspect-specific DMA		144	-	-
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Outcomes from implementation of Principle 3	144	-	-
MATERIAL ASPECT: CHILD LABOUR					
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Outcomes from implementation of Principle 5	144	-	-
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR					
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Outcomes from implementation of Principle 4	144	-	-
SUB-CATEGORY: SOCIETY					
MATERIAL ASPECT: LOCAL COMMUNITIES					
G4-DMA	Aspect-specific DMA	Actions to implement Principles 1,2	146-150, 163	-	-
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Outcomes of implementation of Principle 1,2	148, 150-162	-	Yes/ 205-207
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Outcomes of implementation of Principle 1,2	150-162	-	Yes/ 205-207
MATERIAL ASPECT: ANTI-CORRUPTION					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 10	66-67	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Outcomes of implementation of Principle 10	66-67	-	-
G4-SO4	Communication and training on anti-corruption policies and procedures	Outcomes of implementation of Principle 10	66-67	-	-
G4-SO5	Confirmed incidents of corruption and actions taken	Outcomes of implementation of Principle 10	66-67	-	-
MATERIAL ASPECT: PUBLIC POLICY					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 10	145	-	-
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Outcomes of implementation of Principle 10	Nil	-	-
MATERIAL ASPECT: COMPLIANCE					
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	*	173	-	Yes/ 205-207
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	Aspect-specific DMA	*	166-167	-	
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	*	167-170	-	Yes/ 205-207
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	*	173	-	-
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING					
G4-DMA	Aspect-specific DMA	*	171-172	-	-

GRI - G4 Disclosures		UNGC - COP Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Page Number
Indicator	Description				
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	*	171-172	-	-
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	*	173	-	-
G4-PR5	Results of surveys measuring customer satisfaction	*	171-173	-	-
MATERIAL ASPECT: MARKETING COMMUNICATIONS					
G4-PR6	Sale of banned or disputed products	*	173	-	Yes/ 205-207
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	*	173	-	Yes/ 205-207
MATERIAL ASPECT: CUSTOMER PRIVACY					
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	*	173	-	-
MATERIAL ASPECT: COMPLIANCE					
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	*	173	-	-
<p>* No direct requirement by UNGC - COP # UNGC - COP - United Nations Global Compact - Communication of progress</p>					

GRI- G4

Food Processing Sector Supplement (FPSS)

Material Aspects - DMAs and Indicators	Description	Page Number/ Explanation	Reasons for Omissions	External Assurance
Aspect: Procurement / Sourcing Practices - Disclosure on Management Approach (DMA)				
DMA	Protecting Natural Resources	84-87	Not applicable	
DMA	Minimising Toxicity	94-99, 108-117	Not applicable	
DMA	Fair Trade	All of ITC's trading partnerships are conducted in compliance with applicable legislations	Not applicable	
DMA	Fair Compensation for Labour	134	Not applicable	
DMA	Traceability	Not reported	Separate Board approved policies of ITC which address Human Rights beyond the Work Place, Responsible Sourcing and Life Cycle Sustainability will provide the structure around which efforts will be directed for traceability within the supply chain and for addressing the sustainability aspects therein. In 2013-14, evaluation for traceability in the wheat supply chain	

Material Aspects - DMAs and Indicators	Description	Page Number/ Explanation	Reasons for Omissions	External Assurance
Aspect: Procurement / Sourcing Practices - Disclosure on Management Approach (DMA)				
			has been completed and monitoring of performance based on identified material aspects will be implemented in a progressive manner	
DMA	Genetically Modified Organisms (GMOs)	ITC foods business does not use any GMOs in manufacturing its products	Not applicable	
DMA	Biofuels	89-90	Not applicable	
Aspect: Procurement / Sourcing Practices - Indicators				
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	Not reported	In line with the commitment made in Sustainability Report 2013, we have developed a Policy on Responsible Sourcing. The management system for monitoring of suppliers' compliance with the policy will be rolled out in 2014-15, and performance data will be reported in a progressive manner from 2015-16	
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	Not reported		
Aspect: Labor / Management Relations				
DMA		129-130	Not applicable	
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs by country	133	Not applicable	

