



Enduring Value



# ***ENTERPRISE OF TOMORROW***

SUSTAINABILITY REPORT 2019  
**ITC LIMITED**

**“ENTERPRISES OF TOMORROW  
CAN BRING IN TRANSFORMATIONAL CHANGE  
BY MAKING SOCIETAL VALUE CREATION  
A CONSCIOUS STRATEGIC DECISION.”**

**ENTERPRISE OF**

**TOMORROW**





# ROW



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I have great pleasure in presenting the 16th edition of ITC's Sustainability Report. This Report as in earlier years has been prepared at the highest "In Accordance - Comprehensive" level of the Global Reporting Initiative (GRI) Standards and externally verified by E&Y. It encapsulates ITC's superior Triple Bottom Line Performance and pro-active action in contributing meaningfully to sustainable and inclusive development. The Theme of the Report "Enterprise of Tomorrow" reflects ITC's commitment to build a future ready enterprise that pursues competitive growth even as it enriches the environment and creates opportunities for sustainable livelihoods.

## A WORLD IN PERIL

In the last few decades, the world has witnessed unprecedented socio-economic progress while at the same time facing the dire consequences of rapid environmental degradation and social inequities. Events of extreme weather, pollution and environmental degradation continue to worsen with every passing year. Climate change which once seemed a distant reality is here and now. Extreme and erratic weather events are today far more frequent and intense. India has been among the top three countries worst hit by natural disasters. Since 1995, India, along with 4 other nations, have experienced climate led disasters once every five days.

The devastation caused to the global environment is unparalleled. In less than half a century, the planet has lost 1/4th of its top soil, 1/3rd of the forest resources and 1/3rd of diversity. Earth Overshoot Day, the day when we exhaust the natural resources meant for a year, arrived as early as August 1 this year. This points to the distressing fact that for 4 months in a year, the world is now consuming resources borrowed from the next generation, leaving them a bleaker future.

An article in the National Geographic has stated that by 2050, the Earth will be home to as many as 10 billion people, up from today's 7.5 billion.

# “ENTERPRISE OF TOMORROW”

**REFLECTS ITC'S COMMITMENT TO BUILD A FUTURE READY ENTERPRISE THAT PURSUES COMPETITIVE GROWTH EVEN AS IT ENRICHES THE ENVIRONMENT AND CREATES OPPORTUNITIES FOR SUSTAINABLE LIVELIHOODS.**

The challenges of providing food, water and livelihood security to the teeming billions will be daunting. If massive increases in agricultural yield are not achieved, matched by significant decreases in the use of water and fossil fuels, a billion or more people may face starvation. Global crop production needs to double by 2050 to meet the projected demands from rising population, diet shifts, and increasing biofuels consumption. In fact, the planet must produce more food in the next four decades than all farmers in history have harvested over the past 8,000 years. This too in a context where essential resources like water are getting scarcer. According to estimates, two-thirds of the world's population will be facing acute water shortages by 2025.

## INDIA'S CHALLENGES

India's challenges also mirror such global developments. It is indeed a matter of pride that India continues to be one of the fastest growing major economies in the world.

However, India will surpass China in population in less than a decade putting tremendous pressure on natural and agri resources apart from the need to provide gainful employment to the large young population. The development of India's agri-sector is critical as it not only generates livelihoods for nearly half of India's workforce, but will also need to provide food security to the estimated 1.5 billion people who will inhabit our country by 2030.

The agricultural sector is also the most vulnerable to the vagaries of nature and the threat of climate change. As it stands today, agriculture consumes around 90% of the country's renewable freshwater, a fifth of total electricity and a significant part of government subsidies. 54% of India is water stressed and with 17% of world population, the country has only 2.4% of arable land. The rejuvenation of the agri-rural economy, through large scale sustainable and inclusive solutions, will be imperative in ensuring growth with equity and building climate resilience.

## ROLE OF BUSINESS: ITC'S SUSTAINABILITY VISION AND STRATEGY

The future of business as well as societal progress are intertwined, and one cannot succeed at the cost of the other. It is our firm conviction that businesses can indeed make a transformative contribution towards addressing some of these daunting challenges. When corporates make societal value creation a core part of corporate strategy, powerful drivers of innovation emerge to make growth more enduring as well as responsive to the needs of environment and society.

**ITC's Sustainability Vision and Strategy draws from its abiding commitment to serve larger national priorities in the context of its businesses.**

Making societal value creation the bedrock of its corporate strategy, ITC has crafted unique models that have synergised the building of economic, ecological and social capital as a unified strategy. These innovative business models enable competitive growth whilst simultaneously generating sustainable livelihoods and enriching the environment - a paradigm we call Responsible Competitiveness.

**Leveraging the Company's enterprise strengths and its large presence in rural communities, ITC has over the years designed and implemented large scale programmes to replenish and enrich the environment, create sustainable livelihoods, empower local communities and address the challenges of climate change.**

ITC's effort to align national priorities, needs of local communities and high-impact initiatives through the establishment of robust business models have resulted in more sustainable, scalable and replicable solutions. These together make a meaningful contribution to improving the quality of life of people in rural India whilst also enriching the natural resource base.

This symphony of efforts has led ITC to achieve the unique environmental distinction of being carbon-positive (14 years in a row), water-positive (17 consecutive years) and solid waste recycling positive (for the last 12 years). In India, where livelihood generation is an urgent priority, ITC's businesses and value chains have created sustainable livelihoods for over 6 million people, embracing the weakest in society.

## ITC : A PIONEER IN ENVIRONMENTAL STEWARDSHIP

As an environment steward, ITC strives to lower its carbon footprint at all its operations through Greenhouse Gas Reduction programmes by efforts such as increasing share of renewable energy, construction of green buildings and continual efforts to reduce specific energy and water consumption. About 41% of the total energy consumed in ITC is from renewable sources.

**ITC pioneered the green building movement in India, with 24 of its buildings being certified at the highest LEED Platinum level.**

**ITC's premium luxury hotels have the unique distinction of being LEED Platinum certified.**

The certification for the newly launched properties, ITC Grand Goa and ITC Royal Bengal, is in progress.

ITC has also adopted several initiatives to mitigate the adverse impacts of climate change which includes large scale afforestation interventions, climate-smart agriculture initiatives and watershed stewardship programmes besides continuously striving to reduce specific energy and water consumption within its units.

With water scarcity increasingly becoming an area of concern, ITC continues to focus on an integrated water management approach that aspires to ensure water security in the catchment areas of its operations. The initiatives include large scale water conservation measures and rainwater harvesting initiatives in and around its Units.

**TODAY, ITC'S INTEGRATED WATERSHED DEVELOPMENT PROGRAMME COVERS**  
**OVER 1 MILLION ACRES SPREAD**  
**ACROSS 15,000 WATER HARVESTING**  
**STRUCTURES, BENEFITING OVER 3 LAKH PEOPLE**  
**IN 43 DISTRICTS ACROSS 16 STATES.**



This initiative has generated over 6 million person-days of employment within project villages, reducing levels of distress migration. In addition, a pilot programme at scale on 'water use efficiency in agriculture' is also being promoted to enable effective demand-side management. This initiative has yielded water savings of 20% to 45% in crops like Sugarcane, Wheat, Rice and Banana. This points to the huge potential for reducing water consumption in agriculture, a critical issue for Indian farmers.

ITC continues to enhance its carbon sequestering potential through social and farm forestry initiatives.

**The Company has significantly scaled up its afforestation programme over the years which currently covers 7,30,000 acres and has generated over 135 million person-days of employment.**

ITC has also developed an Agro-Forestry model which allows pulpwood and agricultural crops to be grown simultaneously without impacting wood productivity, thus ensuring food, wood and fodder security. Over 1.12 lakh acres have been covered under Agro-Forestry.

ITC's integrated waste management approach addresses the challenge of waste through several initiatives both inside its operations as well as externally through extensive outreach programmes. These large scale interventions have enabled ITC to be solid waste recycling positive for over 12 years now. Within its operations, waste is minimised through systematic monitoring and improvement of efficiencies in material utilisation as well as by maximising recycling.

**ITC aims to go beyond the requirements of Plastic Waste Management Rules, 2016 to ensure that, over the next decade, 100% of packaging is reusable, recyclable or compostable.**

Accordingly, ITC is working towards optimising packaging design as well as in identifying alternative packaging solutions that permit easier recycling. The Company is also working towards establishing scalable, replicable and sustainable models of municipal solid waste management based on circular economy principles.

**Towards this, ITC's flagship initiative "Wellbeing out of Waste" (WOW), focuses on promoting awareness, segregation, collection and recycling of municipal solid waste across the entire value chain. WOW contributes by not only ensuring that lesser waste goes to landfills, but also by enabling larger value recovery from waste, in the process creating sustainable livelihoods for waste collectors and rag-pickers. These models operate on a public-private partnership basis with active involvement of Urban Local Bodies, Civil Society and the informal segment of waste collectors. Today, the benefits of this programme extend to over 89 lakh citizens in the country.**

Going further, ITC has recently launched a first-of-its-kind model for sustainable management of Multi-Layered Plastic (MLP) packaging waste in Pune in partnership with SWaCH, a leading waste-pickers cooperative and with active patronage and cooperation from the Pune Municipal Corporation (PMC). Leveraging the expertise resident in the ITC Life Sciences and Technology Centre, viable options have been found to convert multi layered plastic waste into useful items of consumption. Efforts are underway to scale this up and replicate this model in other parts of the country.

## ITC: ENSURING LIVELIHOOD SECURITY FOR RURAL COMMUNITIES

ITC's Social Investments Programme is aimed at creating livelihoods and enabling economic empowerment of the most disadvantaged sections of society, especially in rural India, through grassroots capacity building and asset creation. The Company has adopted a 360 degree approach to enrich rural eco-systems, putting in place long-term drivers that progressively contribute to the national priorities of employment generation and inclusive growth.

**To secure livelihoods for the stakeholder communities not just for today but also for the future, ITC's Social Investments Programme follows a two-pronged approach. On the one hand, it seeks to make today's dominant sources of income sustainable by empowering rural communities to conserve, and augment their social and environmental capital in order to secure agri production systems and thereby their current sources of livelihood.**

On the other hand, it aims at creating capabilities for income generation and employment for the future by helping the communities put in place the necessary socio-economic infrastructure to equip them to take advantage of emerging economic opportunities.

These programmes have enriched rural communities in the Company's areas of operations making them more secure, climate-resilient and economically stable. The mosaic of solutions which have had a transformational impact on the ground include the globally acknowledged ITC e-Choupal initiative which has empowered over 4 million farmers, the Social and Farm Forestry Initiative which has created over 135 million person-days of employment, the Integrated Watershed Development that brings soil and moisture conservation to over 1 million acres, the Animal Husbandry programme covering over 17,70,000 milch animals, Women Empowerment programme that has benefitted over 64,000 women, vocational training programmes covering over 67,000 youths, supplementary education reaching out to over 6,90,000 children, and a health and sanitation programme which focusses on driving behavioural change in rural areas to enable larger usage of the toilets that are built.

Together with farmers and local communities, ITC has implemented large scale interventions in climate-smart and sustainable agriculture that make a meaningful contribution to the Hon'ble Prime Minister's vision of doubling farmer incomes.

**Towards this, ITC has launched an integrated programme titled 'Baareh Mahine Hariyali' (maximising farm utilisation over 12 months of the year) to give a new dimension to the complex task of multiplying farmer incomes.**

This integrated programme is being progressively rolled out to 1 million farmers, and aims to multiply rural incomes through a wide spectrum of interventions. These include agronomic practices such as zero tillage, introduction of right varieties, cropping intensity and diversification as well as shared mechanised farming equipment. This pilot programme covered over 2,00,000 farmers, out of which 35,000 have already doubled incomes while others are making encouraging progress.

**ITC IS COLLABORATING WITH NITI AAYOG TO PROGRESSIVELY BUILD CAPACITY OF  
2 MILLION FARMERS IN  
27 ASPIRATIONAL DISTRICTS  
TO HELP ENHANCE RURAL INCOMES.**



ITC also collaborates extensively with Union and State Governments to amplify the scale of the Social Investments interventions through public-private people partnerships. Over 61 PPP projects have been implemented in different areas including watershed development, solid waste management, vocational training among others.

### **ITC: SAB SAATH BADHEIN : CREATING A SUSTAINABLE AND SECURE FUTURE**

ITC's Vision to put Nation First will continue to inspire thought, strategy and action as we progress in our journey to sustain and strengthen our leadership as a global exemplar in sustainability. This inclusive strategy, expressed in the Company's credo of 'Sab Saath Badhein' will manifest through several programmes including sustainable agriculture, water stewardship, waste management and so on besides several initiatives that focus on large scale livelihood generation.

ITC remains committed to making a growing contribution to the Indian economy by continuing to build scale and competitiveness of its businesses. We believe that this will also enable us to make a larger contribution to sustainable and inclusive growth. It is our aspiration to be a leader in every business segment that we operate in and be acknowledged as a trusted provider of best-in-class products and services.

To achieve this aspiration, we are not only fortifying our enterprise strengths, but also investing in strengthening agricultural value chains, distributed supply chain infrastructure, including state-of-the-art company-owned integrated consumer goods manufacturing and logistics facilities, world-class pulp and paperboard technology, and iconic hospitality properties. Further, focussed innovation, deepening of R&D capabilities through the ITC Life Sciences and Technology Centre, the increased use of emerging digital technologies together with nurturing world-class talent will also lend new wings to our efforts in making each businesses extremely competitive.

There is perhaps no other issue more significant than creating a future for the generations to come that is more secure, sustainable and inclusive. There is every reason to believe that collectively, our humble efforts can create new horizons of shared progress and prosperity.

#### **Sanjiv Puri**

Chairman and Managing Director, ITC Limited

## CREATING ENDURING VALUE

ITC is inspired by an abiding vision to make a larger and meaningful contribution to national priorities, going beyond generating shareholder value to creating larger societal value. The need to sustain global competitiveness in economic value creation, whilst simultaneously creating larger societal value, has led to innovation in business models that seek to synergise the creation of long-term shareholder value with the continuous enhancement of societal and environmental capital.

## CREATING MULTIPLE DRIVERS OF GROWTH



**ITC: THE ONLY COMPANY IN THE WORLD TO BE**

**CARBON, WATER &  
SOLID WASTE**



**RECYCLING POSITIVE**

ITC's aspiration to create enduring value for the Nation and its stakeholders is manifest in its robust and diversified portfolio of traditional and greenfield businesses.

The competitiveness of ITC's diverse businesses rests on the strong foundations of institutional strengths derived from:

- **Deep consumer insights**
- **Differentiated product development capacity**
- **Extensive rural linkages and agri-sourcing**
- **Globally benchmarked manufacturing infrastructure**
- **Cutting-edge Research and Development**
- **Brand-building capability**
- **Efficient trade marketing and distribution network**
- **Dedicated human resources**

ITC's ability to leverage internal synergies residing across its diverse businesses lends a unique source of competitive advantage to its products and services.

This portfolio of rapidly growing businesses considerably enhances ITC's capacity to generate growing value for the country. Given the strong linkages of ITC's Businesses to agriculture, the development of competitive agri value chains has significantly contributed to rural empowerment and inclusive growth. ITC's vibrant and successful food brands such as 'Aashirvaad', 'Sunfeast', 'Bingo!', 'YiPPee!' and 'B Natural' amongst others, enable strong forward linkages for domestic agri value chains, thereby enhancing their competitiveness and making a meaningful contribution to boost farmer earnings. The forward linkages to domestic agri value chains provided through ITC's Branded Packaged Foods Businesses were strengthened with the expansion of the branded packaged potatoes and apples portfolio for the retail segment under the 'Farmland' brand, and 'Super Safe' frozen prawns under the 'ITC Master Chef brand'.

The foray into fruits, vegetables and perishables also aims to address rural India's chronic problem of agri wastage as well as contribute to higher levels of food processing in the country.

**Today, ITC is the country's leading FMCG marketer, a pre-eminent hotel chain and a trailblazer in green hoteliering, the clear market leader in the Indian paperboard and packaging industry, a pioneer in farmer and rural empowerment through its Agri Business, and a global exemplar in sustainable business practices. ITC Infotech, a wholly owned subsidiary, has established itself as a leading global technology services and solutions organisation through industry specific business solutions.**



## CREATING WORLD-CLASS BRANDS THAT CREATE, CAPTURE AND RETAIN VALUE IN INDIA

ITC believes that it is of paramount importance to build and nurture world-class Indian brands, which help create, capture and retain larger value for the Indian economy, in addition to generating sustainable livelihoods. A successful brand is a badge of honour for the country it belongs to, and a sustained source of wealth creation. Leveraging the Company's core competencies, institutional strengths and internal synergies, the new FMCG Businesses comprising Branded Packaged Foods, Personal Care Products, Lifestyle Retailing, Education and Stationery Products, and Matches and Agarbattis, have gained significant market standing over the years.

Within a relatively short span of time, ITC has established 25 mother brands, many of which are today market leaders in their segments, or have garnered a significant share of consumer franchise. Some of ITC's popular brands include 'Aashirvaad', 'Sunfeast', 'YiPPee!', 'Bingo!', 'B Natural', 'ITC Master Chef', 'Candyman', 'mint-o', 'Vivel', 'Engage', 'Fiama', 'Savlon', 'Classmate', 'Wills Lifestyle', 'Mangaldeep' and 'Aim'. ITC has also forayed into the luxury segment with 'Fabelle' chocolates and 'Sunbean' premium gourmet coffee.

**AASHIRVAAD IS NO. 1 IN BRANDED ATTA**

**BINGO! IS NO. 1 IN BRIDGES SEGMENT OF SNACK FOODS (NO. 2 OVERALL)**

**SUNFEAST IS NO. 1 IN THE CREAM BISCUITS SEGMENT**

**CLASSMATE IS NO. 1 IN NOTEBOOKS**

**YIPPEE! IS NO. 2 IN NOODLES**

**ENGAGE IS NO. 2 IN DEODORANTS (NO. 1 IN WOMEN'S SEGMENT)**

**MANGALDEEP IS NO. 2 IN AGARBATTIS (NO. 1 IN DHOOP SEGMENT)**

## BUILDING NATURAL AND SOCIAL CAPITAL

ITC's vision of sustainable and inclusive growth has led to the adoption of a triple bottom line approach that simultaneously builds economic, social and environmental capital.

**Implemented in over 27 states/union territories covering 235 districts, ITC's Social Investment Programmes, including Sustainable Agriculture and the globally acclaimed e-Choupal initiative, Social and Farm Forestry, Soil and Moisture Conservation, Biodiversity, Livestock Development, Women's Economic Empowerment, Primary Education, Skilling and Vocational Training, and Health and Sanitation, have had a transformational impact on rural India.**

These initiatives strive to empower stakeholder communities to conserve, manage and augment their natural resources, create sustainable on and off farm livelihood sources and improve social infrastructure in rural areas.

Through its Businesses and value chains, **ITC has supported the generation of around six million livelihoods**, touching the lives of many living at the margins in rural India. In line with its commitment to environmental goals, ITC has constantly strived to reduce the impact of its Businesses, processes, products and services, and create a positive footprint.

ITC has adopted a low carbon growth strategy through reduction in specific energy consumption and increased usage of renewable energy sources.

At the same time, it seeks to enlarge its positive footprint through increased carbon sequestration by expanding forestry projects on wastelands. **About 41% of the total energy requirement of the Company is today met from renewable sources**, a testimony to its commitment to a low carbon growth path. This is indeed a remarkable performance, given the large manufacturing base of the Company.



**ITC also endeavours to reduce specific water consumption and augment rainwater harvesting activities both on-site and off-site at watershed catchment areas, as well as minimise waste generation, maximise reuse and recycling, and use external postconsumer waste as raw material in its units.**

# ITC'S BUSINESSES

## FAST MOVING CONSUMER GOODS

ITC straddles a range of Businesses within the FMCG segment, including Branded Packaged Foods, Personal Care Products, Cigarettes, Lifestyle Retailing, Education and Stationery Products, and Safety Matches and Incense Sticks (Agarbattis). Keeping pace with the rapid growth of the FMCG industry in India, ITC has significantly scaled up its presence in this segment.

### ■ BRANDED PACKAGED FOODS

ITC Foods has sustained its position as one of the fastest growing branded packaged food businesses in the country leveraging a robust portfolio of brands, a range of distinctive products customised to address regional tastes and preferences along with an efficient supply chain and distribution network that ensures benchmark levels of visibility, availability and freshness of products in the market.

**The Business, which is the 3rd largest food business in India, is today represented in multiple categories in the market - Biscuits, Staples, Snacks, Noodles & Pasta, Confectionery, Ready to Eat, Juices, Dairy, Chocolates and Coffee. Its bouquet of popular food brands includes 'Aashirvaad', 'Sunfeast', 'Bingo!', 'YiPPee!', 'Fabelle', 'Sunbean', 'ITC Master Chef', 'Farmland', 'B Natural', 'Kitchens of India', 'mint-o', 'Candyman' and 'GumOn'.**

The Company's vibrant and successful food brands such as 'Aashirvaad', 'Sunfeast', 'Bingo!', 'YiPPee!' and 'B Natural' amongst others, enable strong forward linkages for domestic agri value chains, thereby enhancing their competitiveness and making a meaningful contribution to boost farmer earnings.



**During the year, the Business launched several innovative, distinctive and first-to-market products, leveraging its robust product development processes, the capabilities of ITC's Life Sciences and Technology Centre and the cuisine expertise of ITC's Hotels Business.**

In the Staples category, Aashirvaad atta posted healthy growth and fortified its leadership position.

Supported by the new positioning that it is sun-dried and made from natural sea salt crystals, backed up by on ground activations, visibility and media investments, Aashirvaad salt gained traction in key geographies and posted strong performance during the year.

In Instant Noodles, 'YiPPee!' sustained its growth momentum with the Business continuing to focus on premiumising its product portfolio and enhancing brand affinity. Limited edition variants under the 'My' range sub-brand with four exciting variants were launched during the year.

**Bingo! sustained its market leadership in the bridges segment and Tedhe Medhe emerged as India's most distributed brand in the category. Several innovative variants like Mad Angles Very Peri Peri, Mad Angles Fillos & Tedhe Medhe Wakhra Style were launched.**

In Biscuits, the Cakes segment portfolio was augmented with the launch of layered cakes under the 'Sunfeast' Bounce brand. The Marie & Cookies segment was expanded with the launch of Sunfeast Marie Light Vita & Sunfeast Mom's Magic Choco Chip Cookies. Various first-to-market launches such as Bounce Minifills and Dark Fantasy Jellifills led to premiumisation of the portfolio.

In Confectionery, the Business launched Chatpata Tadka Time, masala coated jelly beans, and forayed into bridged chocolate segment with the launch of 'Candyman' Fantastik, an offering of wafer sticks filled with chocolate crème filling.

In Dairy & Beverages, the 'B Natural' range of juices leveraged its 'Not from Concentrate' platform to deepen consumer connect by providing a more nutritive and 'natural' tasting experience, whilst simultaneously promoting fruit pulp procured from Indian farmers, thereby supporting the Indian farm and food processing sector. The entire range of B Natural Beverages is 'made with 100% Indian Fruit & 0% concentrate'. The Business also extended its Aashirvaad pouch milk to Kolkata and Patna. The Aashirvaad Svasti portfolio was augmented with the introduction of pouch curd and paneer. The Business also forayed into the Dairy Beverages segment with the launch of four differentiated variants of milkshakes under the 'Sunfeast Wonderz' brand.

In Chocolates, ITC launched a range of premium chocolate bars crafted in 2 unique product formats – Fabelle 'Soft Centres' (centre filled chocolate bars) and Fabelle 'Choco Deck' (layered chocolate bars) in select markets. In the boxed chocolate range, the Business launched India's first Ruby Chocolate, Ruby Gianduja.



## ITC'S BUSINESSES

### ■ PERSONAL CARE PRODUCTS

ITC's Personal Care Products Business continued to enhance its market standing in the Hand Hygiene, Fragrance, Body Wash and Skin Care categories, driven by sustained focus on innovation, portfolio premiumisation, expansion of distribution reach and proactive cost management. In the Fragrance category, 'Engage' consolidated its leadership position in the women's segment and No. 2 position overall. The Business also launched a new variant, Mikkel Verde, in the Fine Fragrance space under the 'Essenza Di Will's' brand.

In the Personal Wash category, the Business launched the bar soap variant, 'Vivel Cool', while 'Vivel Bodywash' was introduced in select markets. 'Savlon' handwash recorded significant gains across brand health metrics and emerged as one of the fastest growing brands in the market.

In Skincare, the Business launched the 'Dermafique' range of premium skincare products, including anti-ageing, specialised hydrating creams, body serum, cleansing and toning products. The range has been developed at ITC's state-of-the-art Life Sciences and Technology Centre, leveraging the latest breakthroughs in bioscience, nanotechnology and derma science. In the popular Skincare space, the Business restaged 'Charmis' skin cream with a fresh look & enhanced sensorial experience.

Several new and exciting consumer friendly offerings were launched during the year, which include Savlon Hand Sanitiser in a child-friendly pen format and Savlon Antiseptic Liquid in a "Braille" pack for the visually impaired. The Business also forayed into the Floor Cleaner market with the recently acquired 'Nimyle' brand.



## ■ CIGARETTES

ITC maintained its leadership position in the cigarette industry by leveraging its comprehensive product portfolio and world-class execution capabilities.

## ■ LIFESTYLE RETAILING

The Business continued to execute the structural interventions initiated in the previous year across the value chain including restructuring its retail footprint and rationalising the store network, modifying the design language of its offerings, restructuring the terms of trade with business partners and sharpening working capital management. During the year, the Company divested the 'John Players' trademark/copyright and its variants in the apparel category along with related goodwill.

## ■ EDUCATION AND STATIONERY PRODUCTS

ITC's Education and Stationery Products Business offers consumers a wide range of differentiated products under the brands 'Classmate', 'Classmate Pulse', 'Paperkraft' and 'Saathi'. A clear market leader in the student notebooks segment, Classmate's portfolio also includes writing instruments (pens and pencils) and scholastic products (mathematical drawing instruments, scales, erasers and sharpeners). During the year, the Business continued to deepen consumer engagement with the launch of 'MyClassmate' app – a 'Perfect Buddy' to the students offering a range of innovative features and enabling them to traverse their learning journey.

**Classmate and Paperkraft notebooks leverage ITC's world-class fibre line at Bhadrachalam - India's first ozone treated elemental chlorine free facility - and embody the environmental capital built by the Company in its paper business.**

The product portfolio was also augmented with the launch of several new products including paper and filing solutions, range of vibrant colour options and gift packs under the 'Paperkraft' portfolio and several offerings in the pens category. The Business also scaled up presence in the value segment of the notebook industry through the 'Saathi' brand with a view to consolidating its leadership position.



## ITC'S BUSINESSES

### ■ SAFETY MATCHES AND INCENSE STICKS (AGARBATTIS)

ITC's 'Mangaldeep' is the second largest Agarbatti brand and the leader in the Dhoop segment. During the year, the Agarbatti category witnessed premiumisation with consumers seeking better product experience and more culturally relevant fragrances. Mangaldeep's household penetration increased in urban & rural markets in both the Agarbatti and Dhoop formats.

In Safety Matches, the Business sustained its market leadership position through portfolio premiumisation and by leveraging a portfolio of offerings across market segments. 'AIM' continued to be the largest selling brand in the industry.



## HOTELS

In view of the long-term potential of the Indian hospitality sector, ITC remains committed to enhancing the scale of the business by adopting an 'asset-right' strategy that envisages building world-class tourism assets for the nation and growing the footprint of managed properties by leveraging its hotel management expertise.

During the year, the Business commissioned ITC Kohenur, Hyderabad. The Business made steady progress in the construction of luxury hotels at Kolkata and Ahmedabad. Construction of ITC Royal Bengal in Kolkata is nearing completion and will be commissioned shortly. New hotels are also under construction at Amritsar, Guntur and Bhubaneswar.

**ITC's Hotels Business remains amongst the fastest growing hospitality chains in the country with over 105 properties under four distinct brands - 'ITC Hotel' in the luxury segment, 'WelcomHotel' in the upper-upscale segment, 'Fortune' in the mid-market to upscale segment and 'WelcomHeritage' in the leisure and heritage segment.**



The Business continues to focus on strengthening the equity and differentiation of the ITC Hotels brand anchored on unique and path-breaking 'Responsible Luxury' initiatives, culinary excellence and personalisation of guest services through hotels that are the truest representation of the region's culture and ethos.

The Business continued to receive several international and domestic accolades during the year. The Travel+Leisure magazine acknowledged ITC Hotels as the 'Best Luxury Hotel Chain', ITC KohenuR as 'the Best New Luxury Hotel (Editor's Choice Award)' and ITC Grand Bharat Retreat as 'the Best Luxury Resort - Domestic' at the 'India's Best Awards 2018'. ITC Grand Bharat Retreat was ranked amongst the Top 50 resorts in Asia by Conde Nast Traveller USA.

# ITC'S BUSINESSES

## PAPERBOARDS, PAPER & PACKAGING

### ■ PAPERBOARDS AND SPECIALTY PAPERS BUSINESS

ITC's Paperboards and Specialty Papers Business is a clear market leader in the value-added paperboards segment. Providing internationally competitive quality and cost, the Business caters to a wide spectrum of packaging, graphic, communication, writing, printing and specialty paper requirements.

**The Business established the country's first Elemental Chlorine Free fibre line with ozone bleaching technology and is fully compliant with world-class environmental standards. It is also the first paper business in the country to be invited to be a member of the Global Forest & Trade Network (GFTN) of the World Wide Fund for Nature (WWF). Committed to developing a sustainable raw material base, ITC's pulpwood is being progressively sourced from renewable plantations under its Social and Farm Forestry programmes, which provide sustainable livelihood opportunities to tribals and marginal farmers.**



During the year, ITC's capacity augmentation in the VAP segment at its Bhadrachalam mill was commissioned. The Business also entered the art board market with the launch of 'Safire Graphik Duo'. Furthermore, traction was gained in packaging boards based on renewable and recyclable material. The Business sustained its leadership position in the sale of eco-labelled products.

The Business continues to be a leading quality player in the Writing & Printing paper segment. Capacity utilisation of the Bleached Chemical Thermo Mechanical Pulp mill (BCTMP) at Bhadrachalam unit was scaled up during the year, leading to reduced dependence on imported pulp and thereby cost savings.

The Business is a pioneer in environmental stewardship. All manufacturing units of the Business recycle nearly 100% of the solid waste generated during operations. In addition, the Business also procures and recycles waste paper, thereby sustaining its overall positive solid waste recycling footprint.



# ITC'S BUSINESSES

## ■ PACKAGING AND PRINTING BUSINESS

**ITC's Packaging and Printing Business is a leading provider of superior value-added packaging for the consumer packaged goods industry.**

The Business also provides strategic support to ITC's FMCG Businesses by facilitating faster turnaround for new launches, design changes, ensuring security of supplies and delivering benchmarked international quality at competitive cost.

The Business caters to the packaging requirements of leading players across several industry segments, viz., Food & Beverage, Personal Care, Home Care, Footwear, Consumer Electronics, Pharma, Liquor and Tobacco. With its comprehensive capability set across multiple platforms, coupled with in-house cylinder making and blown film manufacturing lines, the Business continues to provide innovative solutions to several key customers in India and overseas.

With world-class technology across a diverse range of packaging platforms, best-in-class quality management systems, intensive investment in skill development and a distributed manufacturing footprint, the Packaging and Printing Business is well positioned to grow its external business while continuing to service the requirements of ITC's FMCG Businesses.



## AGRI BUSINESS

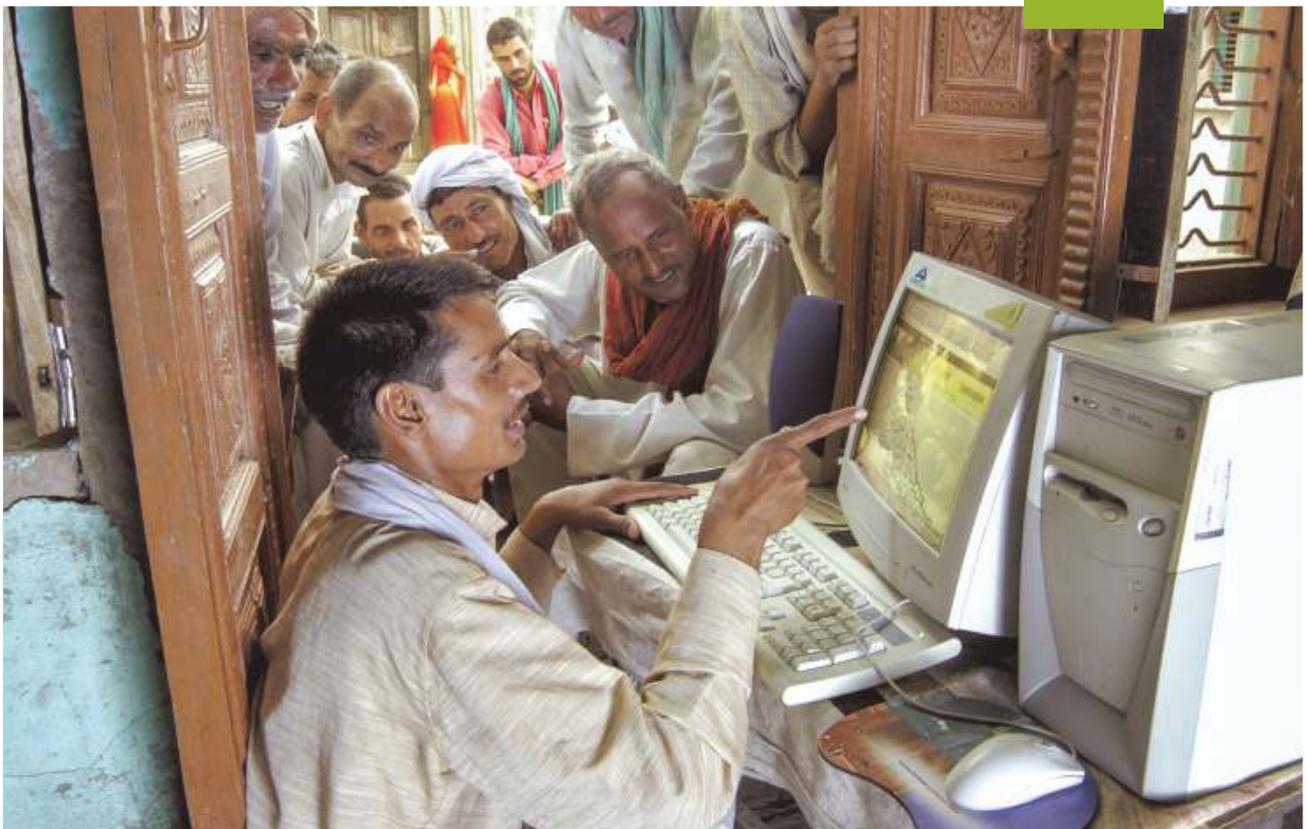
ITC is one of India's largest integrated agri business enterprises with significant presence across every node of the agri value chain - Crop Development, Procurement, Supply chain, Processing and Marketing. **The leadership position of ITC's Agri Business is anchored in its strong and enduring partnership with farmers across the country, which has revolutionised the agricultural sector in rural India.** ITC Agri Business is one of the leading domestic players and exporters of numerous agricultural commodities. Its portfolio covers land-based, plantation-based and water-based commodities spread across more than 20 states - including Wheat and Wheat based products (Maida), Rice, Soya, Coffee, Shrimps, Processed Fruits, Potato, Spices, Pulses, Barley and Maize. Backed by decades of crop development expertise, the Business deploys customised infrastructure and technology to supply a range of differentiated and superior products to discerning customers in India and abroad.

ITC Agri Business' unique strength is the extensive backward linkages it has established with the farmers. Nearly two decades ago, ITC conceptualised and rolled out the e-Choupal network as a unique delivery mechanism towards enhancing agricultural growth and productivity, and fostering sustainable rural development. The Company continues to focus on providing a range of value-added services in rural areas towards enhancing the competitiveness of Indian agriculture and playing a critical enabling role in integrating farmers, input vendors and government agencies besides facilitating the necessary market linkages.

Innovating further to promote sustainable agriculture, ITC e-Choupal offers agri extension services to improve farm competencies. Demonstration farms called Choupal Pradarshan Khets have been set up to propagate best practices, while field schools enable transfer and adoption of knowledge. ITC has also set up rural integrated hubs called Choupal Saagars that serve as procurement centres, warehouses and retail outlets. Engagement with the rural consumers is facilitated at marketing platforms, called Choupal Haats that ITC has built along the lines of village fairs. The endeavour also includes the Swasthya Choupal initiative that focuses on enhancing awareness on maternal health and child care through a network of Village Health Champions.

Taking this a step forward, in line with the Government's vision of enhancing farmer income, ITC has launched an integrated programme titled 'Baareh Mahine Hariyali' to give a new dimension to the complex task of multiplying farmer incomes, addressing a critical national need. The project has been implemented in several districts of Uttar Pradesh and Bihar, reaching out to nearly two lakh farmers. Around 30,000 farmers have reported doubling of income under the initiative.

The Company's deep rural linkages and expertise in agri-commodity sourcing, coupled with differentiation through value-added services of identity preservation, traceability and certification, are a critical source of competitive advantage for ITC's Branded Packaged Food Business. The Business continues to support the growing requirements for Aashirvaad atta, delivering substantial savings to the system through deep farmer engagement, sourcing the right wheat varieties, efficient logistics management and other cost-optimisation initiatives.



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**e-Choupal empowers more than 4 million farmers in over 35,000 villages across 10 states, making the initiative the largest rural digital infrastructure in the world.**

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The Company's Spices Business continued to expand in Food Safe Markets, viz., US, EU and Japan, leveraging its strong backward integration and customer focused strategies. During the year, the Business scaled up its Integrated Crop Management (ICM) programme for chilli and cumin, thereby enhancing its ability to produce food safe spices in a sustainable manner.

During the year, the Business strengthened its milk procurement network for 'Aashirvaad Svasti' Dairy Products with significant increase in daily milk collection. It expanded its milk sourcing network to Kolkata for Fresh Dairy Products and to Punjab for meeting the requirement of Dairy Beverages under the Brand 'Sunfeast Wonderz'.

## ITC'S BUSINESSES

The Company remains focused on enhancing its presence in the high value-added segment. Branded frozen prawns and packaged frozen snacks are some of the recent additions in these high value-added segments. The branded prawns under the 'ITC Master Chef' range are 'Super Safe' frozen prawns which adhere to the stringent standards prevalent in USA, Europe, and Japan. These products go through rigorous testing (240+ tests) and are 'individually quick frozen' to ensure freshness. Launched in six cities, leveraging ITC's experience of catering to customers in international markets, the range has been well appreciated for its taste and quality.

The year also marked the Company's foray into branded packaged frozen snacks under the 'ITC Master Chef' brand in select cities. The Business continues to expand its footprint in branded apples and potatoes by offering differentiated varieties of low sugar, antioxidant, baby potatoes and French fry potatoes.

## INFORMATION TECHNOLOGY

ITC Infotech provides business-friendly solutions to help clients succeed and be future-ready by seamlessly bringing together digital expertise, strong industry specific alliances and the unique ability to leverage deep domain expertise from ITC Group businesses.

As a fully owned subsidiary of ITC Ltd., ITC Infotech's heritage creates an eco-system that enables the Company to deliver sustained value and significant outcomes for clients, seamlessly and consistently. Today, ITC Infotech has established itself as a leading global technology services and solutions organisation through industry specific business solutions. The Company has created strategic engagements with many longstanding clients and partners, delivering business value through a combination of traditional and emerging digital technologies.

ITC Infotech's steadfast focus on delivering enduring value to clients earned rich dividends, with significant expansion of business within existing client accounts. The Company also registered a sharp uptake in adoption of its domain led digital solutions and offerings in areas such as Data and analytics, Customer Experience, Product Engineering Services (PES) and Digital Manufacturing, on the back of its vast Product Lifecycle Management (PLM) expertise.



During the financial year, ITC Infotech strengthened its digital solutions portfolio in areas such as Smart Factory, Connected Services and Next Gen PLM; while enriching Software Engineering using Agile & DevOps tools and methodologies, Big Data Engineering and Artificial Intelligence. The Company also launched its integrated cloud offerings to deliver modernisation and transformation services to clients across markets.

# SUSTAINABLE SUPPLY CHAIN

## MANAGEMENT APPROACH

ITC's vision to serve larger national purposes is intended to be realised by embedding sustainability in its core business model. Aligned to this vision, innovative strategies have been designed and implemented in order to create sustainable value chains linked to ITC's Businesses. ITC recognises that with a diverse and an expanding portfolio of Businesses, the realisation of its vision of sustainable development has to necessarily take into account the environmental and social impacts within the supply chain.

**ITC has Board approved Sustainability Policies that address key supply chain sustainability issues like:**



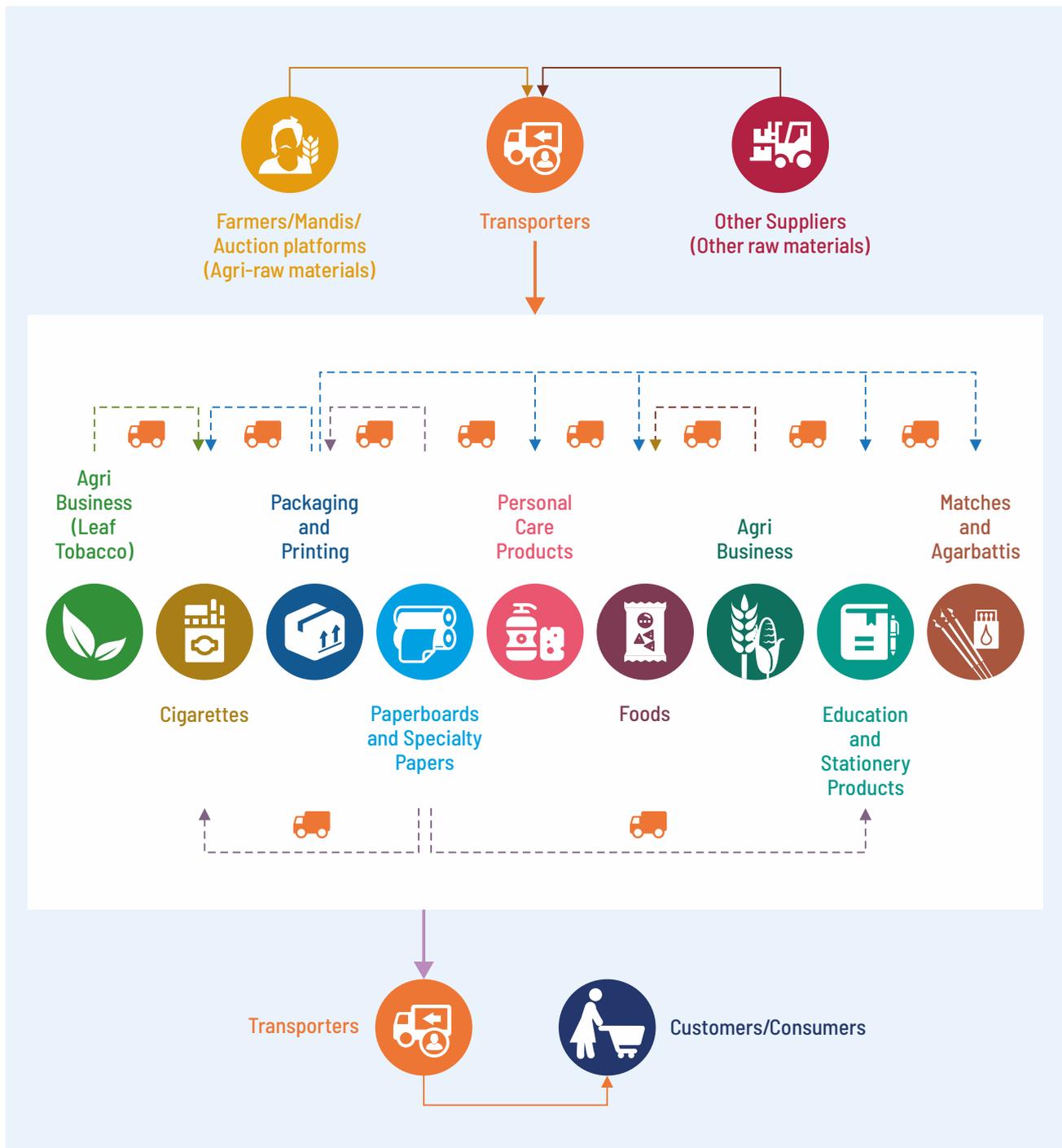
These Policies are applicable to all supply chain partners including third party manufacturers (TPM), service providers, transporters, suppliers of agri/non-agri materials and capital goods, franchisees, dealers and distributors. These Policies define the structure around which efforts are made to continually improve sustainability performance along the supply chain.

ITC also has a 'Code of Conduct for Vendors and Service Providers' that details out requirements related to various aspects addressed in the Policies. Through acceptance of this Code by supply chain partners, ITC seeks their commitment to comply with applicable laws, respect human rights and contribute to environmental conservation. ITC also supports its suppliers through training sessions/workshops for building their capacity on issues like human rights and decent labour practices.

# SUSTAINABLE SUPPLY CHAIN

From the depiction of material flow below, it is evident that the supply chains of most ITC's Businesses are vertically integrated. Farmers are a key supplier and therefore constitute a vital part of ITC's supply chain. Accordingly, the Company focuses on enhancing the sustainability of its agri-based supply chain.

A simplified representation of the flow of materials across ITC's Businesses is given below:



\*The above diagram does not include Lifestyle Retailing, Hotels and ITC Infotech Businesses

---> Indicates material flow within ITC

## SUSTAINABILITY IN THE AGRI SUPPLY CHAIN

The close linkages between ITC's Businesses and agriculture provide a unique opportunity to engage with farmers across the country and help address some of the core challenges confronting them. ITC works on promoting sustainable agriculture practices that help farmers boost agricultural productivity and enhance farm incomes through multiple interventions like:



ITC's Paperboard and Specialty Papers Division (PSPD) and Agri Business Division (ABD) source their raw materials primarily from farmers. Details of their activities are provided below:

### PAPERBOARD AND SPECIALTY PAPERS DIVISION

Wood is a major source of fibre for PSPD and more than half of its total fibre requirement is met from pulp manufactured at Bhadrachalam, where majority of the pulp is produced from wood sourced from ITC's Social and Farm Forestry initiatives. **In the current year, over 82 million high-yielding, site-specific, and disease-resistant eucalyptus and subabul saplings were distributed among the farmers.**

For further details about PSPD's sourcing of fibre and ITC's Social and Farm Forestry Initiatives please refer to 'Raw Material' and 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' sections of this Report respectively.



# SUSTAINABLE SUPPLY CHAIN

## AGRI BUSINESS DIVISION

ABD primarily sources agri-commodities like Leaf Tobacco, Wheat and Wheat Products, Soya, Mustard, Pulses, Rice, Coffee, Fruits & Vegetables, Spices, and Shrimps from over 20 states across the country for customers in both domestic and international markets, including leading brand owners and bulk processors.

ABD's operations cover the entire spectrum of activities starting from applied Research & Development, crop development to sourcing and processing, and providing multi-modal logistics and stock management services. This allows ITC to offer a range of solutions that **benefit customers and consumers through differentiated product offerings, enhanced cost competitiveness, maintenance of high quality standards and product integrity, and on-time fulfilment, whilst at the same time create enduring value for the farmers.** The Division has also expanded its operations with the foray into the market with branded offerings in Fruits & Vegetables, Shrimps and Frozen Snacks.

**The Division has been continuously investing in strengthening organisational capabilities through multiple sourcing models, customised and identity preserved supply chain infrastructure and network, processing and warehousing tie-ups, technology enabled systems and processes, and people capabilities.** A hub and spoke model has been built along with the necessary physical and digital infrastructure that has enabled multi-level aggregation and dis-intermediation where necessary. These investments coupled with deep understanding of agriculture, the reach of the e-Choupal network & the strong farmer connect, and the ecosystem of partners provide the capability to offer a wide range of reliable and consistent solutions that are efficient and effective along the entire supply chain, and trusted and valued by customers, farmers and other partners.



For Leaf Tobacco, ITC constantly transfers technology for appropriate crop solutions, apart from pioneering the introduction of hybrids and high yielding varieties in the country. Enabled by a team of agronomists, agriculture experts, engineers and development managers, the sustainability initiatives have helped in improving the quality of Indian tobacco substantially. Below is a glimpse of such initiatives:

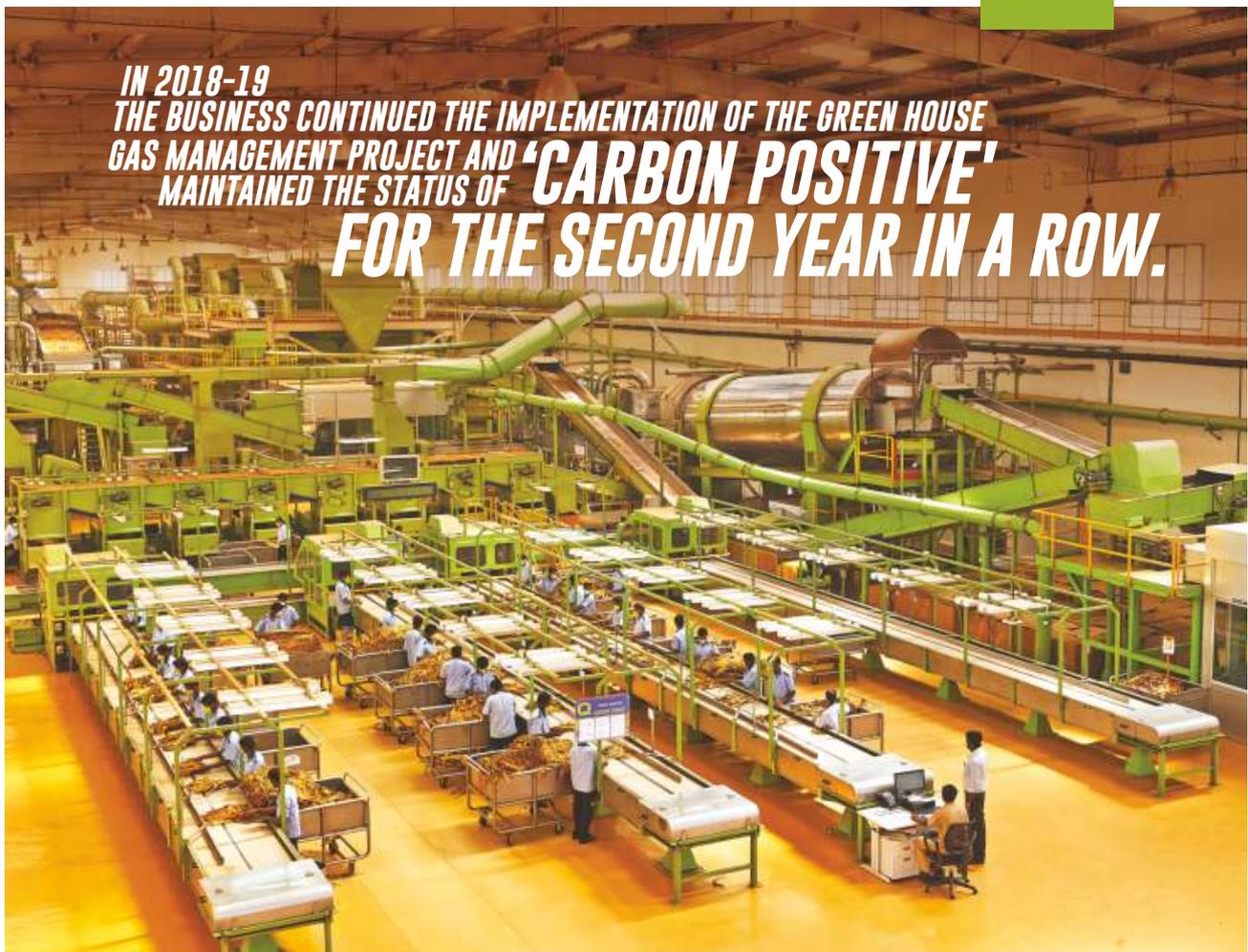
**Propagation of soil conservation measures like use of organic amendments, soil fertility management techniques for reducing chemical fertiliser use, and adoption of drip irrigation technique and fertigation for improving farm yields.**

**Implementation of a three-pronged approach to energy conservation and sustainable fuel management. This entails introduction of fuel efficient technologies, promotion of self-sustenance through energy plantations and use of alternative fuels.**

Energy conservation measures undertaken such as barn roof insulation, turbo ventilators, etc., have proven to reduce about 30% of energy requirement during curing, deployed on a largescale in the states of Andhra Pradesh and Karnataka covering over 30,045 barns.

In order to move towards a self-sustaining model for sourcing fuel wood, ITC has enabled planting of trees on over 118,000 acres of land till date.

Encouraging farmers to use alternate fuels like coffee husk, coffee stems, coconut fronds and biomass briquettes for curing.



## SUSTAINABLE SUPPLY CHAIN

**Two independent third party studies conducted highlight that sufficient fuel wood is available from sustainable sources which demonstrates that there is no threat of deforestation due to fuel wood usage for tobacco curing.**

ITC's approach to sustainability in the tobacco value chain has undergone a comprehensive review by the Sustainable Tobacco Programme (STP) review conducted by AB Sustain, a third party independent international reviewer on behalf of International Tobacco Manufacturers. The annual STP review evaluates the sustainability performance of Leaf Tobacco suppliers' operations on areas like governance, crop, environment, child labour on farms, forced labour, etc. among others.

**The scores achieved by ITC in the 2018 Sustainable Tobacco Programme (STP) review were the best amongst Indian suppliers and were also benchmarked globally across all pillars of STP. The STP scores are a reflection of the self-sustaining ecosystem that ITC has created with farmers over years.**

For further details regarding ITC's work with farmers, please refer to 'ITC Mission Sunehra Kal for Sustainable and Inclusive Growth' section of this Report.

### SUSTAINABILITY IN THE VALUE CHAIN

In line with the overall strategy to embed principles of sustainability into the various stages of product or service life cycle, ITC initiated life cycle assessments (LCA) of its products and services in 2010 with an objective to evaluate the impacts and identify areas for improvement in the value chain. So far, LCAs have been carried out for select product categories from Paperboards and Specialty Papers, Packaging and Printing, Lifestyle Retailing, Personal Care and Foods. These assessments have been followed up with detailed studies, which in turn have provided concrete solutions towards more efficient packaging designs, loading efficiencies and consequent reduction in transportation costs/GHG emissions/energy use.

ITC will continue to work in this direction, in line with its Policy on 'Life-cycle Sustainability', to identify the opportunities for improvement in the value chain and take appropriate measures for optimisation.

ITC also supports TPMs of the Cigarette Business by providing knowledge support in specific areas like energy, water and waste management to drive performance improvement across the value chain.

### THE ROAD AHEAD

**In line with Board approved Policies on 'Responsible Sourcing', 'Human Rights Consideration of Stakeholders beyond the Workplace' and 'Life-cycle Sustainability', supported with 'Code of Conduct for Vendors and Service Providers', ITC will continue to work in collaboration with its supply chain partners for building their capacity, improving sustainability performance and progressively include them in the reporting boundary. ITC is also in the process of developing business-wide supply chain sustainability guidelines to further deepen its sustainability engagement with supply chain partners.**

# AWARDS



## MAJOR AWARDS 2018-19

- Mr Sanjiv Puri, Chairman & Managing Director, was honoured with the **'Distinguished Alumnus Award of the Year 2018'** conferred by IIT, Kanpur in recognition of his achievements of exceptional merit.
- ITC's leading hygiene brand Savlon, became the first Indian brand to win the Grand Prix for **'Creative Effectiveness'** at the coveted Cannes Lions 2018.
- ITC received the **'Diamond Award for Excellence in Public Relations'** (ITC Aashirvaad) and **'Gold Award in the consumer products category'** (ITC Classmate) at the SABRE Awards South Asia 2018.
- ITC Hotels was awarded the **Best Luxury Hotel Chain**, ITC Kohenuur - **Best New Luxury Hotel** (India), ITC Grand Bharat - **Best Luxury Resort** (India) & ITC International Terminal Lounge, New Delhi - **Best Airport Lounge** by Travel+Leisure India & South Asia at the 'India's Best Awards'.
- ITC's Paperboards Business was recognised the **Best Performer in the pulp & paper sector** by the Bureau of Energy Efficiency under the Perform, Achieve and Trade Scheme.
- ITC's Agri Business Division, Chirala Unit conferred the **'Sarvashreshtha Suraksha Puraskar'** by National Safety Council of India.
- ITC's Spices Business won the **Award for Excellence in Export** from the Spices Board of India.
- ITC Mudfort, the first residential building in India to have received the **5 Star rating from GRIHA**. Also received the **highest Indian Green Building Council (IGBC) Platinum Rating**.
- **Best In-house Legal Team of the Year Award** from Legal Era Magazine at the Indian Legal Awards 2018-19.
- **First prize in 6 categories** at the Public Relation Society of India (PRSI) National Awards 2018.

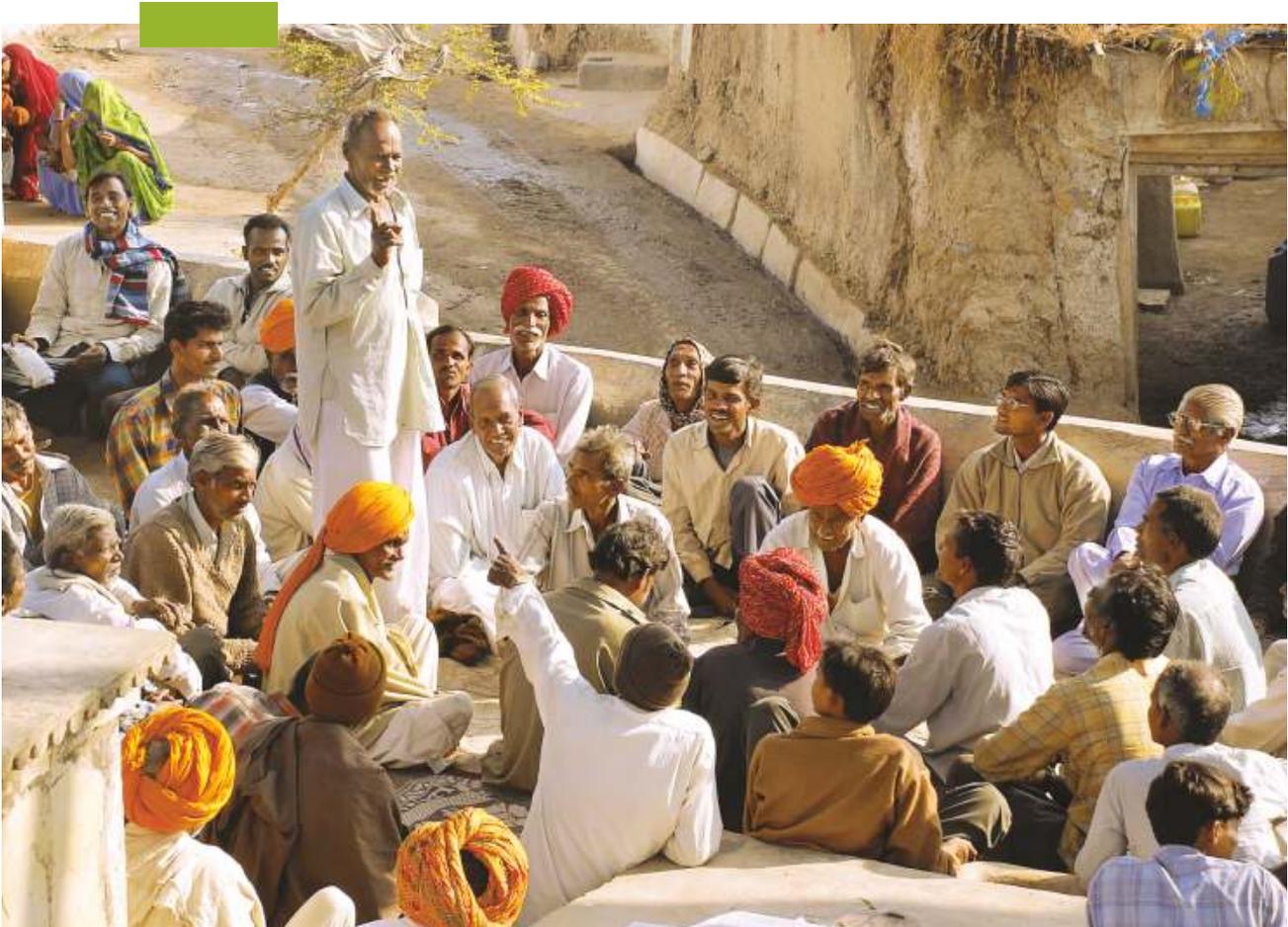
## MAJOR AWARDS OVER THE YEARS

- ITC has won the prestigious Porter Prize 2017 for **'Excellence in Corporate Governance and Integration'** and for its **exemplary contribution in 'Creating Shared Value'** (2017).
- ITC won the **'Best Practices Award'** from United Nations Global Compact Network India for two major game-changing initiatives of the Company - Integrated Watershed Development and Social & Farm Forestry (2017).
- ITC Limited became the 1st company to win the **India Today Safaigiri Corporate Trailblazer Award 2016**.
- ITC's Sankhya Data Centre, Bengaluru became the first data centre in the world to get **LEED® Platinum Certification** from the US Green Building Council (2016).
- ITC's Paperboards and Specialty Papers Units at Bhadrachalam, Bollaram, Kovai and Tribeni were **FSC Chain of Custody certified** (2015).
- ITC was ranked as **'India's Most Admired Company'** in a survey conducted by Fortune India magazine and Hay Group (2014).
- ITC was presented the **World Business and Development Award** at the Rio+20 UN Summit for its Social and Farm Forestry initiative (2012).
- ITC was conferred the **National Award for Excellence in Corporate Governance** by the Institute of Company Secretaries of India (2007).
- ITC was the 1st Indian company and 2nd in the world to win the **Development Gateway Award** for its trailblazing e-Choupal initiative (2005).

## OVERVIEW

As an Enterprise of Tomorrow, ITC acknowledges its responsibility in meeting stakeholder expectations in today's fast changing consumer, political and business landscape.

**EFFECTIVE ENGAGEMENT WITH STAKEHOLDER GROUPS PLAYS AN IMPORTANT ROLE IN ENSURING THAT ITC CONTINUES TO CREATE LARGER SOCIETAL VALUE.**



In line with the Board approved Policy on 'Stakeholder Engagement', ITC has a structured framework for engaging with its stakeholders and fostering enduring relationships with each one of them. ITC's engagement approach is anchored on the principles of materiality, completeness and responsiveness.

Some of ITC's key stakeholder groups include shareholders, consumers, farmers, employees, local communities, suppliers, Central and State Governments, regulatory bodies and the media.

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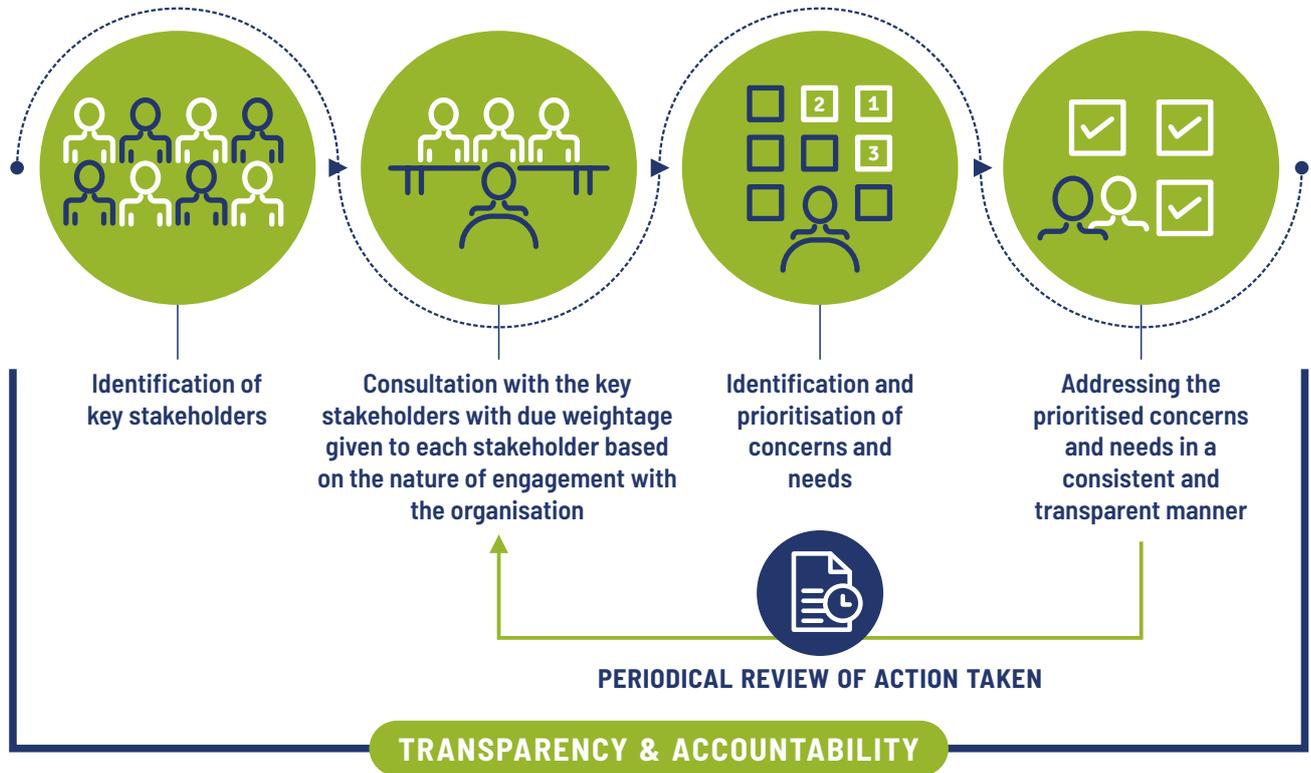
**The engagement approach takes into account that each stakeholder group is unique and has a distinctive set of priorities.**

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Insights gathered from stakeholder engagements help validate the Company's performance and shape new perspectives. Given the immense value these engagements provide, ITC has institutionalised these processes across the organisation.

# KEY STAKEHOLDERS

## ITC'S PROCESS OF STAKEHOLDER ENGAGEMENT



## IDENTIFICATION OF KEY STAKEHOLDERS

- 1 **Identification and profiling of stakeholders who, are directly/indirectly impacted by business activities as well as directly/indirectly influence business activities**
- 2 **Stakeholders' identification guided by attributes such as dependency, responsibility, immediacy and influence**
- 3 **Selection of stakeholder representatives ensuring that they represent the views of their constituents, and faithfully communicate the results of the engagements with ITC, back to their constituents**

# KEY STAKEHOLDERS

## IDENTIFICATION OF KEY CONCERNS

Consultation Mechanism	Key Issues
<b>PROVIDERS OF FINANCIAL CAPITAL</b>	
<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Exclusive section in Corporate Website on 'Shareholder Value' which serves to inform and service shareholders</li> <li>• Exclusive e-mail id: isc@itc.in for direct interaction with shareholders</li> <li>• Regular interaction with institutional investors</li> </ul>	<ul style="list-style-type: none"> <li>• Improved profitability and growth of the organisation</li> <li>• Transparent and effective communication</li> <li>• Investor servicing</li> <li>• Sound corporate governance mechanisms</li> </ul>
<b>GOVERNMENT AND REGULATORY AUTHORITIES</b>	
<ul style="list-style-type: none"> <li>• Representation on policy issues through industry associations and other bodies</li> <li>• Participation in policy advocacy discussions at various forums</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Sound corporate governance mechanisms</li> <li>• Tax revenues</li> <li>• Improvement in use of natural resources</li> <li>• Transparency in disclosures</li> <li>• Livelihood generation</li> </ul>
<b>CUSTOMERS</b>	
<ul style="list-style-type: none"> <li>• Market surveys</li> <li>• Direct connect/visits</li> <li>• Personalised lifestyle privilege programme</li> <li>• Customer satisfaction surveys</li> <li>• Key account management</li> </ul>	<ul style="list-style-type: none"> <li>• Product/service quality and safety</li> <li>• Adequate information on products</li> <li>• Transparent communication</li> <li>• Product/service availability</li> <li>• Timely delivery of product/service</li> <li>• Maintenance of privacy/confidentiality</li> <li>• Fair and competitive pricing</li> </ul>
<b>EMPLOYEES</b>	
<ul style="list-style-type: none"> <li>• Induction programmes/trainings/workshops</li> <li>• Individual performance appraisal</li> <li>• Employee engagement survey</li> <li>• Grievance handling processes</li> <li>• Trade union meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Caring and empowering work environment</li> <li>• Personal development and growth</li> <li>• Health and safety</li> <li>• Grievance resolution</li> <li>• Competitive compensation</li> </ul>

Consultation Mechanism	Key Issues
<b>FARMERS</b>	
<ul style="list-style-type: none"> <li>• Regular formal/informal conversations</li> <li>• Farmer training programmes and workshops</li> <li>• Agreements for all procurement activities</li> <li>• e-Choupal and Choupal Pradarshan Khets (demonstration farms)</li> <li>• Participatory rural appraisals to identify needs and challenges</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable and accelerated growth in livelihoods and farm incomes</li> <li>• Know-how on improvement of productivity and profitability</li> <li>• Capacity development for enabling further investment</li> <li>• Easy, affordable and reliable access to inputs such as quality seeds, fertilisers, pesticides etc.</li> <li>• Regeneration and replenishment of common resources like water, village commons, biomass and biodiversity</li> </ul>
<b>SUPPLY CHAIN PARTNERS</b>	
<ul style="list-style-type: none"> <li>• Manufacturers' meets</li> <li>• Vendor meets</li> <li>• Pre-agreement negotiations</li> <li>• Procurement agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge and infrastructure support</li> <li>• Regular communication and updates on business plans</li> <li>• Inclusion of local medium and small scale enterprises in vendor base</li> <li>• Competency development of local vendors</li> <li>• Stability/tenure of relationship</li> <li>• Ordering and payment routines</li> <li>• Purchase prices</li> </ul>
<b>MEDIA</b>	
<ul style="list-style-type: none"> <li>• One-on-one media interaction</li> <li>• Press conferences/press releases</li> <li>• Advertisements/promotions</li> <li>• Interviews with senior management</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent and accurate disclosure to stakeholders</li> <li>• Responsible corporate citizenship</li> <li>• Corporate reputation</li> </ul>
<b>CIVIL SOCIETY</b>	
<ul style="list-style-type: none"> <li>• Partnerships for implementation of CSR programmes under 'Mission Sunehra Kal'</li> <li>• Discussions on community issues with civil society organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Financial support for community development programmes</li> <li>• Managerial support</li> <li>• Environmental impacts</li> <li>• Safe products and services</li> <li>• Responsible corporate citizenship</li> </ul>

# KEY STAKEHOLDERS

Consultation Mechanism	Key Issues
<b>LOCAL COMMUNITIES</b>	
<ul style="list-style-type: none"> <li>• Community needs assessment activities undertaken in collaboration with independent parties/civil society organisations</li> <li>• Formation of village institutions and regular meetings thereon</li> <li>• Public hearings for greenfield/expansion projects</li> <li>• Assessment of direct and indirect impacts of ITC's social investments on communities</li> </ul>	<ul style="list-style-type: none"> <li>• Community development programmes based on local communities' needs</li> <li>• Strengthening of livelihood opportunities</li> <li>• Improvement of social infrastructure for hygienic and healthy living environment</li> <li>• Dignity of life through economic and social empowerment</li> </ul>

## INSIGHTS INTO LOCAL COMMUNITY NEEDS

Since ITC's holistic development approach demands an intensive and deep level of engagement, it is necessary to identify and delineate the felt needs and aspirations of our stakeholder communities in new locations.

For on-going projects, such an exercise helps in gauging if the current set of interventions are valued by the communities and to understand if any course correction is required. Comprehensive stakeholder engagements were undertaken in 2015-16 comprising 483 Participatory Rural Appraisals (PRAs), covering more than half of the total core villages/habitations.

**The major finding was that ITC's stakeholders are confronted with multiple, but inter-related issues at the core of which are the twin challenges of securing sustainable livelihoods today and tomorrow.**

Similar studies were undertaken in subsequent years for new locations that were added to ITC's operations.

In 2018-19, stakeholder engagement study was done in the catchment of ITC's Integrated Consumer Goods Manufacturing and Logistics Facility (ICML), Khordha (Odisha). The process included secondary research, Focus Group Discussions (FGDs) and Participatory Rural Appraisals (PRAs) to understand the development challenges confronting them.



# KEY STAKEHOLDERS

Need Assessment Site	Challenges Identified	Our Responses
<p><b>Khordha (Odisha)</b></p>	<ul style="list-style-type: none"> <li>• Large scale unemployment of youth in the age group of 18-35 years.</li> <li>• Poor community sanitation and drainage facilities in most of the villages and urban wards.</li> <li>• Largely rainfed agriculture, leading to low cropping intensity.</li> <li>• Insufficient veterinary service delivery.</li> <li>• Shortage of drinking water during summer months-March to June.</li> </ul>	<ul style="list-style-type: none"> <li>• Vocational training of youth on market relevant skills.</li> <li>• Focus on Water, Sanitation and Hygiene (WASH) intervention in school.</li> <li>• Understand significance of agricultural livelihoods further and plan accordingly.</li> </ul>

## CONSULTATION WITH KEY STAKEHOLDERS FOR SUSTAINABLE SOLUTIONS

In addition to the need assessment surveys conducted as part of stakeholder engagement, ITC also engages in regular and ongoing interactions with various stakeholders including Governments, development agencies, research organisations and communities. Such multi-disciplinary engagement processes stimulate deeper and nuanced understanding of challenges and enable the emergence of customised solutions. Several such stakeholder consultations were held during the year.



## KEY STAKEHOLDERS

Major External Stakeholder Engagement Workshops organised during 2018-19.

Workshop	Focus	Key Participants
<b>Multi-stakeholder consultation workshop on Decentralised SWM Programme in Guntur, AP 13<sup>th</sup> June, 2018</b>	Design the community owned decentralised SWM programme for Wards 23 and 24 of Guntur urban.	Commissioners; Municipal Health Officer; City Planner; Representatives of Department of Environment & Ecology, Nehru Yuva Kendra, NGOs, practitioners.
<b>Multi-stakeholder workshop on Water on 19<sup>th</sup> June, 2018 in Malur Taluk, Bengaluru district, Karnataka</b>	Create awareness on the present scenario of water stress and strategy to achieve 'water balance' in Malur.	Relevant Assistant Directors from Agriculture, Sericulture and Horticulture Departments; Agricultural Officer; Range Forest Officer and Deputy Range Forest Officer and NGOs.
<b>Multi-stakeholder workshop on water stewardship in the Ghod River Basin in Pune on 21<sup>st</sup> June, 2018</b>	Disseminate information on ITC's water stewardship programme and feasibility for developing a water trust and leveraging the same for convergence and collaboration.	Joint Secretary, Water Resource Department; Director Conservation, The Nature Conservancy (TNC) Australia; NGOs and ITC representatives.
<b>Multi-stakeholder workshop on 'Sustainable Agriculture through Crop Residue Management' in Kapurthala district, Punjab on 3<sup>rd</sup> September, 2018</b>	Generate ideas to improve soil health and crop productivity through introduction of sustainable cropping practices with special focus on reduction of stubble burning.	Deputy Director; Assistant Agriculture Engineer; Plant Protection Specialist; representatives from Krishi Vigyan Kendras (KVKs), and 88 farmers from 25 villages.
<b>Consultation workshop on Circular Economy Waste Management Model for Temples in Chennai, Tamil Nadu on 26<sup>th</sup> October, 2018</b>	Share ITC's Green Temple Model and explore scale up through a hub & spoke approach.	Minister, Hindu Religious and Charitable Endowments Department (HR&CE), Govt. of Tamil Nadu; Commissioners, HR&CE Department; Chief Executive, Matches and Agarbatti Business, ITC Ltd; Waste Management Experts; NGOs; Volunteers & Devotees.
<b>Multi-stakeholder workshop on Local Urban Governance System in Saharanpur, Uttar Pradesh on 12<sup>th</sup> December, 2018</b>	Sharing learnings & experiences on programme implementation amongst Local Urban Bodies for enhancing service delivery.	Mayor, Municipal Commissioner and District Health Officer, Saharanpur along with Senior district officials and 70 elected Urban Ward Councillors.

Workshop	Focus	Key Participants
<b>Multi-stakeholder workshop on the Water Security Roadmap for Bhoj Taal (Upper Bhopal Lake) Catchment in Bhopal on 28<sup>th</sup> December, 2018</b>	Disseminate key learnings from ITC's Kolans River Revival project and to create a stakeholder forum to work for Kolans and Bhopal Lake sustainability.	Principal Secretary, Planning, Economics & Statistics; Member Secretary, State Planning Board, MP; former Chief Secretary, Government of Madhya Pradesh, representatives from government bodies, civil society and thematic experts.
<b>Two-day workshop on "Planning and Implementation of Decentralised and Community Owned Rural Solid Waste Management" in Vinukonda, Guntur, Andhra Pradesh on 7<sup>th</sup> &amp; 8<sup>th</sup> February, 2019</b>	Amplify ITC's Decentralised SWM model by training the Panchayat Secretaries of Guntur District to implement the model in their respective Panchayat.	Commissioner; Divisional Level Panchayat Officer; Mandal Parishad Development Officer (MPDO), Venukonda, Guntur; Manager, ILTD; Director, SEARCH. A total of 35 Panchayat Secretaries in-charge of 53 Gram Panchayats.
<b>State level workshop on 'Community led Decentralised Solid Waste Management - Learnings, Challenges and Way Forward' in Lucknow, Uttar Pradesh on 21<sup>st</sup> February, 2019</b>	Sensitise the ULB officials about ITC's community-led decentralised waste management model, to minimise waste to landfill. It was decided at the Workshop that ITC should explore setting up of a collaborative Knowledge Resource Centre in partnership with the State Government.	Principal Secretary, Ministry of Urban Development, Government of Uttar Pradesh; Director Urban Local Bodies; Executive Director, Urban Development Department; Officials from 37 ULBs, President - Force; CEO - 3R Waste Foundation; COO - Waste Warriors; Associate Fellow, TERI; Representatives from ITC Limited and NGOs.
<b>Workshop on 'Importance of Native Cattle Breed Conservation in Relation to Sustainable Livelihoods' in Bhopal and Ujjain, Madhya Pradesh on 22<sup>nd</sup> and 23<sup>rd</sup> February, 2019</b>	Understand the potential, challenges and other aspects of improving indigenous breed population, including impact on livelihoods of cattle owners with respect to Government programmes.	Additional Chief Secretary and Director, Department of Animal Husbandry; Joint Commissioner - Developments, Ujjain Division; MD- MP Livestock and Poultry Development Corporation; Head of Animal Production & Management, MHOW Veterinary College; C.E.O Ujjain Dughd Sangh; Trustee, BAIF; Representatives from MGNREGA; SRLM; and NGOs.
<b>State level workshop on 'Agriscapes Project' in Patna, Bihar on 29<sup>th</sup> March, 2019</b>	Sharing experiences and learnings of ITC's "Agriscapes" Initiative in Munger district and get feedback from Government and other related agencies.	Principal Chief Conservator of Forest; National Mission of Clean Ganga; Central Inland Fisheries Research Institute, and Water Resources Department.

## MANAGING RISKS AND REALISING OPPORTUNITIES

As a diversified enterprise, ITC continues to focus on a system-based approach to business risk management. Risk management has always been an integral part of the Company's 'Strategy of Organisation' and straddles its planning, execution and reporting processes and systems. 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 are required to confirm periodically, that all relevant risks have been identified, assessed, evaluated and that appropriate mitigation systems have been implemented. The senior management of the Company also periodically reviews the risk management framework in order to ensure that the risks identified across businesses are aggregated at the organisation level and are effectively addressed and managed.

## ITC CONTEXT

ITC operates in the global Indian market and ITC's world-class Indian brands ensure that larger value is created, captured and retained in the country, for national development and growth. In line with the risks and opportunities that may impact India's economic, social and environmental sustainability, ITC has mapped the key challenges, risks and opportunities likely to impact its long-term prospects and those of its stakeholders.



Sl. No.	Risk/Challenge	Risk Mitigation Strategy
<p><b>1</b></p>	<p><b>Increasing complexity of operations in the context of a highly diversified business portfolio</b></p>   	<ul style="list-style-type: none"> <li>• ITC's Strategy of Organisation and three-tier governance structure ensure:             <ul style="list-style-type: none"> <li>- Strategic supervision (on behalf of the shareholders), being free from involvement in the task of strategic management of the Company, can be conducted by the Board of Directors with objectivity, thereby sharpening accountability of management;</li> <li>- Strategic management of the Company, uncluttered by the day-to-day tasks of executive management, remains focused and energised; and</li> <li>- Executive management of the divisional business, free from collective strategic responsibilities for ITC as a whole, gets focused on enhancing the quality, efficiency and effectiveness of the business to achieve best-in-class performance.</li> </ul> </li> <li>• By segregating strategic supervision from strategic and executive management, the governance framework facilitates in striking the right balance between freedom of management and accountability to shareholders.</li> <li>• The governance structure also enables each business to focus on its operating segments while harnessing the diversity of the Company's portfolio of businesses to create unique sources of competitive advantage.</li> <li>• Driving synergistic growth and enhancing the competitive power of the portfolio by blending diverse skills and capabilities residing in various Businesses of the Company.</li> </ul>

Sl. No.	Risk/Challenge	Risk Mitigation Strategy
2	<p><b>Sustaining market leadership despite increasing competitive pressures</b></p> 	<ul style="list-style-type: none"> <li>Investing in world-class Integrated Consumer Goods Manufacturing and Logistics facilities (ICMLs) which will provide ITC's brands with a competitive edge in terms of scale, freshness, enhanced cost efficiency and close-to-market distribution.</li> <li>Focusing on efficient supply chain management and backward integration.</li> <li>Fostering a culture of innovation and focusing on R&amp;D, leveraging the capabilities of ITC Life Sciences and Technology Centre and best-in class product development processes.</li> </ul>
3	<p><b>Attracting and retaining the best talent given the multitude of options available to skilled professionals</b></p>	<ul style="list-style-type: none"> <li>Creating a shared mindset across ITC to ensure that employees are inspired, engaged and aligned to ITC's Mission, Vision, Values and Strategic Agenda.</li> <li>Continuously strengthening and leveraging ITC's Talent Brand – 'Building Winning Businesses. Building Business Leaders. Creating Value for India', backed by strong corporate equity to attract and retain high quality talent.</li> </ul>
4	<p><b>Ensuring harmonious employee relations to enable smooth functioning and productivity enhancement</b></p> 	<ul style="list-style-type: none"> <li>Building talent pipeline across levels, through world-class training and development interventions. Nurturing specialism to meet the growing and diverse talent requirements.</li> <li>Benchmarking compensation package at each level to reference groups; aligning compensation structure with performance at the Company, business and individual levels, including adequate weightage to variable pay component.</li> <li>Leveraging the 'Good Employee Relations' approach in ensuring responsive manufacturing, flexible work systems and, at the same time, maintaining a cost and environment conscious ecosystem in all units.</li> </ul>

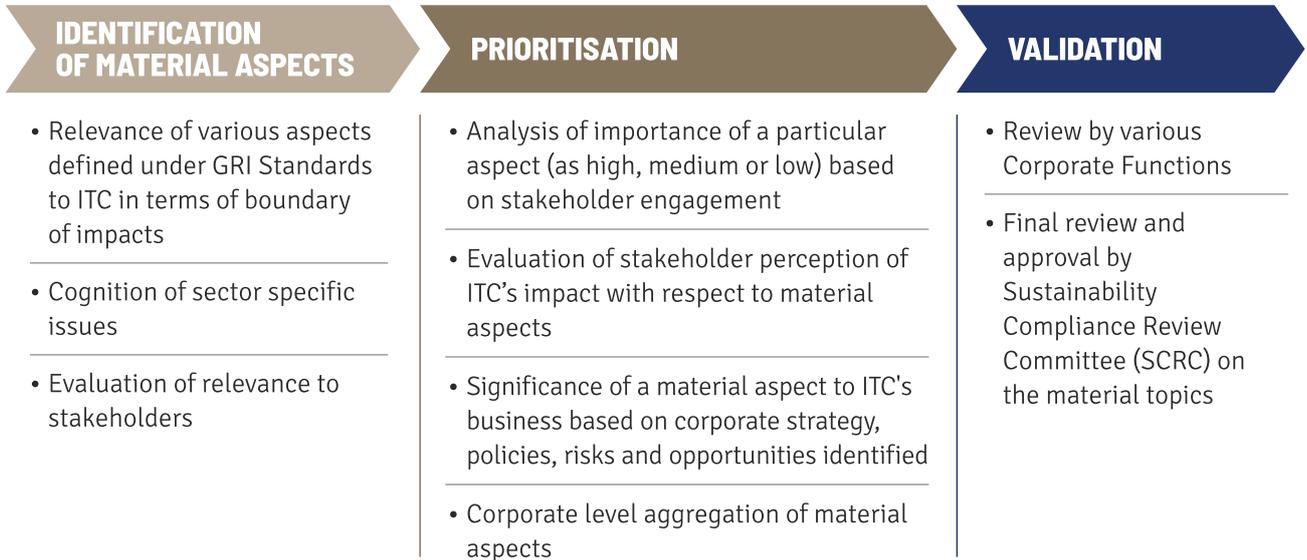
Sl. No.	Risk/Challenge	Risk Mitigation Strategy
5	<p><b>Adverse impact of water and energy scarcity on production</b></p> <ul style="list-style-type: none"> <li>• Low productivity of rain-fed agriculture, due to climate change induced rainfall disturbances, can adversely affect the businesses.</li> </ul> 	<ul style="list-style-type: none"> <li>• Continuing to focus on energy conservation initiatives and enhancing the share of renewable energy in ITC's total energy requirement.</li> <li>• Integrated water management approach that includes optimisation of usage at units to minimise withdrawal, both at the plant as well as sub-catchment/micro-watershed level, followed by augmenting supply at the sub-catchment level, through various water stewardship interventions.</li> <li>• Comprehensive programmes focusing on social forestry, soil and moisture conservation, biodiversity conservation and sustainable agriculture.</li> <li>• Operationalising Reduce-Reuse-Recycle model of waste management.</li> <li>• Contingency planning in supply chain.</li> </ul>
6	<p><b>Impact of punitive and discriminatory taxation and regulatory policies on the legal cigarette industry in India</b></p> <ul style="list-style-type: none"> <li>• Sub-optimisation of revenue potential of the tobacco sector due to shift in consumption to lightly taxed/tax-evaded tobacco products.</li> <li>• Fillip to contraband cigarette trade in India due to attractive arbitrage opportunities; significant loss of revenue to the exchequer.</li> <li>• Subdued demand for Indian tobacco due to pressure on legal cigarette industry volumes; adverse impact on farmer earnings and livelihoods dependent on tobacco value chain.</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with industry bodies to pursue policy for reasonable, pragmatic and evidence based regulation and taxation policies that balance the health, employment and economic imperatives of the country. Also highlighting the growing threat of illegal and smuggled cigarettes.</li> <li>• ITC has embarked upon a strategy that creates multiple drivers of growth by developing a portfolio of world-class businesses that best match organisational capabilities with opportunities in the domestic and international markets.</li> </ul>
7	<p><b>Corporate Reputation</b></p> <ul style="list-style-type: none"> <li>• Risks arising due to inadequate protection against malicious attacks, misinformation or misrepresentation, including those on social media. This can impact ITC's customer loyalty/consumer franchise.</li> </ul>	<ul style="list-style-type: none"> <li>• Structured media engagement plan in place.</li> <li>• Effective engagement and responsible advocacy with stakeholders on issues relating to ITC's products, services, initiatives and business practices.</li> <li>• Leveraging publicly available web applications and dedicated brand advocacy platforms to disseminate information about ITC and its brands in the digital space.</li> </ul>

Sl. No.	Risk/Challenge	Risk Mitigation Strategy
8	<p><b>Adverse impact on ITC's operations and performance due to market risk, credit risk and liquidity risk</b></p> 	<ul style="list-style-type: none"> <li>• Robust risk management practices in place, governed by a combination of centrally issued policies and standard operating procedures at the divisional level.</li> <li>• Centralisation of treasury operations to focus on deployment of surplus liquidity and management of forex exposures within a well-defined risk management framework.</li> <li>• Independent and regular internal audits, supported by project and IT audits, and Risk Management Cell.</li> <li>• Comprehensive framework in place to manage risks arising out of commodity sourcing and agri-commodity trading. This includes effective market monitoring systems, continuous tracking of net open positions and 'Value at Risk' against approved limits, use of future contracts, backward integration and in-house manufacturing (e.g. pulp, print cylinders in packaging).</li> <li>• Large and diverse customer base ensuring diversification of risk.</li> <li>• Strong cash flow generation from operations thereby making ITC virtually debt-free.</li> </ul>
9	<p><b>Disruption of business operations due to non-availability of critical Information Technology (IT) systems and unauthorised access through cyber attacks</b></p>	<ul style="list-style-type: none"> <li>• Identification of critical IT systems that have a bearing on business operations and putting in place an IT Continuity Plan for such critical systems. The Plans are tested periodically and kept relevant.</li> <li>• Implementation of contemporary security practices and technologies.</li> <li>• ITC's IT security posture is reviewed at least once every 3 years by a third party specialising in Information Security and the security posture is strengthened based on recommendations of the assessment.</li> </ul>

## MATERIALITY ANALYSIS

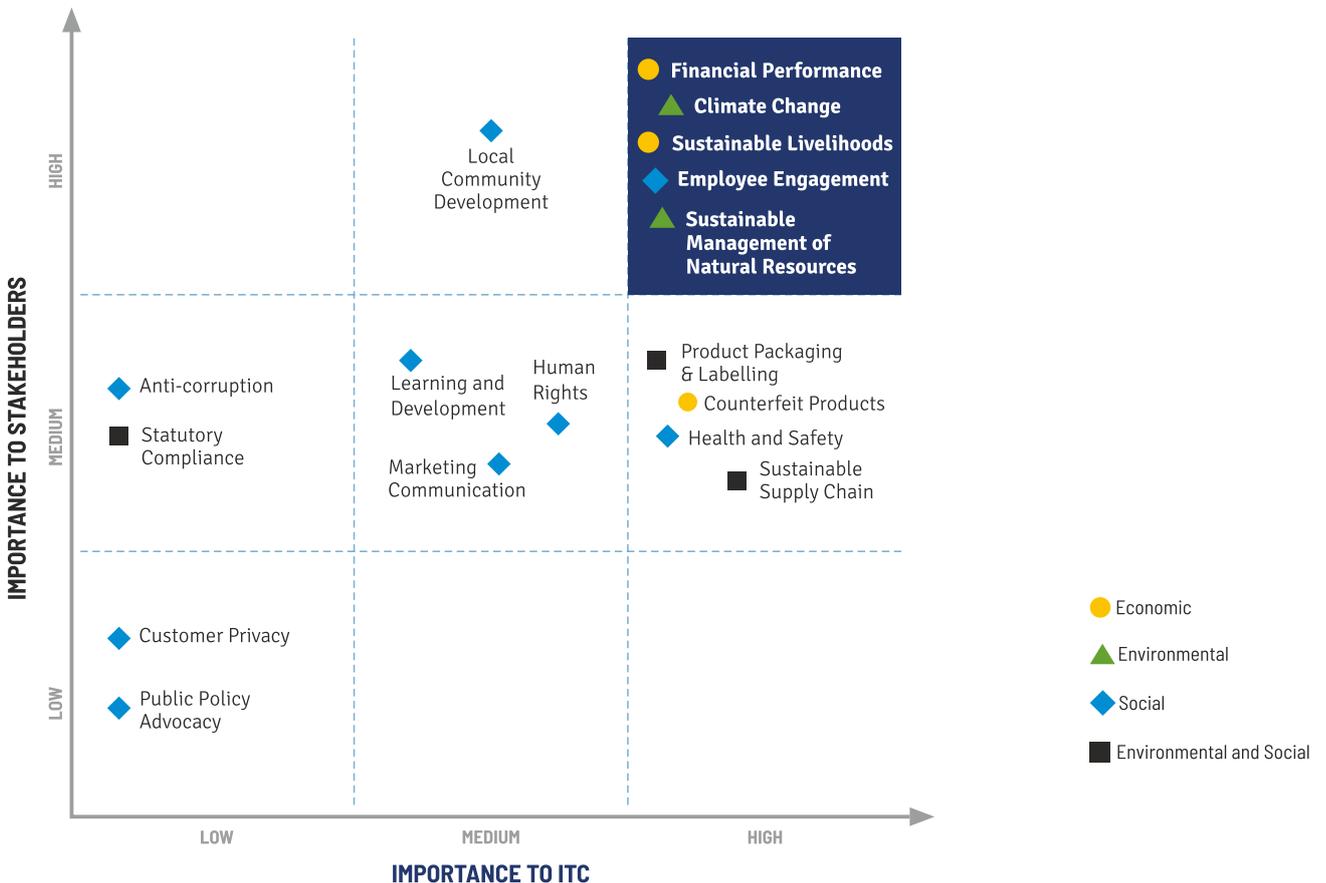
The sensitivity of an issue to stakeholders and to ITC, in terms of importance, forms the basis of the materiality analysis, which in turn guides the processes for identifying, managing and devising specific action plans for addressing these material aspects.