Material Aspects - DMAs and Indicators	Description	Page Number/ Explanation	Reasons for Omissions	External Assurance
Aspect: Healthy and Affordable Food				
DMA	Nature, scope and effectiveness of any programmes and practices that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	168	Not applicable	
Aspect: Customer Health and Safety				
DMA		166-167	Not applicable	
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards	168	Not applicable	
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars	168	In Sustainability Report 2013, we had stated that snacks products with lowered sodium content were in the final stages of testing and were expected to be launched in 2013-14. Market surveys for determining customer preference for such products are still underway and their market release will be determined based on production viability. 90% by volume of our biscuits are transfat free and new variants with added fibre have	

Material Aspects - DMAs and Indicators	Description	Page Number/ Explanation	Reasons for Omissions	External Assurance
Aspect: Customer Health and Safety				
			been launched at the end of third quarter 2013-14	
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives	Partially reported in Product Responsibility section in 168	In Sustainability Report 2013, we had committed that Foods Business would come out with fortified glucose biscuits by January 2014. However, other Biscuit variants that contain increased fiber, etc., have been launched during end of third quarter 2013-14	
Aspect: Product and Service Labeling				
DMA	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	All information about ingredients and nutrition of products is published on the product packaging as per relevant statutory requirements	Not applicable	
Aspect: Animal Welfare				
Not material as none of our businesses are involved in activities related to animal welfare				

Alignment to Business Responsibility Report Principles

Linking Sustainability Report 2014 to Business Responsibility Report Principles to assess compliance with Environmental, Social and Governance (ESG) norms.

Principle	Business Responsibility Report Principles to assess compliance with ESG norms	Coverage in Section of Sustainability Report 2014
1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	Governance Structure
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	<ul style="list-style-type: none"> ■ Energy ■ Air Emissions ■ Water Management ■ Resource Conservation ■ Raw Materials ■ Supply Chain ■ Social Investments - Mission Sunehra Kal ■ Product Responsibility
3	Businesses should promote the well being of all employees	<ul style="list-style-type: none"> ■ Labour Practices and Decent Work ■ Occupational Health and Safety ■ Human Rights Significant Investments
4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	<ul style="list-style-type: none"> ■ Economic Performance ■ Stakeholder Engagement ■ Labour Practices and Decent Work ■ Human Rights Significant Investments ■ Social Investments - Mission Sunehra Kal
5	Businesses should respect and promote human rights	Human Rights Significant Investments
6	Business should respect, protect, and make efforts to restore the environment	<ul style="list-style-type: none"> ■ Energy ■ Air Emissions ■ Water Management ■ Resource Conservation ■ Raw Materials ■ Biodiversity ■ Social Investments - Mission Sunehra Kal
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	<ul style="list-style-type: none"> ■ Responsible Policy Advocacy ■ Stakeholder Engagement ■ Memberships and Affiliations
8	Businesses should support inclusive growth and equitable development	<ul style="list-style-type: none"> ■ Economic Performance ■ Social Investments - Mission Sunehra Kal
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner	<ul style="list-style-type: none"> ■ Stakeholder Engagement ■ Product Responsibility

Annexures

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. 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. ITC's code of conduct and the Whistleblower Policy are available on the Company's official website - www.itcportal.com

ITC's Sustainability Policies

Based on the structured stakeholder engagements during the year, the Sustainability and CSR Policies of the Company were revisited to enable prioritised consideration of the economic, environmental and social impacts that are important to the organisation as well as its stakeholders. These Board-approved policies listed below are now available on the Company's website - www.itcportal.com

- Policy on Life-cycle Sustainability
- Policy on Stakeholder Engagement
- Policy on Responsible Advocacy
- Policy on Product Responsibility Policy on Responsible Sourcing
- Policy on Freedom of Association
- Policy on Diversity and Equal Opportunity

- Policy on Prohibition of Child Labour and Prevention of Forced Labour at the Workplace
- Policy on Human Rights consideration of Stakeholders beyond the Workplace
- Policy on Environment, Health & Safety

Corporate Social Responsibility (CSR) Policy

1. PHILOSOPHY

Recognizing that business enterprises are economic organs of society and draw on societal resources, it is ITC's belief that a company's performance must be measured by its Triple Bottom Line contribution to building economic, social and environmental capital towards enhancing societal sustainability. ITC believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity. In line with this belief, ITC will continue crafting unique models to generate livelihoods and environmental capital. Such Corporate Social Responsibility ("CSR") projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and environmental replenishment. These initiatives are independent of the normal conduct of ITC's business. Programmes, projects and activities (collectively "CSR Programmes") carried out in this regard are the subject matter of this Policy.