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



**ITC's Materiality Matrix**

The outcome of the materiality analysis is presented in the form of a matrix that depicts the material topics based on two dimensions - importance to stakeholders and importance to ITC's Businesses. The topics have been categorised relative to each other and the placement of a topic under the 'low' importance category only implies that existing systems and controls are commensurate with stakeholders' present priorities.



KEY ORGANISATIONAL GOALS 2030

CREATING ECONOMIC VALUE

- Strengthening ITC's position as one of India's most valuable corporations.
- Sustaining leadership in business segments where ITC is already a market leader and attaining leadership position in other business segments.
- Investing aggressively in all businesses of the Company towards enhancing its market standing and long-term wealth generating capability, in a manner that ensures a return in excess of the Company's cost of capital on aggregate net assets deployed at all times.



CREATING SOCIAL VALUE

- Creating sustainable livelihoods for 10 million people by 2030.
- Scale up social investment programmes to empower rural communities.
- Sustain and strengthen the human capital capability to meet business goals and enhance ITC's standing as a leading employer through purpose driven investments in people development and talent management practices that continue to enhance ITC's competitive capacity.



WITHIN BOUNDARY

Aligning with the United Nation's (UN) Sustainable Development Goals (SDGs)

	<p>Product Responsibility Sustainable Supply Chain</p>		<p>Diversity &amp; Equal Opportunity</p>	<p>Water Management</p>	<p>Occupational Health &amp; Safety</p>
<p>Women's Economic Empowerment</p>	<p>Sustainable Agriculture</p>	<p>Primary Education</p>	<p>Women's Economic Empowerment</p>	<p>Sanitation and Solid Waste Management</p>	<p>Vocational Training</p>

OUTSIDE BOUNDARY

## ENVIRONMENTAL STEWARDSHIP

- 50% of total energy from renewable sources.
- Strengthen ITC's leadership position as a carbon, water and solid waste recycling positive organisation.
- 50% reduction in Specific Emissions and 35% reduction in Specific Energy Consumption by 2030, over a 2010-11 baseline.
- Benchmark operations to Global Standards for Specific Water Consumption.
- Achieve sequestration of over two times the CO<sub>2</sub> emissions from operations by 2030.
- Creation of rainwater harvesting potential, equivalent to over three times the net water consumption from operations by 2030.
- 100% of packaging to be reusable, recyclable or compostable.



Energy & Climate Change  
 Waste Management



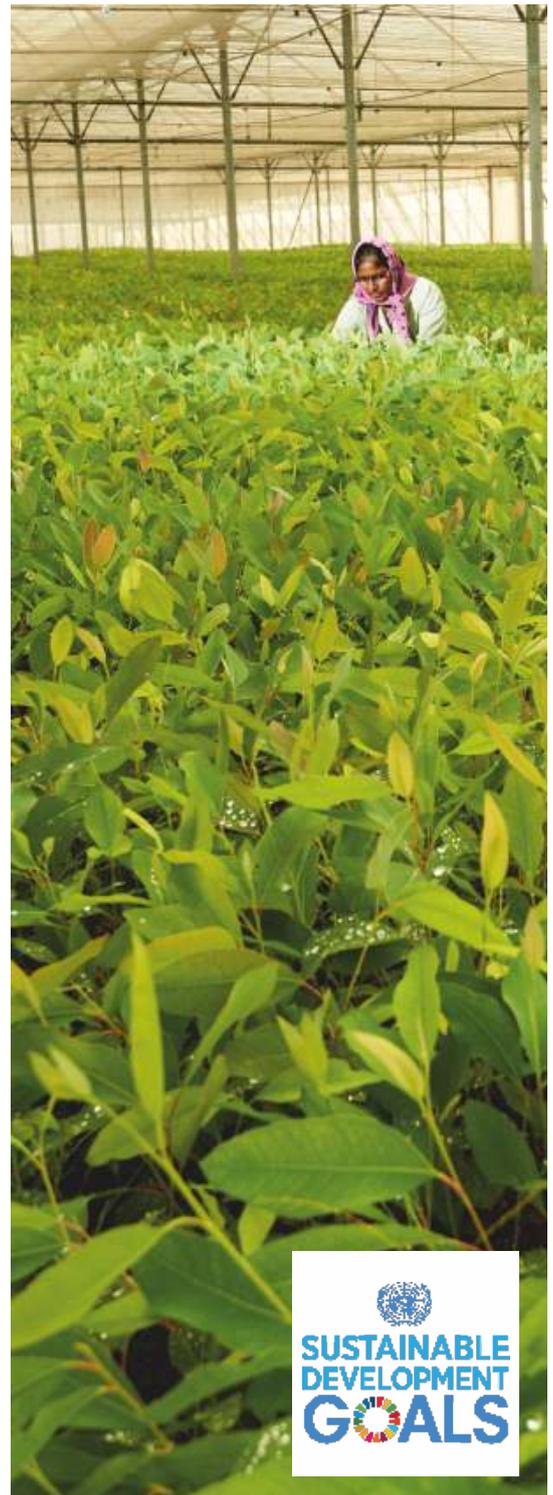
Energy & Climate Change



Social Forestry  
 Interated Animal Husbandry

Water Stewardship

By virtue of its Triple Bottom Line approach, ITC is well positioned to contribute to India's commitment under the UN SDGs. Below is a mapping of how ITC's interventions - within and outside its operational boundary are linked to the SDGs.



## REPORT PROFILE, SCOPE AND BOUNDARY

The 16th Sustainability Report of the Company with its registered office at Virginia House, 37 J. L. Nehru Road, Kolkata - 700 071 (India), covers the sustainability performance for the period April 1, 2018 to March 31, 2019. ITC reports its performance on an annual basis and the last Sustainability Report was published in June 2018.

ITC's Sustainability Report 2019 has been prepared on the basis of the latest Global Reporting Initiative (GRI) Standards and meets the "In Accordance - Comprehensive" criteria. Reporting on sustainability topics continues to be on the basis of materiality. The Reporting Principles, Universal Standards and Topic Specific Standards detailed in the GRI Standards have been taken into account while preparing the Report. The Report also includes the relevant topics/indicators from GRI-G4 Food Sector supplement for the Foods Business Division.

In line with ITC's Policy on Responsible Sourcing, the Company continues its efforts to influence sustainability practices along the value chain. In the current year, ITC continued to incorporate the performance of 13 Third Party Manufacturers (TPMs) of the Notebooks segment of Education and Stationery Products Business (ESPB), 2 TPMs of Cigarettes Business, ATC Limited, an associate company of ITC, and seven subsidiary companies (including Surya Nepal Private Limited which was added to the reporting boundary in 2017-18). The financial data included in the economic performance section of the report is excerpted

from the Company's Report & Accounts 2019, audited by independent External Auditors - M/s Deloitte Haskins & Sells.

The data reported in the environment and social performance is based on the actual performance of various Businesses, units, Hotels and Office complexes of the Company and TPMs/subsidiaries included in the reporting boundary. ITC has deployed an Integrated Sustainability Data Management System to collect, collate and analyse environmental and social data. The said system is equipped with strong internal controls to ensure source-credibility and that the disclosures made in the Report are backed by integrity of the underlying data and have been appropriately verified.

ITC has obtained an independent third party assurance for its Sustainability Reports since it started reporting in 2004. In the current year, authenticity of the data and systems disclosed in the Sustainability Report 2019 has been assured by M/s Ernst & Young Associates LLP (EY), an independent third party assurance provider. They have provided the assurance as per the International Standard for Assurance Engagements (ISAE) 3000 at a 'reasonable level'. The assurance statement of M/s EY is included in the Report and covers the summary of the work performed, the manner in which the assurance engagement has been conducted, the extent to which ITC has applied GRI Standards and GRI G4 Food Sector supplement for the Foods Business Division, and their conclusions on the Report.



## CONTACT POINT

For any clarifications or for requesting additional copies of this Report, contact the Corporate Communications Department at below mentioned address:

**Corporate Communications Department  
ITC Limited**

37 J. L. Nehru Road, Kolkata - 700 071  
e-mail: [enduringvalue@itc.in](mailto:enduringvalue@itc.in)

## REPORTING BOUNDARY

**ITC Registered Office:** Kolkata (West Bengal)

## ITC'S BUSINESSES

### ■ FMCG

#### CIGARETTES BUSINESS

**Divisional Headquarters:** Kolkata (West Bengal)

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

**Third party manufacturers:** Two nos.

### ■ FMCG-OTHERS

#### FOODS BUSINESS DIVISION

**Divisional Headquarters:** Bengaluru (Karnataka)

**Units:** Haridwar (Uttarakhand), Pune (Maharashtra), Munger (Bihar), Dhulagarh, Panchla & Uluberia (West Bengal), Guwahati (Assam), Kapurthala (Punjab), Pudukkottai (Tamil Nadu) and Malur & Mysuru (Karnataka)

#### PERSONAL CARE PRODUCTS BUSINESS DIVISION

**Divisional Headquarters:** Kolkata (West Bengal)

**Units:** Haridwar (Uttarakhand), Manpura (Himachal Pradesh) and Guwahati (Assam)

#### EDUCATION AND STATIONERY PRODUCTS BUSINESS

**Headquarters:** Chennai (Tamil Nadu)

**Third Party Manufacturers (TPMs) of Notebooks:** 13 nos.

#### LIFESTYLE RETAILING BUSINESS DIVISION

**Divisional Headquarters:** ITC Green Centre, Manesar (Haryana)

#### MATCHES AND AGARBATTI BUSINESS

**Headquarters:** Chennai (Tamil Nadu)



# REPORT PROFILE, SCOPE AND BOUNDARY

## TRADE MARKETING AND DISTRIBUTION (TM&D)

**TM&D Headquarters:** Kolkata (West Bengal)

**District Offices:** Kolkata (West Bengal) & Mumbai (Maharashtra)

**Warehouses:** Ambarnath (Maharashtra), Hyderabad (Telangana) and Malur (Karnataka)

## HOTELS DIVISION

**Divisional Headquarters:** ITC Green Centre, Gurugram (Haryana)

**Hotels:** ITC Maurya (New Delhi), ITC Maratha (Mumbai), ITC Grand Central (Mumbai), ITC Sonar (Kolkata), ITC Mughal (Agra), ITC Grand Bharat (Gurugram), ITC Windsor (Bengaluru), ITC Gardenia (Bengaluru), ITC Rajputana (Jaipur), ITC Grand Chola (Chennai), ITC Grand Goa Resort and Spa (Goa), ITC Kohenu (Hyderabad), Sheraton New Delhi (New Delhi), WelcomHotel Bengaluru (Bengaluru), WelcomHotel Chennai (Chennai) and WelcomHotel Coimbatore (Coimbatore)

## AGRI BUSINESS DIVISION

**Headquarters:** Secunderabad (Telangana)

## AGRI BUSINESS (LEAF TOBACCO)

**Headquarters:** Guntur (Andhra Pradesh)

**Units:** Anaparti (Andhra Pradesh), Chirala (Andhra Pradesh), Mysuru (Karnataka) and Research Centre, Rajahmundry (Andhra Pradesh)

## PAPERBOARDS AND SPECIALTY PAPERS DIVISION

**Divisional Headquarters:** Hyderabad (Telangana)

**Units:** Tribeni (West Bengal), Bhadrachalam (Telangana), Bollaram (Telangana) and Kovai (Tamil Nadu)

## PACKAGING AND PRINTING BUSINESS

**Divisional Headquarters:** Chennai (Tamil Nadu)

**Units:** Haridwar (Uttarakhand), Munger (Bihar) and Tiruvottiyur (Tamil Nadu)

## OTHERS

**ITC Life Sciences & Technology Centre,** Bengaluru (Karnataka)

**Central Projects Organisation,** Bengaluru (Karnataka)

## SUBSIDIARIES

### ITC INFOTECH INDIA LIMITED

**Units:** Bengaluru (Karnataka), Kolkata (West Bengal) and Pune (Maharashtra)

### TECHNICO AGRI SCIENCES LIMITED

**Units:** Chandigarh and Manpura (Himachal Pradesh)

### SRINIVASA RESORTS LIMITED

**Hotel:** ITC Kakatiya, Hyderabad (Telangana)

### BAY ISLANDS HOTELS LIMITED

**Hotel:** Fortune Resort Bay Island, Port Blair

### LANDBASE INDIA LIMITED

Classic Golf & Country Club, Gurugram (Haryana)

### NORTH EAST NUTRIENTS PRIVATE LIMITED

**Unit:** Mangaldai (Assam)

### SURYA NEPAL PRIVATE LIMITED

**Units:** Simara and Seratar (Nepal)

## ASSOCIATES

### ATC LIMITED

**Unit:** Hosur (Tamil Nadu)

## REPORTING SCOPE EXCLUSIONS

The following subsidiaries included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2019:

Names of Subsidiaries	Remarks
<b>Fortune Park Hotels Limited</b>	*
<b>MRR Trading &amp; Investment Company Limited</b> (a 100% subsidiary of ITC Investments & Holdings Limited)	@
<b>Russell Credit Limited</b>	@
<b>Greenacre Holdings Limited</b> (a 100% subsidiary of Russell Credit Limited)	@
<b>Wimco Limited</b>	*
<b>Prag Agro Farm Limited</b>	*
<b>Pavan Poplar Limited</b>	*
<b>Technico Pty Limited</b>	*
<b>Technico Technologies Inc.</b> (a 100% subsidiary of Technico Pty Limited)	*
<b>Technico Asia Holdings Pty Limited</b> (a 100% subsidiary of Technico Pty Limited)	*
<b>Technico Horticultural (Kunming) Co. Limited</b> (a 100% subsidiary of Technico Asia Holdings Pty Limited)	*
<b>ITC Infotech Limited</b> (a 100% subsidiary of ITC Infotech India Limited)	*
<b>ITC Infotech (USA), Inc.</b> (a 100% subsidiary of ITC Infotech India Limited)	*
<b>Indivate Inc.</b> (a 100% subsidiary of ITC Infotech (USA) Inc.)	*
<b>Gold Flake Corporation Limited</b>	@
<b>WelcomHotels Lanka (Private) Limited</b>	*
<b>ITC Investments and Holdings Limited</b>	@

The following jointly controlled entities (incorporated Joint Ventures) included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2019:

Names of Joint Ventures	Remarks
<b>Maharaja Heritage Resorts Limited</b>	#
<b>Espirit Hotels Private Limited</b>	#
<b>Logix Developers Private Limited</b>	#
<b>ITC Essentra Limited</b> (a joint venture of Gold Flake Corporation Limited)	#

The following Group's Associates included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2019:

Name	Remarks
<b>International Travel House Limited</b>	#
<b>Gujarat Hotels Limited</b>	#
<b>Divya Management Limited</b>	@
<b>Antrang Finance Limited</b>	@
<b>Russell Investments Limited</b>	@

\*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 included 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.

# OVERVIEW

ITC's Corporate Governance philosophy is anchored on the values of trusteeship, transparency, ethical corporate citizenship, empowerment & accountability and control. ITC believes that since large corporations employ societal and environmental resources, governance processes must ensure that they are utilised in a manner that meets stakeholders' aspirations and societal expectations. For superior Triple Bottom Line performance, ITC's Governance processes ensure that sustainability principles are embedded in business strategies and execution plans.

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

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

The practice of Corporate Governance at ITC takes place at three interlinked levels:



## STRATEGIC SUPERVISION

by the Board of Directors (the Board)

## STRATEGIC MANAGEMENT

by the Corporate Management Committee (CMC)

## EXECUTIVE MANAGEMENT

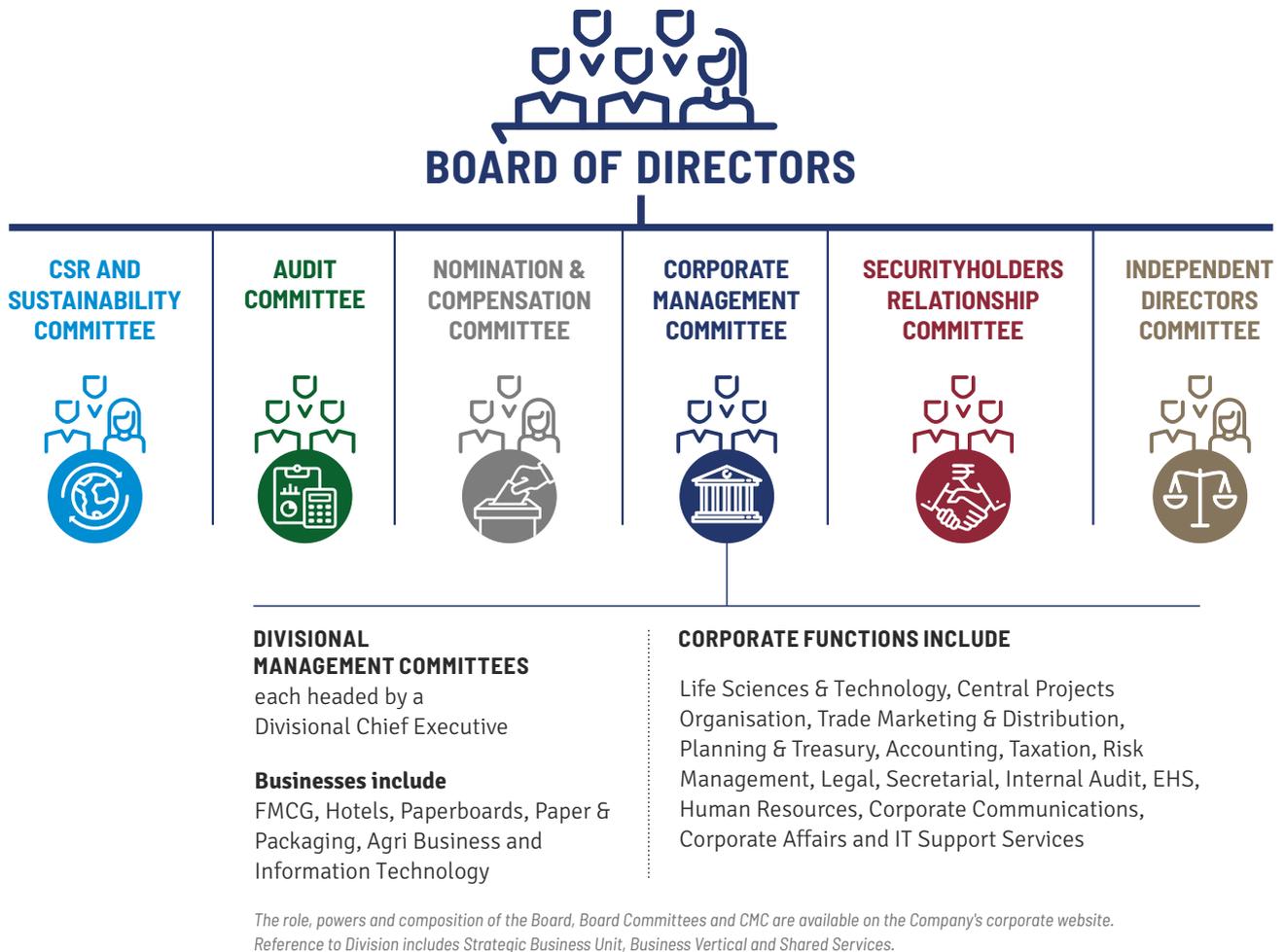
by the Divisional Chief Executive assisted by the Divisional Management Committee

**ITC's governance framework enjoys the highest standards of ethical and responsible conduct of business to create value for all stakeholders.**

ITC has also adopted a comprehensive set of Sustainability Policies that are being implemented across the organisation in pursuit of its Triple Bottom Line agenda. These Policies are aimed at strengthening the mechanisms of engagement with key stakeholders, identification of material sustainability issues and progressively monitoring and mitigating the impacts along the value chain of each Business. The CSR and Sustainability Committee of the Board supervises the implementation of these Policies.

For more details on ITC's governance structure, please refer to the Company's Report and Accounts 2019.

# GOVERNANCE STRUCTURE



## BOARD OF DIRECTORS

The ITC Board is a balanced Board, comprising Executive and Non-Executive Directors. The Non-Executive Directors include independent professionals.

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic supervision of ITC, its wholly owned subsidiaries and their wholly owned subsidiaries. As trustees, the Board ensures that the Company has clear goals aligned to shareholder value and its growth. The Board sets strategic goals and seeks accountability for their fulfilment. The Board also provides direction and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. The Board, as part and parcel of its functioning, annually reviews its role and also evaluates the performance of the Directors and the Board Committees.

## SELECTION OF DIRECTORS

The Nomination & Compensation Committee, as reported in earlier years, adopted the criteria for determining qualifications, positive attributes and independence of Directors, including Independent Directors, pursuant to the statute. The Corporate Governance Policy, inter alia, requires that Non-Executive Directors be drawn from amongst eminent professionals, with experience in business/ finance/ law/ public administration and enterprises. The Board Diversity Policy of the Company requires the Board to have balance of skills, experience and diversity of perspectives appropriate to the Company. The skills, expertise and competencies of the Directors as identified by the Board, are provided in the Company's Report and Accounts 2019.

The Articles of Association of the Company provide that the strength of the Board shall not be fewer than five nor more than eighteen. 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 and as may be determined by the Board from time to time. All Directors, other than Independent Directors, are liable to retire by rotation, unless otherwise approved by the Shareholders.

The Independent Directors of the Company have confirmed that (a) they meet the criteria of Independence as prescribed under the statute, and (b) they are not aware of any circumstance or situation, which could impair or impact their ability to discharge duties with an objective independent judgement and without any external influence. Further, in the opinion of the Board, the Independent Directors fulfil the conditions prescribed under the statute and are independent of the management of the Company.

### COMPOSITION OF THE BOARD

The present strength of the Board is fifteen, including the Chairman & Managing Director, three other Executive Directors and eight Non-Executive Independent Directors, of which two are Women Directors.

The strength of the Board as on 31st March, 2019 was fourteen; the composition of the Board, including other Directorship(s)/Committee Membership(s) of Directors, as on the said date was as follows:

Director	Category	No. of other Directorship(s)	No. of Membership(s)/ Chairmanship(s) of Audit Committee/Stakeholders Relationship Committee of other Indian public limited companies
Y. C. Deveshwar <sup>#</sup>	Chairman & Non-Executive Director	6	Nil
S. Puri <sup>§</sup>	Managing Director	4	Nil
N. Anand	Executive Director	8	1
B. Sumant	Executive Director	1	Nil
R. Tandon	Executive Director & Chief Financial Officer	9	3 [all as Chairman]
S. Banerjee	Independent Director	Nil	Nil
A. Duggal	Independent Director	6	5 [including 3 as Chairman]
S. B. Mathur	Independent Director	9	8 [including 2 as Chairman]
N. Rao	Independent Director	2	1
S. S. H. Rehman	Independent Director	Nil	Nil
M. Shankar	Independent Director	3	2
H. Bhargava	Non-Executive Director - Representative of Life Insurance Corporation of India as Investor	14	Nil
J. Pulinthnam	Non-Executive Director - Representative of General Insurers' (Public Sector) Association of India as Investor	1	Nil
D. R. Simpson	Non-Executive Director - Representative of Tobacco Manufacturers (India) Limited, a subsidiary of British American Tobacco p.l.c. as Investor	3	Nil

<sup>#</sup> Passed away on 11th May, 2019.

<sup>§</sup> Appointed also as the Chairman of the Company with effect from 13th May, 2019.

**ITC's Governance Policy requires the Board to meet at least five times a year. Eight meetings of the Board were held during the year ended 31st March, 2019.**

## BOARD COMMITTEES

Currently, there are five Board Committees - the CSR and Sustainability Committee, the Audit Committee, the Nomination & Compensation Committee, the Securityholders Relationship Committee and the Independent Directors Committee. The composition and the terms of reference of the Board Committees are determined by the Board from time to time, other than the Independent Directors Committee the terms of reference of which have been adopted as prescribed under statute.



### CSR AND SUSTAINABILITY COMMITTEE

The CSR and Sustainability Committee presently comprises the Chairman of the Company and five Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Company is the Chairman of the Committee. The Company Secretary is the Secretary to 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 & 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.

The CMC has also constituted the Sustainability Compliance Review Committee, which presently comprises seven senior members of management, with its Chairman being a member of the CMC. 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 CMC.



### AUDIT COMMITTEE

The Audit Committee presently comprises four Non-Executive Directors, three of whom are Independent

Directors. The Chairman of the Committee is an Independent Director. The Executive Director & Chief Financial Officer, the Head of Internal Audit and the representative of the Statutory Auditors are Invitees to meetings of the Audit Committee. The Head of Internal Audit is the Coordinator and the Company Secretary is 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.



### NOMINATION & COMPENSATION COMMITTEE

The Nomination & Compensation Committee presently comprises three Independent Directors and the Chairman of the Company. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.



### SECURITYHOLDERS RELATIONSHIP COMMITTEE

The Securityholders Relationship Committee presently comprises four Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.



### INDEPENDENT DIRECTORS COMMITTEE

The Independent Directors Committee comprises all the Independent Directors of the Company.

## CHAIR OF THE HIGHEST GOVERNANCE BODY

### CHAIRMAN

The primary role of the Chairman of the Company is to provide leadership to the Board. As the Chairman of the Board, he presides over its meetings and leads and assists the Board in setting and realising the Company's strategic vision and related short and long term goals. He is responsible, inter alia, for the working of the Board, for its balance of membership (subject to Board and Shareholder approvals) and for ensuring that all Directors are enabled and encouraged to play a full part in the activities of the Board. The Chairman ensures that relevant issues are on the Board agenda and the Board is kept informed on all matters of importance. He also presides over General Meetings of Shareholders.

### MANAGING DIRECTOR

The Managing Director carries total responsibility for the strategic management of the Company and accordingly heads the CMC. His primary role is to provide leadership to the CMC for realising Company goals in accordance with the charter approved by the Board. He is responsible, inter alia, for the working of the CMC, for ensuring that all relevant issues are on the agenda and that all CMC Members are enabled and encouraged to play a full part in its activities.

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**The present Managing Director, Mr. S. Puri, has been appointed also as the Chairman of the Company with effect from 13th May, 2019.**

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## PERFORMANCE OF THE HIGHEST GOVERNANCE BODY

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**ITC believes that a Board, which is well informed / familiarised with the Company and its affairs, can contribute significantly to effectively discharge its role of trusteeship in a manner that fulfils stakeholders' aspirations and societal expectations.**

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In pursuit of this, the Directors of the Company are updated on changes / developments in the domestic / global corporate and industry scenario including those pertaining to statutes / legislations & economic environment and on matters affecting the Company, to enable them to take well informed and timely decisions. The Directors are also kept abreast on all business related matters, risk assessment & minimisation procedures, and new initiatives proposed by the Company. Visits to Company facilities are also organised for the Directors.

The Nomination & Compensation Committee, as reported in earlier years, formulated the Policy on Board evaluation, evaluation of Board Committees' functioning and individual Director evaluation, and also specified that such evaluation will be done by the Board, pursuant to the statute. In keeping with ITC's belief that it is the collective effectiveness of the Board that impacts Company performance, the primary evaluation platform is that of collective performance of the Board as a whole. Board performance is assessed against the role and responsibilities of the Board as provided in the statute read with the Company's Governance Policy. The

parameters for Board performance evaluation have been derived from the Board's core role of trusteeship to protect and enhance shareholder value as well as to fulfil expectations of other stakeholders through strategic supervision of the Company.

Evaluation of functioning of Board Committees is based on discussions amongst Committee members and shared by the respective Committee Chairman with the Board. Individual Directors are evaluated in the context of the role played by each Director as a member of the Board at its meetings, in assisting the Board in realising its role of strategic supervision of the functioning of the Company in pursuit of its purpose and goals.

The Board determines the remuneration of the Managing Director and the other Executive Directors, on the recommendation of the Nomination & Compensation Committee, subject to the approval of the Shareholders. Such remuneration is linked to the performance of the Company inasmuch as the performance bonus is based on various qualitative and quantitative performance criteria.

Remuneration to Non-Executive Directors, including Independent 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.

Mr. Y. C. Deveshwar, in view of his enlarged role, was entitled to additional remuneration and benefits as approved by the Shareholders. Non-Executive Directors are also entitled to sitting fees for attending meetings of the Board and its Committees, the quantum of which is determined by the Board. Non-Executive Directors are also entitled to coverage under Personal Accident Insurance.



## CODE OF CONDUCT

### AVOIDANCE OF CONFLICT 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.

The Directors and Key Managerial Personnel are required to disclose to the Board whether they, directly or indirectly or on behalf of third parties, have material interest in any transaction or matter directly affecting the Company. Senior management is required to confirm on an annual basis that no material transaction has been entered into by them which could have potential conflict with the interests of the Company at large; such

confirmations are placed before the Board. All transactions of the Company with related parties, or their subsequent modifications, are approved by the Audit Committee. Further, transactions with related parties which are not in the ordinary course of business or not on arm's length basis also require the approval of the Board or Shareholders, as applicable. Disclosures of related party transactions, as required, are made in the Company's Report & Accounts.

The Company has a code of conduct for prevention of insider trading in the securities of the Company. The ITC Code of Conduct for Prevention of Insider Trading, inter alia, prohibits trading in securities of the Company by Directors and employees while in possession of unpublished price sensitive information in relation to the Company.

## REMUNERATION POLICY



ITC's Remuneration Policy aims at attracting and retaining high calibre talent. The Remuneration Policy, therefore, is market-led and takes into account the competitive circumstance of each business so as to attract and retain quality talent and leverage performance significantly.

**The ratio of remuneration of the highest paid employee to the median remuneration for the year 2018-19 was 168:1. The total remuneration of the highest paid employee has increased by 1% and the median remuneration has decreased by 2% in FY 2018-19.**

The Company's Policy on remuneration of Directors, Key Managerial Personnel and other employees, as approved by the Board, may be accessed on its corporate website at <https://www.itcportal.com/about-itc/policies/remuneration-policy.pdf>.

## ETHICS AND INTEGRITY



The ITC Code of Conduct, adopted by the Board of Directors, is applicable to Directors, senior management and employees of the Company. The Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct in relation to the Company's business and reputation.

The Code covers ITC's commitment to CSR and 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 Code is available 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 the person liable for disciplinary action.

## RISK MANAGEMENT



As a diversified enterprise, ITC continues to focus on a system-based approach to business risk management. The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organisational capability with market opportunities, focusing on building distributed leadership and succession planning processes, nurturing specialism and enhancing structural competencies through timely developmental inputs. Accordingly, management of risk has always been an integral part of ITC's Strategy of Organisation and straddles its planning, execution and reporting processes and systems. Backed by strong internal control systems, the current Risk Management Framework consists of the following key elements:

- The Corporate Governance Policy approved by the Board, clearly lays down the roles and responsibilities of the various entities in relation to risk management covering a range of responsibilities, from the strategic to the operational. These role definitions, inter alia, provide the foundation for appropriate risk management procedures, their effective implementation across ITC and independent monitoring and reporting by Internal Audit.
- The Risk Management Committee, constituted by the Board, monitors and reviews the strategic risk management plans of ITC as a whole and provides necessary directions on the same.
- The Corporate Risk Management Cell, through focused interactions with businesses, facilitates the identification and prioritisation of strategic and operational risks, development of appropriate mitigation strategies and conducts periodic reviews of the progress on the management of identified risks.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed.
- Appropriate structures are in place to proactively monitor and manage the inherent risks in businesses with unique / relatively high risk profiles.
- A strong and independent Internal Audit function at the Corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk management processes may need to be strengthened.

The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. The Audit Compliance Review Committee closely monitors the internal control environment within ITC including implementation of the action plans emerging out of internal audit findings.

- At the Business level, Divisional Auditors continuously verify compliance with laid down policies and procedures, and help plug control gaps by assisting operating management in the formulation of control procedures.
- A robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives based on effective strategy implementation. The annual planning exercise requires all businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountabilities. Businesses are required to confirm periodically that all relevant risks have been identified, assessed, evaluated and that appropriate mitigation systems have been implemented.

ITC endeavours to continually sharpen its Risk Management systems and processes in line with a rapidly changing business environment. In this regard, it is pertinent to note that some of the key businesses of ITC have adopted the ISO 31000 Standard and the Risk Management systems and processes prevalent in these businesses have been independently assessed to be compliant with the said global Standard on Risk Management. This year two more businesses were assessed for compliance to ISO 31000 Standard. This intervention provides further assurance on the robust nature of risk management practices prevalent in ITC.

The centrally anchored initiative of conducting external independent reviews of key business processes with high "value at risk" continued during the year. The Risk Management Committee met thrice during the year and was updated on the status and effectiveness of the risk management plans. The Audit Committee was also updated on the effectiveness of ITC's risk management systems and policies.

A Cyber Security Committee was set up to provide specific focus on cyber security related risks, primary responsibility being to track emerging practices, vendors and technologies and provide suitable recommendations for enhancing security of the IT systems and infrastructure.

ITC sources several commodities for use as inputs in its businesses and also engages in agri-commodity trading as part of its Agri Business.

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

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

In respect of Agri-commodity trading, ITC has a well laid out policy to manage the risks associated with sourcing of such commodities. This includes:

- segregation of duties and robust internal controls through a system of checks and balances embedded in the organisation and governance structure;
- clearly defined limits for trading position (long and short) and net cash loss for specific commodities/commodity groups;
- mitigation of price, liquidity and counter party risks in respect of commodities such as soya, mustard and chana through hedging on commodity exchanges (mainly NCDEX). Correlation between prices prevailing in the physical market and those on the commodity exchange is analysed regularly to ensure effectiveness of hedging;
- robust monitoring and review mechanisms of net open positions and 'value at risk'.

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

**AMONGST  
THE TOP 3 INDIAN CORPORATES  
IN THE PRIVATE SECTOR  
IN TERMS OF CONTRIBUTION TO EXCHEQUER.**

**URGE TO**

**SURGE**







## SNAPSHOT OF ECONOMIC PERFORMANCE

₹ Billion

Key Economic Indicators*	2015	2016	2017	2018	2019	CAGR
Gross Sales Value (Refer Note - 1)	577.99	601.96	641.74	670.82	753.09	6%
Total Income (Refer Note - 1)	519.32	537.14	574.34	464.60	482.69	-2%
Profit Before Interest and Taxes (PBIT)	140.55	144.83	155.26	169.38	184.78	7%
Contribution to Government/Exchequer	275.46	307.42	320.75	337.91	365.85	7%
Cost of Bought out Goods and Services	197.64	190.32	204.52	196.20	229.64	4%
Employee Benefits Expense	17.80	23.32	24.44	24.87	27.28	11%
Payments to Providers of Capital	86.46	79.85	90.49	100.18	110.50	6%
- Interest to Providers of Capital	50.67	68.89	57.93	63.72	70.83	
- Retained Profits	35.79	10.96	32.56	36.46	39.67	

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

Note - 1: Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July 2017, Central Excise [other than National Calamity Contingent Duty (NCCD) on cigarettes], Value Added Tax (VAT) etc., have been replaced by GST. In accordance with Indian Accounting Standards and Schedule III of the Companies Act, 2013, GST, GST Compensation Cess, VAT etc. are excluded and NCCD is not excluded from Total Income. In view of the aforesaid restructuring of indirect taxes, Gross Revenue from sale of products and services included in Total Income is not comparable with the previous periods. Gross Sales Value is being provided to facilitate such comparison.

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

₹ Billion

Year	2015	2016	2017	2018	2019	CAGR
Gross Sales Value	577.99	601.96	641.74	670.82	753.09	6%
Gross Revenue	499.65	515.82	550.02	439.57	452.21	-2%
PBDIT	150.17	154.84	165.64	180.84	197.90	7%

\* Refer Note - 1

## MANAGEMENT APPROACH

The sustainability strategy is premised on the belief that the transformational capacity of business can be very effectively leveraged to create significant societal value through a spirit of innovation and enterprise. The Company has adopted comprehensive set of sustainability policies that are being implemented across the organisation in pursuit of its 'Triple Bottom Line' agenda. These policies are aimed at strengthening the mechanisms of engagement with key stakeholders, identification of material sustainability issues, and progressively monitoring and mitigating the impacts along the value chain of each Business.

**ITC is driven by its inspiration to be an exemplary Indian enterprise serving larger national priorities.** The ability of a corporate to create larger societal value is inextricably linked to the robust growth of its businesses. To create a winning enterprise which is future ready, ITC has invested significantly in building assets for tomorrow - be it in terms of state-of-the-art integrated manufacturing and logistics facilities to produce and service ITC's world-class brands, be it in the form of iconic hospitality properties to add to the nation's tourism landscape or in creating intellectual capital for the country through game changing research and development. Such growth drivers together with an increasing competency matrix, a talented and dedicated pool of human resources and above all, a deep commitment to create value for the country is enlarging ITC's capacity to make a growing contribution to national priorities.



***THE COMPANY'S SUSTAINABILITY STRATEGY  
AIMS AT CREATING SIGNIFICANT VALUE  
FOR THE NATION THROUGH SUPERIOR 'TRIPLE BOTTOM LINE'  
PERFORMANCE THAT BUILDS AND ENRICHES THE COUNTRY'S ECONOMIC,  
ENVIRONMENTAL AND SOCIAL CAPITAL.***

## GOALS AND PERFORMANCE

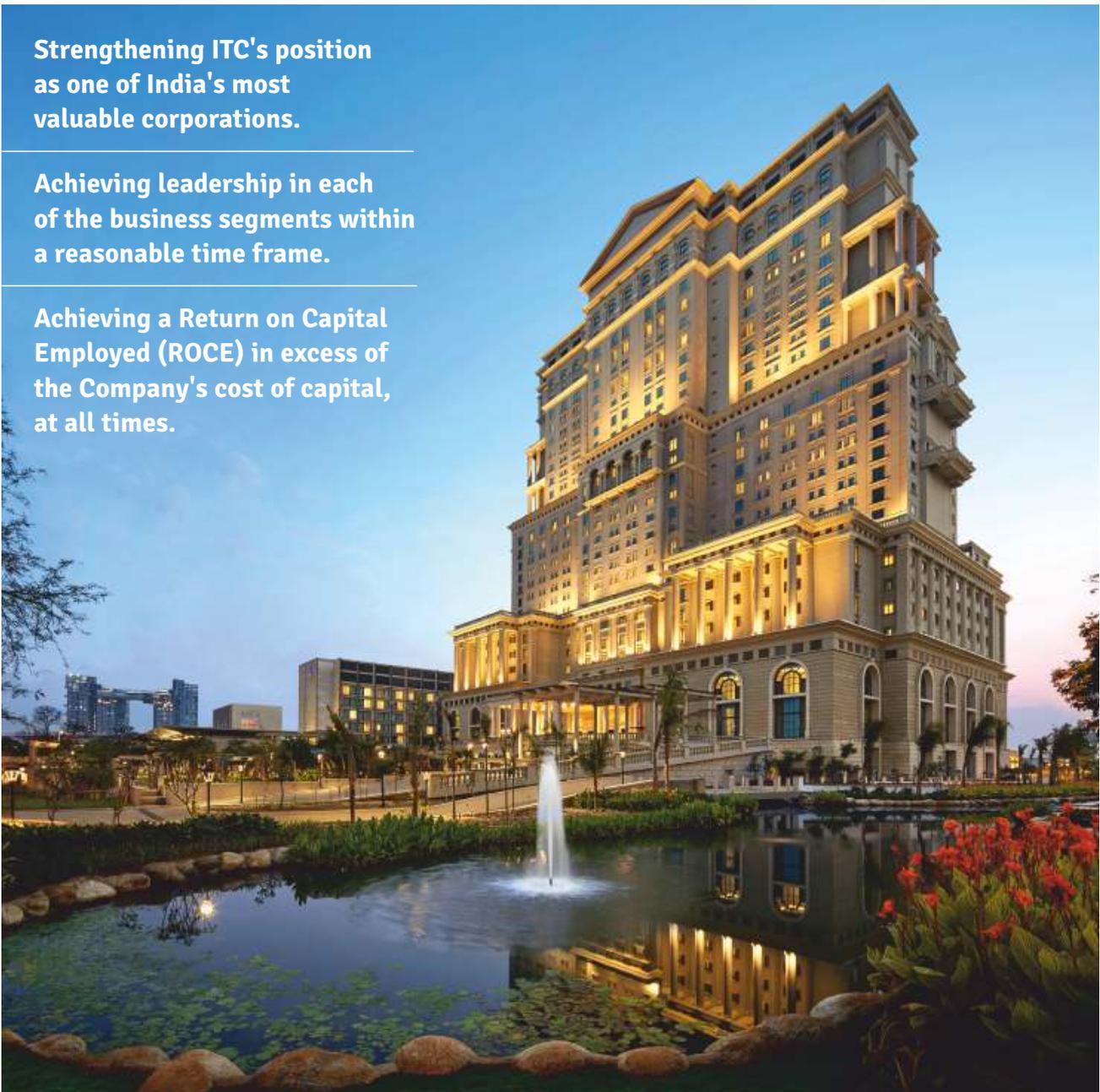
The 'Triple Bottom Line' approach to creating larger 'stakeholder value', as opposed to merely ensuring unidimensional 'shareholder value', is the driving force that defines the Company's sustainability vision and its growth path into the future.

At the enterprise level, the Company's goals include:

**Strengthening 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 2019 (available on [www.itcportal.com](http://www.itcportal.com)) for a detailed discussion on the Company's market standing in each of the business segments, as well as the business environment, opportunities, key challenges, etc. pertaining to each of the Company's businesses. Also, key financial ratios for the Company are furnished as an Annexure to this Report.

## HIGHLIGHTS 2018-19

ITC remains amongst the

**TOP 3** INDIAN CORPORATES IN THE  
PRIVATE SECTOR IN TERMS OF  
CONTRIBUTION TO EXCHEQUER

The Value - Added by ITC grew by 9% over last year to

**₹503.63** BILLION

Expenditure incurred on CSR activities stood at

**₹3.07** BILLION

The footprint of our Social Investments Programme (SIP) projects is spread over

**27 STATES**  
/ UNION TERRITORIES COVERING 235 DISTRICTS

## ECONOMIC PERFORMANCE

### The Company delivered another year of resilient performance despite a challenging operating environment.

The Cigarettes Business, impacted by steep increase in taxes under the GST regime, sharpened focus on delivering world-class products through continuous innovation along with best-in-class execution thereby consolidating its market standing. Amidst a subdued demand environment, the non-cigarette FMCG segment grew ahead of the industry recording robust growth in revenue and significant improvement in profitability despite heightened competitive intensity, elevated input costs, gestation costs of new products/categories & manufacturing facilities and ongoing restructuring of Lifestyle Retailing Business. The Hotels Business delivered robust performance driven by improvement in RevPAR and addition of two world-class properties to its portfolio. The Paperboards, Paper and Packaging segment had a stellar year recording strong growth in revenue and profits on the back of capacity addition, product mix enrichment, strategic investments in pulp import substitution, process innovation and cost-competitive fibre chain. While the Agri Business posted healthy growth in revenue, leaf cost escalation

pertaining to the Andhra 2017 crop and business mix weighed on margins.

On a comparable basis, Gross Sales Value (net of rebates/discounts) for the year stood at ₹ 753.09 billion, representing a growth of 12.3% over 2017-18 driven mainly by Agri Business, Branded Packaged Foods, Education & Stationery Products Business, Hotels and Paperboards. Excluding exceptional items, Profit Before Tax and Profit After Tax grew by 12.2% and 13.8% respectively.

Profit After Tax at ₹ 124.64 billion registered growth of 11.1% during the year. Total Comprehensive Income for the year stood at ₹ 128.27 billion (previous year ₹ 116.06 billion). Earnings Per Share for the year stood at ₹ 10.19 (previous year ₹ 9.22). Cash generated from operations aggregated ₹ 172.35 billion.

A comprehensive discussion on the significant socio-economic, environmental, regulatory and macro-economic factors that constitute the external environment in which ITC's multiple businesses operate and the impact of these factors on ITC's ability to create value is presented in the 'Report of the Board of the Directors and Management Discussion and Analysis' section forming part of ITC's Report and Accounts 2019.



### TOTAL ASSETS AND RETURNS

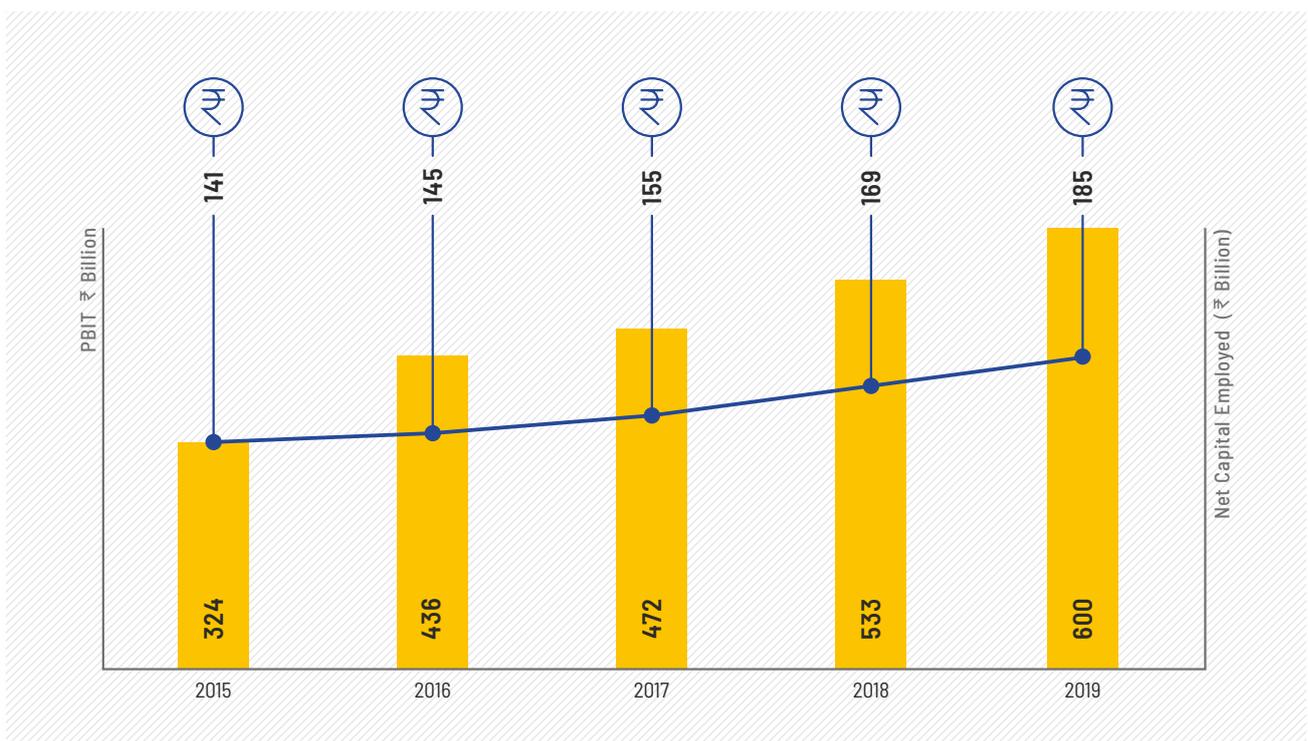
Despite the challenging business environment during the year under review, ITC continued to make significant investments across its business domains. This included investments in augmenting manufacturing facilities and also its sourcing footprint, across categories with a view to improving market responsiveness, leveraging fiscal incentives and reducing the cost of servicing proximal markets. The Company continues to leverage its deep rural linkages and its understanding of the rural economy to devise unique strategies to rapidly grow in these markets. New manufacturing lines were commissioned across categories such as Biscuits, Beverages, Noodles, Potato Chips, Finger Snacks at various locations viz. Kapurthala, Trichy, Panchla and Guwahati.

The Company's investment in its comprehensive Research & Development initiatives aims at leveraging its world-class infrastructure, benchmarked processes, state-of-the-art technology and a business-focused R&D strategy. Apart from the above, significant investments were also made towards enhancing brand salience and consumer connect while simultaneously implementing strategic cost management measures across the value chain.

While the net capital employed\* has expanded over the previous five years to reach ₹ 600 Billion as at 31st March, 2019, returns on net capital employed (Profit before interest and taxes) have increased during this period from ₹ 141 Billion to ₹ 185 Billion, a compound rate of 7%.

**The Company is investing in cutting-edge digital technologies to tap unexplored touch points for brand communication, predictive analytics to enhance informed decision making and customised mobility solutions for better distribution reach.**

### NET CAPITAL EMPLOYED AND PBIT



\* Refer Note 1

## MARKET CAPITALISATION & EARNINGS PER SHARE

Over the last 23 years, the Company has created multiple drivers of growth by developing a portfolio of world-class businesses across all sectors of the national economy spanning agriculture, manufacturing and services.

**ITC is one of India's most admired and valuable corporations and has consistently featured amongst the foremost private sector companies in the country in terms of efficiency of servicing financial capital.**

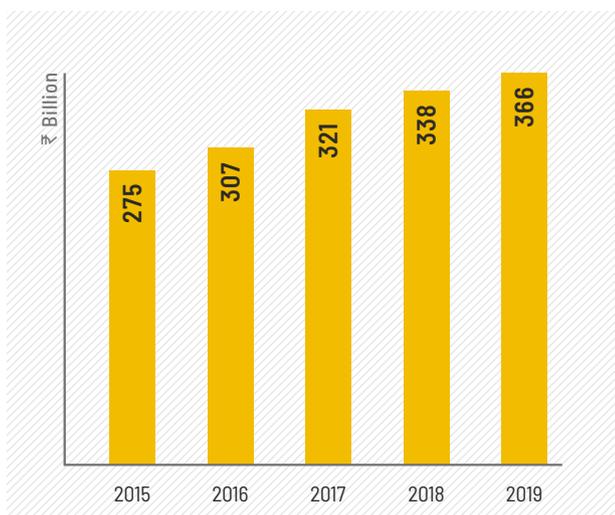
	1996	2012	2013	2014	2015	2016	2017	2018	2019	CAGR
Market Capitalisation* (₹ Billion)	55.71	1,773.60	2,442.45	2,807.08	2,608.64	2,639.89	3,406.73	3,123.08	3,637.14	20%
Adjusted EPS** (₹)	0.24	5.25	6.26	7.36	7.99	7.73	8.40	9.20	10.17	18%

\*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.

## VALUE ADDITION AND CONTRIBUTION TO THE NATIONAL EXCHEQUER

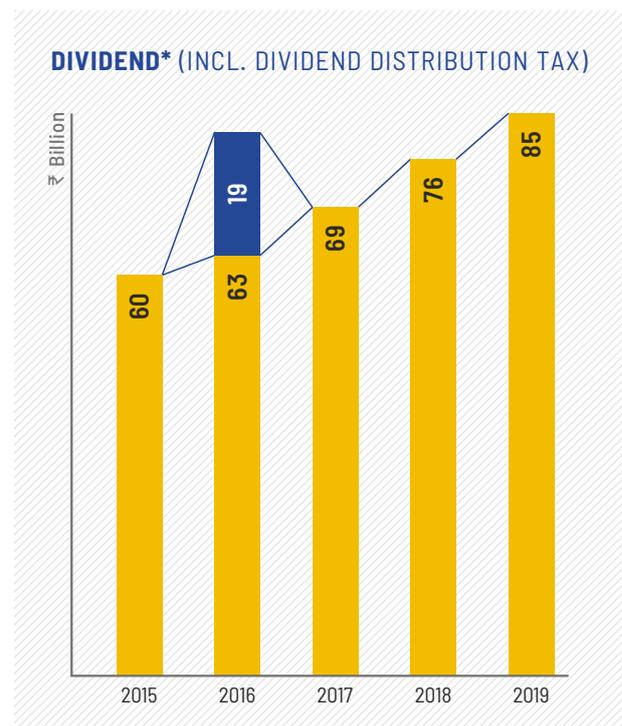
Over the last 23 years, the Value-Added by the Company, i.e. the value created by the economic activities of the Company and its employees, aggregated ₹ 4,600 billion, of which nearly 75% accrued to the Exchequer at the Central and State levels. The Value-Added by the Company grew by 9% over last year to ₹ 503.63 billion.

The Company remains amongst the Top 3 Indian corporates in the private sector in terms of Contribution to Exchequer.



## DIVIDEND

For the year ended 31st March 2019, the Board of Directors have recommended an Ordinary Dividend of ₹ 5.75 per share (previous year Ordinary Dividend of ₹ 5.15 per share). Total cash outflow in this regard will be ₹ 84.98 billion including Dividend Distribution Tax of ₹ 14.49 billion.



\* On proposed basis

■ Ordinary Dividend ■ Special Dividend

### LOCAL BASED SUPPLIERS

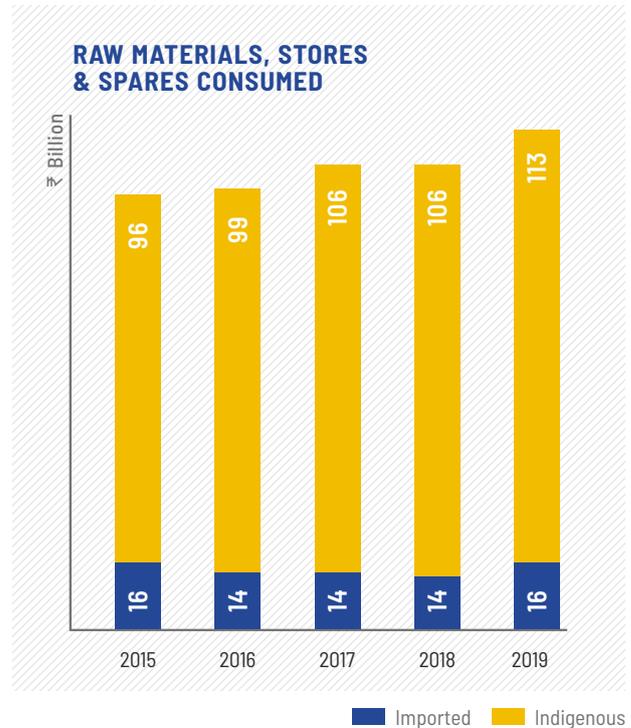
The Company's initiatives in respect of its suppliers are aligned to the programmes of national importance such as Make in India, Digital India, which coupled with the sustainability policies of the Company aim to serve the national cause.

Towards this goal, the Company encourages competency development among local vendors and its vendor base includes numerous medium and small scale enterprises that are proximate to its manufacturing locations. More than 88% of raw materials and stores & spares have been locally procured during the year.

The Company's suppliers, both local and international, constitute one of its important stakeholder groups. Vendors/service providers and large outsourced manufacturing facilities are encouraged to adopt management practices detailed under the international standards such as ISO 9001, ISO 14001, OHSAS 18001 and ITC's Corporate Environment, Health and Safety (EHS) Guidelines. Contract manufacturing agreements provide for compliance with accepted standards on issues related to EHS, human rights and labour practices.

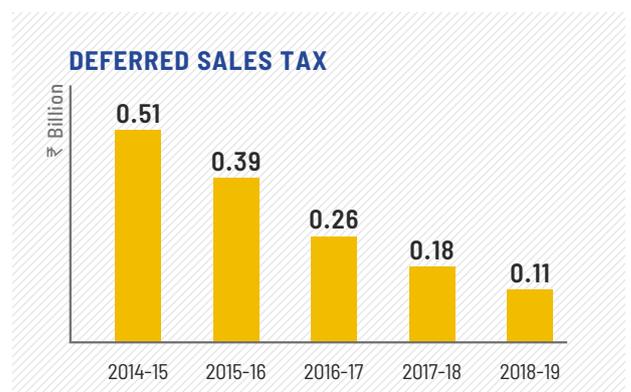
The Company endeavours to embed the principles of sustainability, as far as practicable, into the various stages of product or service life-cycle, including procurement of raw material/service, manufacturing of product or delivery of service, transportation of raw materials and finished goods, and disposal by consumers. Policies on 'Life-cycle Sustainability' and 'Responsible Sourcing' detail the Company's approach in this respect. The Company has embedded 'Distance to Market' as a key business matrix in order to encourage a sustainable manufacturing footprint.

Please refer to 'Business Responsibility Report' of the Report and Accounts 2019 (available on [www.itcportal.com](http://www.itcportal.com)) for discussion on sustainability of products and services across life-cycle, supply chain and product responsibility, etc.



### FINANCIAL ASSISTANCE FROM GOVERNMENT

The Company had availed the sales tax incentive offered by the State of Andhra Pradesh which has interest free deferral period of 14 years. The outstanding 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:



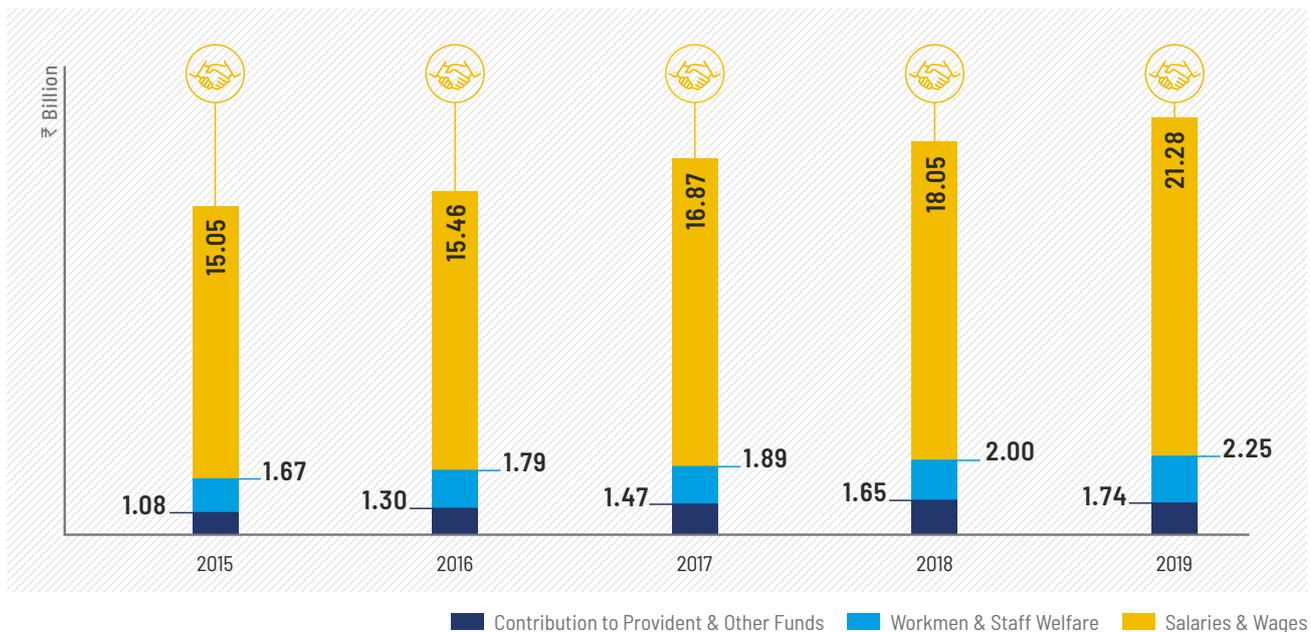
Other Government grants received in the form of incentives such as Export Promotion Capital Goods, Service Export from India Scheme, Merchandise Export from India Scheme amounted to ₹ 1.00 billion (2017 - ₹ 0.94 billion).

## ENGAGING TALENT, LOCAL HIRING AND SENIOR MANAGEMENT

Human Resource (HR) Management systems and processes in the Company are anchored on the Board approved policies on 'Diversity and Equal Opportunity', 'Freedom of Association' and 'Environment, Health and Safety', amongst others. The HR systems are aimed at creating a responsive, market-focused, customer-centric culture and enhancing organisational vitality, so that each business is internationally competitive and equipped to seize emerging market opportunities.

**We focus on creating a stimulating work environment supported by a caring and compassionate work ethos so as to enable our employees to thrive and deliver winning performance.**

All businesses of the Company conducted an employee engagement survey to assess the workplace sentiment and views of the employees wherein the employees were encouraged to share their views on various aspects of their experience of working in the organisation. The Company has continuously invested in the human resource capital as seen below:

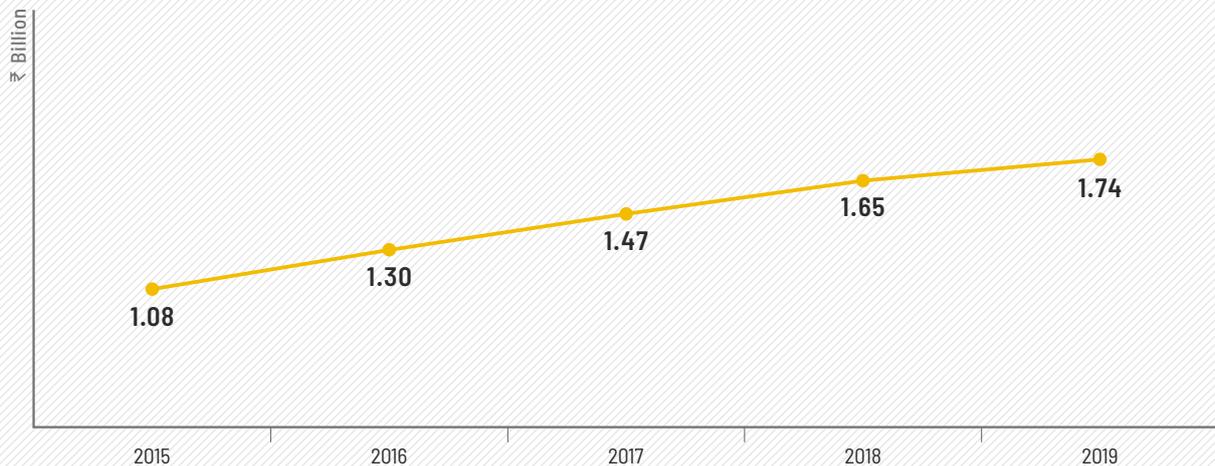


The employees are also entitled to retirement benefit schemes which include employee pension, provident fund and gratuity. All statutory payments, as applicable, e.g., Provident Fund and Family Pension contributions, are deposited with the Government in a timely manner.

The pension plans and other applicable employee benefits obligations are determined and funded in accordance with independent actuarial valuation.

**The assets of the trust funds are well diversified and investments are made within the prescribed statutory pattern with the objective of protecting capital and optimising returns within acceptable risk parameters.**



**CONTRIBUTION TO PROVIDENT & OTHER FUNDS****CORPORATE SOCIAL RESPONSIBILITY**

ITC's overarching commitment to create significant and sustainable societal value is manifest in its CSR initiatives that embrace the most disadvantaged sections of society, especially in rural India, through economic empowerment based on grassroots capacity building. Towards this end, the Company has adopted a comprehensive CSR policy outlining programmes, and plans to undertake projects and activities to create a significant positive impact on identified stakeholders. All 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. The footprint of the Company's Social Investments Programme (SIP) projects is spread over 27 States / Union Territories covering 235 districts.

The Company follows a two-pronged approach to address the stakeholder communities' challenges in securing sustainable livelihoods:

**Horizon 1**

Making today's dominant sources(s) of livelihoods sustainable; and

**Horizon 2**

Creating capabilities for wealth generation and employment for tomorrow.

The two horizon strategy has necessitated an integrated approach to development involving several interventions.

**The expenditure incurred under Section 135 of the Companies Act, 2013 on CSR activities amounted to ₹ 3.07 billion (2018 - ₹ 2.91 billion).**

Details on ITC's interventions are provided in 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' chapter of this Report and in the 'Business Responsibility Report', forming part of the Report and Accounts 2019.





**CONTINUE BEING**  
**A NET CONTRIBUTOR TO THE**  
**ENRICHMENT OF THE ENVIRONMENT.**

**NURTURE TO**

**SECURE**





## PERFORMANCE SNAPSHOT



Key Environmental Indicators	2014-15	2015-16	2016-17	2017-18	2018-19
<b>ENERGY &amp; GREENHOUSE GAS (GHG) EMISSIONS</b>					
Total Energy Consumption (Terra Joules)	21,777	21,946	21,600	22,199	23,326 <sup>1</sup>
Renewable Energy Consumption (Percentage)	43.1	47.3	48.2	43.2	40.9 <sup>1</sup>
Total GHG Emissions (excluding Biogenic Emissions) Kilo Tonnes of CO <sub>2</sub> e*	1,519	1,476	1,450	1,599	1,716
Scope 1 - Direct GHG Emissions (Kilo Tonnes of CO <sub>2</sub> e)	1,143	1,059	1,023	1,149	1,236
Scope 2 - Indirect GHG Emissions (Kilo Tonnes of CO <sub>2</sub> e)	183	187	174	186	199
Scope 3 - Other Indirect GHG Emissions (Kilo Tonnes of CO <sub>2</sub> e)	193	230	253	264	281
Biogenic Emissions - CO <sub>2</sub> Emissions from Combustion of Biomass (Kilo Tonnes of CO <sub>2</sub> )	860	962	957	865	841
GHG Removals (Kilo tonnes of CO <sub>2</sub> )	4,896	5,122	5,417	5,458	5,238

<sup>1</sup> An increase in total energy consumption accompanied with a reduction in utilisation of biomass led to a decrease in the overall share of renewables to 40.9% from 43.2% in the previous year

\* Total GHG Emissions (excluding Biogenic Emissions) = Scope 1+ Scope 2+ Scope 3

# All above figures are rounded off



Key Environmental Indicators	2014-15	2015-16	2016-17	2017-18	2018-19
<b>AIR EMISSION</b>					
SO <sub>2</sub> (Tonnes)	1,033	1,239	1,087	989	985
NO <sub>x</sub> (Tonnes)	843	920	834	808	786
Particulate Matter (Tonnes)	592	639	651	609	614
<b>WATER</b>					
Water Intake (Million Kilotre)	34.48	33.80	31.29	33.21	33.46 <sup>2</sup>
Treated Effluent Discharge (Million Kilotre)	24.24	24.45	22.12	23.57	23.12
Total Rainwater Harvesting Potential (Million Kilotre)**	25.63	28.18	30.80	33.07	35.35
<b>WASTE</b>					
Total Waste Generated (Tonnes)	791,227	745,149	711,411	725,095	781,229 <sup>2</sup>
Waste Recycled (Percentage)	99.8	99.7	99.8	99.7	99.9
Waste Recycling Footprint (Percentage)***	114	115	116	115	111

<sup>2</sup> ITC's total water intake and total generation of waste increased due to inclusion of new units and Hotels in the reporting boundary and augmentation of manufacturing capacity

\*\* Total Rainwater Harvesting Potential (RWH) created for the year = RWH potential created within ITC units + RWH potential created through watershed projects

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

## MANAGEMENT APPROACH

According to the World Economic Forum (WEF) Report on Global Risks 2019<sup>1</sup>, environmental issues continue to remain as some of the top line risks facing the world today. These environmental risks include extreme weather events, natural and man-made environmental disasters, failure of climate change mitigation and adaptation, biodiversity loss and ecosystem collapse, and water crises.

**Climate Change itself acts as a risk multiplier and further exacerbates the existing environmental and ecosystems' challenges of constrained availability and steady depletion of natural resources including biodiversity.**

In order to address these challenges, best practices have been embedded into ITC's operations on the basis of which, the Company strives to maximise the efficiency of use of natural resources across its Businesses while also contribute to enhancing India's natural capital stock. The goal is to continue being a net contributor to the enrichment of the environment through a cohesive approach.



<sup>1</sup> The Global Risks Report 2019 14th Edition, [http://www3.weforum.org/docs/WEF\\_Global\\_Risks\\_Report\\_2019.pdf](http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf)

## PHILOSOPHY

ITC nurtures a culture of conservation that emphasises meticulous monitoring of resource use and encourages innovations that aid in reducing the dependency on natural resources. It believes in bringing together like-minded stakeholders and working collaboratively in tackling such complex issues. Accordingly, ITC is collaborating with key stakeholders to spearhead largescale interventions such as Social and Farm Forestry, Integrated Watershed Development and Sustainable Agriculture Practices among others.

## POLICIES

ITC's Board approved Policies on 'Environment, Health and Safety (EHS)', 'Life-cycle Sustainability', and 'Responsible Sourcing' provide the necessary framework to address the direct impacts of Company's own operations as well as progressively extend the efforts to its supply chain. (Please refer to Sustainability Policies available at [www.itcportal.com](http://www.itcportal.com)).

In line with ITC's sustainability roadmap, Businesses are moving ahead in a phase-wise manner to implement the above Policies. The overall responsibility for ensuring implementation of Policies and Standards on environmental performance resides with the Divisional/ Strategic Business Unit's (SBU) Chief Executives who work with their respective management teams. Various committees designated with specific responsibilities have also been constituted for operationalising the Sustainability Policies.

At the corporate level, Corporate EHS Department is responsible for reviewing and updating Corporate Standards, verifying compliance, providing guidance and support as required. The progress and compliance of different Businesses against the agreed roadmap is reviewed regularly by the Sustainability Compliance Review Committee (SCRC) constituted by the Corporate Management Committee (CMC).

## PRACTICE

**ITC's Businesses have targets for key performance indicators like specific energy consumption, specific greenhouse gas emissions, specific water intake, specific waste generation, etc.**



As stated before, performance is monitored and reviewed on a regular basis to ensure that Businesses are on-track with respect to the agreed roadmap. The following sections outline ITC's approach for addressing each of its material environmental issue both within as well as outside the boundary of its operations and its environmental performance for 2018-19.

# ENERGY & CLIMATE CHANGE

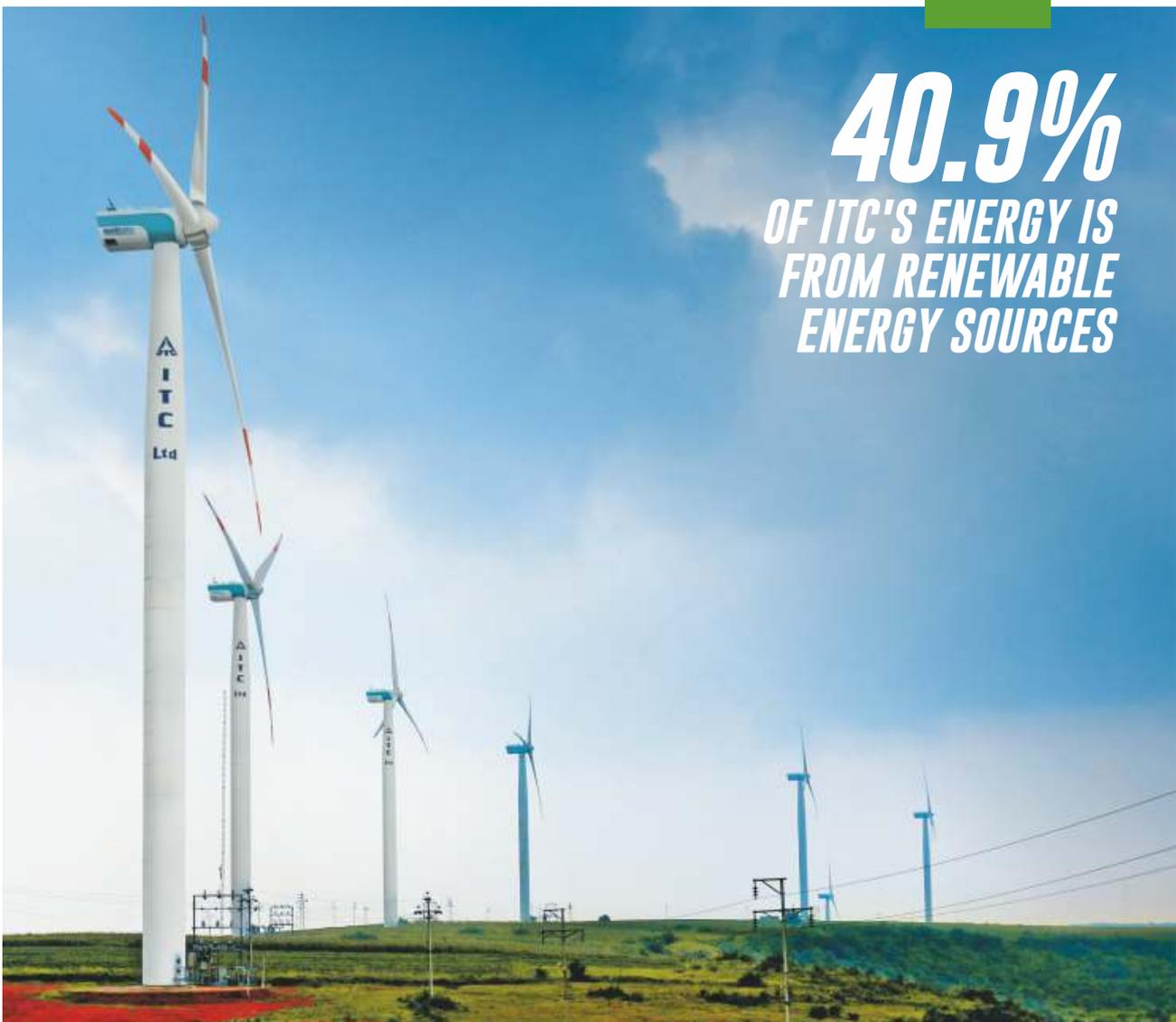
## MANAGEMENT APPROACH

While fossil energy is a necessary resource for fuelling development and economic growth, it has a direct impact on the environment including long term impacts through climate change. The direct and cascading impacts of climate change are now well-documented and universally acknowledged with effects being felt across the globe, including in India. As a signatory to the Paris climate treaty, India has committed to deliver on its nationally determined targets of reducing emission intensity by 33-35%, increasing the share of non-fossil

based electricity to 40%, and creating additional carbon sinks of 2.5-3 billion tonnes of CO<sub>2</sub> by 2030.

ITC's strategic efforts to manage its carbon footprint contribute to the above national objectives. ITC remains committed to achieving a 50% share of renewable energy in its total energy mix and to enhancing its carbon sequestering potential through social and farm forestry initiatives.

## GREEN ENERGY



CARBON HIGHLIGHTS

**CARBON  
POSITIVE** 14 YEARS  
IN A ROW

**90%** FROM RENEWABLE  
SOURCES AT 7 ITC UNITS

7 ITC units met more than 90% of their electrical energy requirements from renewable sources in 2018-19

**740,491** ACRES OF TOTAL AREA  
UNDER FOREST COVER

57,068 acres of plantation added under Social and Farm Forestry Initiatives (as on 31st March, 2019)

**5,238,470** TONNES CO<sub>2</sub>  
SEQUESTERED  
in 2018-19

## ENERGY &amp; CLIMATE CHANGE

## ACTION PLAN ON ENERGY

ITC has mapped its energy challenges and accordingly devised an action plan to address these.

## CHALLENGES

Existing regulatory requirements such as the PAT and REC schemes →

Future regulatory pressures in line with India's commitment under NDCs to UNFCCC →

Increasing competition for biomass →

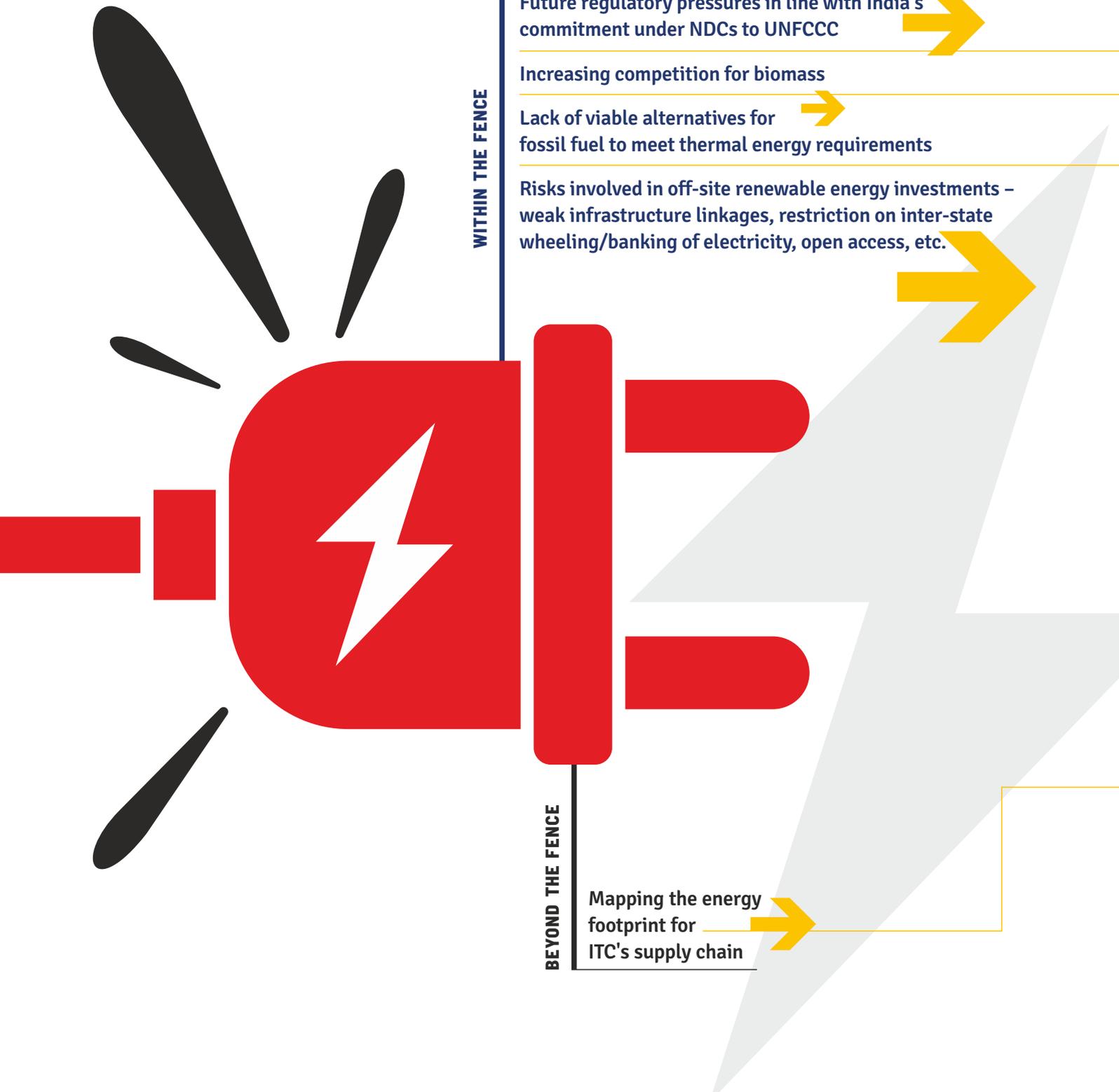
Lack of viable alternatives for fossil fuel to meet thermal energy requirements →

Risks involved in off-site renewable energy investments – weak infrastructure linkages, restriction on inter-state wheeling/banking of electricity, open access, etc. →

WITHIN THE FENCE

BEYOND THE FENCE

Mapping the energy footprint for ITC's supply chain →



## ITC ACTION PLAN

- Adopting a low-carbon growth path with the aim of achieving a 50% renewable energy share
- Energy conservation through audits and benchmarking against industry standards
- Continuous monitoring and review of performance through an organisation-wide data management system

- Life-cycle assessment based approach**
- Evaluation of energy footprint along the value chain and identification of opportunities for improvement
  - Engagement with supply chain members for monitoring and improving energy performance
  - Progressive inclusion of supply chain partners within the sustainability reporting boundary
  - Reduction of energy consumed in transportation of raw materials, finished goods and waste

## ITC'S SUSTAINABILITY POLICIES

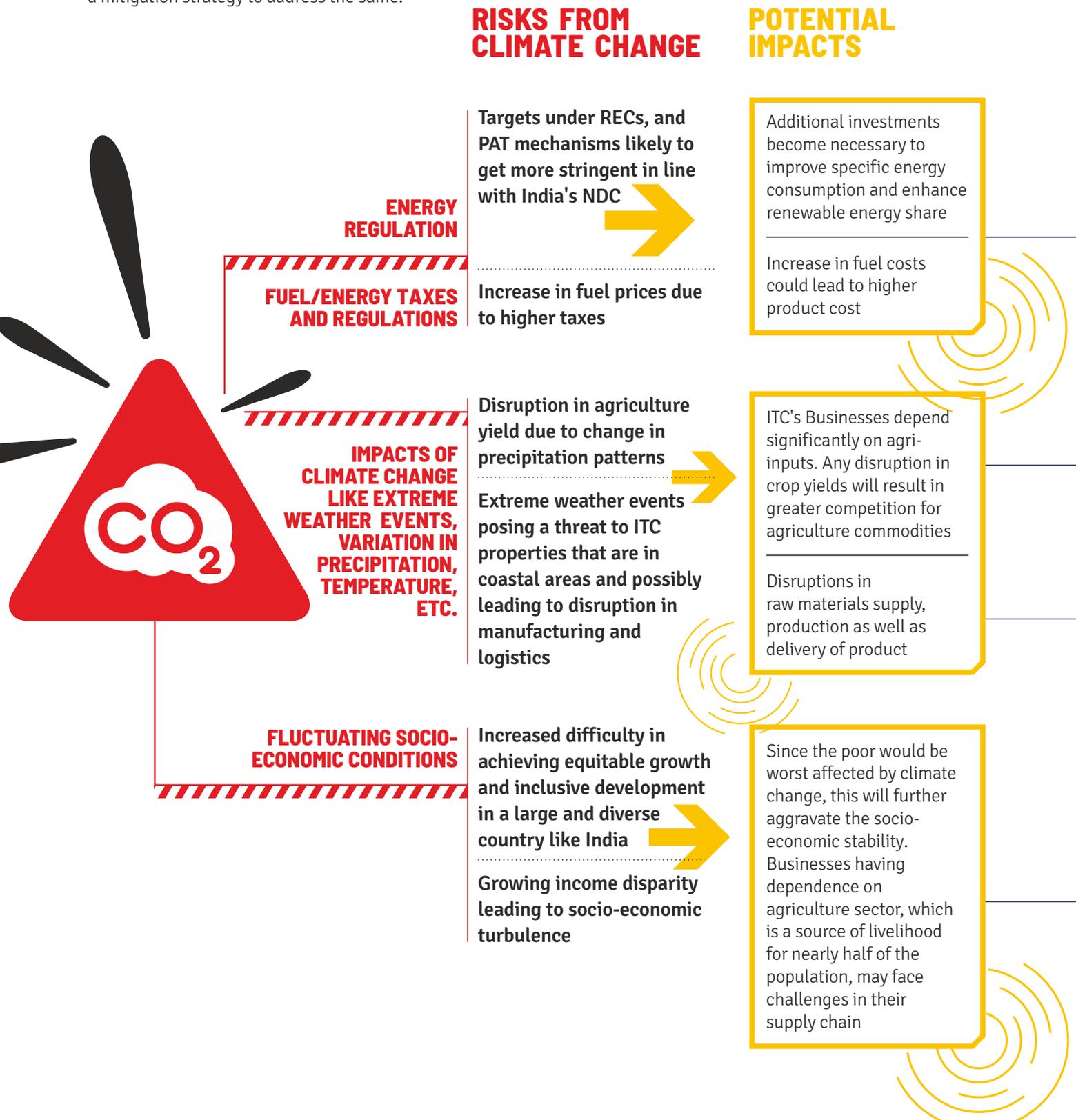
providing framework for relevant actions



## ENERGY &amp; CLIMATE CHANGE

## ACTION PLAN ON CLIMATE CHANGE

ITC has mapped its climate change risks and possible impacts, and has drawn out a mitigation strategy to address the same.



## MANAGEMENT METHOD

Effective measurement and benchmarking the performance with international best practices



Identification of energy conservation opportunities through rigorous third party audits and subsequent implementation of viable recommendations



Social investments made in various programmes, such as soil and moisture conservation, climate smart agriculture practices and technologies, etc., to reduce the risks



Undertaking comprehensive climate change risk and vulnerability assessments, and developing site-specific risk mitigation and adaptation plans

Business continuity plans are in place to compensate for any interruption of production by a manufacturing facility due to extreme weather events



ITC's inclusive development models are based on deep-rooted stakeholder concerns and focus on generation of sustainable livelihoods. With initiatives like Sustainable Agriculture, Soil & Moisture Conservation, etc., ITC has been working to promote climate-smart agriculture in its supply chain

For details on ITC's Social Investments Programme, please refer 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' chapter of this Report

## ENERGY &amp; CLIMATE CHANGE

## ACTION PLAN ON CLIMATE CHANGE



### OPPORTUNITIES FROM CLIMATE CHANGE

Increased awareness of climate change to have an impact on consumer behaviour - preference for products and services that are not only cost effective but also eco-friendly and addresses sustainability concerns across the value chain

An opportunity to grow businesses catering to these demands by being a pioneer in the field of sustainability

### POTENTIAL IMPLICATIONS

Major clients of ITC's B2B businesses like Paperboards and Specialty Papers and Agri Business are already seeking disclosures on sustainability issues. Meeting the customers' requirements and expectations enhances the value proposition

#### CHANGING CONSUMER BEHAVIOUR

#### RESOURCE EFFICIENCY

Opportunities for improving resource efficiency, i.e. raw materials, energy, water, etc.

Improvement in resource efficiency would lead to overall reduction in costs

## MANAGEMENT METHOD



Developing products/ services that take into account the climate change related parameters like LEED certification of all Luxury Hotels, procuring FSC certified wood for paper/ paperboard production, etc.