2. POLICY

It is ITC's policy:

A. To direct ITC's CSR Programmes, inter alia, towards achieving one or more of the following - enhancing environmental and natural capital; supporting rural development; promoting education; promoting healthcare, providing sanitation

and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India; preserving and promoting traditional art and culture, and promoting sports

B. To develop the required capability and self-reliance of beneficiaries at the grass roots, especially of women, in the belief that these are prerequisites for social and economic development

C. To engage in affirmative action interventions such as skill building and vocational training, to enhance employability and generate livelihoods for persons from disadvantaged sections of society

D. To pursue CSR Programmes primarily in areas that fall within the economic vicinity of the Company's operations to enable close supervision and ensure maximum development impact

E. To carry out CSR Programmes in relevant local areas to fulfill commitments arising from requests by government / regulatory authorities and to earmark amounts of monies towards "Enterprise Social Responsibility (ESR)" activities and to spend such monies through ESR / CSR Cells of such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates

F. To provide equal opportunities to beneficiaries of the Company's CSR Programmes as vendors or employees on merit

G. To promote sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII) through the CII-ITC Centre of Excellence for Sustainable Development, in order to have a multiplier impact

3. IMPLEMENTATION

To implement the Company's CSR Programmes through Company personnel or through external implementing agencies or through ITC Education Trust, ITC Rural Development Trust, ITC Sangeet Research Academy, ITC Bhadrachalam Education Trust, Tribeni Tissues Education Society (and other Trusts, Foundations and Section 8 companies

that may be established by the Company from time to time). In such cases, the Company will specify the CSR Programmes which may be undertaken by those Trusts in accordance with their Objects and administrative and accounting processes laid down in the respective Trust Deeds / Memoranda and Articles of Association.

4. GOVERNANCE

A. Every year, the CSR and Sustainability Committee will place for the Board's approval, a CSR Plan delineating the CSR Programmes to be carried out during the financial year and the specified budgets thereof. The Board will consider and approve the CSR Plan with any modification that may be deemed necessary

B. The Corporate Management Committee (CMC) will assign the task of implementation of the CSR Plan within specified budgets and timeframes to such persons or bodies as it may deem fit

C. The persons/bodies to which the implementation is assigned will carry out such CSR Programmes as determined by the CMC within the specified budgets and timeframes and report back to the CMC on the progress thereon at such frequency as the CMC may direct

D. The CMC shall review the implementation of the CSR Programmes once a quarter and issue necessary directions from time to time to ensure orderly and efficient execution of the CSR Programmes in accordance with this Policy

E. Once every six months the CMC will provide a status update to the CSR and Sustainability Committee on the progress of implementation of the approved CSR Programmes carried out during the six month period. It shall be the responsibility of the CSR and Sustainability Committee to review such reports and keep the Board apprised of the status of implementation of the same

F. At the end of every financial year, the CSR and Sustainability Committee will submit its report to the Board

5. CSR EXPENDITURE

CSR expenditure will include all expenditure, direct and indirect, incurred by the

Company on CSR Programmes undertaken in accordance with the approved CSR Plan. Moreover, any surplus arising from any CSR Programmes shall be used for CSR. Accordingly, any income arising from CSR Programmes will be netted off from the CSR expenditure and such net amount will be reported as CSR expenditure.

ITC Food Products Policy

It is ITC's policy that its food products should provide nutritious, tasty, hygienic and convenient options to the consuming public.

ITC will offer food products across multiple categories, price points, delivery formats and segments as dictated by the needs of the consumer.

ITC's portfolio of food products will be continuously improved and modified to -

- offer new products that meet the aspiration of the changing consumer
- offer food products with affordable and appropriate nutrition
- offer food products with micronutrient fortification
- drive reduction of sodium, sugar and fat in Products
- offer trans-fat free products
- offer functional food products with focus on India specific metabolic disorders
- follow a strict code for making product functional claims
- follow the highest standards in follow responsible marketing and consumer communications practices
- create and sustain R&D focus in development of new products and processes
- follow the highest standards of hygiene and manufacturing practices in all delivery formats
- collaborate with experts and institutions

- ensure widespread accessibility to healthy products through appropriate pricing and wide distribution

POLICY FRAMEWORK AND STRATEGIES

As with all laws, ITC's Food products will adhere to all legal and regulatory requirements as prescribed from time to time.