Life Cycle Assessment (LCA) studies for products/ services to evaluate their environmental impacts along the value chain and taking necessary steps to make products/ services more benign to the environment

Continue to expand initiatives towards sustainable growth and maintain transparency in disclosures



An integrated approach towards resource efficiency covering all inputs such as energy, water, raw material, etc. together for overall improvement

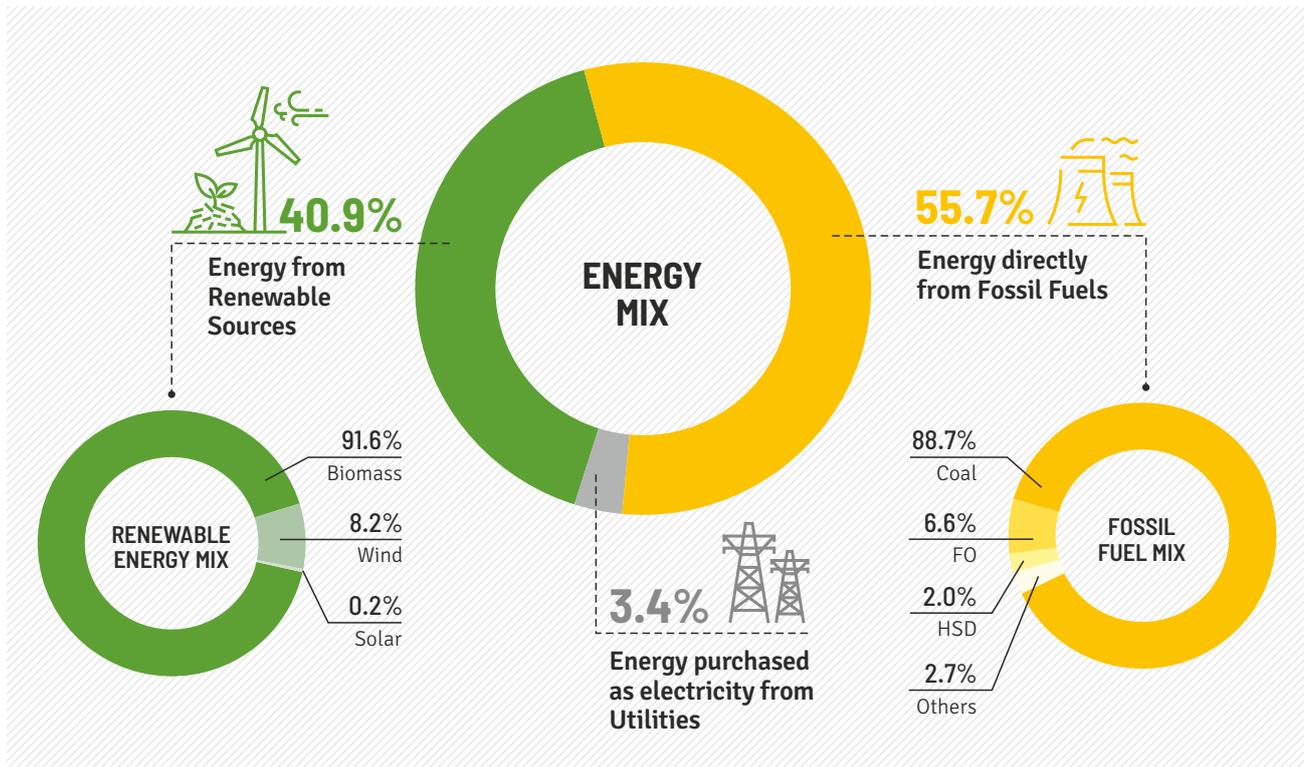


## ENERGY &amp; CLIMATE CHANGE

## PERFORMANCE

## TOTAL ENERGY CONSUMPTION

In 2018-19, ITC units consumed 23,326 Terra Joules (TJ) of energy out of which 40.9% was from renewable sources.



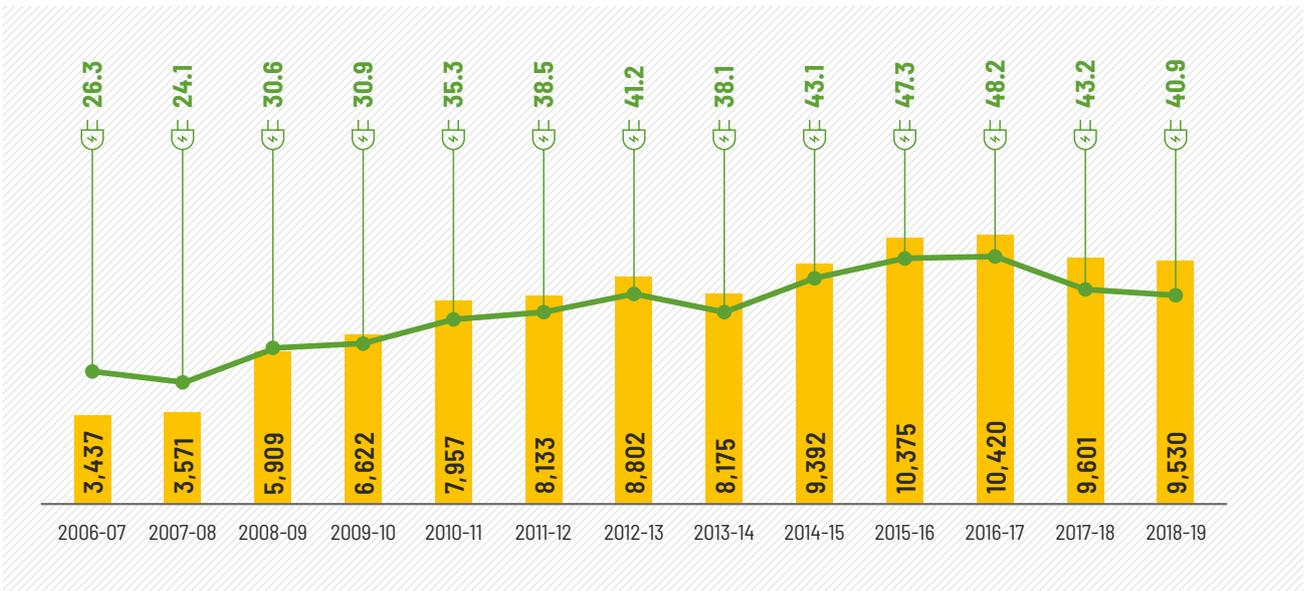
This year, ITC's total energy consumption witnessed an increase of 5% over the last year. Increase in total energy consumption is due to increased output, higher capacity utilisation of the Bleached Chemical Thermo Mechanical Pulp (BCTMP) mill at Bhadrachalam and an increase in the number of reporting units (i.e. three new units).



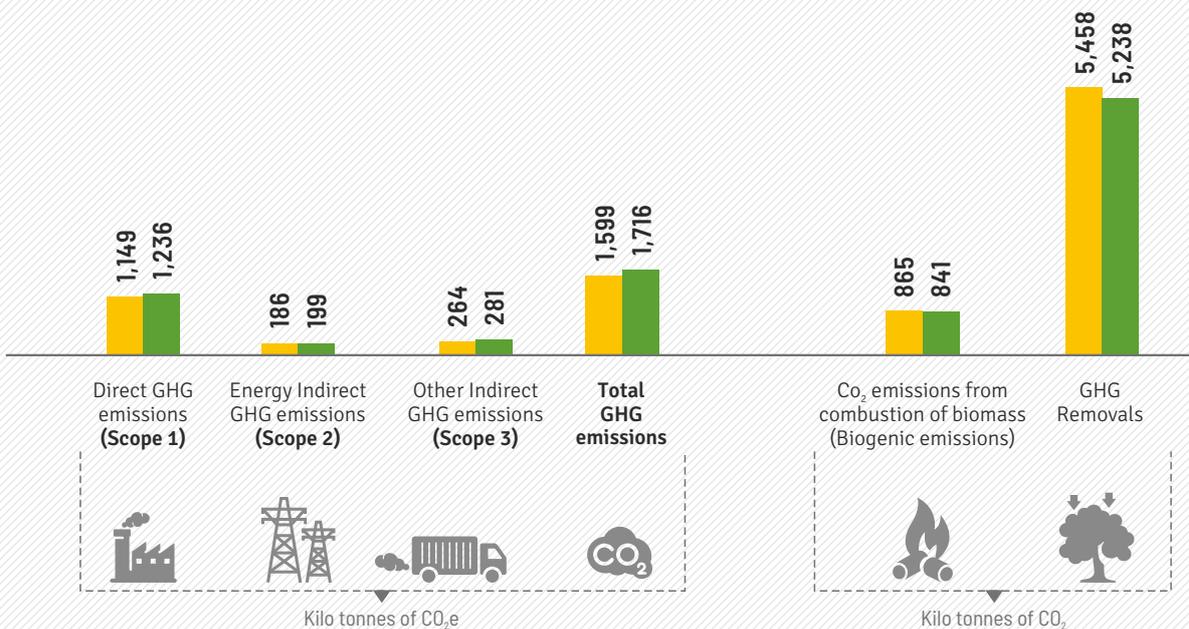
In 2018-19, ITC's renewable energy consumption experienced a marginal dip owing to lower biomass consumption at PSPD Kovai. An increase in total energy consumption accompanied with a reduction in utilisation of biomass led to a decrease in the overall share of renewables to 40.9% from 43.2% in the previous year.

**RENEWABLE ENERGY UTILISATION**

■ Total Renewable Energy (TJ) ● Percentage of Total Energy (%)



**GHG EMISSIONS AND GHG REMOVAL**



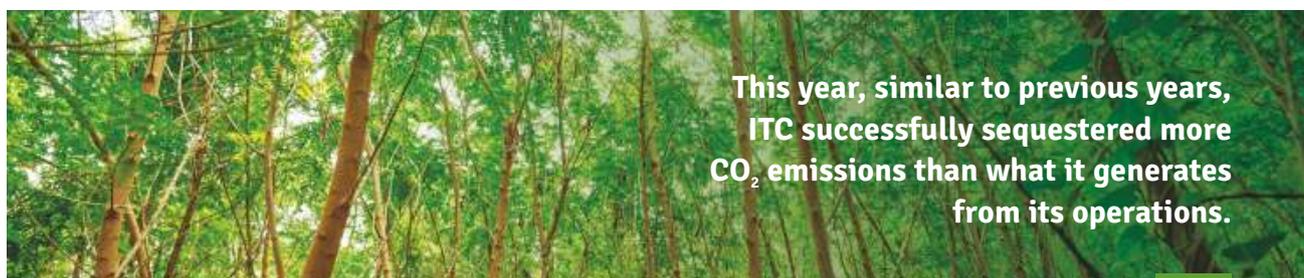
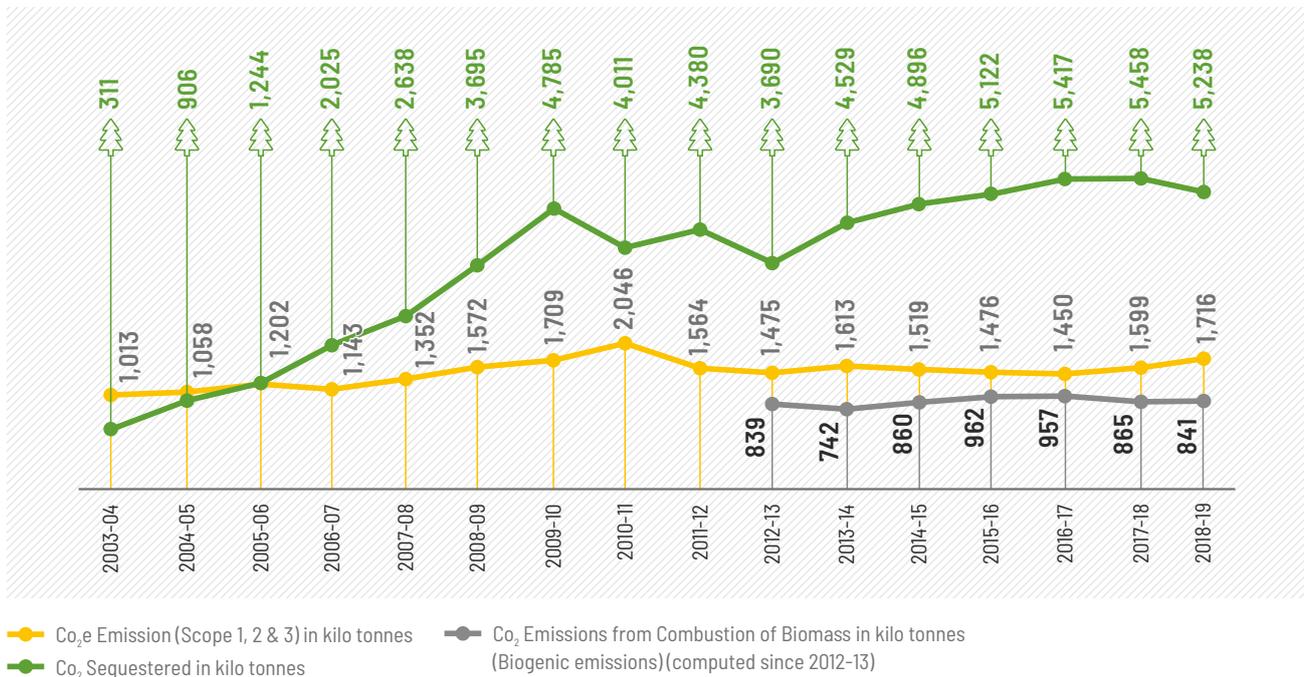
■ 2017-18 ■ 2018-19

## ENERGY &amp; CLIMATE CHANGE

In the reporting year, scope 1, 2 & 3 GHG emissions witnessed an increase over the previous year on account of the following reasons:

SCOPE 1 EMISSIONS	SCOPE 2 EMISSIONS	SCOPE 3 EMISSIONS
<ul style="list-style-type: none"> <li>Lower biomass consumption at PSPD Kovai</li> <li>Increased output and higher capacity utilisation of BCTMP mill at PSPD Bhadrachalam, which helps replace imported pulp</li> </ul>	<ul style="list-style-type: none"> <li>Addition of new units and higher output from existing units led to higher electricity consumed from the grid</li> </ul>	<ul style="list-style-type: none"> <li>Increase in GHG emissions from logistics due to increase in production</li> </ul>

ITC has computed its greenhouse gas (GHG) inventory, including GHG emissions, biogenic Carbon Dioxide (CO<sub>2</sub>) emissions and GHG removals, in accordance with ISO 14064:2006. **The GHG inventory of 2018-19 has been verified by Messrs. Ernst & Young Associates LLP, an independent third-party assurance provider, at the 'Reasonable Assurance' level.** ITC accounts for the following gases in its GHG inventory: Carbon Dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>), Nitrous Oxide (N<sub>2</sub>O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF<sub>6</sub>).

GHG EMISSIONS & CO<sub>2</sub> SEQUESTRATION

## ENERGY SAVINGS

**9,747 tonnes of GHG emissions (scope 1 & 2) were avoided by the implementation of energy conservation measures.**

Some of the energy conservation adopted across the ITC units are outlined below:

- Installation of energy efficient pulp refiners.
- Installation of automatic condensate drain valves to improve efficiency of air compressors.
- Installation of high energy efficiency baking ovens.
- Installation of Vapour Absorption Machine (VAM) and thermo-compressors to utilise waste heat.
- Installation of thermodynamic steam traps with condensate recovery to improve energy efficiency.
- Installation of heat pump for improving the efficiency of Heating, Ventilation and Air Conditioning (HVAC) system at ITC Hotels.
- Automation of tube cleaning system in HVAC chillers resulting in improved efficiency.
- Installation of Variable Frequency Drives for ventilation units, blowers, pumps, fans, etc.
- Replacement of heat exchangers, UPS, motors, compressors, chillers, air conditioners, pumps, blowers and agitators with higher efficiency ones.
- Process improvements to enhance productivity and reduce specific energy consumption.



# ENERGY & CLIMATE CHANGE

## TARGET AND PERFORMANCE

In order to pursue continuous improvement in energy and emissions related performance, ITC Businesses have taken up specific energy as well as specific GHG emission reduction targets. In line with the same, unit level targets have been allocated for driving performance improvement.

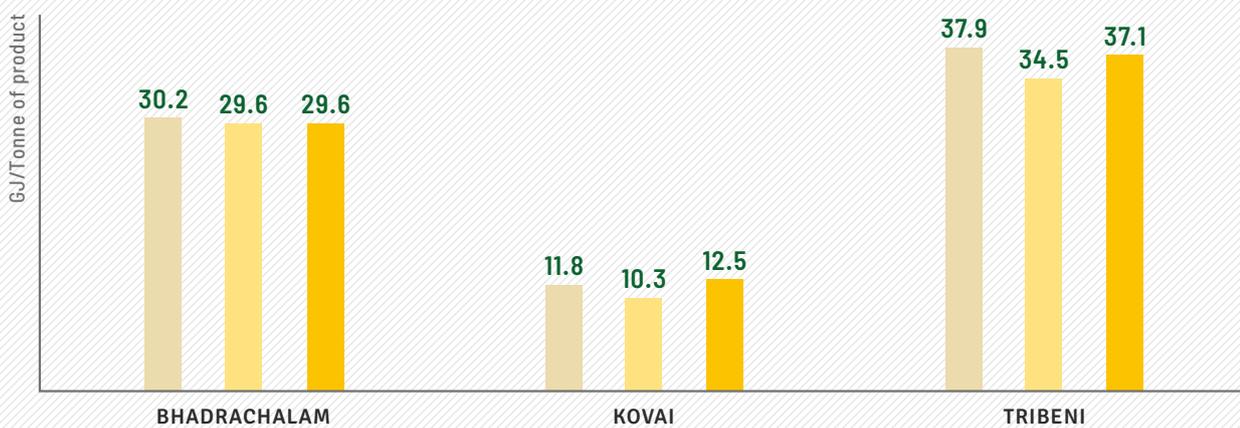
Since the three units (Bhadrachalam, Kovai and Tribeni) of Paperboards and Specialty Papers Division (PSPD) together account for about 87% of ITC's total energy consumption and 79% of total scope 1 and 2 GHG emissions, greater focus is accorded towards improving the energy performance of these units. A detailed account of their performance during the reporting period is provided below.

### ENERGY

In 2018-19, specific energy consumption of Bhadrachalam, Kovai and Tribeni units improved by 1.9%, 12.7% and 8.9% respectively as compared to last year with all three units achieving their specific energy targets. Specific energy consumption at Bhadrachalam and Tribeni units reduced due to a combination of energy conservation measures and higher production resulting from modernisation of paper machines.



### SPECIFIC ENERGY CONSUMPTION



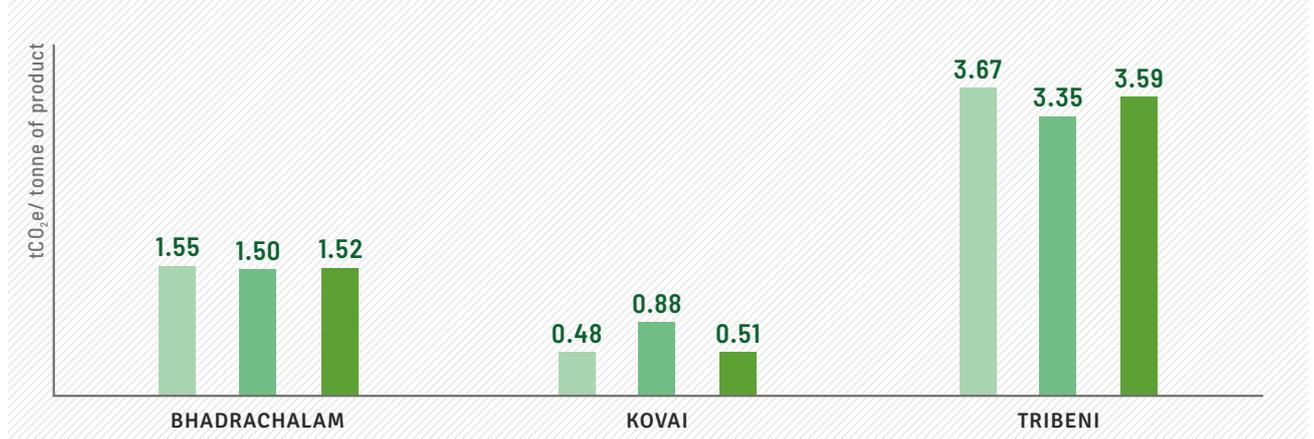
■ Actual for 2017-18    ■ Actual for 2018-19    ■ Target for 2018-19

**GHG EMISSIONS**

In 2018-19, specific GHG emissions (covering scope 1 and scope 2 GHG emissions) reduced in Bhadrachalam and Tribeni units by 3.1% and 8.8% respectively, similar to their energy performance. However, specific GHG emissions for Kovai unit increased by 82% due to reduction in biomass usage.



**SPECIFIC GHG EMISSIONS**

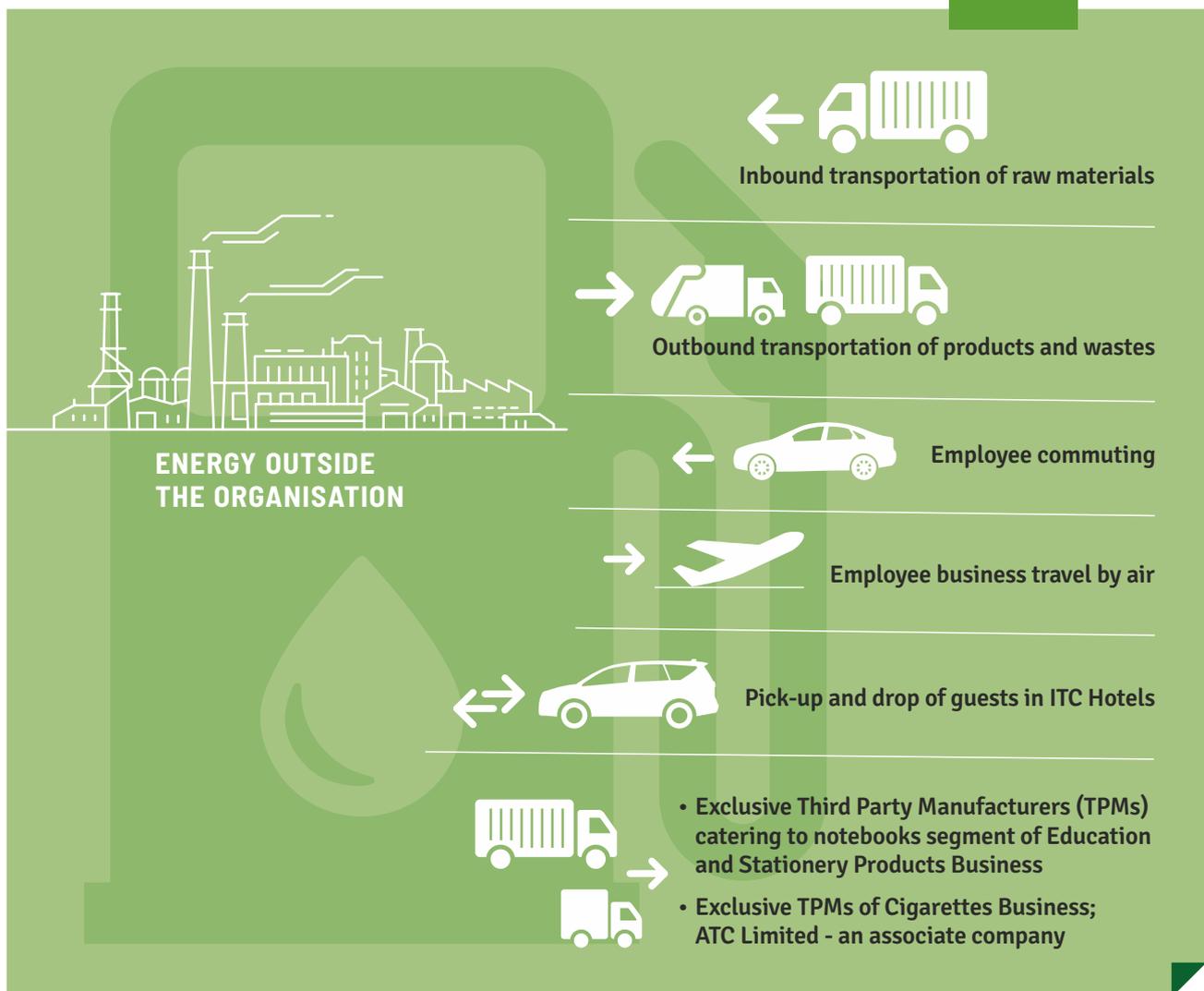


Actual for 2017-18    Actual for 2018-19    Target for 2018-19

## ENERGY &amp; CLIMATE CHANGE

## BEYOND BOUNDARY

ITC remains focussed on measuring and managing its environmental footprint across the value chain. During the year 2018-19, 3,342 TJ of energy was consumed outside the organisation. Further, scope 3 GHG emissions stood at 281,569 tCO<sub>2</sub>e which includes emissions from the energy sources listed below as well as emissions arising from fertiliser application in farm forestry programmes.



**25%**  
**REDUCTION IN SPECIFIC  
SCOPE 3 EMISSIONS  
BY OPTIMISING  
DISTRIBUTION LOGISTICS**

Trade, Marketing and Distribution Division, which manages logistics of ITC's FMCG Businesses, optimised its distribution logistics in 2018-19 leading to a 25% reduction in specific scope 3 emissions (tonnes of CO<sub>2</sub>e emission per tonne of product transported) from transportation of FMCG products (Personal Care, Foods and Cigarettes) as compared to previous year.

This was achieved by commissioning of Integrated Consumer Goods Manufacturing and Logistics facilities (ICMLs) in recent years which are closer to the market and direct shipments to destination warehouses, thereby avoiding intermediate movements.

## THE ROAD AHEAD

**ITC continues to carry out life-cycle assessment (LCA) studies of its products/services with an objective to evaluate the impacts in the value chain and to identify additional areas for improvement including energy conservation.**



### MOVING TOWARDS 50% RENEWABLE ENERGY SHARE

#### Continued focus on strategic interventions:

- Energy audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service)
- Investment in renewable energy assets based on techno-commercial feasibility

### ADDRESSING IMPACTS IN THE VALUE CHAIN

- 1 Progressive accounting of goods and services along the value chain within the sustainability reporting boundary
- 2 Engagement with supply chain members for improvement of environmental performance
- 3 Reduction of environmental impacts in transportation of raw materials, finished goods and wastes

**LIFE-CYCLE ASSESSMENT STUDIES FOR IDENTIFYING OPPORTUNITIES TO MINIMISE ENVIRONMENTAL IMPACTS ACROSS THE VALUE CHAIN OF PRODUCTS/SERVICES**

# AIR EMISSIONS

## MANAGEMENT APPROACH

Air pollution, primarily caused by vehicular and industrial emissions, has become a major public health issue in recent times. Despite sustained efforts by the government in the form of stricter emissions norms on industries and improving vehicular emissions standards, air pollution continues to remain a challenge in India with 14 out of 52 cities falling in poor or below poor air quality categories.<sup>1</sup> Addressing the challenge of air pollution will require concerted efforts by multiple stakeholders.



**ITC'S APPROACH OF PROACTIVELY PURSUING  
ENERGY CONSERVATION AND INCREASING THE  
SHARE OF ALTERNATE ENERGY  
IN ITS ENERGY PORTFOLIO,  
CONTRIBUTES TO REDUCTION IN AIR EMISSIONS.**

ITC also appropriately invests in pollution control equipment and a robust system of monitoring, measuring and reporting is in place to ensure conformity with environmental standards.

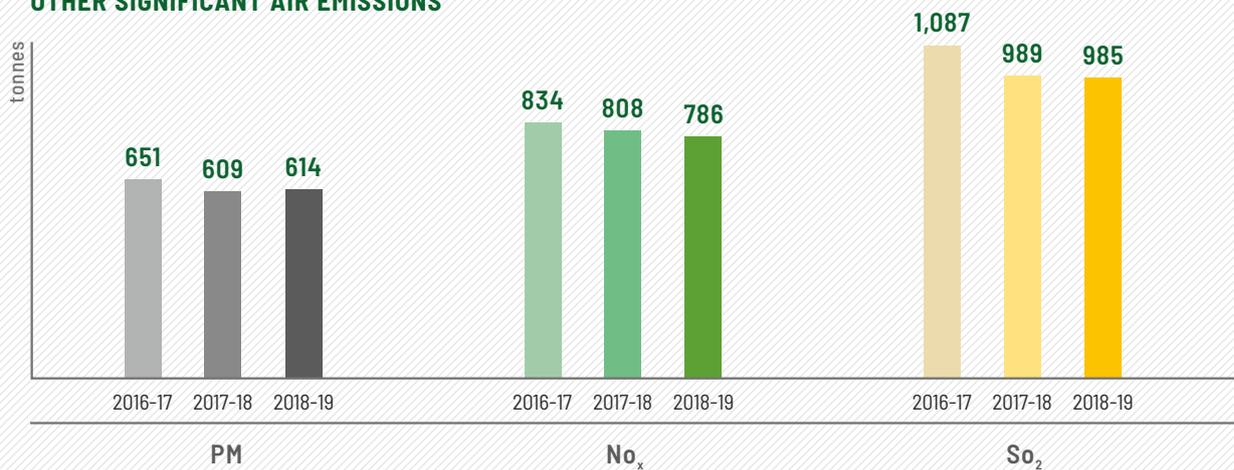
<sup>1</sup> Bulletin of Ambient Air Quality National Ambient Air Quality Monitoring Programme (NAMP) Manual monitoring system, December 2018, prepared by Central Pollution Control Board. (<http://cpcb.nic.in/manual-monitoring/>)

## PERFORMANCE

All ITC Units monitor significant air emission parameters, such as Particulate Matter (PM), Nitrogen Oxides (NO<sub>x</sub>) and Sulphur Dioxide (SO<sub>2</sub>) on a regular basis to ensure compliance with applicable Standards as well as continuous improvement. In 2018-19, ITC's total PM, NO<sub>x</sub> and SO<sub>2</sub> emissions have remained almost the same despite an increase in the number of reporting units and increased output from existing units.



### OTHER SIGNIFICANT AIR EMISSIONS



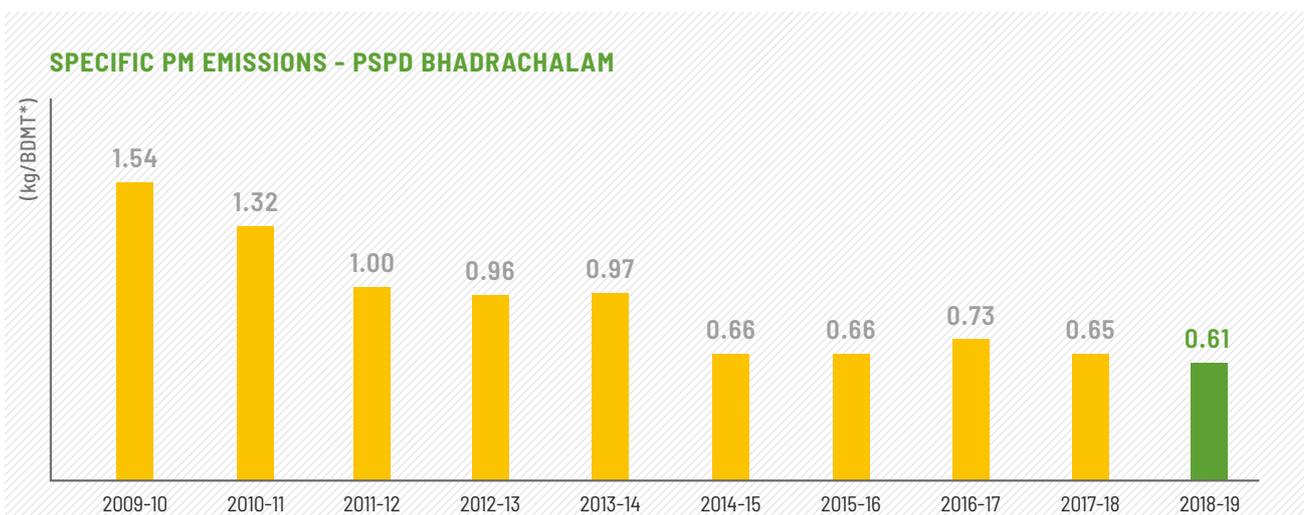
# AIR EMISSIONS

## AIR EMISSIONS PERFORMANCE AT PSPD BHADRACHALAM

PSPD Bhadrachalam, given its scale of operations, is a major contributor to ITC's total air emissions. The air emissions data at PSPD Bhadrachalam is reviewed on a regular basis and compared with industry benchmarks for improving performance. A snapshot of PSPD Bhadrachalam's performance is presented below.



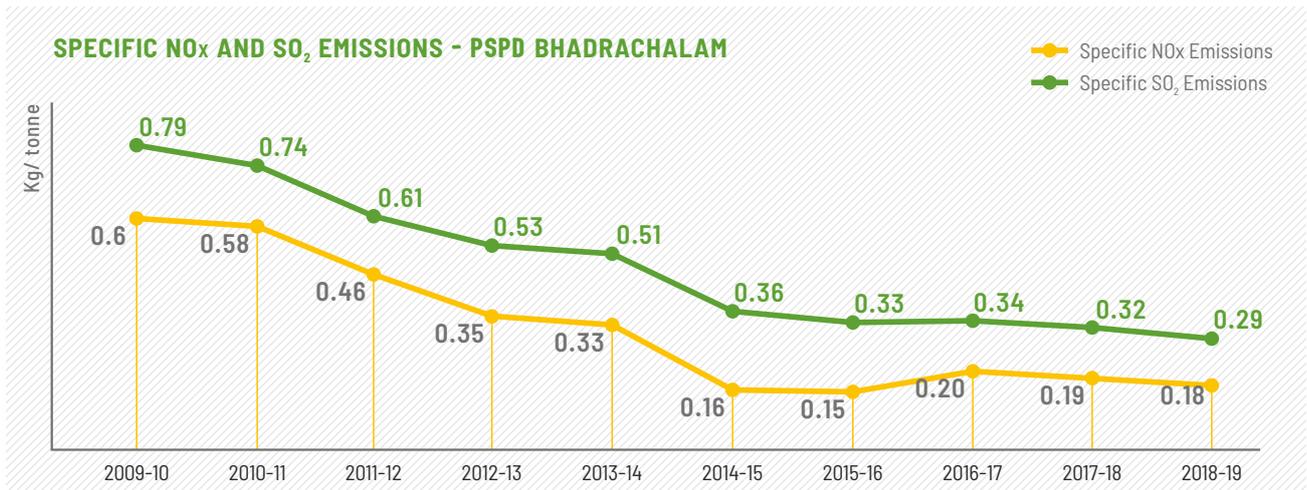
### PARTICULATE MATTER



\*BDMT stands for Bone Dry Metric Tonne

**SO<sub>2</sub> AND NO<sub>x</sub> EMISSIONS**

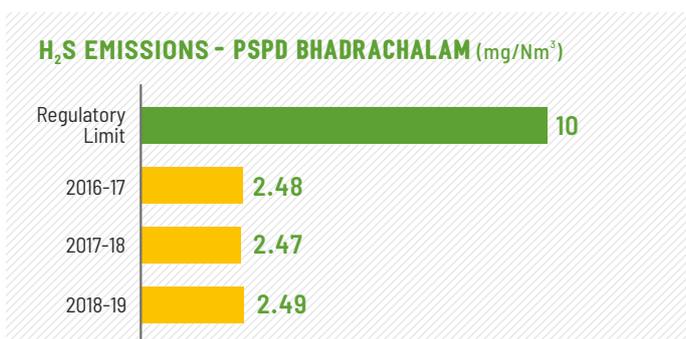
During 2018-19, both specific SO<sub>2</sub> and NO<sub>x</sub> emissions exhibited a downward trend as compared to the previous year. The reduction in specific SO<sub>2</sub> emissions was driven by lower Sulphur content in coal and better process control led to reduction in NO<sub>x</sub> emissions.



**HYDROGEN SULPHIDE (H<sub>2</sub>S) EMISSIONS**

At Bhadrachalam, the primary source of H<sub>2</sub>S emissions is the soda recovery boilers in which black liquor is used to produce steam and recover chemicals.

In 2018-19, similar to previous years, H<sub>2</sub>S emissions remained well below the regulatory limit.



**OZONE DEPLETING SUBSTANCES (ODS)**

In 2018-19, the total consumption of ODS across units stood at 71 kg of CFC-11 equivalent. ITC is working towards phasing out ODS from its operations through the following interventions:

**Replacement of all existing equipment using ODS well before the stipulated phase-out period**

**Ensuring safe recovery & disposal of ODS through authorised recyclers for equipment undergoing replacement**

**THE ROAD AHEAD**

- 1 Energy conservation through audits and benchmarking against industry standards
- 2 Investment in alternate energy sources - wind and solar
- 3 Investment in state-of-the-art pollution control equipment
- 4 Monitoring, measurement and reporting of ITC's emissions for driving performance

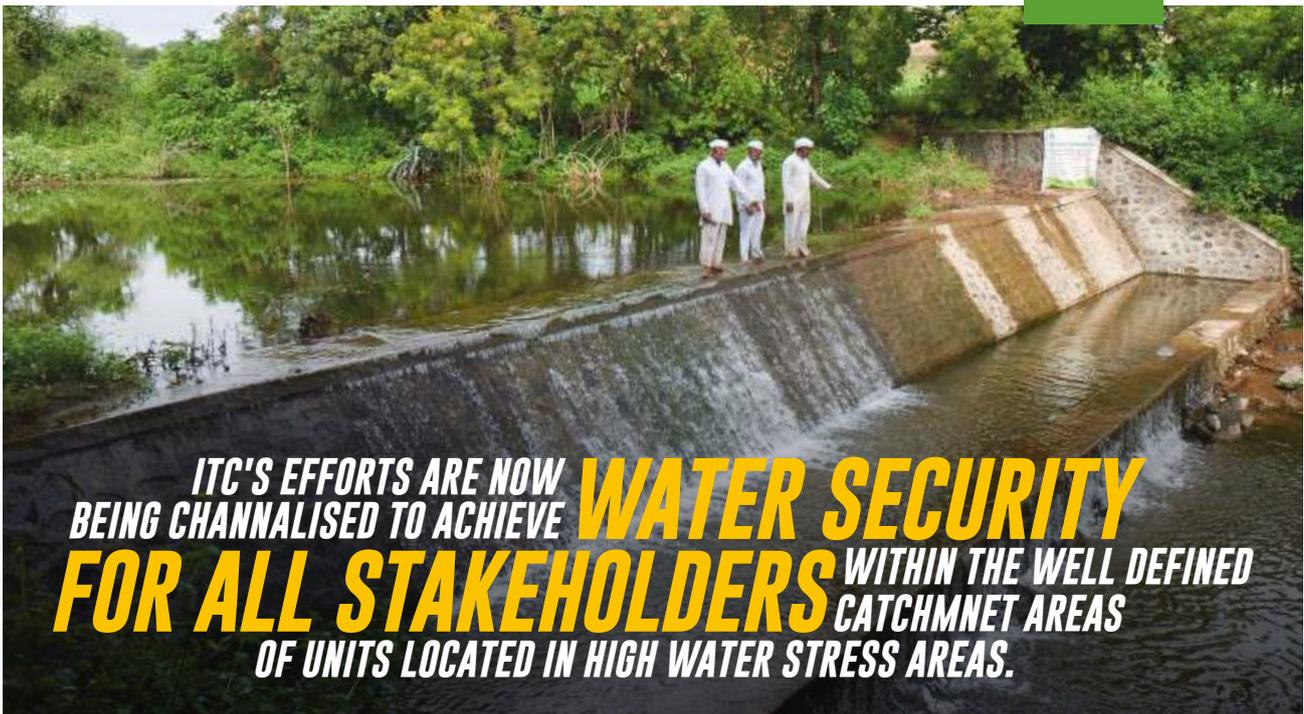
# WATER

## MANAGEMENT APPROACH

Water is a fundamental human need and is essential for maintaining ecological balance. Today, water scarcity already affects four out of every ten people.<sup>1</sup> NITI Aayog in its report titled 'Composite Water Management Index'<sup>2</sup> warns that India is undergoing the worst water crisis in its history with more than 600 million people subjected to high and extreme water stress.

**The critical groundwater resources, which account for 40% of India's water supply, are being depleted at unsustainable rates.**

The 2030 Water Resources Group Report also paints a similar picture. According to it, India would face a 50% aggregate gap between projected water demand and current water supply due to rapid growth in agricultural, municipal and domestic demand. The gap may further worsen due to risks posed by climate change.



With water scarcity increasingly becoming an area of concern, ITC continues to focus on an integrated water management approach that includes investing in water conservation measures and rainwater harvesting initiatives at its units. While ITC has achieved a unique position in water resource management through well-crafted strategies, efforts are now being channelised to achieve water security for all stakeholders within the defined catchment areas of units located in high water stress areas.

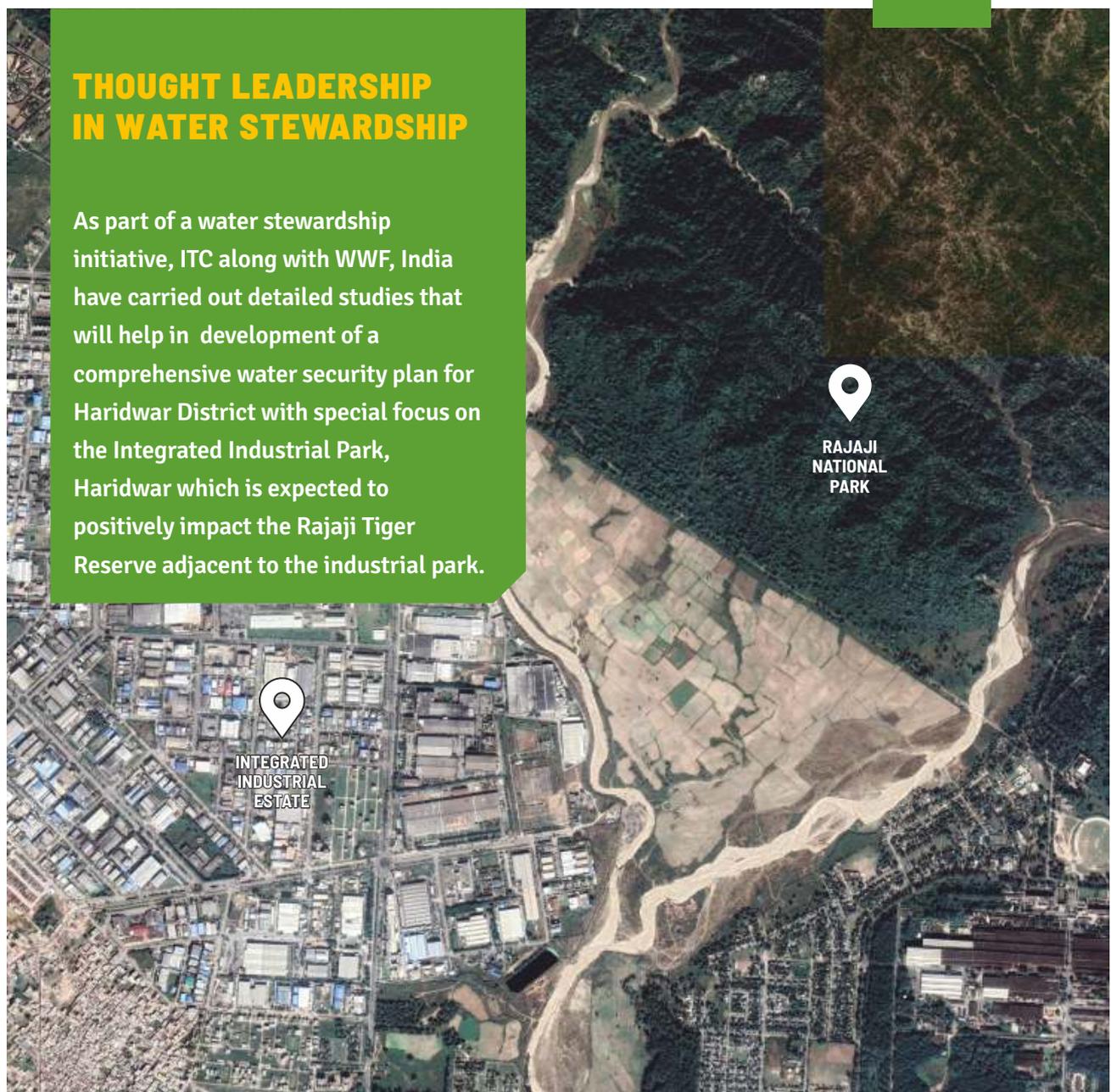
ITC acknowledges that water is a crucial input for its operations and impacts the entire value chain. Therefore, ITC engages actively with agencies like Alliance for Water Stewardship (AWS), World Business Council for Sustainable Development (WBCSD), and International Water Management Institute (IWMI) to exchange ideas and experiences and develop a shared understanding of complex social and technical issues related to water.

<sup>1</sup> United Nations, Water, viewed on 28th May, 2019, <http://www.un.org/en/sections/issues-depth/water/>

<sup>2</sup> NITI Aayog - Composite Water Management Index, June 2018 <http://pibphoto.nic.in/documents/rlink/2018/jun/p201861401.pdf>

**ITC periodically commissions comprehensive studies through credible agencies in assessing water use at units and subsequently implementing specific interventions to help improve water usage efficiency and augment the supply of water for all stakeholders within the catchment areas.**

The recommendations of unit level water security studies conducted in previous years are in various stages of implementation at ITC units in Bhadrachalam, Pune, Malur, Kapurthala, Saharanpur and ITC Grand Bharat. Additionally, the units in Malur and Kovai are in the process of implementing the International Water Stewardship Standard by Alliance for Water Stewardship (AWS), which is a globally-applicable framework for water users to understand their water use and impacts, and to work collaboratively and transparently for sustainable water management at the catchment level.



## THOUGHT LEADERSHIP IN WATER STEWARDSHIP

As part of a water stewardship initiative, ITC along with WWF, India have carried out detailed studies that will help in development of a comprehensive water security plan for Haridwar District with special focus on the Integrated Industrial Park, Haridwar which is expected to positively impact the Rajaji Tiger Reserve adjacent to the industrial park.

INTEGRATED  
INDUSTRIAL  
ESTATE

RAJAJI  
NATIONAL  
PARK

## WATER

## STRATEGIC PRIORITIES FOR WATER RESOURCE MANAGEMENT

Based on the ever-evolving water scenario, ITC has identified its water related challenges and corresponding actions to address the same.