- To offer new products that meet the aspiration of the changing consumer.

As the aspiration of the consumer changes, new products will be developed and launched to meet the taste, nutrition and convenience expectations of future consumers.

- To offer products with affordable and appropriate nutrition.

Recommendations of the National Institute of Nutrition (NIN), India, will be referred to, to assess nutritional appropriateness of ITC's food products. Efforts will be made to offer products with appropriate nutrient density for mass consumption, including catering to the needs of those sections of the society who are economically disadvantaged.

- To offer products with micro-nutrient fortification.

ITC's food products will be suitably fortified with micro-nutrients (iron, calcium, zinc, iodine, folic acid, other vitamins and minerals) wherever feasible. ITC's R&D will continue to carry out suitable research programmes to make fortified nutrients more biologically available and functional.

- To drive reduction of sodium, sugar and fat in products

ITC's R&D will endeavour to find solutions aimed at reducing fat, sugar and sodium ("FSS") in food products, without impacting the taste profile of the product. In addition to scientific solutions, ITC will also adopt the Adaptation Methodology to reduce these ingredients in a gradual manner. Guidelines will be made and tangible targets will be set for the new product development teams to reduce the above ingredients in the new

products. ITC will endeavour to introduce such Reduced FSS products in the market by year 2013.

- To offer Trans Fat Free Products

To disclose added trans-fats, if any, in all food products. To work towards not using any hydrogenated oil in all food products by the year 2015.

- To offer functional food products with focus on India-specific metabolic disorders

ITC, with well-researched functional ingredients, will endeavour to make functional food products suitable for consumption by Indians who suffer from metabolic disorders. ITC will release such functional products to the consumer, only after fully understanding the mechanism of action of the functional ingredients at the molecular level. Integrative biology approaches will be employed to study these ingredients' efficacy.

- To follow a strict code for making product functional claims

ITC will conduct clinical trials in India by using Indian subjects to study the efficacy of its functional foods. Experts' opinion will be taken to design the clinical studies and suitable statistical methods will be employed to interpret the clinical study data. Indian Council of Medical Research (ICMR) guidelines will be referred to and followed in all clinical studies. Functional claims will be made only after statistical significance is observed.

- To follow the highest standards in nutrition labelling and reporting

ITC's packaged food products' labelling will be comprehensive with good clarity on the contents of all macro and micro-nutrients. The nutrient content will be compared with the NIN recommended Daily Value (DV) and the percentage in the product will be reported.

- To follow responsible marketing and consumer communication practices

Apart from complying with all local laws and regulations, advertisements of ITC's food products will also adhere to the ASCI

Code. All product communication to the consumer will appropriately represent the products. Internal audits will be done on marketing practices and, if needed, corrective action will be taken. Efforts will be made to promote nutritious foods and educate the rural consumer in food hygiene.

- To create and sustain R&D focus in development of new products and processes

ITC's R&D organisation is structured to research exploratory subjects and applied research subjects. ITC's R&D infrastructure is of international standards, and has been certified with ISO 14001-2004 for EHS and ISO 17025 NABL for analytical processes. There are more than 100 scientists conducting R&D on several food related platforms. ITC will continuously strive to contemporise its R&D infrastructure to meet changing nutrition needs.

- To follow the highest standards of hygiene and manufacturing practices in all delivery formats

ITC Hotels R&D endeavours to practice GHP & GMP (Good Hygiene Practices & Good Manufacturing Practices) along with ISO 22000 food safety management system implementation with PAS 220 relevant applications. ITC hotels will stringently follow all applicable regulatory requirements, with particular focus on risk minimisation and elimination.

- To collaborate with experts and institutions

ITC believes in collaborating with outside experts to upgrade the knowledge of its personnel with a view to guiding the foods business in developing products with balanced nutrition and functional ingredients. ITC will continue to collaborate with national and international institutions for scientific research and specific projects. ITC believes in using an Open Innovation policy in developing its R&D for food products.