## CHALLENGES FROM WATER STRESS

### WITHIN THE FENCE

- With continuous decline in ground water and dying of rivers, it has become even more challenging for businesses to meet their water intake requirements
- Regulatory limits on water withdrawal for businesses

### BEYOND THE FENCE

- Over 50% of the Indian workforce depends on agriculture for their principal means of livelihood
- Over 50% of India's total sown area meets its water requirements from rainwater. Any significant disruption in rainfall patterns resulting from climate change may lead to adverse impacts on agricultural yields
- Since, water is a crucial input for agricultural supply chain as well as production, business operations may get affected due to potential disruption in water availability
- India's water supply remains constrained owing to inefficient use of water, over exploitation of ground water reserves without adequate recharge and variations in surface water availability
- Deteriorating water quality requires additional treatment for rendering it usable and entails additional expenses

## ITC ACTION ITEMS

- Continuous monitoring of water use efficiency by progressively reducing specific water intake (water per unit of product/service)
- Focus on recycling/reusing of all treated effluents within or outside ITC premises
- Continued investment in creating rainwater harvesting potential within and outside the Company's premises
- Conducting water security studies and hydrogeological assessments for operating units located in high water stressed areas. ITC has also made water security assessment an integral part of greenfield/brownfield project design and development
- Implementation of recommendations emerging from water security studies



- Ensuring sustainability of agriculture through integrated watershed development including rainwater harvesting, soil and moisture conservation projects, and aquifer recharge projects particularly in regions from where ITC sources its raw materials
- Grass-root capacity building for setting up proper governance mechanisms to ensure accountability with respect to efficient water usage in agriculture
- Engagement with external stakeholders for assessment and mitigation of water related risks at the local watershed level

## ITC'S SUSTAINABILITY POLICIES

Addressing these Challenges

POLICY ON  
**ENVIRONMENT,  
 HEALTH AND SAFETY**

POLICY ON  
**LIFE-CYCLE  
 SUSTAINABILITY**

POLICY ON  
**RESPONSIBLE  
 SOURCING**

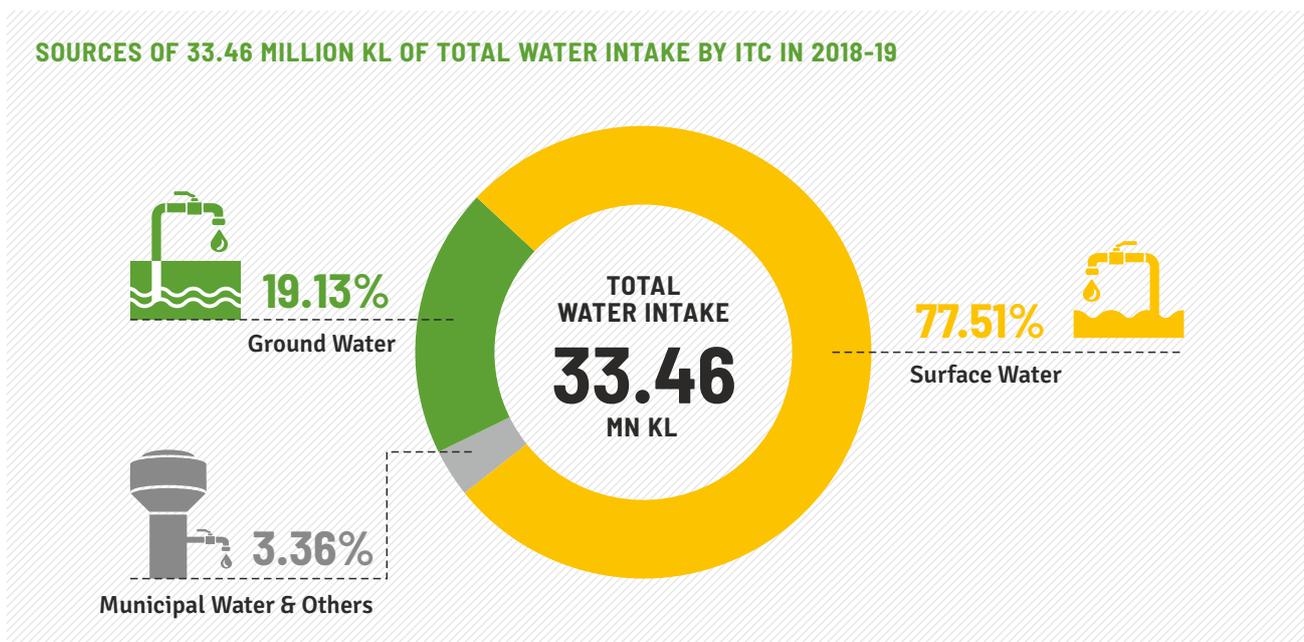
# WATER

## PERFORMANCE

In 2018-19, ITC's total water intake was 33.46 million kilolitres (kl), a marginal increase of 0.76% over the previous year (33.21 million kl in 2017-18). This is primarily due to inclusion of new units and Hotels in the reporting boundary and augmentation of manufacturing capacity.

### TOTAL WATER INTAKE BY SOURCE

Out of 33.46 million kl of total water intake in 2018-19, 77.51% was sourced from surface water, 19.13% from ground water sources and the remaining 3.36% from municipal and other water sources. In order to drive continuous improvement, all ITC units have systems to monitor the specific water intake (total water intake per unit of product/service).



### TOTAL WATER INTAKE OF PSPD UNITS

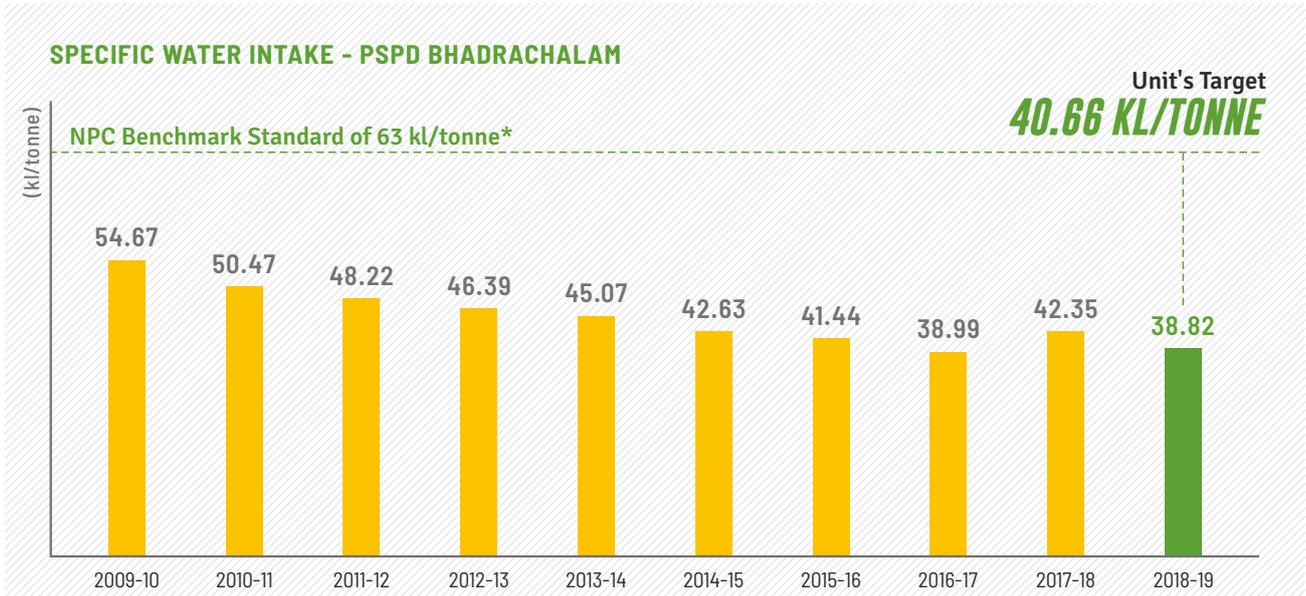
In 2018-19, PSPD units accounted for around 88% of ITC's total water intake. The Company, therefore, continues to pay greater focus to water conservation and specific water intake reduction at these units.

#### ■ PAPERBOARDS UNIT AT BHADRACHALAM

PSPD Bhadrachalam is India's largest integrated pulping and paperboard manufacturing unit. Since Pulp and Paper Industry is highly water intensive, ITC has made significant investments in the last two decades to address this aspect.

In 2018-19, Bhadrachalam unit accounted for 74.42% of the total water intake by ITC and achieved a specific

water intake of 38.82 kl/tonne of product, an improvement of 8% over the previous year's 42.35 kl/tonne. The unit's performance was also well within the target of 40.66 kl per tonne. This was due to a combination of water conservation measures undertaken and higher production resulting from installation of a new paper machine.

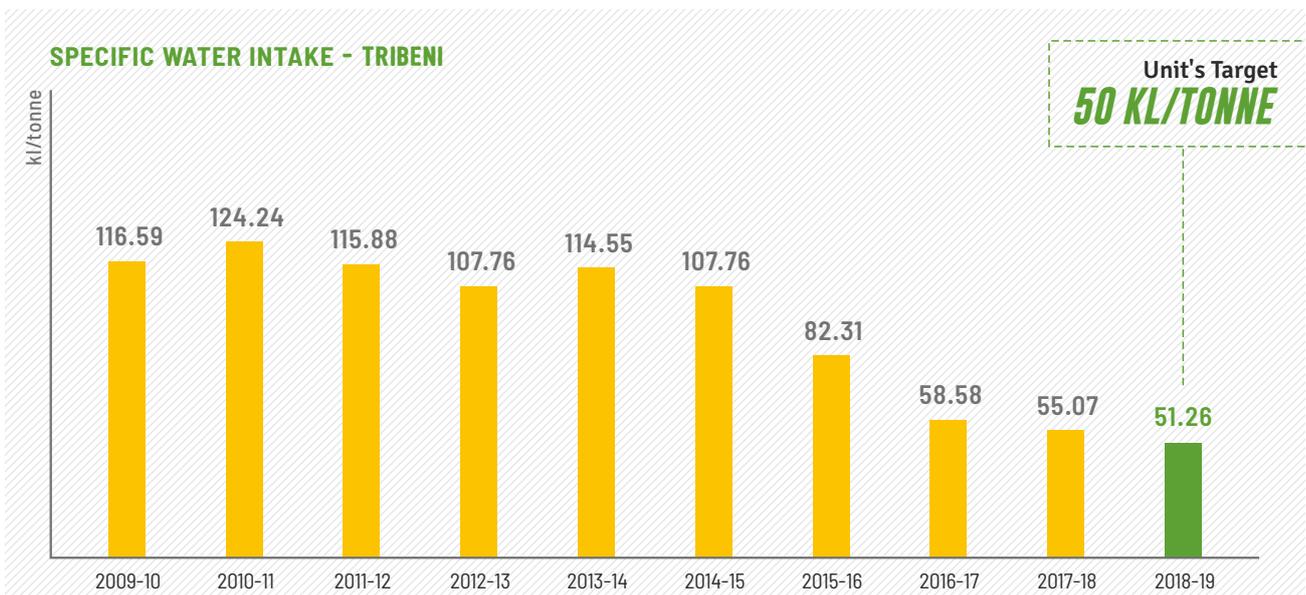


\*Proposed National Productivity Council (NPC) Benchmark Standard of 63 kl/tonne for large scale integrated pulp and paper mills. (Reference: Final Report on Development of Guidelines for Water Conservation in Pulp and Paper Sector by NPC, New Delhi, March 2006.)

#### ■ SPECIALTY PAPERS UNIT AT TRIBENI

Tribeni unit manufactures specialty paper, which is particularly water intensive. For the reporting period, Tribeni unit's specific water intake was 51.26 kl/tonne which represented a reduction of 7% over last year achieved through several water conservation measures implemented by the unit and higher production resulting from modernisation of a paper machine.

The unit however could not achieve its target set of 50 kl/tonne due to the delay in stabilisation of the newly commissioned paper machine. Efforts for conserving water are underway and the corresponding effect on water savings and specific water intake will be reflected in the upcoming years.



\*There is no specific NPC benchmark standard for Specialty Paper Manufacturing

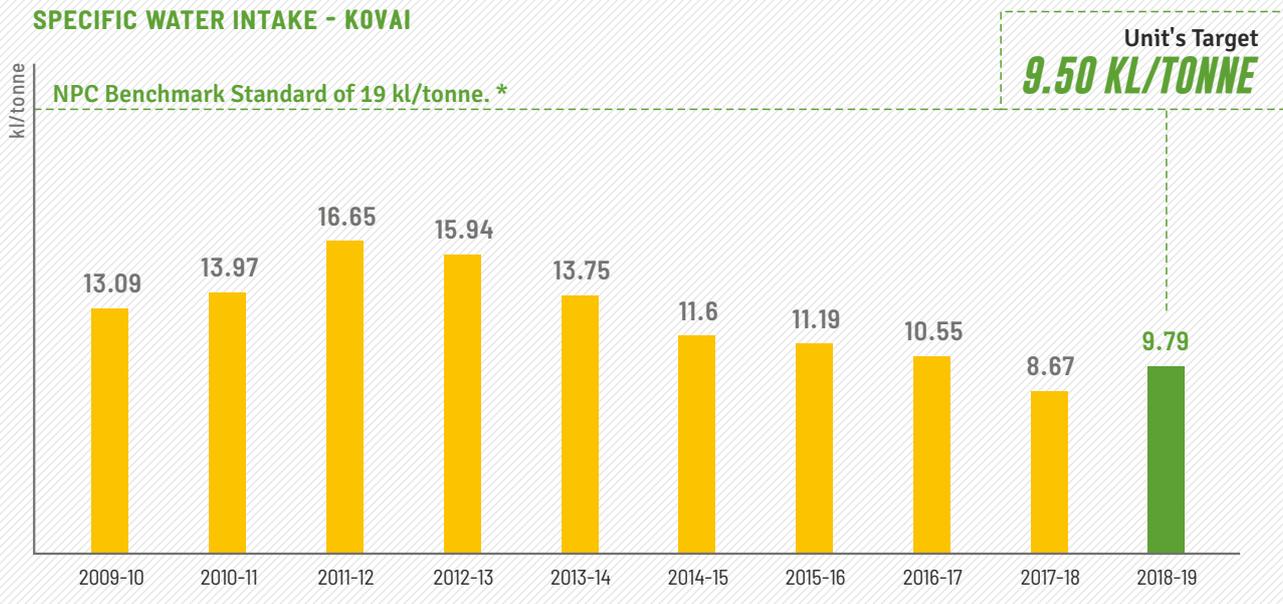
## WATER

## ■ PAPERBOARDS UNIT AT KOVAI

At Kovai, during the reporting year, the specific water intake of the unit increased to 9.79 kl/tonne from 8.67 kl/tonne to accommodate the additional water requirement from a change in product mix. Efforts are underway to reduce specific water intake.



## SPECIFIC WATER INTAKE - KOVAI



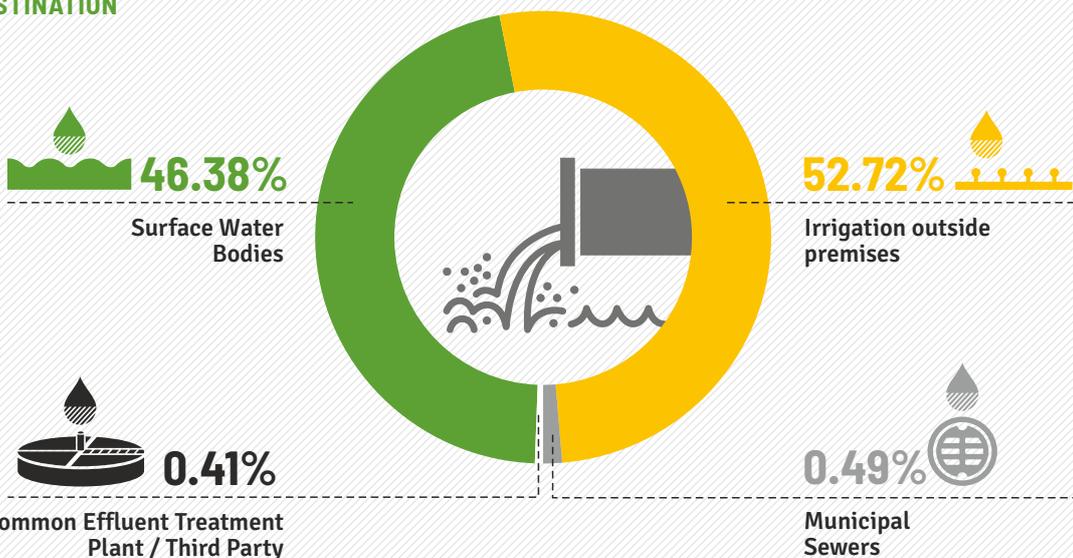
\* Proposed NPC Benchmark Standard of 19 kl/tonne for recycled fibre based paper mills

**EFFLUENT DISCHARGE**



**ALL ITC UNITS MET THEIR REGULATORY REQUIREMENT RELATED TO EFFLUENT DISCHARGE QUALITY AND QUANTITY IN 2018-19.**

**TREATED EFFLUENT DISCHARGE BY DESTINATION**



**23.12 MILLION KL** OF TREATED EFFLUENT WAS DISCHARGED OUTSIDE THE PREMISES BY ITC UNITS IN 2018-19

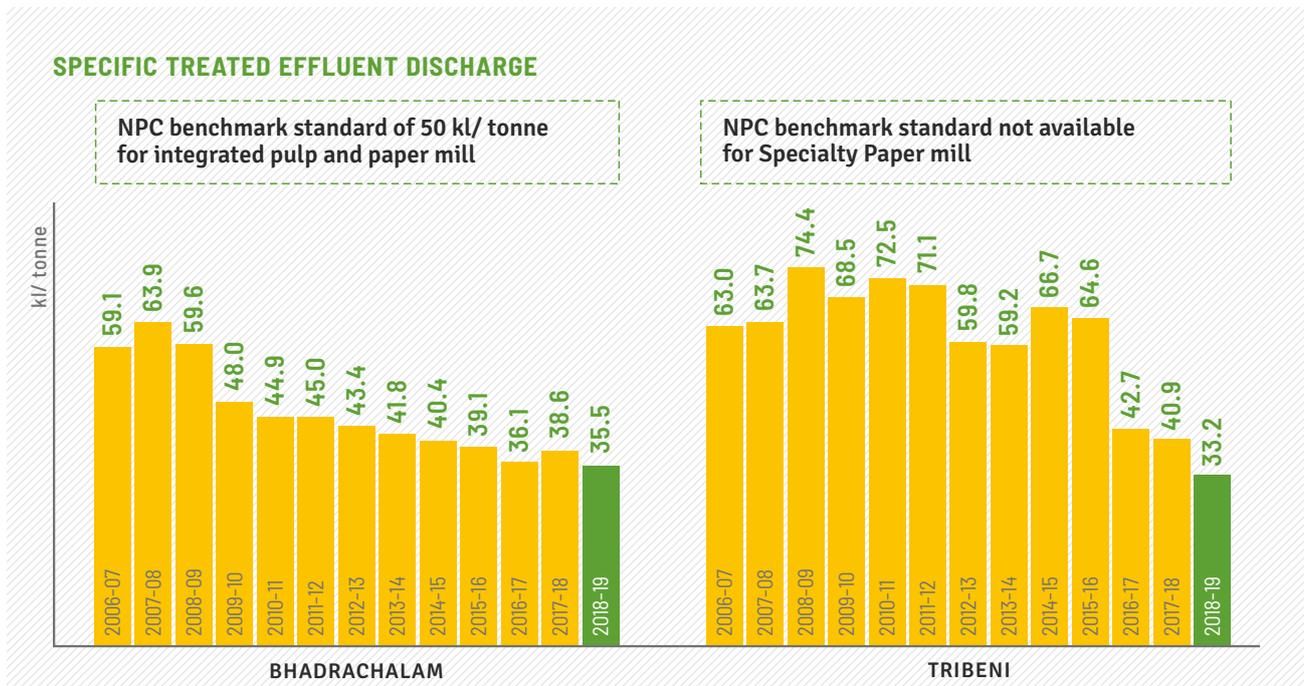
## WATER

PSPD units at Bhadrachalam and Tribeni accounted for 98.64% of total treated wastewater discharged outside the premises, out of which 53.04% of the discharge was utilised for irrigation purposes. Therefore, specific focus has been accorded to the performance of these two units in terms of treated effluent discharge volume as well as quality.

Both Bhadrachalam and Tribeni units continued to improve upon their specific treated effluent discharge performance, reducing their specific treated effluent discharge by 8% and 19% respectively.

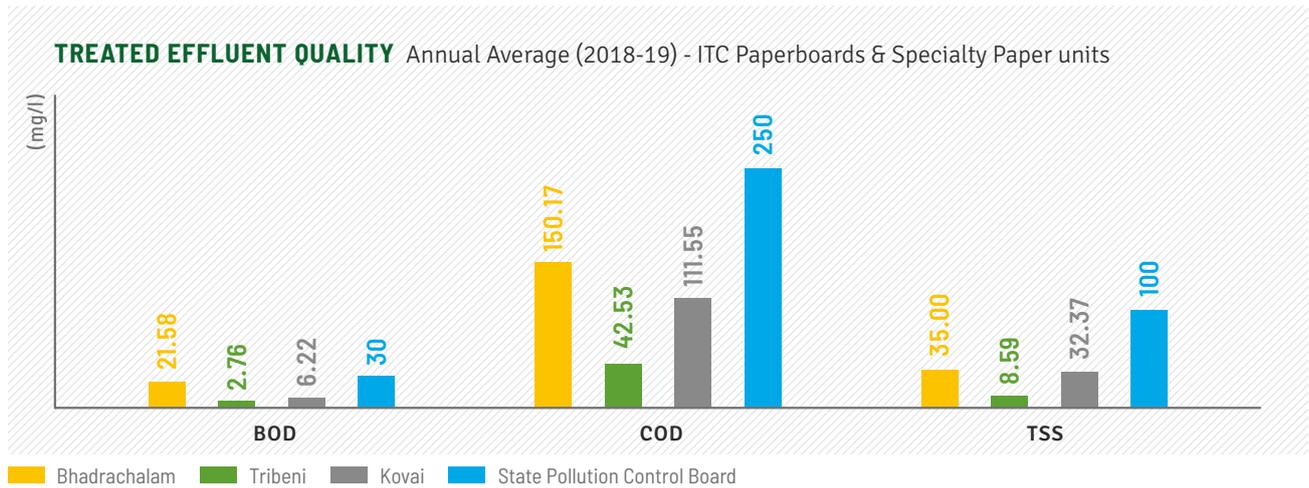
**Bhadrachalam unit's specific treated effluent discharge stands at 37.75 kl/BDMT which is in line with the European pulp and paper industry's benchmark figure of 47 kl/BDMT.<sup>3</sup>**

<sup>3</sup> Technical EIA Guidance Manual for Pulp and Paper Industries- IL&FS Environment



Since 2010-11, the wastepaper-based pulp and paper mill at Kovai has not discharged any treated effluent outside its premises. In 2018-19, the specific treated effluent discharged within the unit for irrigation was 4.66 kl/tonne, which is significantly lower than the proposed NPC standard of 15 kl/tonne.

The quality of the treated effluent from Paperboards and Specialty Papers units has been maintained at levels well below the stipulated norms by the State Pollution Control Board (SPCB).



At the Bhadrachalam unit, level of Adsorbable Organic Halides (AOX) is also monitored. These compounds are formed as a result of reaction between residual lignin from wood fibres and chlorine compounds used for bleaching. Depicted below is the specific AOX level for Bhadrachalam unit for 2018-19 showing that the level is well below the norm stipulated by Ministry of Environment, Forest and Climate Change as well as national and international benchmarks.

	Reference	Specific AOX Level in Kg/tonne of finished product
<b>BHADRACHALAM UNIT</b>	-	<b>0.008</b>
Ministry of Environment, Forest and Climate Change	parivesh.nic.in	<b>1</b>
Indian Paper/Paperboard mills	Average as per Comprehensive Industry Document for Large-Scale Paper Mills, study conducted by Central Pulp and Paper Research Institute, 2007	<b>0.46-0.8</b>
European Paper Industries	Confederation of European Paper Industries (CEPI) Key Statistics 2017	<b>0.023</b>
International Finance Corporation (IFC) Standard	'Environmental, Health, and Safety Guidelines Pulp and Paper Mills', IFC, December 10, 2007	<b>0.25</b>

**IMPACTS IN THE VALUE CHAIN**

In line with the Board approved Policies on 'Life-cycle Sustainability' and 'Responsible Sourcing', ITC had initiated the process of accounting for water intake of supply chain members in 2014-15.

**In 2018-19, the total water intake for ATC Limited (an associate Company) and two exclusive third party manufacturers for the Cigarettes Business taken together was 24,121 kl, a decrease of 1% over the previous year (24,369 kl in 2017-18). In the coming years, ITC intends to include more supply chain members within the reporting boundary.**

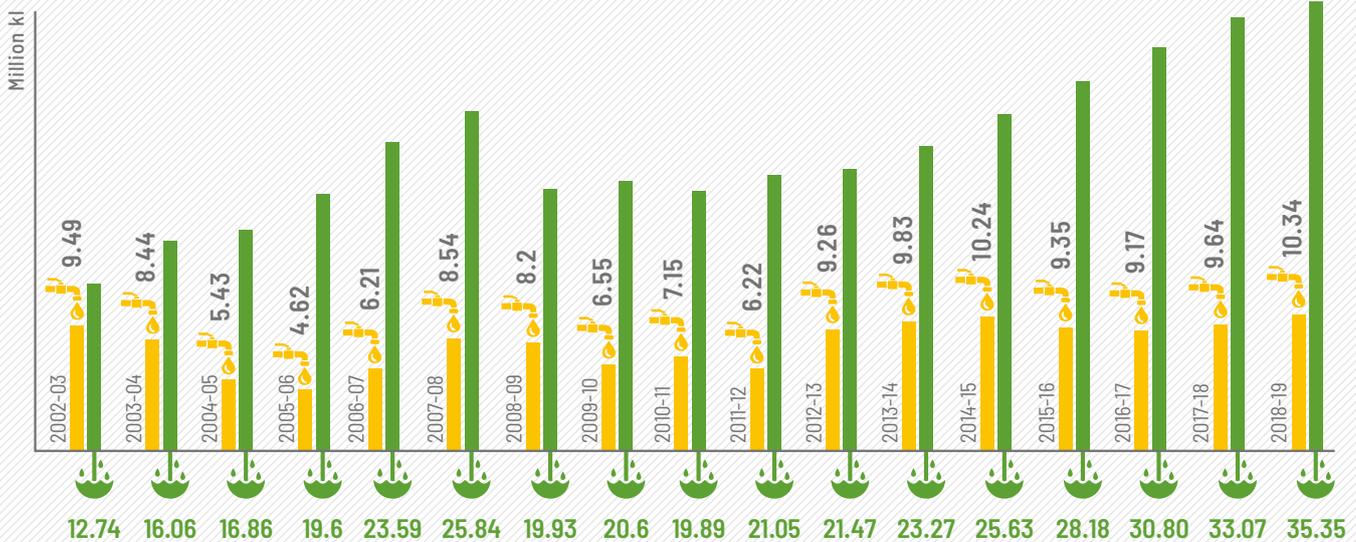
## WATER

## CREATING RAINWATER HARVESTING POTENTIAL

Over the years, ITC has been creating rainwater harvesting potential through extensive investments in Integrated Watershed Development Projects. As on March 31, 2019, these projects covering 10,11,601 acres of land have supported the water positive status of the Company for 17th year in a row. Please refer to 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' chapter of this Report for more information.



## WATER BALANCE



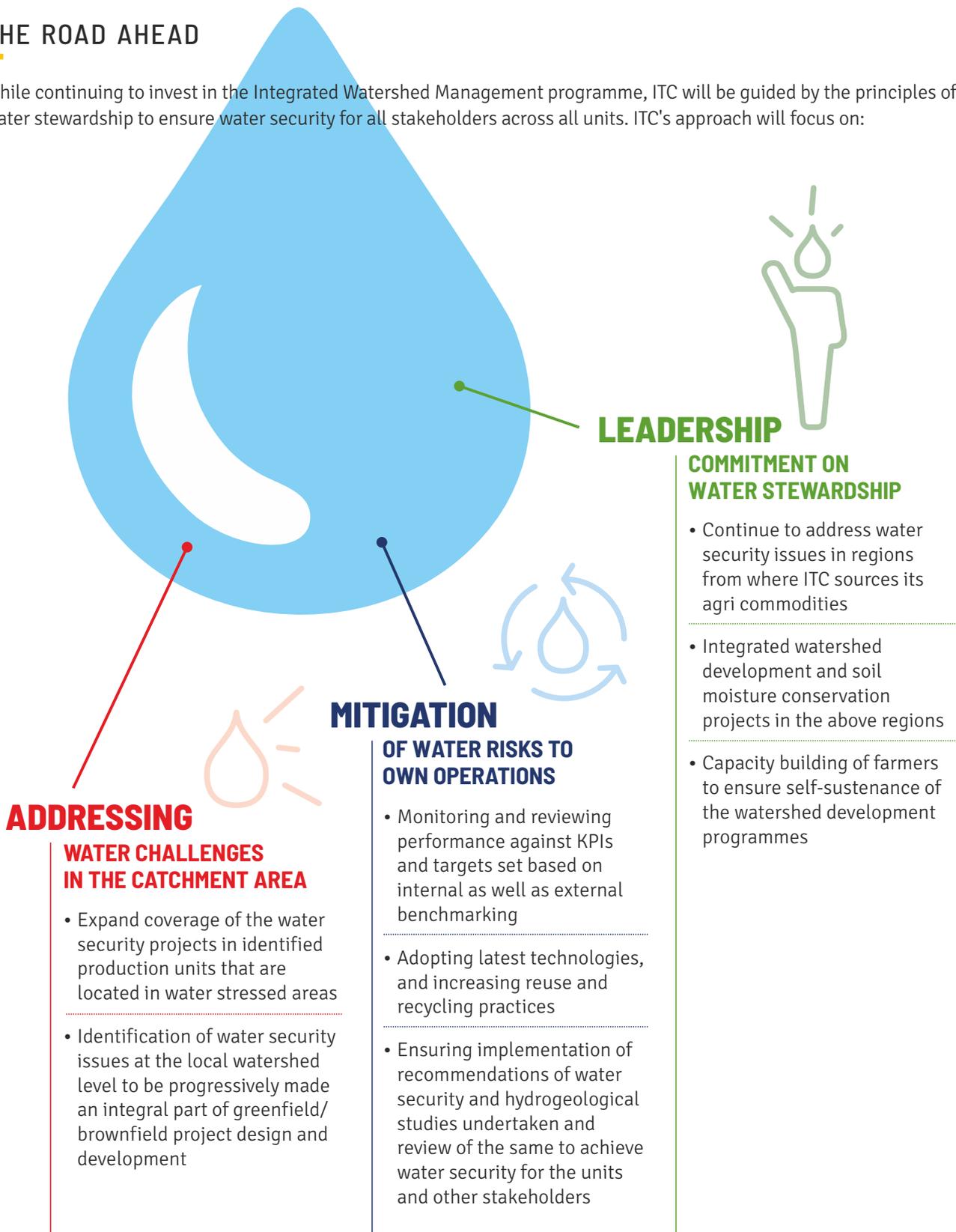
Net Water Consumption (= Fresh Water Intake - Treated Effluents Discharged)

Total RWH potential created for the year (= RWH potential created within ITC Units + RWH potential created through watershed projects)

From the year 2008-09, a factor based on sample measurements is being used to account for reduction in storage capacity due to siltation of all RWH surface storage bodies created inside and outside the company premises.

## THE ROAD AHEAD

While continuing to invest in the Integrated Watershed Management programme, ITC will be guided by the principles of water stewardship to ensure water security for all stakeholders across all units. ITC's approach will focus on:



### ADDRESSING

#### WATER CHALLENGES IN THE CATCHMENT AREA

- Expand coverage of the water security projects in identified production units that are located in water stressed areas
- Identification of water security issues at the local watershed level to be progressively made an integral part of greenfield/ brownfield project design and development

### MITIGATION

#### OF WATER RISKS TO OWN OPERATIONS

- Monitoring and reviewing performance against KPIs and targets set based on internal as well as external benchmarking
- Adopting latest technologies, and increasing reuse and recycling practices
- Ensuring implementation of recommendations of water security and hydrogeological studies undertaken and review of the same to achieve water security for the units and other stakeholders

### LEADERSHIP

#### COMMITMENT ON WATER STEWARDSHIP

- Continue to address water security issues in regions from where ITC sources its agri commodities
- Integrated watershed development and soil moisture conservation projects in the above regions
- Capacity building of farmers to ensure self-sustenance of the watershed development programmes

**LIFE CYCLE ASSESSMENT STUDIES FOR EVALUATION OF THE OPPORTUNITIES FOR IMPROVEMENT IN THE VALUE CHAIN OF PRODUCTS AND IMPLEMENTATION OF APPROPRIATE INTERVENTIONS.**

# RAW MATERIALS

## MANAGEMENT APPROACH

Most of ITC's Businesses are vertically integrated which facilitates optimum utilisation of raw materials, recycling of wastes as well as efficient logistic operations.

For addressing impacts outside the boundary of operations, life-cycle assessments of ITC's products are progressively being taken up with the objective of making such studies an integral part of product design and development. In addition, the Board approved Policies of ITC supplemented by a 'Code of Conduct for Vendors and Service providers' provide the direction for sustainable sourcing of raw materials to ensure their long-term availability.

*Please refer the 'Supply Chain' section of this Report for further details.*



**ALL ITC UNITS  
CONTINUE TO PURSUE EFFICIENT USE OF  
RAW MATERIALS THROUGH EXTENSIVE  
PROCESS MANAGEMENT INITIATIVES  
CENTRED ON SUSTAINABILITY PRACTICES.**

## FOREST STEWARDSHIP COUNCIL™ CERTIFICATION

**PSPD obtained the prestigious Forest Stewardship Council™ (FSC™) Chain of Custody Certification in 2009**, which is valid till 2020. FSC™ is an independent, non-governmental, not-for-profit organisation established to promote responsible management of the world's forests and is recognised as the gold standard in wood certification for ethical and legal sourcing.

This certification illustrates ITC's continued commitment towards sustainable business practices and building an inclusive and secure future for its stakeholders and the society at large.

**To ensure responsible wood sourcing, all domestic wood procurement sources have been certified as per standards of FSC™ - Controlled Wood and over 37,000 hectares have been covered under the FSC™ - Forest Management (FM) Certification, covering more than 32,000 farmers.**



 Chain of Custody  
Certification in 2009,  
valid till 2020

**ITC IS THE LEADING SUPPLIER  
OF FSC™ CERTIFIED PAPER &  
PAPERBOARDS IN INDIA**

**IN 2018-19,  
ITC PROCURED MORE THAN  
97,000 MT  
OF FSC FM CERTIFIED WOOD TO  
MANUFACTURE FSC CERTIFIED  
PAPER & PAPERBOARDS**

## RAW MATERIALS

## ITC'S APPROACH FOR OPTIMISING RAW MATERIAL USE

CHALLENGES  
FROM MATERIALS  
SUSTAINABILITYWITHIN  
THE FENCE

Increased competition for resources, technology barriers, need for capital investments and maintaining cost competitiveness

BEYOND  
THE FENCE

Significant variation in rainfall patterns resulting from climate change may adversely impact agricultural yields, which will in turn have a negative impact on agri-based businesses



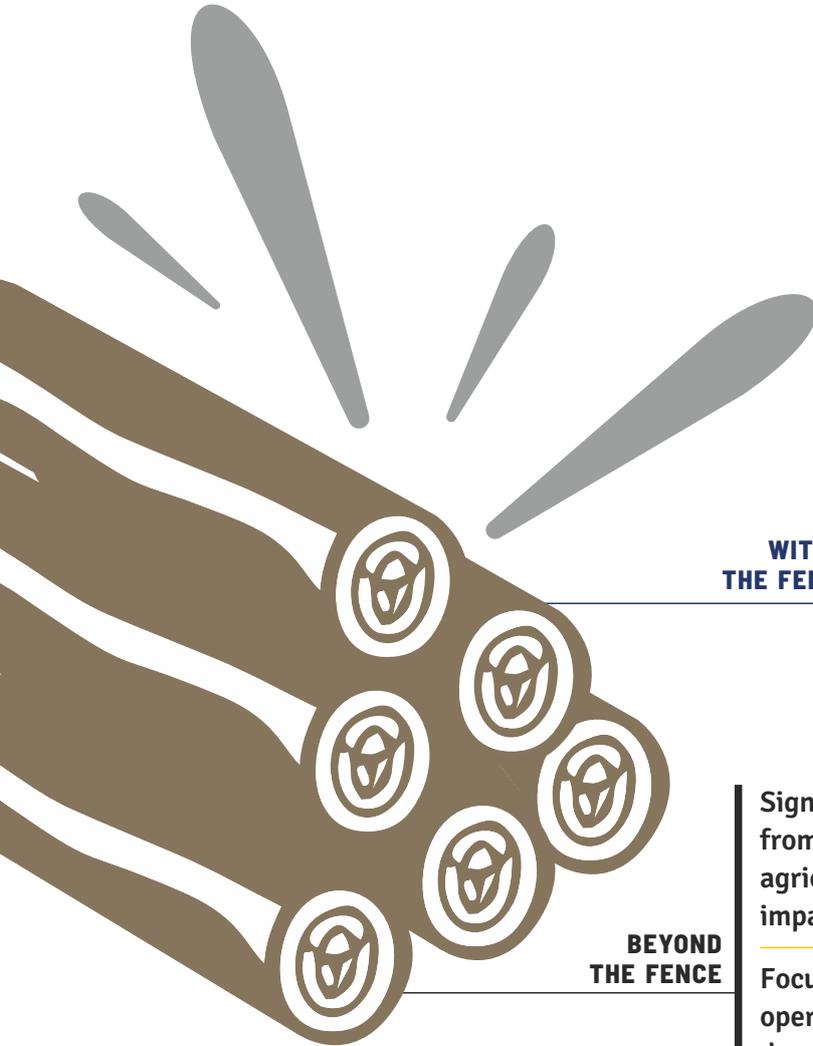
Focussing on long term sustainability goals while operating in an environment where both market dynamics as well as regulatory framework are subject to short term variations

Low productivity of small farm holdings and inadequate access of farmers to knowledge and technology



Agricultural procurement and sourcing policies in India come from a controlled market philosophy shaped by circumstances of post-independence India. In order to maximise agri-productivity while ensuring social equity, a new framework of laws and regulations is necessary

Furthermore, absence of crop and weather insurance reduces the risk-taking capability of small farmers to undertake investments in alternate crops or new technologies



## ITC'S ACTION PLANS

Maximise resource use efficiency through rigorous process controls and continuous evaluation of opportunities to improve

- Ensuring sustainability of agriculture through integrated watershed development projects particularly in regions from where ITC sources its raw materials. Investment in multiple sourcing models from different geographies to spread risks
- Grassroots capacity building for creating proper governance models in the agri-value chain for creating accountability with respect to ensuring prudent water usage, self-sustenance of integrated watershed development programmes, infrastructure improvement, etc.
- e-Choupal network facilitates better access to customised knowledge on scientific farm practices for small and marginal farmers
- Life-cycle assessment studies for identifying areas to pursue for further improvements
- Engage with policy makers through industry associations and other appropriate forums

## ITC'S SUSTAINABILITY POLICIES

providing framework for relevant sections



POLICY ON  
**ENVIRONMENT,  
 HEALTH AND SAFETY**



POLICY ON  
**LIFE-CYCLE  
 SUSTAINABILITY**



POLICY ON  
**RESPONSIBLE  
 SOURCING**

# RAW MATERIALS

## PERFORMANCE

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

FMCG (B2C) Products	Industrial Supplies and Exports	Services
Foods, Personal Care Products, Education & Stationery Products, Matches & Agarbattis, Cigarettes	Paperboards and Specialty Papers, Packaging and Printing, Agro Commodities	Hoteliering and Information Technology

Most of ITC Businesses largely depend on agro-based raw materials. Below is a snapshot of the materials used in 2018-19:

**ITC processed 2,344,314 tonnes of materials, out of which over 95% (2,267,396 tonnes) were from agro/ forestry based renewable sources.**

The Paperboards and Specialty Papers Division (PSPD) processed 1,794,292 tonnes of raw materials (about 77% of the total raw material procured by ITC), out of which 99.6% were from renewable sources.

### RESPONSIBLE SOURCING OF FIBRE

Approximately 62% of the total fibre requirements of ITC's PSPD is met by pulp, manufactured at Bhadrachalam Unit. Another 16% comes from recycled fibre processed at units in Kovai and Bhadrachalam. The balance 22% is imported pulp used at Bhadrachalam and Tribeni units. In terms of traceability:

<b>Approximately 85% of the fibre produced in Bhadrachalam is from wood sourced from ITC's Social and Farm Forestry initiatives</b>	<b>The fibre used at the Kovai unit is either recycled or reclaimed fibre</b>	<b>Overall, 100% of the fibre used by ITC's PSPD is of known and legal origin</b>
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**ITC contributes immensely towards forest preservation in line with the objectives of the National Forest Policy by forming partnerships with farmers through farm forestry and social forestry initiatives. These initiatives have led to massive afforestation, benefitted millions of farmers as well as ensured responsible sourcing of wood fibre.**

*For details, refer 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' chapter*



*Note: Only those raw materials, which constitute more than 10% of the total material consumed in a manufacturing unit or have significant environmental importance, have been considered in reporting this aspect.*

## THE ROAD AHEAD

In line with ITC's Board approved Policies on 'Life Cycle Sustainability' and 'Responsible Sourcing', systems and processes are being progressively implemented across Businesses. In the coming years, ITC plans to carry out more life-cycle assessment studies of select products to evaluate environmental impacts at various life cycle stages and help identify opportunities for further improving their environmental footprint across the value chain.

# WASTE

## MANAGEMENT APPROACH

Driven by an ever increasing population, rapid urbanisation and rising consumption levels, waste generation in India has gone up considerably. At the same time, the infrastructure required to collect and process the wastes continues to lag behind. This along with inadequate source segregation has culminated into a massive waste management problem. Every year, Indian cities generate about 49.34 million tonnes<sup>1</sup> of municipal solid waste (MSW) –of which a staggering 81% is being sent to landfills, open dump sites or just left as litter, clogging drains, contaminating water bodies and rivers.



**AS AN EXEMPLAR IN ENVIRONMENTAL PERFORMANCE, WASTE MANAGEMENT IS A MAJOR ACTION AREA FOR ITC.**

Within the scope of ITC's operations, waste is minimised through systematic monitoring and improvement of efficiencies in material utilisation as well as by maximising recycling.

Outside the fence, ITC's initiatives focus on creating sustainable and scalable solutions for the enormous problem of MSW, based on source segregation of waste.

<sup>1</sup> Consolidated Annual Review Report: 2015-16, Central Pollution Control Board

## WASTE

## STRATEGIC PRIORITIES FOR WASTE MANAGEMENT

Based on learning from past experiences, ITC has crafted the following approach on waste management.

## CHALLENGES

WITHIN  
THE FENCE

Continuously optimising processes to ensure minimum waste generation, and enhancement of overall efficiency and product competitiveness.

Reducing the environmental footprint of packaging.

BEYOND  
THE FENCE

Inadequate awareness and absence of incentives/ penalties necessary to drive behavioural change amongst citizens to encourage them to start practising source segregation.

Absence of replicable, scalable and sustainable models of municipal solid waste management.

## ITC'S STRATEGY

### Resource Conservation

Reducing specific waste generation at all ITC units through constant monitoring and improvement of material utilisation efficiency.

### Towards 100% Recycling

Tracking each waste category and ensuring value realisation through resource recovery at each unit to ensure that almost no waste from ITC's units ends up in landfills.

### Sustainable Packaging

- Ensuring that 100% of packaging is reusable, recyclable or compostable.
- Design packaging for higher levels of recycling
- Optimising packaging to minimise the environmental impact of post-consumer packaging waste without compromising product integrity.



### Ensuring Source Segregation

Collaborating with various stakeholders like municipal corporations, civil society etc. for ensuring segregation at source.

### Partnering with Municipal Bodies

Partnering with Municipal Bodies/Urban Local Bodies (ULBs) for door-to-door collection of segregated waste.

### Support Circular Economy

Identification and implementation of suitable end-of-life solutions for each stream of municipal solid waste and move towards circular economy.