- To ensure widespread accessibility of healthy products through pricing and distribution

ITC will ensure the widest accessibility to its healthy food products through ensuring

national geographic distribution across both urban and rural centres, using its FMCG distribution infrastructure and its e-choupal related rural distribution reach. ITC will also ensure accessibility across demographics through adopting a portfolio approach across all relevant price segments.

Annexure

GHG Inventory: Quantification Methodologies

1. STATIONARY COMBUSTION

Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 were used to calculate GHG emissions from stationary combustion sources. Activity data (quantity of fuel consumed) is multiplied with the respective default energy factor or actual measured Net Calorific Value (NCVs) and emission factor to quantify the direct emission from stationary combustion sources.

2. PURCHASED ELECTRICITY

The quantification of energy indirect GHG emission is based on activity data (Purchased Electricity in kWh) multiplied by emission factors specified in the 'CO₂ Baseline Database for the Indian Power Sector User Guide', (version 9.0, January 2014) issued by Central Electricity Authority, Government of India.

3. TRANSPORTATION

The modes of transportation, used in ITC, for raw materials, finished goods & wastes, and sources for calculation of emission factors are as follows:

Road – Emission factors for trucks are calculated based on the Report by World Bank on Road Transport Service Efficiency Study (India) – 2005.

Rail – Emission factors are calculated based on the information available from the Indian Railways Annual report 2011-12, Indian Railways Statistics 2011-12.

Air/Ship – latest “Guidelines to DEFRA / DECC’s GHG Conversion Factors for Company Reporting - Freight Transport 2011” developed by the Department of Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA), U.K.

4. GHG REMOVALS

GHG removals from plantations have been calculated based on the approved methodology used in ITC’s UNFCCC registered CDM project ‘2241: Reforestation of severely degraded landmass in Khammam District of Andhra Pradesh, India under ITC Social Forestry Project.’

The quantification of GHG emissions from minor sources is based on a robust process of data collection at Unit/Division level and emission factors taken from recognised global sources, such as IPCC guidelines and assessment reports; GHG Protocol HFC Tool v1.0 developed by GHG Protocol initiative, WRI & WBCSD; Pulp and Paper Tool-2005; UNFCCC approved methodologies. The sources that have a minor contribution to ITC’s overall GHG emissions are listed below:

1. Air-conditioning
2. Process Emissions
3. Company owned vehicles
4. SF₆ release from power distribution system
5. CO₂ release from fire protection system
6. Gas cutting/ welding
7. Waste water treatment
8. GHG emissions from composting of waste inside the unit premises
9. GHG emissions from fertiliser application in forestry project
10. Guest travel related to our Hotels business

MEMBERSHIPS & AFFILIATIONS – 2014

- Agricultural & Processed Foods Export Development Authority
- All India Food Processors Association
- All India Management Association
- Andhra Chamber of Commerce
- Asian Packaging Federation
- Associated Chambers of Commerce & Industry
- Associated Chambers of Commerce and Industry of Uttar Pradesh
- Bangalore Chamber of Industry and Commerce
- 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
- Central Food Technology Research Institute
- Central Institute of Plastics Engineering & Technology
- Chemicals & Plastics Export Council of India
- Coal Consumers Association
- Cochin Chamber of Commerce & Industry
- Coffee Board
- Coffee Exporters Association
- Confederation of Indian Industry
- Ecotourism Society of India
- Employers' Association of Northern India
- 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
- Gujarat Chamber of Commerce & Industry
- Guwahati Management Association
- Hotel Association of India
- International Market Assessment India Limited
- Indian Association of Tour Operators
- Indian Beauty and Hygiene Association
- Indian Chamber of Commerce, Calcutta
- Indian Chamber of Commerce and Industry, Coimbatore
- Indian Coffee Trade Association
- India Convention Promotion Bureau