## ITC'S SUSTAINABILITY POLICIES

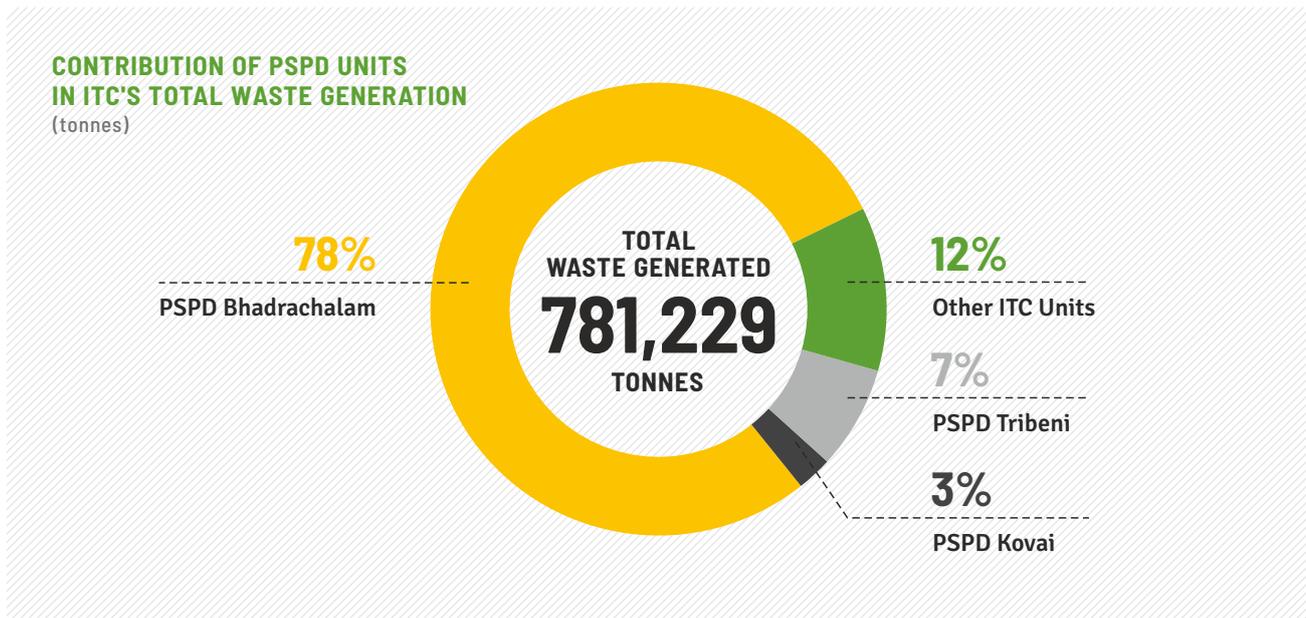
providing framework for relevant actions



## WASTE

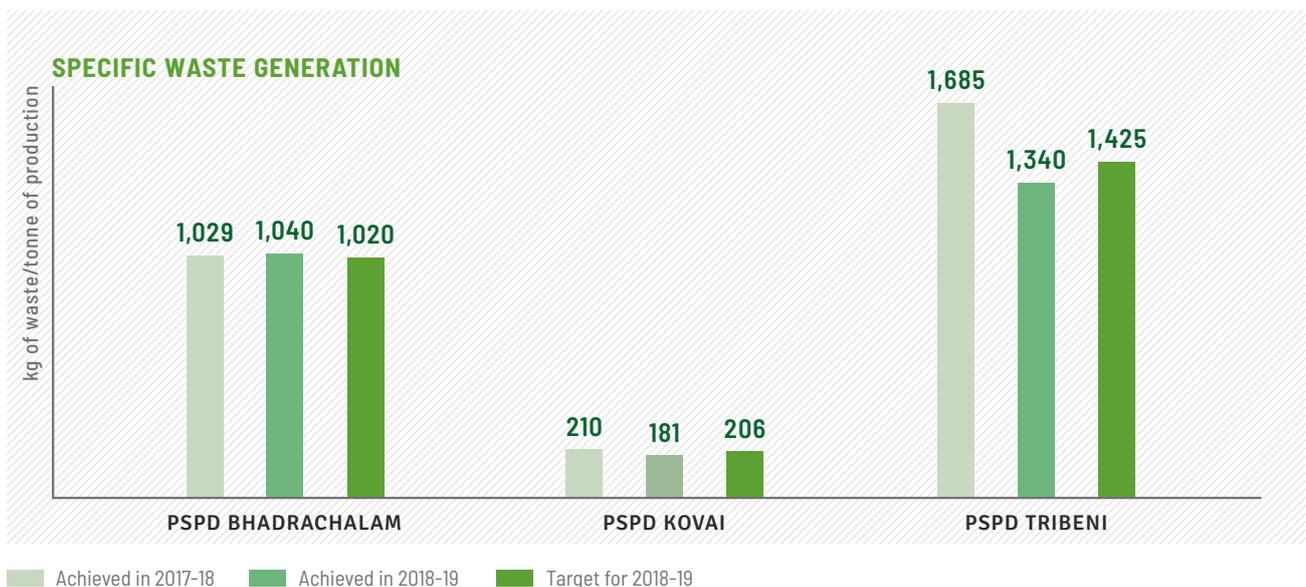
## PERFORMANCE

In 2018-19, ITC units generated 781,229 tonnes of waste as compared to 725,095 tonnes generated in 2017-18. The 8% rise is attributable to the inclusion of new units and Hotels in the reporting boundary and augmentation of manufacturing capacity.



## SPECIFIC WASTE GENERATION

PSPD Bhadrachalam, Kovai and Tribeni units account for about 89% of ITC's waste. Their performance is presented below.

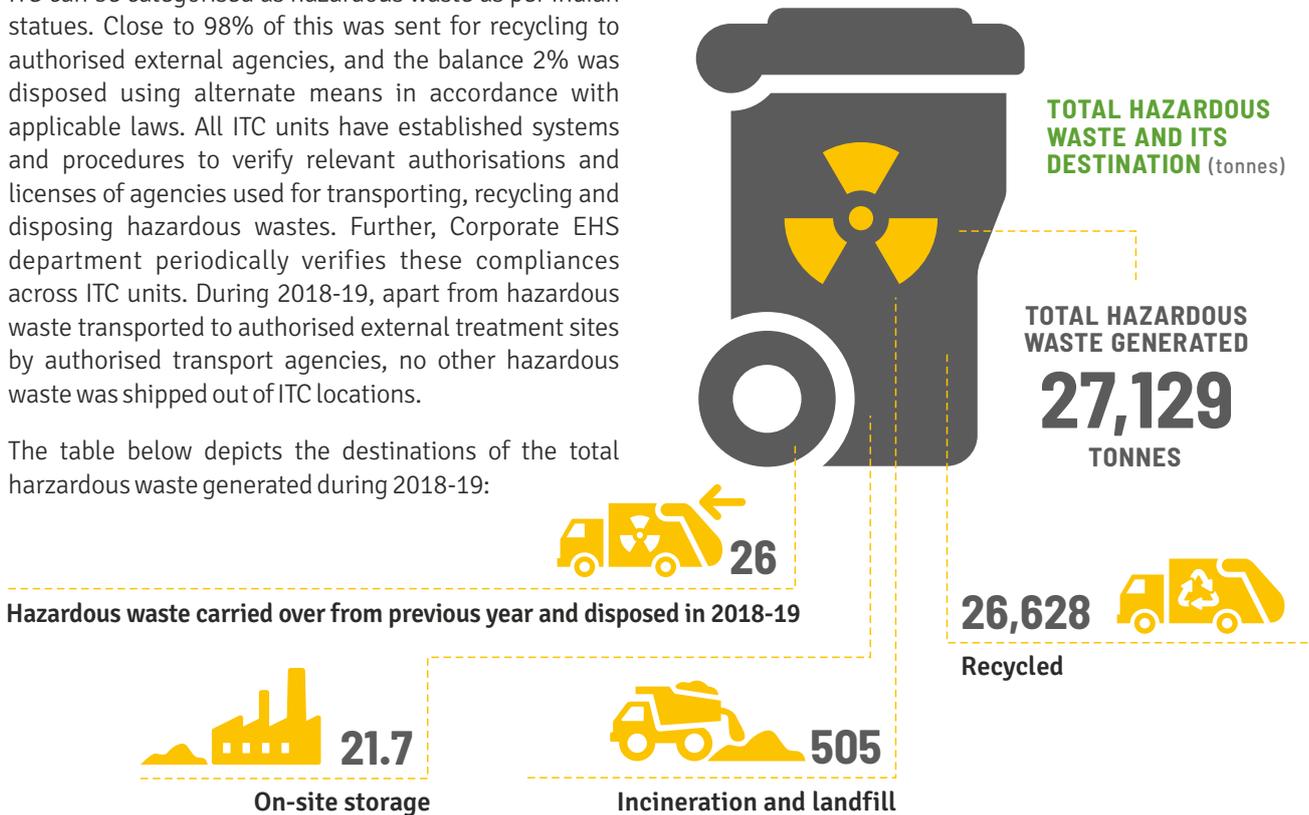


In 2018-19, Kovai and Tribeni units achieved their target for specific waste generation, while Bhadrachalam unit experienced an increase in specific waste generation due to project related activities of a new paper machine's installation.

**HAZARDOUS WASTE**

For 2018-19, about 3% of waste (by weight) generated by ITC can be categorised as hazardous waste as per Indian statues. Close to 98% of this was sent for recycling to authorised external agencies, and the balance 2% was disposed using alternate means in accordance with applicable laws. All ITC units have established systems and procedures to verify relevant authorisations and licenses of agencies used for transporting, recycling and disposing hazardous wastes. Further, Corporate EHS department periodically verifies these compliances across ITC units. During 2018-19, apart from hazardous waste transported to authorised external treatment sites by authorised transport agencies, no other hazardous waste was shipped out of ITC locations.

The table below depicts the destinations of the total hazardous waste generated during 2018-19:



**NON-HAZARDOUS WASTE**

During 2018-19, 99.98% of the total non-hazardous waste generated in ITC units was either reused or recycled. The details related to reuse/recycling application of non-hazardous waste generated in ITC units are given below. This accounts for majority (around 77%) of non-hazardous waste generated in 2018-19.

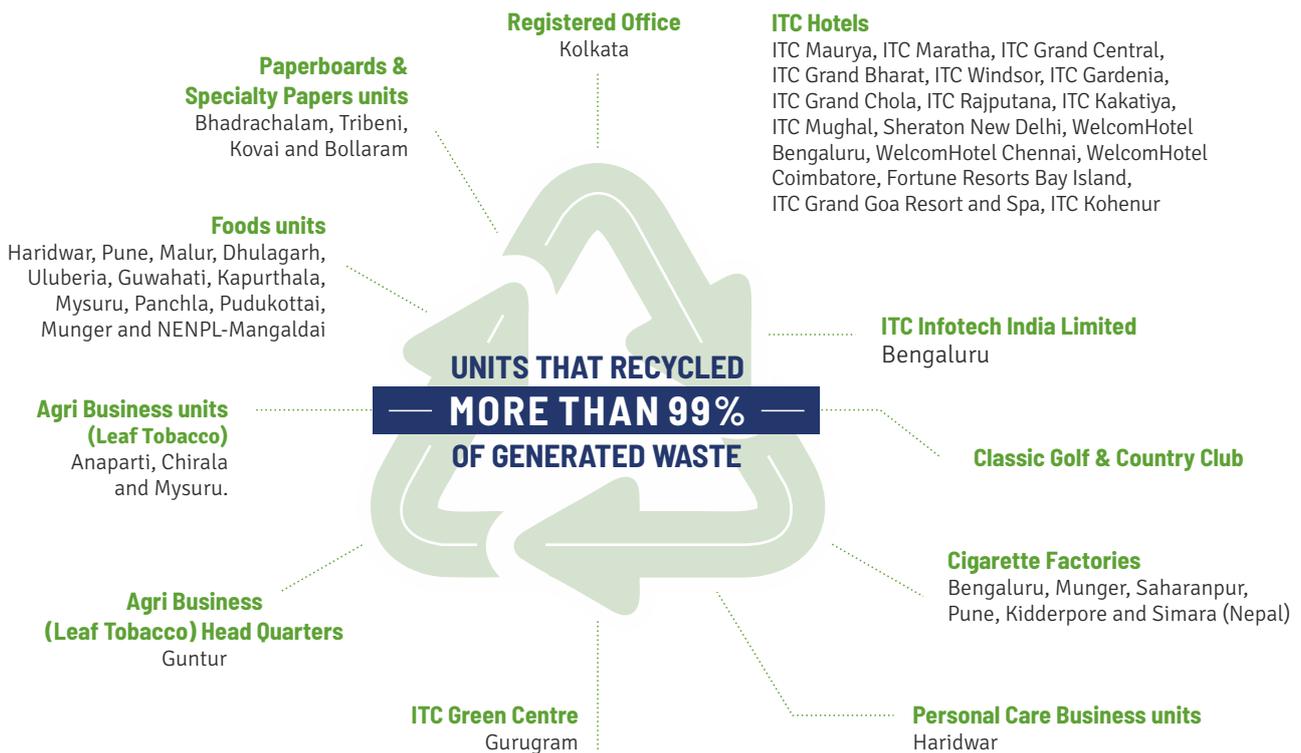
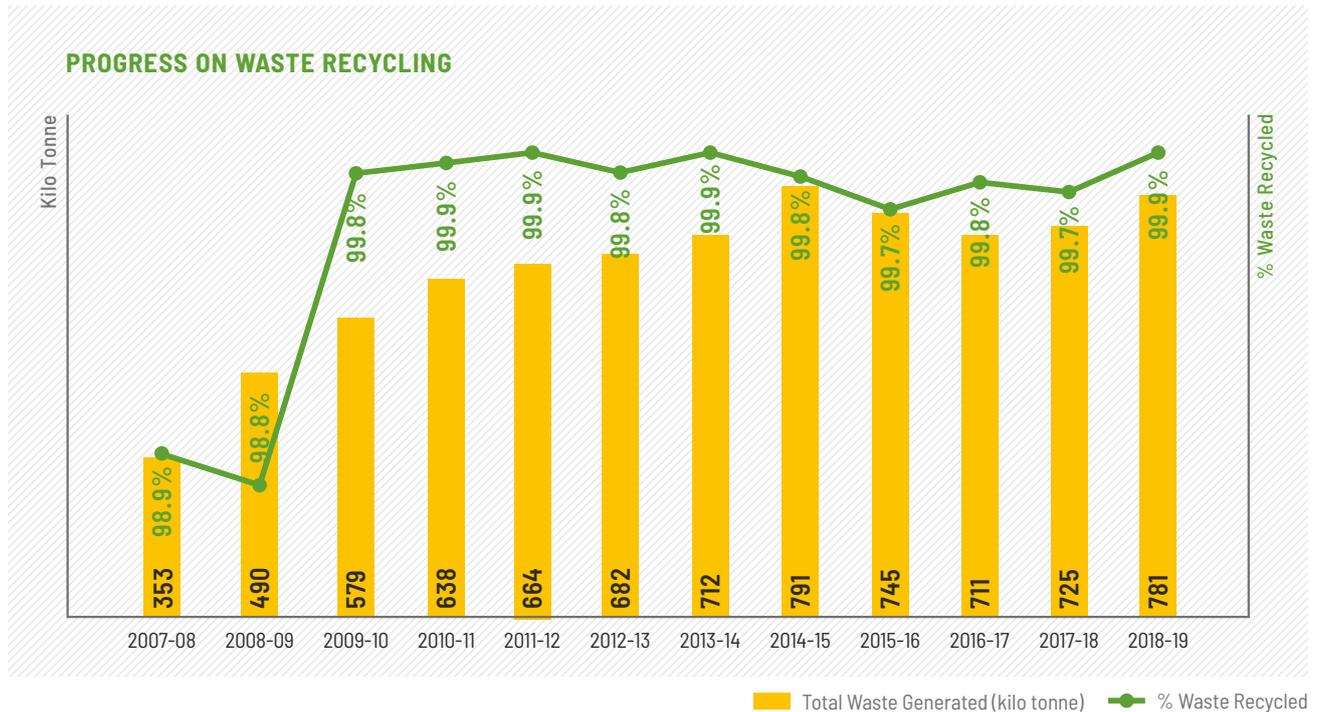
Non-hazardous Waste Category	Source of Generation	Quantity Generated (tonnes)	Waste Application
<b>Fly ash from boilers</b>	Units of PSPD & Agri Business (Leaf Tobacco)	3,05,785	Used by cement and brick manufacturers
<b>Lime sludge</b>	Bhadrachalam and Tribeni unit of PSPD	2,17,598	Utilised in in-house lime kiln as well as by cement manufacturers
<b>Bottom ash from boilers</b>	Units of PSPD, Agri Business (Leaf Tobacco) and an unit of Tobacco Division	41,681	Used for brick manufacturing and filling of low-lying areas
<b>Wood waste from chipping operation</b>	Bhadrachalam unit of PSPD	18,714	Used as a fuel in in-house boiler

**99.98%**  
 OF TOTAL  
 NON-HAZARDOUS  
 WASTE GENERATED  
 WAS REUSED/  
 RECYCLED

## WASTE

## RECYCLE

All ITC units endeavour to work towards achieving 100% recycling of waste generated. 'Segregation at source' along with focused attention on identifying and tracking of all waste streams all the way till their final disposal, helped ITC in recycling 99.9% of the total waste generated within ITC units during 2018-19.



## RECYCLING POST-CONSUMER WASTE

PSPD Kovai and Bhadrachalam units utilise post-consumer paper waste as raw material. Efforts at these ITC units to recycle 100% of waste generated along with utilisation of externally generated paper waste as a source of fibre, have helped the Company maintain its solid waste recycling positive status for 12 years in a row (refer the table below). Besides this, as part of ITC's solid waste management programmes, more than 54,000 tonnes of dry waste was sent for recycling in 2018-19 and diverted from landfill. This further enhances ITC's status as solid waste recycling positive.

Year	Total Waste Generated (tonnes)	Waste Recycled (tonnes)	% Recycled	Unrecycled Waste (tonnes)	External Wastes used as Raw Materials (tonnes)	Waste Recycling Footprint (%)*
2007-08	352,970	349,264	98.9	3,706	163,245	145
2008-09	490,180	484,287	98.8	5,893	125,337	124
2009-10	578,865	577,766	99.8	1,099	125,931	122
2010-11	638,405	637,452	99.8	953	119,002	119
2011-12	663,796	662,978	99.9	818	115,414	117
2012-13	682,405	681,129	99.8	1,276	118,462	117
2013-14	711,887	711,033	99.9	854	109,998	115
2014-15	791,227	789,720	99.8	1,592	114,563	114
2015-16	745,149	742,635	99.7	2,606	113,213	115
2016-17	711,411	709,817	99.8	1,704	115,074	116
2017-18	725,095	723,274	99.7	1,942	112,519	115
2018-19	781,229	780,567	99.9	1,126	88,869	111

\*Waste Recycling footprint (%) = (Waste recycled + external waste used as raw material) \* 100 / Total waste generated in ITC. | All figures are rounded off to the nearest tonne

## WASTE FROM SUPPLY CHAIN

ITC's supply chain boundary for sustainability reporting includes third party manufacturing (TPM) units catering to Education and Stationery Products Business, two exclusive TPMs of Cigarette Business and ATC Limited, an associate company. Recycling performance of these units is provided below:

Supply Chain Members	Total Waste Generated (tonnes)	% Recycled
TPM units for Notebook segment	3,161	86
Exclusive TPM units for Cigarette Business	1,125	100
ATC Limited	1,174	100

ITC plans to progressively expand its reporting boundary to cover more supply chain partners. Through close monitoring and reporting of waste related data, and through sharing of experiences and good practices, ITC aims to influence the performance of its supply chain partners.

## WASTE

## RESOURCE CONSERVATION BEYOND ITC'S OPERATIONAL BOUNDARY

ITC's initiatives also focus on creating replicable, scalable and sustainable models of municipal solid waste management that can be implemented across the country to ensure that zero waste goes to landfill. These models are centered on the following pillars:

- **Running behavioural change programmes for citizens in collaboration with various stakeholders like Municipal Corporations and civil society for ensuring segregation of waste at source into dry and wet streams**
- **Partnering with Urban Local Bodies (ULBs) for door-to-door collection of segregated waste**
- **Creating sustainable livelihoods for waste collection workers**
- **Identifying and implementing suitable end-of-life solutions for each waste stream: recycling for dry waste streams and extensive use of composting for wet waste**
- **To create viable recycling options for post-consumer multi-layered plastic packaging waste**

For urban areas, ranging from metros such as Bengaluru and Hyderabad to small and medium towns such as Saharanpur, Muzaffarpur and Munger, different models have been implemented under ITC's flagship "Well-Being Out of Waste" (WOW) programme. During the year, the programme continued its operations in Hyderabad, Coimbatore, Chennai, Bengaluru, Delhi, Muzaffarpur and a few major districts of Andhra Pradesh and Telangana, collecting 51,696 tonnes of dry waste from 651 wards. The programme expanded during the year to Mysuru and Chikmagalur. WOW's outreach spans over 8.9 million citizens, 4.8 million school children and 2,000 Corporates since its inception. The programme creates sustainable livelihoods for over 14,700 waste collectors and has also created 178 social entrepreneurs who are involved in capturing maximum value from the dry waste collected.

In addition to WOW, ITC has a separate programme on solid waste management which deals with both wet and dry waste. The programme spans 15 districts across 10 states covering 211,826 households and collected 12,608 MT of waste during the year. The focus is on minimising waste to landfill by managing waste at source including home composting, which was practised by 10,892 households during the year. In 2018-19, 8,462 MT of wet waste was composted and 2,383 MT of dry waste recycled, and only 14% of the total waste was sent to landfill.

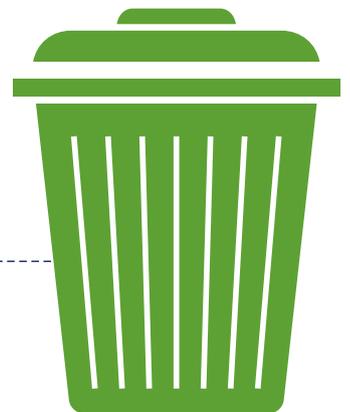
ITC SOLID WASTE  
MANAGEMENT  
PROGRAMMES

**54,000+** tonnes

Dry waste sustainably managed in 2018-19 including

**7,400** tonnes

Of Multi-layered plastics/Low value plastic waste channelised for energy recovery in an environmentally safe manner



## CASE STUDIES

### ITC'S WASTE MANAGEMENT INITIATIVES CREATE IMPACT ON THE GROUND IN SAHARANPUR AND MUNGER

ITC's Solid Waste Management Programmes in Saharanpur and Munger focus on "Decentralized Solid Waste Management" i.e. waste management close to generator through source segregation, and community and home composting to achieve the end objective of "minimal waste to landfill" with community ownership. Both of these initiatives have been recognised across various platforms:



**First prize in the Uttar Pradesh Swachh Ward Pratispardha, 2018 for decentralised waste management practices in Saharanpur**

**In Swachh Survekshan 2019, Saharanpur attained a State Rank of 6 (out of 64) and a National Rank of 92 (out of 425). Munger received a State Rank of 1 (out of 26) and a National Rank of 271 (out of 425)**

### TRANSFORMING MUZAFFARPUR INTO A ZERO LANDFILL CITY

ITC's Swachhta Swasthya Samridhi programme in Muzaffarpur in partnership with Muzaffarpur Municipal Council and Centre for Science and Environment (CSE) expanded its coverage to all the 49 wards in the city in 2018-19. Muzaffarpur also became the first city in Bihar to have its own solid waste management by-laws and these were based on CSE and ITC's efforts in the city. On account of the programme, Muzaffarpur has been included in the list of smart cities.

## WASTE

## SETTING UP A MULTI-LAYERED PLASTIC COLLECTION PROGRAMME IN PUNE

ITC launched a multi-layered plastic (MLP) waste collection programme in Pune in collaboration with SWaCH, a cooperative of waste pickers with decade long experience in implementing source segregation and door-to-door collection in Pune. The programme started with a baseline study carried out between September-December 2018 which involved mapping out the flow of MLP waste in Pune and engaging with key stakeholders like waste collectors and scrap dealers. Post the baseline study, the collection programme was operationalised in January 2019 and targets to collect around 200 tonnes of MLP waste per month. As part of the programme, a Multi-Recovery Facility was also setup for aggregating, bailing and transporting MLP waste to a recycler.



## THE ROAD AHEAD

Over the next decade, ITC will deploy superior solutions so that 100% of product packaging will be reusable, recyclable or compostable. To this end, ITC's approach focuses on:

**Optimise packaging in a way that it reduces the environmental impact arising out of post-consumer packaging waste without affecting integrity of the product.**

**Conduct Life Cycle Assessment (LCA) studies to evaluate the impacts of packaging and identify opportunities for improvement.**

**Identify alternative packaging material with lower environmental impact.**

**ITC's in-house Life Sciences and Technology Centre's efforts towards developing sustainable packaging solutions.**

**Identify suitable end-of-life solutions for packaging waste.**

ITC is also calibrating its strategy for tackling the issue of post-consumer waste management in partnership with government agencies, municipal corporations, NGOs, communities and other stakeholders and will continue to support creation of replicable, scalable and sustainable models of municipal solid waste management.

# BIODIVERSITY

## MANAGEMENT APPROACH

Given the essential ecosystem services that nature provides, especially to rural households, ITC recognises that the preservation and nurture of biodiversity is crucial for the long-term sustainability of agriculture. Biodiversity provides varied ecosystem services to agriculture including recycling of nutrients, control of local micro-climate, regulation of local hydrological processes and regulation of the quantum of undesirable organisms. Decoupling of agriculture from ecosystem services rendered by biodiversity may result in overdependence on external inputs and ever-increasing economic and environmental costs, as well as impacting nutrition and health of consumers at various trophic levels. ITC's biodiversity conservation work is also aligned to the Strategic Goals of Aichi Biodiversity Targets.

The long-term sustainability of several of ITC's agri businesses depend on natural capital, which includes soil, underground and surface water, and biodiversity. A 'sustainable agriculture area' incorporates ecological and biodiversity concerns and supports livelihood improvements. ITC has, accordingly, taken up biodiversity conservation as a major intervention in its operational areas through various initiatives. This will not only preserve the nation's rich biodiversity, but also ensure a sustainable future for communities residing in the Company's agri-business areas.



**ITC HAS, ACCORDINGLY, TAKEN UP BIODIVERSITY CONSERVATION  
AS A MAJOR INTERVENTION IN ITS OPERATIONAL AREAS TO**

**PRESERVE THE NATION'S RICH BIODIVERSITY  
AND ENSURE A SUSTAINABLE FUTURE  
FOR COMMUNITIES RESIDING IN THE COMPANY'S AGRI-BUSINESS AREAS.**

# BIODIVERSITY

## BIODIVERSITY CONSERVATION - PROGRESS

As part of its Natural Resources Management programme, ITC has focussed on biodiversity conservation with three approaches:

**Biodiversity conservation in agri supply chains by minimising the adverse impacts of agriculture on biodiversity**

**Community driven biodiversity conservation at the watershed level as landscape restoration and rehabilitation of degraded plots as mosaic restoration**

**Revival of ecosystem services provided to agriculture by nature, which has witnessed considerable erosion in recent decades**

### BIODIVERSITY CONSERVATION IN AGRICULTURAL SUPPLY CHAINS

The Biodiversity Risk and Opportunity Assessment (BROA) tool was deployed by ITC's Agri Business Division in its core crop growing regions to identify impacts and dependencies of business operations on biodiversity of a given agricultural landscape. This was followed by an assessment of the various risks and opportunities that emerge, based on which plans were made and actions undertaken to address them. Based on the risk assessment, ITC has specifically promoted initiatives such as micro-irrigation promotion, farmer education cum awareness programmes on pesticide waste disposal, soil protection and conservation, and Integrated Pest Management in crops, covering around 65,000 farmers in Andhra Pradesh and Karnataka.



In 2018, ITC's Agri Business Division had additionally covered crops such as Chilli, Cumin, Turmeric, Celery and Coffee under Rain Forest Alliance (RFA) certification. Rainforest Alliance Certified farms are audited regularly to verify that farmers are compliant to the standard's comprehensive requirements, which require continual improvement on the journey to sustainable agriculture. The farmers strictly follow the standard principles of sustainable farming, which include biodiversity conservation, improved livelihoods and human well-being, and natural resource conservation. With support from ITC, the farmers in Andhra Pradesh, Karnataka, Rajasthan and Punjab undertook effective planning and farm management system which benefits communities, forests, native vegetation, ecosystem services and wildlife.

ITC's Paper business has committed to Forest Stewardship Council (FSC) principles and has got its pulpwood plantations and supply chain certified under FSC. 37,089 hectares belonging to 32,313 farmers were certified under FSC till 2018 by Rain Forest Alliance as per which no rare, threatened and endangered species are in the land considered under the scope of certification. It also provides assurance that methods for enhancing biodiversity potential of the planted areas like retention of old growth/snag trees, retention of large woody debris, creation of water bodies, etc., are being practised.

### COMMUNITY DRIVEN BIODIVERSITY CONSERVATION

ITC implements community driven biodiversity conservation with focus on livelihood generation to ensure that communities understand and value the importance of biodiversity conservation. As part of the programme, studies are undertaken to understand the current status of floral and faunal species richness in the watersheds, plans prepared for landscape level restoration to improve green cover and native floral species population and mosaic restoration to rehabilitate degraded common lands as biodiversity hotspots.

Studies to assess species diversity and dominance have been done in Andhra Pradesh, Telangana, Karnataka, Madhya Pradesh, Rajasthan and Maharashtra states in the watersheds where ITC is implementing the water stewardship programme. The studies showed that ITC had successfully rehabilitated degraded areas as biodiversity conservation plots to enhance floral and faunal biodiversity as well as to ensure adequate livelihood and employment generation for local communities through creation of fodder, fuel and other wood sources. Under this programme, ITC has cumulatively developed 793 biodiversity plots involving farmers and community members covering a total area of 22,031 acres in 18 districts of 7 states. The initiative has also helped in conserving myriad species of floral and faunal diversity, including birds, butterflies, reptiles and amphibians. Regular biodiversity indexing is also being carried out in biodiversity conservation plots to measure the success of the programme in terms of enhancing the species diversity and dominance.

### REVIVAL OF ECOSYSTEM SERVICES: SUSTAINABLE AGRISCAPES FOR FUTURE

ITC has collaborated with the International Union for Conservation of Nature (IUCN) in Munger (Bihar) to develop 'Sustainable Agriscape for Future'. IUCN had taken up studies and surveys to identify key issues that are affecting, and will in future affect the ecosystem service potential of the agriscape and farm profitability. Pressures on forest for fodder and fuelwood from the communities residing in adjoining area thus leading to increased top soil erosion and reduction of flows in water streams, encroachment and invasion of exotic species in community water bodies, excess usage of external input in agriculture located along the river Ganges, reduction of native trees and shrubs in agriculture fields that sustain birds and insect population were identified as some of the critical factors that will impact the agriscape ecosystem service potential. Based on the challenges identified, IUCN has suggested three varied landscape profiles for demonstrating the revival of ecosystem services: forest and lakes, lacustrine (pond), and riverine (Ganga riverbed) landscapes. Plans for all three types of landscapes have been developed and based on the action plans developed by IUCN, work is being implemented in all three landscapes at pilot scale. Interventions include creating fuelwood and fodder source within villages to bring down dependence on forests through suitable native tree species plantation, hyacinth based composting to reduce the growth of this invasive species growing in lakes, native species plantation along Ahar & Pyne banks to ensure a long life of the system through bank stabilisation, and multi-tiered native species plantation on fields adjacent to the Ganga river to minimise damage by floods.

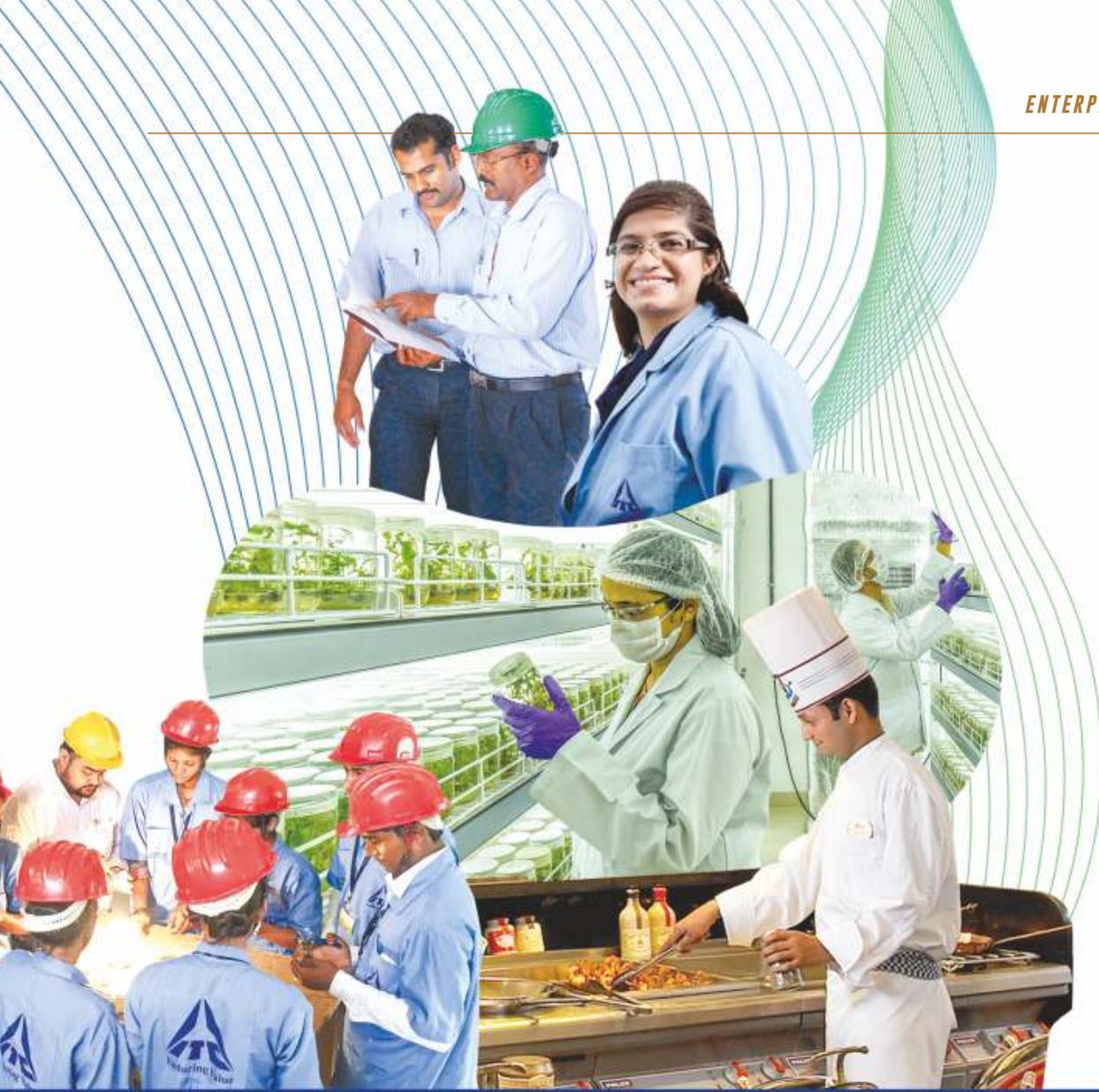


***NURTURE A TALENT ECOSYSTEM WHICH FOSTERS  
CREATIVITY, COLLABORATION & INNOVATION.***

***ENGAGE TO***

***MOTIVATE***





# ATE



# LABOUR PRACTICES AND DECENT WORK & HUMAN RIGHTS



## SNAPSHOT - LABOUR AND EMPLOYMENT

Year	2017	2018	2019
Total Workforce	32,337	33,976	35,519
Total Female Employees	3,602	3,855	4,272
Total New Hires	6,609	7,075	7,712
Total Attrition percentage*	18%	19%	19%
Total Training Persondays	121,653	106,081	112,600

\*Including Retirals

In a rapidly changing, ambiguous and highly competitive environment, it is our human capital that makes ITC exceptional, both in driving world-class performance as well as in enhancing its reputational capital.

Our human resource development approach is to create individuals that act with commitment, comprehension and an entrepreneurial mind-set. Our systems and strategies are designed to nurture a superior talent pool that is inspired by the organisation's ethos. Our mandate of distributed leadership, differentiated people policies and diversified talent pool continues to provide unique leverage to be customer-focused, competition-differentiated, and future-ready.

At ITC, we have always believed that sound strategy formation requires a comprehension of value chains and industry structure. This needs to be supported by world-class execution. Superior execution requires disciplined investments in four key organisational features of **Alignment, Ability, Agility and Architecture**. Actions, systems and processes

relating to organisational design, talent acquisition, engagement, capability building, employee relations, performance & rewards and employee well-being are harmonised to support these features.

**In FY 2018-19, ITC employed 35,519 full-time employees out of which 2,214 employees in the Leaf Tobacco Business were engaged on a seasonal basis owing to the nature of the business. During this period, 23,521 service provider employees were also engaged with ITC.**



### **BUILDING BUSINESS LEADERS**

ITC's talent brand of **Building Winning Businesses, Building Business Leaders, Creating Value for India** is a reflection of our abiding commitment to creating new engines of growth while strengthening existing businesses, building a deep talent bench of high quality leaders and remaining rooted in creating value for all stakeholders. In creating this leadership capacity, we emphasise functional mastery in solving customer problems, provide challenging and diverse roles, offer world-class learning opportunities, foster a culture of performance and accountability with the necessary empowerment and institutional support of ITC. Opportunities for early leadership or participation in strategic projects manifests itself in several ways –

through membership of Executive Committees in some Businesses or forums such as the Young Manager Committees in others.

**During the year under report, an employer branding survey conducted by Nielsen 'Campustrack' ranked ITC amongst the top 8 most preferred employers as voted by MBA students from premier Indian institutes. ITC featured amongst India's preferred and most attractive employers by Universum's survey of Indian B-schools.**

# LABOUR PRACTICES AND DECENT WORK & HUMAN RIGHTS

## PERFORMANCE AND RETENTION

In the continuous endeavour to strengthen the culture of accountability and drive performance, the approach of management by objectives is reflected in ITC's performance management system. Clearly defined objectives, result areas aligned to Business Plans and assessments based on measurable outcomes provide a sound foundation in driving and sustaining high performance. Reinforcing performance and retention is market competitive and performance linked remuneration which harmonises the rewards strategy with delivery of results. In addition, access to the best capability building interventions through customised programmes conducted by reputed international faculty, enriching roles, and the social, physical and community infrastructure made available to employees contributes to building a culture of high performance coupled with a relational contract and enduring commitment.

**In 2018-19, 47 women employees availed maternity leave and 42 of them re-joined work within the year, a return to work rate of 89%.**



In FY 2018-19, the overall attrition (voluntary separation, retirement, termination and abandonment of services) across management and non-management employees was 19%. The attrition for management level employees was 14.7% and 20.1% for non-management employees. Gender-wise attrition stood at 16.4% for male employees and 34.1% for female. The above attrition includes the data for employees taken as fixed term contracts who have left the organisation after the contract has ended. It also includes employees who have superannuated from the Company.

## LEARNING AND DEVELOPMENT

At ITC, we believe that the achievement of our growth objectives will depend largely on the ability to innovate continuously, connect closely with the customer, and create and deliver superior and unmatched customer value. This has been made possible by nurturing a culture of continuous learning, innovation and collaboration across the Organisation.

Towards achieving our growth and profitability objectives, we have identified five capability platforms which we believe will have the greatest impact on improving ITC's competitiveness. These are

### STRATEGY DEVELOPMENT

### VALUE CHAIN

### LEADERSHIP

### INNOVATION

### HUMAN RESOURCES DEVELOPMENT



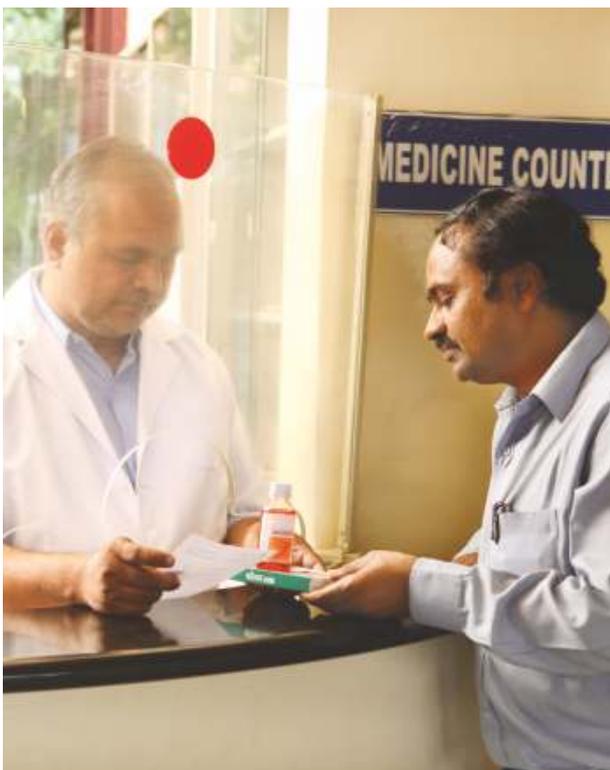
Employees engage in Development and Career Conversations with their supervisors which form the bedrock of learning support. Employees are offered best-in-class learning and development support comprising a blend of classroom, online and on-the job learning. ITC partners with leading global institutes, experts and world renowned faculty to design and customise development programmes to build leadership and strategic ability. In FY 2018-19, 112,600 person-days were invested in offering formal training to employees across the Organisation.

**The institute ITC Gurukul won the Project Evaluation and Recognition Program (PERP) 2018, organised by Frost & Sullivan, for 'Enhancing Learning Effectiveness Leveraging Technology', using Augmented, Virtual and Mixed Reality.**

**EMPLOYEE WELL-BEING**

At ITC, we have always believed in the employee's comprehensive engagement and well-being. The objective is to positively impact all aspects of well-being – physical, mental and emotional. Towards this goal, we have created several contemporary, vibrant and inspirational workspaces with the highest safety and ergonomics standards. At several of our locations, ITC has created employee communities through its residential complexes and launched various wellbeing initiatives at the workplace such as health/medical camps, yoga and other wellness sessions including such innovative practices like providing employees with gamified solutions to meet their health, fitness and nutritional goals.

ITC's full-time employees receive benefits such as periodic preventive health check-ups, medical assistance (including hospitalisation), group accident insurance, annual leave along with leave encashment, maternity leave for women employees and retirement benefits, higher education support, among others. In the reporting period, various workshops and initiatives were organised for employees across Businesses and Unit locations, some of such initiatives are shared below:



The brand 'Vivel' celebrated the women employees of the Company through an ensemble of impactful campaigns. Outdoor and social media posts featured women employees of ITC and their tireless efforts and commitment. Women from various walks of life were invited to pledge their support to the Know Your Rights campaign, under the #AbSamjhautaNahin campaign.

ITC provides employees an opportunity to contribute meaningfully to the society through the Social Investments Programmes in the catchment areas of their Business Unit, thus contributing to a sense of purpose and providing a glimpse of how ITC impacts livelihoods.

Employee Assistance Programmes involving Counselling, Self-help & Wellness services were launched across ITC unit locations.

**EMPLOYEE VOICE AND ENGAGEMENT**

In January 2018, ITC completed the second edition of its Employee Engagement Survey - iEngage 2018, capturing employee perceptions and views, on various workplace dimensions such as:

- |                                   |                                      |
|-----------------------------------|--------------------------------------|
| • <b>Employee Engagement</b>      | • <b>Growth and Development</b>      |
| • <b>Performance Enablement</b>   | • <b>Work Life Balance</b>           |
| • <b>Managerial Effectiveness</b> | • <b>Alignment and Communication</b> |

During the year, Businesses created forums to discuss the results and identify improvement actions. Based on such dialogue and analysis of results, an intensive programme to address improvement areas was developed and is executed on an on-going basis. Programmes and processes include periodic communication by top leadership, recognition of discretionary performance and behaviours, career conversations and collaboration.

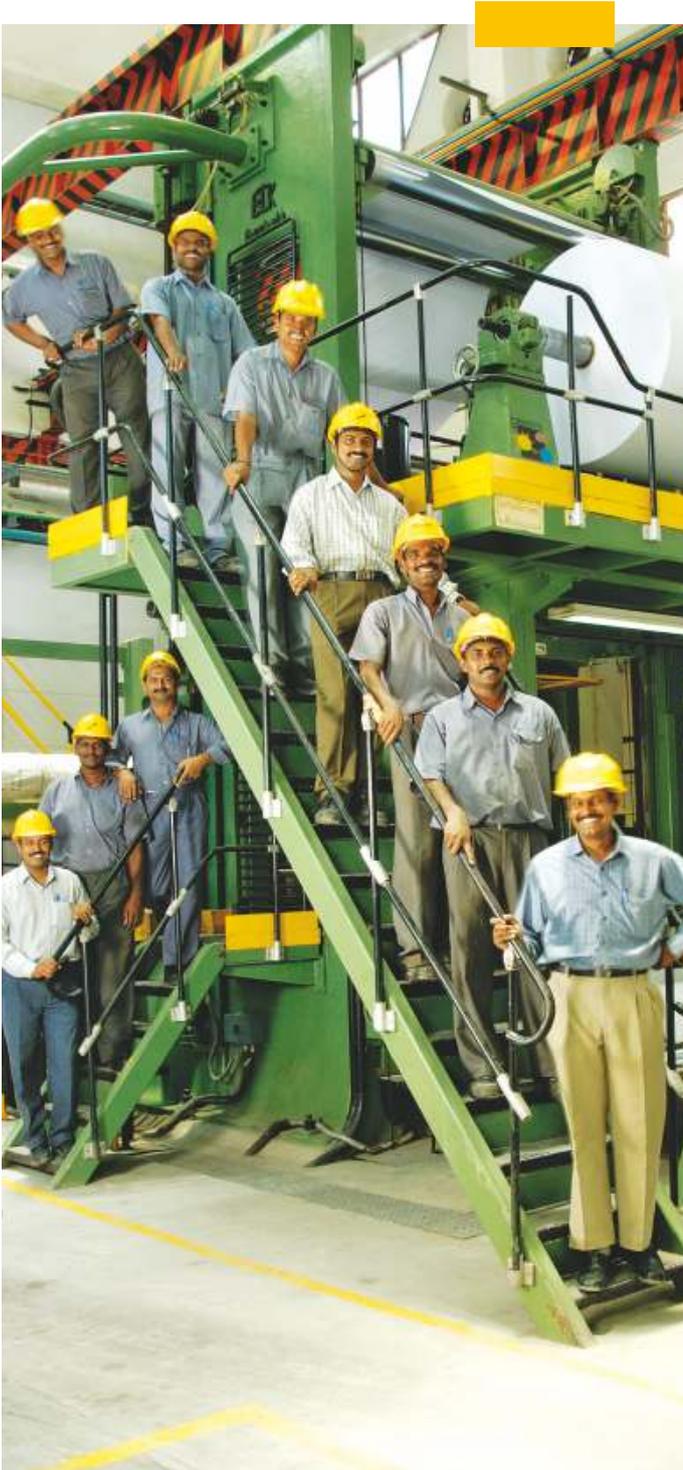
**Employee Advocacy**

To enhance the salience of ITC's products, services and share milestone events through a digital platform, the mobile enabled application IRIS was launched. Through IRIS, employees may share content related to ITC across their social media platforms, thus creating a sense of pride in our brands, services and initiatives.