- Indian Green Building Council
- Indian Institute of Packaging
- Indian Merchants' Chamber
- Indian Paper Manufacturers Association
- Indian Printing Packaging and Allied Machinery Manufacturers Association
- Indian Pulp & Paper Technical Association
- Indian Tobacco Association
- Indian Wind Power Association
- Indo American Chamber of Commerce
- Indo German Chamber of Commerce
- Industrial Waste Management Association
- Institute of Directors
- International Chamber of Commerce
- International Flexible Packaging Network
- International Life Science Institute
- International Packaging Group
- Karnataka Planters Association
- Leatherhead Food International, UK
- Madras Chamber of Commerce & Industry
- Madras Management Association
- Madras Printers and Lithographers Association
- Maharashtra Economic Development Council
- Mahratta Chamber of Commerce, Industry & Agriculture
- Marine Products Export Development Authority
- Multi Commodity Exchange of India Limited
- National Commodity & Derivatives Exchange Limited
- National Council of Applied Economic Research
- National Safety Council
- Oil Technologists' Association of India
- Pacific Asia Travel Association
- Paper Film and Foil Converters Association
- PHD Chamber of Commerce and Industry
- Protein Food and Nutrition Development Association of India
- Ranjangaon Industries Association
- Retailers Association of India
- Seafood Exporters Association of India
- Society for Urban Regeneration of Gurgaon
- Solvent Extractors Association of India
- Soyabean Processors Association of India
- Tamil Nadu Electricity Consumers Association
- The All India Association of Industries
- The Bengal Chamber of Commerce & Industry
- The Central Organisation for Oil Industry and Trade
- The Energy and Research Institute
- The Food Safety and Standards Authority of India
- The Indian Chamber of Commerce, Guntur
- The Indian Society of Advertisers
- The United Planters' Association of Southern India
- The Utkal Chamber of Commerce & Industry
- The Visakhapatnam Chamber of Commerce & Industry
- Travel Agents Association of India
- United States Tour Operators Association
- US Food and Drug Administration
- Western UP Chamber of Commerce & Industry
- World Travel & Tourism Council India Initiative
- World Wide Fund - Global Forest and Trade Network
- World Business Council for Sustainable Development

KPMG (Registered)
Lodha Excelus
1st Floor, Apollo Mills Compound
N. M. Joshi Marg
Mahalakshmi
Mumbai - 400 011
India

Telephone +91(22) 3989 6000
Fax +91(22) 3090 2511
Internet www.kpmg.com/in

Independent Assurance Statement

To the Management of ITC Limited, Virginia House, 37 J L Nehru Road, Kolkata 700 071, India

Introduction

We were engaged by ITC Limited ('ITC' or 'the Company') to provide independent assurance on the Sustainability Report ('the Report') for the Financial Year (FY) 2013-14. Our responsibility was to provide "reasonable assurance" on the report contents as described in the assurance scope.

Assurance scope

Our scope of assurance included data and information on material aspects and performance thereof provided for the period 01 April 2013 to 31 March 2014 based on Global Reporting Initiative's (GRI) G4 Guidelines and Food Processing Sector Supplement (applicable only for Foods Business) as listed below.

General Standard Disclosures:

- Identified material aspects and boundaries (G4-17 – G4-23)
- Stakeholder engagement (G4-24 – G4-27)
- Governance (G4-34 – G4-49, G4-51)
- Ethics and integrity (G4-56 – G4-57)

Specific Standard Disclosure

- **Environmental**
 - Materials (G4-EN1), Energy (G4-EN3, G4-EN5), Water (G4-EN8, G4-EN10), Emissions (G4-EN15 – G4-18), Effluents and waste (G4-EN22 – G4-EN23), Compliance (G4-EN29)
- **Social**
 - **Labour practices and decent work**
 - Employment (G4-LA1), Labour/Management relations (G4-LA4), Occupational health and safety (G4-LA6), Non-discrimination (G4-HR3)
 - **Society**
 - Local communities (G4-SO1 – G4-SO2), Compliance (G4-SO8)
 - **Product responsibility**
 - Customer health and safety (G4-PR1), Marketing communications (G4-PR6 – G4-PR7)

Specific limitations and exclusions

Our assurance process was subject to the following limitations as we have not been engaged to:

- Determine which, if any, recommendations should be implemented
- Provide assurance on data and information outside the defined reporting boundary and period

- Verify the Company's financial statements & economic performance.
 - Verify the Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects provided by the Company

Standards and reporting criteria

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information by International Federation of Accountants' (IFAC) and in compliance with the requirements of IFAC Code of Ethics for Professional Accountants. The Code requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

Work undertaken

Our procedures include assessment of the risks of material misstatements of selected performance indicators and disclosures and underlying internal controls relevant to the information published in the Report. Our procedures were designed to gather sufficient and appropriate evidence to determine that the selected performance information is not materially misstated.

We have undertaken:

- Review of materiality and stakeholder engagement framework deployed at ITC
- Assessment of the systems used for data collection and reporting of the General Standard Disclosures and Specific Standard Disclosures of material aspects as listed in the assurance scope above
- Verification visits to
 - Cigarettes Business (Bengaluru), Leaf Tobacco Business (Chirala), Foods Business (Haridwar), Personal Care Products (Haridwar), Packaging & Printing Business (Haridwar), Paperboards & Specialty Papers Business (Bhadrachalam, Kovai), ITC Infotech (Bengaluru), Hotels (Mumbai – ITC Grand Central, ITC Maratha), Mission Sunehra Kal initiatives (Sehore), ITC Head Office (Kolkata)
- Interviews with ITC personnel responsible for data collection, collation and reporting
- Testing of the sample data and the supporting evidences through a risk based approach
- Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all information mentioned in the report is supported by underlying data.
- Review of the Report to ensure that there is no misrepresentation of disclosures as per scope of assurance and our findings

Conclusion

Based on the procedures performed, as described above, we provide 'reasonable assurance' that the Sustainability Report of ITC for the financial year ended 31 March, 2014 is presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G4) and Food

Processing Sector Supplement (applicable for Foods Business) of the Global Reporting Initiative as described in 'Report Profile, Scope and Boundary' of the Report and conforms to GRI G4 'in-accordance' - comprehensive disclosure criteria

Key observations

Without affecting the conclusion presented above, we would like to draw readers' attention to the following;

- ITC has developed sustainability policies covering various economic, environmental and social impacts to guide the Company's efforts on sustainable development.
- ITC has a Board level CSR and Sustainability Committee to strategically guide and review the Company's sustainability agenda and performance.
- The Company has established Sustainability Compliance Review Committee, reporting to the Corporate Management Committee, to monitor and evaluate the compliance with ITC's sustainability policies.
- ITC has established a formal sustainability data management system and internal reporting protocols across the organisation. ITC can expand its scope of reporting as it progresses on its GRI G4 reporting journey and institutionalize these data management systems and internal reporting protocols at its reporting subsidiaries.

Management's responsibility

The Management of ITC is responsible for developing the Report and the information and statements within it. This responsibility includes designing, implementing and maintaining systems and processes relevant for the development of the report.

Our responsibility

Our responsibility is to express our conclusions in relation to the assurance scope listed above. We conducted our engagement with a multidisciplinary team which included professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 standard.

This report is made solely to ITC in accordance with the terms of our engagement. Our work has been undertaken so that we might state to ITC those matters we have been engaged for. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ITC for our work, for this report, or for the conclusions we have reached.



Santhosh Jayaram
Technical Director
KPMG
June 13, 2014



KPMG (Registered)
Lodha Excelus
1st Floor, Apollo Mills Compound
N. M. Joshi Marg
Mahalakshmi
Mumbai - 400 011
India

Telephone +91(22) 3989 6000
Fax +91(22) 3090 2511
Internet www.kpmg.com/in

Independent Reasonable Assurance Statement to ITC Limited on the greenhouse gas (GHG) Inventory for Financial Year 2013-14

To the Management of ITC Limited, Virginia House, 37 J L Nehru Road, Kolkata 700 071, India

Introduction

We have been engaged for the purpose of providing assurance on the GHG inventory of ITC Limited ('ITC' or 'the Company') for FY 2013-14. The GHG emissions and removals have been quantified and reported by ITC as per the ISO14064-1:2006 standards. Our responsibility was to provide assurance on the reported GHG emissions and removals by the Company.

Assurance Procedures

We have conducted our work in accordance with requirements of ISO14064-3:2006 'Specification with guidance for the validation and verification of greenhouse gas assertions' and as per International Federation of Accountants' (IFAC) International Standard for Assurance Engagements (ISAE) 3410- Assurance Engagements on Greenhouse Gas Statements to provide reasonable assurance that the GHG Inventory of ITC Limited is fairly stated, in all material aspects, in conformance with ISO14064-1:2006 'Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals'.

A reasonable assurance engagement in accordance with ISAE 3410 involves performing procedures to obtain evidence about the quantification of emissions and removals and related information in the GHG Statement. The nature, timing and extent of procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the GHG Statement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation [and presentation] of the GHG Statement in order to design assurance procedures that are appropriate in the circumstances.

Our assurance procedures also included:

- Assessment of ITC's reporting procedures for GHG emissions and removals with regard to their consistency with the ISO14064-1:2006 guidelines.
- Evaluating the appropriateness of the quantification methods and models used in the preparation of the GHG Statement
- Verification of systems and procedures used for quantification, collation, and analysis of emissions and removals.
- Understanding the reasonableness of various assumptions, estimations and materiality thresholds used by ITC for data analysis
- Discussions with the individuals responsible for evaluation of the GHG emissions and removals.
- Assessment of data reliability and accuracy.

- Conducting site visits to:
 - Cigarette Business (Bengaluru), Leaf Tobacco Business (Chirala), Foods Business (Haridwar), Personal Care Products (Haridwar), Packaging & Printing Business (Haridwar), Paperboards & Specialty Papers Business (Bhadrachalam, Kovai), ITC Infotech (Bengaluru), Hotels (Mumbai – ITC Grand Central, ITC Maratha), Mission Sunehra Kal initiatives (Sehore) and ITC Head Office (Kolkata)

Scope and limitations

- The boundary of reporting and scope of assurance covers GHG emissions and removals of ITC Limited, as defined for the ITC Sustainability Report 2014, for the period 01 April 2013 to 31 March 2014.
- Scope 3 GHG emissions include:
 - emissions from ITC units due to transportation of raw materials, products and waste, employee travel in company provided vehicles, guest pick-up and drop at ITC Hotels
 - energy use and transportation of raw materials, products and wastes from third party manufacturing (TPM) units of ESPB (Education and Stationery Products Business) and an associate company of ITC Limited.

Conclusions

Based on our assurance procedures and in line with the scope and limitations, we conclude that

- Evaluation of GHG inventory is in accordance with the ISO14064-1:2006 guidelines.
- The GHG emissions and removals reported by ITC are fairly represented.
- The reported GHG emissions and removals are

- Scope 1:	1,234,128 tonnes of CO ₂ -e
- Scope 1 Biogenic Emissions:	742,220 tonnes of CO ₂
- Scope 2:	176,649 tonnes of CO ₂ -e
- Scope 3:	202,137 tonnes of CO ₂ -e
- GHG Removals:	4,529,311 tonnes of CO ₂ -e

Independence

Assurance procedures were conducted with a multidisciplinary team including specialists in ISAE 3410 and GHG assurance engagements. Our work was performed in compliance with the requirements of ISO 14064-3:2006 and IFAC Code of Ethics for Professional Accountants, which requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, including not being involved in calculating/estimating the emissions. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

Responsibilities

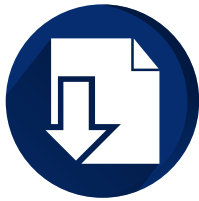
ITC is responsible for evaluating the GHG inventory, establishing and maintaining appropriate internal control systems and derivation of performance data reported. This report is made solely to the Management of ITC in accordance with the terms of our engagement and as per scope of assurance. Our work has been undertaken so that we might state to ITC those matters for which we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ITC for our work, for this report, or for the conclusions



expressed in this independent assurance report. By reading this assurance statement, stakeholders acknowledge and agree to the limitations and disclaimers mentioned above.

A handwritten signature in black ink, appearing to read 'Santhosh Jayaram', with a long horizontal stroke extending to the right.

Santhosh Jayaram
Technical Director
KPMG India
June 13, 2014



ITC's Sustainability Report can be downloaded from www.itcportal.com



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



Follow ITC on Twitter @ITCCorpCom

ITC: Transforming Lives and Landscapes



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

Benefitting more than 4 million farmers

ITC's Afforestation programme

Greening over 1,60,000 hectares



ITC's Watershed Development Programme

Providing Soil & Moisture conservation to nearly 1,50,000 hectares of drylands

ITC's Supplementary Education Initiative

Educating over 3,00,000 children



ITC's Women's Empowerment Initiative

Creating over 40,000 sustainable livelihoods for women

ITC's Livestock Development Initiative

Providing animal husbandry services for over 10,00,000 milch animals



ITC is the only company in the world of comparable dimensions to be carbon positive, water positive and solid waste recycling positive. ITC's businesses and value chains support around 6 million sustainable livelihoods.