# LABOUR PRACTICES AND DECENT WORK & HUMAN RIGHTS

## HUMAN RIGHTS

Our commitment to human rights is long standing and it reflects in our Code of Conduct and is a cornerstone of our corporate policies. All ITC contracts for the construction of hotels, factories and significant property upgrades incorporate the environment, health, safety and human rights clauses, which cover decent place of work, and compliance labour practices and they are supervised by ITC managers for 100% adherence.



### HUMAN RIGHTS IN THE SUPPLY CHAIN

ITC's Code of Conduct for Vendors and Service Providers enshrines the Company's unwavering focus to fair treatment, human rights, good labour practices, environmental conservation, health and safety. This Code is shared and accepted by all supply chain partners and service providers. In FY 2018-19, ITC engaged with 1,591 service providers (within and outside premises) and all contracts with the service providers included clauses that conformed to ITC's Human Rights Policies and EHS guidelines.

### PROHIBITION OF CHILD LABOUR AND FORCED LABOUR

In line with ITC's unflinching commitment to good labour practices, it is ensured that no person below the age of eighteen years is employed by any Business. Forced or compulsory labour is strictly prohibited in all ITC Units and so is the association with vendors and suppliers who employ child and/or forced labour.

### FREEDOM OF ASSOCIATION

ITC recognises and respects the right of its employees to exercise or refrain to exercise freedom of association and collective bargaining. During the last year, ITC entered into long-term settlements involving around 11,605 employees across India.



## DIVERSITY AND EQUAL OPPORTUNITY

ITC believes that diversity at 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 policies ensure a work environment that is free from any form 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 political, religious or union organisation or majority/minority group. ITC is an equal opportunity employer, and recruitment at ITC is solely based on merit and ability.



### PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT

The Company has put in place suitable processes and mechanisms to ensure issues such as sexual harassment, if any, are effectively addressed. All employees undergo sensitisation training and internal redressal committees are in place across Businesses. In the year 2018-19, 5 cases were reported, out of which 3 have been resolved and 2 are in progress.

### GRIEVANCE REDRESSAL

To address employee concerns and complaints pertaining to human rights and decent labour practices, a Grievance Redressal Procedure with appropriate systems and mechanisms has been instituted across ITC Units. It is intended to facilitate open and structured discussions on grievances raised on labour practices and human rights. The implementation is ensured by Divisional/SBU Chief Executives, through members of the respective Management Committees. 289 grievances were received from employees on matters relating to policy, welfare and administration in FY 2018-19. Of these 202 have since been resolved.

### INCLUSION OF THE SPECIALLY ABLED

Our work environment and policies are supportive to empower differently abled employees with a focus to create awareness and opportunities.

**In this endeavour, ITC now employs 72 differently abled persons across business, and continues to guide industry action in creating inclusive workplaces.**

# OCCUPATIONAL HEALTH & SAFETY

## MANAGEMENT APPROACH

### **WORKFORCE IS A KEY ASSET**

*CONTRIBUTING TO THE COMPANY'S LONG-TERM STANDING.*



The Company believes that a safe and healthy work environment is a prerequisite for ensuring employee well-being, and adopting best practices in occupational health & safety bears a direct impact on the Company's overall performance. It helps in attracting and retaining quality talent, and is a duty of the Company as a responsible corporate citizen.

ITC ensures that Environment, Health & Safety (EHS) standards at all units are continuously ahead of legislation and are benchmarked with international best practices. ITC's approach towards best-in-class occupational health & safety standards is articulated in the Board approved EHS Policy. It is based on an EHS management system which emphasises continuous improvement supported by ongoing investments in state-of-the-art technology and quality human resources. The Company's commitment to provide a safe and healthy workplace to all, has been reaffirmed by several national and international awards and certifications received by various units.

With an aim to percolate safety deeper into ITC's operational practices and achieve the '**Zero Accident**' goal, the Company has developed a comprehensive EHS strategy founded on two pillars:

**1 SAFETY BY DESIGN** | **2 SAFETY BY CULTURE**

## SAFETY BY DESIGN

### From 'Drawing Board' to 'Operations'

To ensure safety for all and at all times, it is imperative for safety parameters to be seeded right at design and planning stage, and integrated across construction and operation phases as well. ITC incorporates safety oriented aspects in the design and project execution phases for all assets, be it Factories, Hotels, Warehouses or Offices. This helps reduce potential hazards as well as optimise operational costs and functionality of the infrastructure.

### ORGANISATIONAL EHS FRAMEWORK

The key activities carried out to ensure integration of robust EHS standards across the project life-cycle are depicted below.

DRAWING BOARD STAGE	EXECUTION STAGE	OPERATIONS STAGE
<p><b>EHS requirements integrated at the design stage for all new investments</b></p> <p><b>Design Reviews</b></p> <ul style="list-style-type: none"> <li>• Building and structural stability</li> <li>• Fire and life safety measures</li> <li>• Electrical systems</li> <li>• Workplace lighting</li> <li>• Ventilation and hygiene requirements</li> <li>• Noise and dust controls</li> <li>• Water and energy use optimisation</li> <li>• Waste management</li> <li>• Traffic safety</li> <li>• Segregation of man-material movement</li> </ul> <p><b>Process of incorporating EHS in the design phase</b></p> <ul style="list-style-type: none"> <li>• Helps in eliminating and reducing hazards</li> <li>• Optimises operational cost and overall infrastructure</li> <li>• Create assets that are aligned to organisational goals</li> </ul>	<p><b>Compliance with EHS standards</b> during the construction phase is ensured by implementing project EHS management systems</p> <p><b>Project EHS management systems</b></p> <ul style="list-style-type: none"> <li>• Training of all employees including service providers' employees</li> <li>• Enforcement of the use of safe equipment/tools/tackles</li> <li>• Development of and adherence to safe work procedures (SWPs)/ method statements</li> <li>• Observing good housekeeping and storage practices</li> <li>• Usage of personal protective equipment (PPE)</li> </ul> <p><b>Pre-commissioning audits of all large projects done by Corporate EHS (CEHS) department</b> to ensure that infrastructure including plant and machinery have been procured and installed in conformance with agreed standards</p>	<p><b>Compliance with CEHS guidelines</b> during the operation phase of all ITC Units, Hotels, Warehouses and Offices is ensured through established EHS management systems with designated roles and responsibilities for competent resources</p> <p><b>EHS management systems</b></p> <ul style="list-style-type: none"> <li>• A well-defined EHS Management structure</li> <li>• Quarterly Meeting of the EHS Committee in every ITC unit to review EHS performance</li> <li>• Engagement with the workforce to jointly assess risks in the operations and accordingly improvise the SWPs</li> <li>• Coverage of health and safety aspects in long-term agreements with trade unions</li> <li>• Awareness sessions for employees, their families and surrounding communities on HIV/AIDs, hepatitis, dengue, malaria and other wellness related issues</li> </ul> <p><b>Monitoring compliance through</b></p> <ul style="list-style-type: none"> <li>• Internal audits of ITC units by CEHS on a periodic basis which forms part of the report presented to the CMC (monthly)</li> <li>• Accident reporting and investigation to identify the root causes and subsequent implementation of corrective and preventive measures</li> <li>• Accident investigation findings with corrective and preventive measures form part of the report presented to the CMC (monthly) and the Board (quarterly)</li> <li>• Ensure effective dissemination of learnings from each incident/accident across the organisation</li> </ul>

# OCCUPATIONAL HEALTH & SAFETY

## SAFETY BY CULTURE

From 'Compliance Focus' to 'Behaviour Centric' safety culture



ITC's journey in safety has evolved from 'compliance driven' by standards and guidelines to a 'behaviour centric' safety culture. ITC believes that the positive transformation of employees' attitude and perception towards safety backed by individual accountability will help ITC achieve the 'Zero Accident' goal. Accordingly, several operating units of the Company are progressively implementing behavioural-based safety initiatives.

Structured conversations are carried out by employees with their peers and supervisors on Safe and Unsafe Acts (SUSA). These conversations are periodically reviewed and analysed to improve quality of engagement. This collaborative approach leads to positive behavioural change by reinforcing positive behaviour and correcting unsafe behaviour. These efforts are being supplemented by the adoption of a keystone behaviour by individual units which provides a distinct identity and character to the safety culture that is being developed. Keystone behaviour is adopted by units to demonstrate collective commitment and create a shared vision of safety and discipline.

As part of the comprehensive plan towards creating ownership and developing competencies at the shop floor level, planned job observation programmes are being conducted for various categories of employees.

## PERFORMANCE

ITC reports its safety performance on two fronts – '**on-site**' - referring to the place of work i.e. Factory, Hotel, Office, etc. which is under direct operational control of ITC and '**off-site**' - defined as all places visited in the course of work other than the premises where posted, which includes the to and fro commute between workplace and residence.

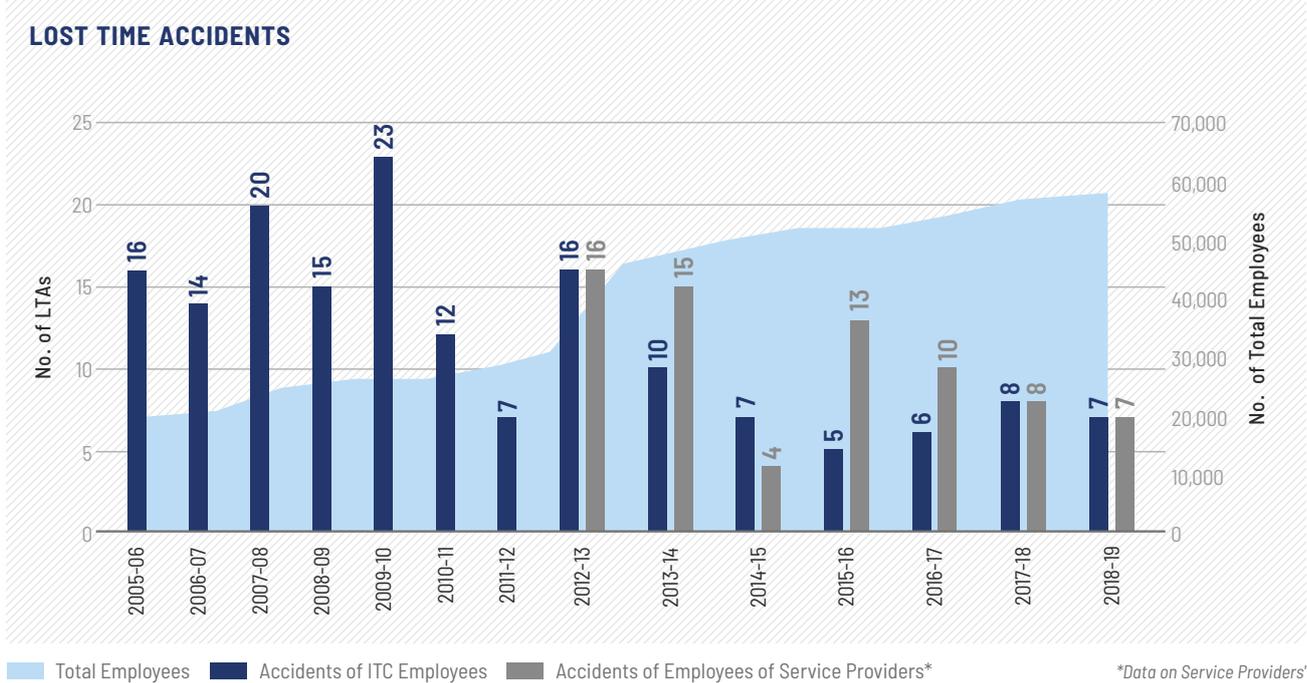
### ON-SITE SAFETY

In 2018-19, the total on-site Lost Time Accidents (LTA) was 14 (against 16 in 2017-18). Out of these 14 accidents, 7 occurred to ITC employees and the balance 7 to service providers' employees. These accidents involved 11 male employees and 3 female employees. There was one unfortunate fatality in 2018-19 involving an ITC employee (male) who fell from height and succumbed to injuries while undergoing treatment.

Detailed investigations are carried out for all accidents to identify root causes and the measures for preventing

recurrence. Further, the learnings from all accidents are disseminated across the organisation and a formal compliance obtained.

Lost Time Accident (LTA) is defined as an accident due to which the injured does not return to work in the next scheduled shift. As can be seen from the graph, total LTAs (including service providers' employees) reflect a persistent downward trend despite a significant increase in overall number of manufacturing units and total employees within the reporting boundary.



\*Data on Service Providers' employees included from 2012-13.

# OCCUPATIONAL HEALTH & SAFETY

## LOST DAY RATE

Lost Day Rate (LDR) is another measure for evaluating safety performance and it does so by comparing number of man-days lost for every 200,000 man-hours worked. As can be seen from the below graph, while there has been an improvement in LDR during 2018-19, it continues to remain an area of focus for ITC.

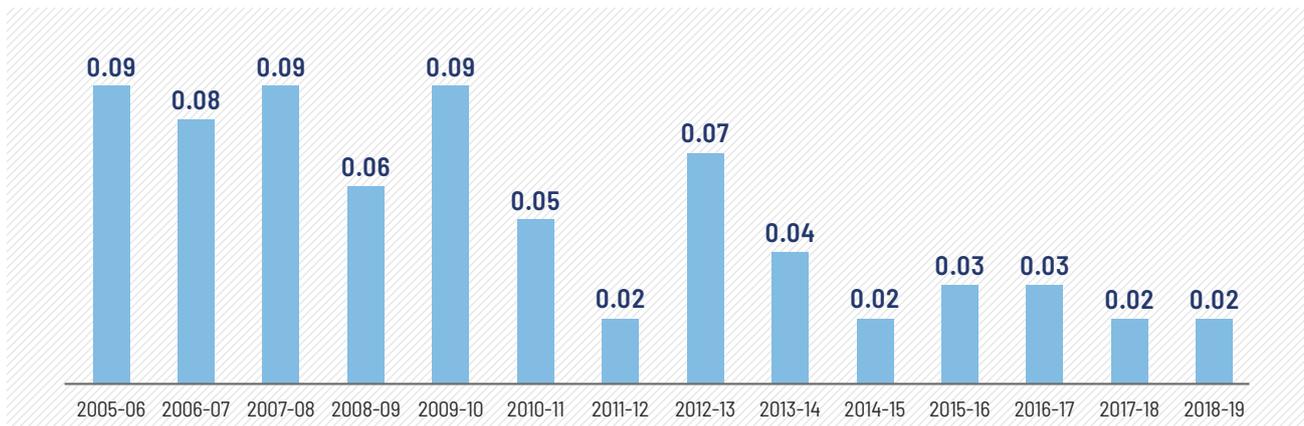


The period from 2005-06 to 2011-12 shows Lost Day Rate for ITC employees only. From 2012-13 onwards, the graph shows Lost Day Rate for the combined workforce i.e. ITC employees and service providers' employees.

\* Loss of man-days accounted for as per IS 3786:1983 due to fatalities/ amputation. | \*# In 2018-19, there was one on-site fatality.

## INJURY RATE

Injury rate (IR) is defined as the frequency of LTAs, for every 200,000 man-hours worked, which reflects an overall reducing rate.



The period from 2005-06 to 2011-12 shows Injury Rate for ITC employees only. From 2012-13 onwards, the graph shows Injury Rate for the combined workforce i.e. ITC employees and service providers' employees.

## FORMAL AGREEMENTS WITH TRADE UNIONS

In ITC, long-term agreements signed with Trade Unions include health and safety topics to encourage better participation and involvement of workers. Some of the health and safety topics included in the agreements are:

Participation in  
EHS Committees

Participation in EHS inspections, audits  
and accident investigations

Training and  
education

Safety  
Culture

During 2018-19, 5 long-term agreements with Trade Unions were signed.

**ZERO ACCIDENT UNITS**

Over the years, the number of units delivering ‘Zero On-site Lost Time Accident’ performance has progressively increased. Moreover, 25 units have held on to it since 2013-14. The following ITC units achieved 'Zero On-site Lost Time Accident' status in 2018-19.

		
MANUFACTURING UNITS	HOTELS	OFFICES AND OTHERS
<ul style="list-style-type: none"> <li>• Cigarette Units at Bengaluru, Kidderpore, Munger and Pune, Simara and Seratar (Nepal)</li> <li>• Foods Units at Haridwar, Pune, Uluberia, Panchla, Dhulagarh, Guwahati and Mysuru</li> <li>• Agri Business Units (Leaf Tobacco) at Anaparti and Mysuru</li> <li>• Packaging and Printing Units at Munger, Haridwar and Tiruvottiyur</li> <li>• Paperboards and Specialty Papers Units at Bollaram and Kovai</li> <li>• Personal Care Products Units at Guwahati and Manpura</li> </ul>	<ul style="list-style-type: none"> <li>• ITC Gardenia</li> <li>• ITC Grand Bharat</li> <li>• ITC Grand Central</li> <li>• ITC Grand Chola</li> <li>• ITC Grand Goa Resort and Spa</li> <li>• ITC Kakatiya</li> <li>• ITC Kohenur</li> <li>• ITC Maratha</li> <li>• ITC Maurya</li> <li>• ITC Mughal</li> <li>• ITC Rajputana</li> <li>• ITC Sonar</li> <li>• ITC Windsor</li> <li>• Sheraton New Delhi</li> <li>• WelcomHotel Bengaluru</li> <li>• WelcomHotel Chennai</li> <li>• WelcomHotel Coimbatore</li> <li>• Fortune Resort Bay Island, Port Blair</li> <li>• Classic Golf &amp; Country Club, Gurugram</li> </ul>	<ul style="list-style-type: none"> <li>• ITC Registered Office, Kolkata</li> <li>• ITC Green Centre, Gurugram</li> <li>• ITC Green Centre, Manesar</li> <li>• ITC Infotech, Bengaluru and Pune</li> <li>• Divisional Head Quarters of Agri Business, Cigarettes, Education and Stationery Products, Foods, Matches &amp; Agarbattis, Packaging &amp; Printing Business, Paperboards &amp; Specialty Papers and Personal Care Products</li> <li>• Research Centre at Rajahmundry</li> <li>• ITC Life Sciences &amp; Technology Centre, Bengaluru</li> <li>• Central Projects Organisation</li> <li>• Technico, Chandigarh &amp; Manpura</li> </ul>

## OCCUPATIONAL HEALTH & SAFETY

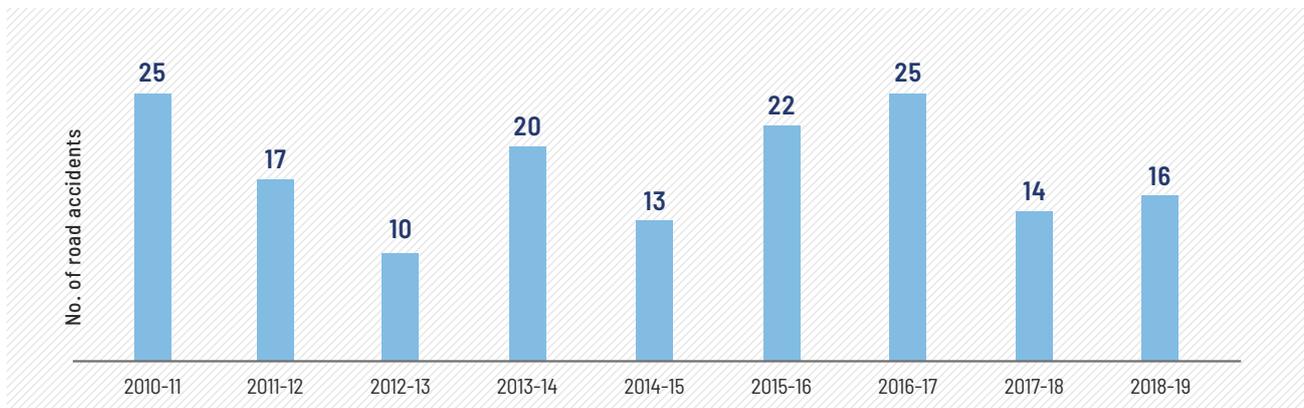
### OFF-SITE SAFETY

In 2018-19, the total number of off-site LTAs were 16 and all were road accidents. During the year, there were three unfortunate fatal road accidents, all of whom were on a two-wheeler when they met with the accident.

As a standard practice, off-site accidents are also duly investigated and learnings from these accidents are disseminated across the organisation. The units are advised to sensitise employees on the perils of unsafe road conditions and there is constant reinforcement of the message for exercising extreme care and being vigilant on the road especially while travelling on the highways.

### ROAD ACCIDENTS' TREND

The graph below shows Road Accidents' Trend for ITC employees.



Though road infrastructure and traffic management outside the units' premises are well beyond ITC's control, ITC believes that improved awareness and adoption of 'defensive road safety techniques' helps reduce the risks. ITC has accordingly initiated training and awareness sessions for its employees and service providers. The majority of road accidents in recent past have involved two-wheeler riders. Accordingly, a user interactive two-wheeler rider safety training programme is provided to all employees including ITC's Trade Marketing & Distribution (TM&D) supply chain members. The user interactive modules have also been translated into vernacular languages to ensure wider coverage and adoption. A similar user interactive training module for four-wheeler users is also available.

## OCCUPATIONAL HEALTH

A healthy workforce is an important contributor to ITC's competitiveness and sustainability. All units maintain a conducive work environment in line with Indian/International standards on hygiene, lighting, ventilation and effective controls on noise and dust. Units are equipped with Occupational Health Centres with adequate medical staff to monitor occupational health and provide immediate relief as required. In addition, at least 2% of total employees are professionally trained as first aid providers.

**As part of ITC's preventive medical programme, various categories of employees based on age and exposure to occupational hazards undergo periodic medical check-ups. In 2018-19, 15,316 employees underwent preventive medical examinations.**

## ENSURING WELLNESS IN THE WORKFORCE

ITC remains committed to protecting its employees from the threat posed by various serious diseases including HIV/AIDS, hepatitis, dengue, malaria, etc.

During 2018-19, awareness camps/programmes conducted for employees and communities around ITC's units covered a total of 15,332 people. 13,176 of these were employees of the Company while the rest were local community members. Awareness sessions were also conducted regarding off-the-job safety aspects such as home safety, safe use of LPG in the kitchen and road safety.



## THE ROAD AHEAD

In line with the Company's EHS policy, the approach is to institutionalise safety as a value-led concept by inculcating a sense of ownership at all levels and driving behavioural change, leading to the creation of a cohesive safety culture.

In line with this, behavioural based safety initiatives and custom-made risk based training programmes supported by planned job observation programmes have been implemented across units. Considerable number of employees (workmen and managers) across several Businesses have undergone the aforementioned programmes conducted by ITC. Scaling up of these efforts is an important aspect of sustaining and improving safety standards in ITC given its rapidly growing manufacturing footprint.

Periodic reviews are also undertaken to ensure that training and other communications are relevant and take into account the local socio-economic context. This is done to ensure the transition from “awareness developed” to “changed behaviour”.

### **ITC remains firmly committed to achieving the goal of 'Zero Accident'.**

ITC will continue to assess its safety performance by tracking both leading and lagging indicators, and accordingly identify solutions for strengthening the safety culture. With this approach, ITC will achieve the organisation-wide goal of “Zero Accident” in the coming future.

ITC will continue to undertake efforts for creating a safe working environment and a strong safety culture through:

- **integrating safety at the design stage itself and ensuring it through design reviews, stage inspections and pre-commissioning audits thereby strengthening of engineering control measures through 'design for safety' principles**
- **conducting pre-commissioning and periodic operational audits during construction and operational stages respectively**
- **progressively covering Businesses under various behavioural based safety initiatives including customised risk management programmes supported by planned job observation programmes that facilitate engagement for collaborative work on improving safety performances**
- **studies will continue to be conducted to assess the safety culture and efficacy of behaviour-based safety interventions**
- **adoption of keystone behaviour by units to demonstrate collective commitment and create a shared vision of safety and discipline**

*ITC's SOCIAL INVESTMENTS PROGRAMME  
AIMS TO TRANSFORM THE LIVES OF  
EVEN THE MOST MARGINALISED  
AMONGST ITS STAKEHOLDER GROUPS.*

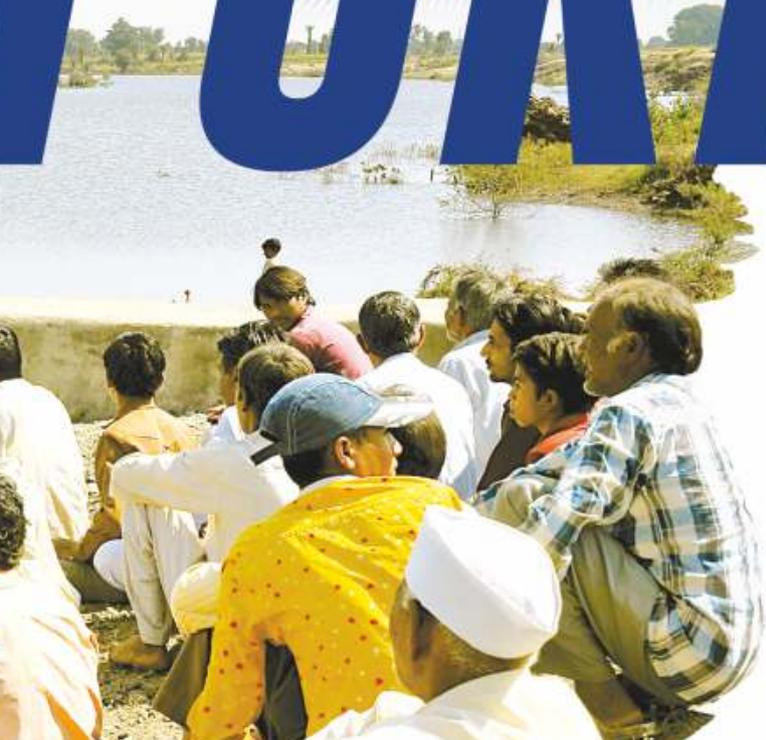
*EMPOWER TO*

*TRANS*





# FORM



# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## MANAGEMENT APPROACH - SOCIETY

ITC's Mission Sunehra Kal (MSK) aims to transform the lives of even the most marginalised amongst its stakeholder groups to live a life of dignity.



**OUR WAY OF GRASSROOTS EMPOWERMENT, BASED ON KNOWLEDGE AND TECHNOLOGY TRANSFER, CONFRONTS LIVELIHOOD CHALLENGES OF TODAY AND TOMORROW THROUGH A HOLISTIC APPROACH TO CREATE HEALTHY, EDUCATED, SKILLED AND ENGAGED COMMUNITIES WHICH LOOK TO THE FUTURE WITH CONFIDENCE AND DETERMINATION.**

The Company's CSR Policy, approved by the Board of the Company in 2014-15, guides the programmes, projects and activities that the Company plans to undertake to create a significant positive impact on its identified stakeholders. 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.

## ITC's STAKEHOLDERS

Key stakeholders, based on the material aspects of ITC's businesses, comprise:

### 1 Rural communities with whom ITC's agri-businesses have forged long and enduring partnerships through crop development and procurement activities.

While such economic linkages have generated wealth for rural households on a sustained basis for decades, they also look to the Company to help find viable solutions to combat extreme weather episodes that threaten the sustainability of their production systems.

### 2 Communities residing in close proximity to our manufacturing units:

These communities derive considerable benefits from the multiplier effects arising from the Company's operations. Nevertheless, there is an expectation that the Company will aid in the creation of the necessary socio-economic infrastructure to enable significant improvements in their Human Development Indices (HDIs).

## THEIR DOMINANT NEEDS

A comprehensive survey was undertaken in 2015-16 to re-evaluate the socio-economic profile of our stakeholders and their development challenges. The review covered a total of 103 clusters comprising 902 villages/ wards, which form the **core operational geographies** for the Company's Social Investments Programme. These assessments gave a clear indication of the changing nature of development challenges confronting our stakeholder communities:

While people aspire for improvements in the quality of their lives, **the more urgent concern is for their children to grow into a healthy, educated and skilled resource** to enable participation in the employment markets of tomorrow.

Poverty is a challenge in the core areas **requiring focus on the poor**, the marginalised and women-headed households.

Farming is the mainstay of rural households, which, being dominated by smallholder agriculture, **necessitates building their resilience to climate change** through adoption of sustainable nature-based solutions.

Like the rest of India, more than half of agriculture in our core area is rain-fed, calling for the **development of water resources** as a key priority area.

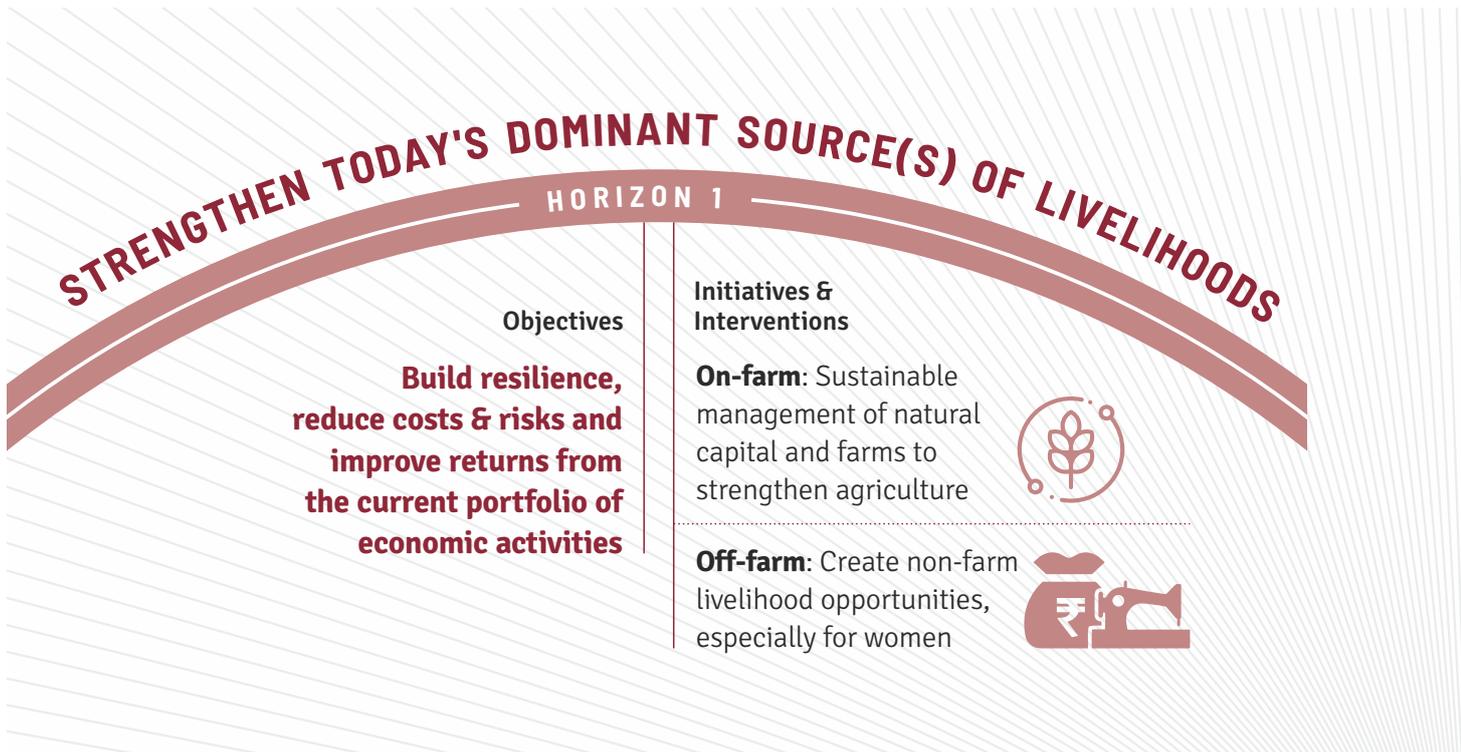
Off-farm opportunities are restricted, demanding **focus on reduction in youth unemployment, maximising enrolment, minimising dropouts and significantly improving the quality of learning in primary schools.**



# ITC'S MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## MSK'S RESPONSE - 2-HORIZONS APPROACH

From the comprehensive survey conducted in 2015-16 it is clear that ITC's stakeholders are confronted with multiple, but inter-related, issues at the core of which are the twin challenges of securing sustainable livelihoods today and tomorrow.



## SUSTAINABLE PROCESSES

### MISSION SUNEHRA KAL IS COMMITTED TO:

**Participatory development,** based on empowered grassroots institutions to enable communities to independently manage their resources and become change agents without having to depend on external agencies.

**Inclusive growth,** that benefits the poor and marginalised communities, especially Scheduled Castes/ Tribes and women, thereby promoting affirmative action in our project locations.

**Behaviour change,** through focus on demand generation for all interventions, thereby enabling participation, contribution and asset creation for the community.

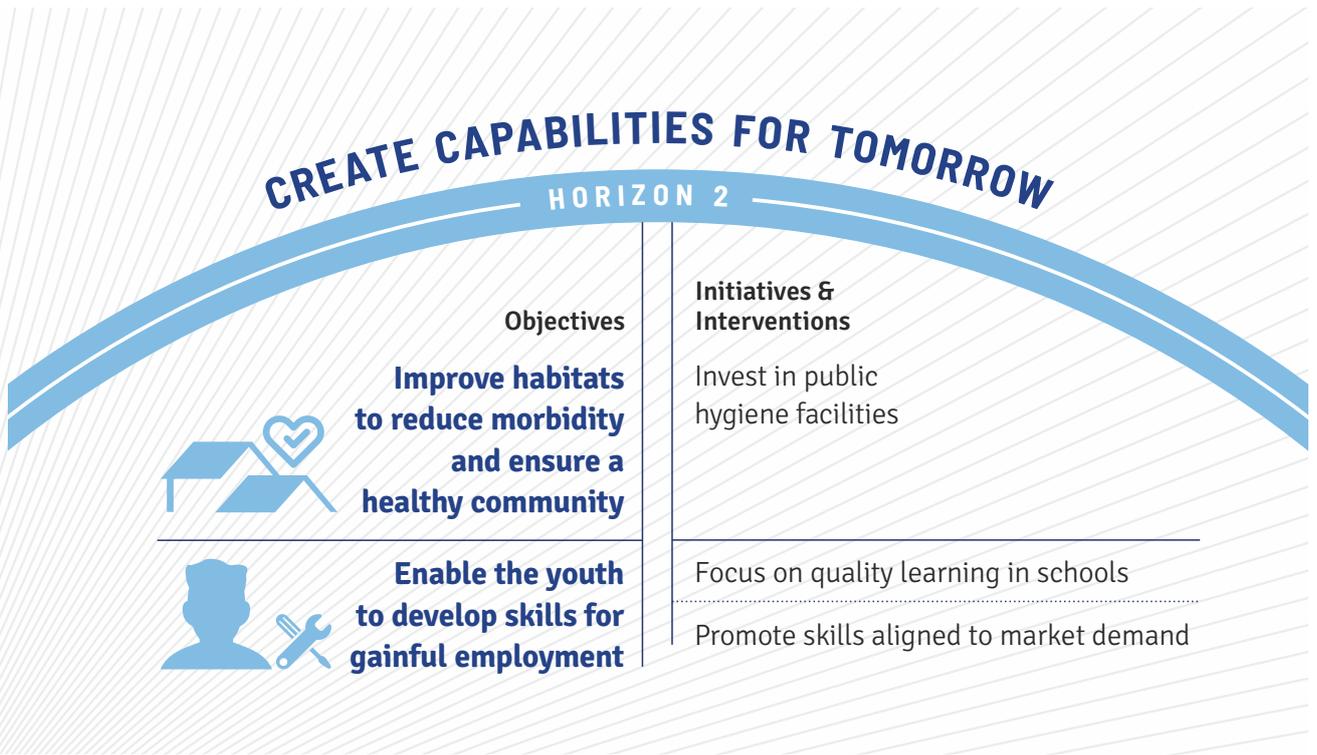
**Public Private Partnerships,** with governments to enable rapid scale-up of programmes that have been piloted and tested in ITC's project locations.

**Knowledge Partnerships,** with national and international organisations and agencies in order to remain contemporary and access the latest knowledge/ technical know-how to continuously improve the quality of programmes.

**Implementation Partnerships,** with reputed and expert NGOs for implementation of programmes.



The findings thus validated the 2-Horizons strategy put in place a few years earlier, comprising an integrated response to development.



# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## LONG-TERM VISION - CREATION OF ADARSH HABITATIONS

### TARGETS & TIMELINES

Based on the 2-Horizons strategy, a number of interventions have been designed to achieve the Company's ambition to create Adarsh Habitations - where people have access to sustainable livelihoods or are future ready for the job markets of tomorrow. Each objective has its own measurable indices to achieve the desired goals. These are detailed in Table 1 along with the estimated time it would take to achieve these targets.

**TABLE 1: PERFORMANCE AGAINST TARGET 2030 FOR MISSION SUNEHRA KAL PROGRAMMES**

Objective	Initiatives	UoM	Target 2030	Achieved till 2018-19	Balance to Achieve	Timeline (years) <sup>1</sup>
<b>HORIZON I - SUSTAINABLE LIVELIHOODS TODAY</b>						
<b>De-risk poor rural households by diversifying farm portfolios through the promotion of tree-based farming</b>	Social Forestry	Acres	<b>630,000</b>	<b>329,047</b>	300,953	11
<b>Integrate diverse elements of the rural portfolio of initiatives into a Climate Smart Village approach</b>	Sustainable Agriculture <sup>2</sup>	Acres	<b>3,000,000</b>	<b>279,366</b>	2,720,634	11
<b>Ensure water security for all stakeholders through watershed development &amp; managed aquifer recharge</b>	Watershed Development	Acres	<b>2,200,000</b>	<b>1,011,601</b>	1,188,399	11
	Water Harvesting Structures	Nos.	<b>50,000</b>	<b>15,086</b>	34,914	11
	Storage Potential	Million KL	<b>60.00</b>	<b>34.64</b>	25.36	11
	Biodiversity Conservation	Acres	<b>100,000</b>	<b>22,031</b>	77,969	11
<b>Actively promote non-farm livelihood opportunities to diversify income portfolios of poor households</b>	Women Economic Empowerment	Nos.	<b>150,000</b>	<b>64,606</b>	85,395	11
<b>HORIZON II - CREATING CAPABILITIES FOR TOMORROW</b>						
<b>Ensure that every child is in school and learning well through improvement in pedagogy and the learning environment</b>	Improvement in learning outcomes	No. of children	<b>1,300,000</b>	<b>690,882</b>	609,118	11
	Infrastructure support to Government Schools	Nos.	<b>4,000</b>	<b>1,802</b>	2,198	11
<b>Align skills training to market demand to maximise employment of youth from our core areas</b>	Vocational Training	No. of youths	<b>282,000</b>	<b>67,496</b>	214,504	11
<b>Reduce morbidity, especially amongst women and children, by promoting a clean and healthy environment</b>	Toilets constructed <sup>3</sup>	Nos.	<b>40,000</b>	<b>35,916</b>	4,084	11
	Solid Waste Management (SWM)	No. of Households <sup>2</sup>	<b>600,000</b>	<b>211,826</b>	388,174	11

Note: 1 hectare = 2.47105 acres | <sup>1</sup> Timeline from base year of 2016-17 | <sup>2</sup> Figures on sustainable agriculture area and SWM - households covered, pertains to FY 2018-19  
<sup>3</sup> In view of 95% of project areas being declared ODF by the government the target has been revised

## OUTCOME INDICATORS

Investing in such a holistic manner will establish enabling conditions for the emergence of "Adarsh" habitations (Table 2), with indicators aligned to national priorities and several Sustainable Development Goals (SDGs) (Table 3), whether in the area of protection of natural resources or the development of human capabilities.

**TABLE 2: OUTCOME INDICATORS FOR "ADARSH" HABITATIONS**

Outcomes for "Adarsh" Habitation	Indicator	Benchmark
<b>Sustainable agriculture</b>	Soil organic carbon (SOC)	0.75 – 1%
<b>Water security</b>	Groundwater recharge	From "semi-critical"/ "critical"/ "over-exploited" to "safe" category
<b>Fuel &amp; fodder security</b>	Area under biomass (forest or tree cover)	33% of total geographical area
<b>Women economic empowerment</b>	Financial and social inclusion of women	100%
<b>Inclusive and equitable quality primary education for all</b>	Learning Outcomes	At par with best state as per the ASER Survey
<b>Improvement in health status</b>	Maternal Mortality Ratio (MMR)	National SDG goal – 109*
	Infant Mortality Ratio (IMR)	National SDG goal – 27**
<b>End to extreme poverty &amp; hunger</b>	Under-weight children	National SDG goal – 26%



\* Deaths per 1 lakh live births \*\* No. Of Deaths of infants less than 1 year old per thousand live births

# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

TABLE 3: ALIGNMENT TO NATIONAL PRIORITIES AND SDG GOALS

Themes	SOCIAL FORESTRY		WATER STEWARDSHIP			PRIMARY EDUCATION	
Government Schemes	National Agro-forestry Policy, 2014		Pradhan Mantri Krishi Sinchai Yojana			Sarva Shiksha Abhiyan	
SDG Linkage	13 CLIMATE ACTION 	15 LIFE ON LAND 	6 CLEAN WATER AND SANITATION 	13 CLIMATE ACTION 	15 LIFE ON LAND 	4 QUALITY EDUCATION 	6 CLEAN WATER AND SANITATION 
Themes	CLIMATE SMART AGRICULTURE		INTEGRATED ANIMAL HUSBANDRY			WOMEN EMPOWERMENT	
Government Schemes	National Mission for Sustainable Agriculture (NMSA)		National Livestock Mission (NLM)			Support to Training and Employment Programme for Women (STEP)	
SDG Linkage	1 NO POVERTY 	2 ZERO HUNGER 	1 NO POVERTY 	2 ZERO HUNGER 	13 CLIMATE ACTION 	1 NO POVERTY 	2 ZERO HUNGER 
SDG Linkage	13 CLIMATE ACTION 	15 LIFE ON LAND 	5 GENDER EQUALITY 		8 DECENT WORK AND ECONOMIC GROWTH 		
Themes	VOCATIONAL TRAINING		SANITATION AND SOLID WASTE MANAGEMENT			MOTHER AND CHILD HEALTH (MCH)	
Government Schemes	Pradhan Mantri Kaushal Vikas Yojana (PMKVY)		Swachh Bharat Mission (SBM)			Integrated Child Development Services (ICDS), Pradhan Mantri Surakshit Matritva Abhiyan (PMSMA)	
SDG Linkage	4 QUALITY EDUCATION 	8 DECENT WORK AND ECONOMIC GROWTH 	3 GOOD HEALTH AND WELL-BEING 	6 CLEAN WATER AND SANITATION 	11 SUSTAINABLE CITIES AND COMMUNITIES 	3 GOOD HEALTH AND WELL-BEING 	

## ENDURING PARTNERSHIPS FOR DEVELOPMENT

At the core of Mission Sunehra Kal programmes is the commitment to create enduring partnerships with relevant stakeholders in order to drive sustainable processes, remain contemporary and ensure scale.

### EMPOWERED GRASSROOTS INSTITUTIONS

Community participation is at the core of MSK's development model. All activities are undertaken through community-based organisations (CBOs) specially formed for the purpose of the project and supported with training and capacity building (Table 4). Community contribution - both financial and in kind - is a key element, which combined with a participatory approach, generates high ownership levels, fundamental to long-term sustainability.

**THE ULTIMATE AIM IS TO FORM EMPOWERED CBOS WHICH CAN FUNCTION AUTONOMOUSLY, ENABLING COMMUNITIES TO INDEPENDENTLY SHAPE THEIR OWN DESTINY.**

TABLE 4: GRASSROOTS INSTITUTIONS

Intervention	Institution	Nos.	Members	Corpus Fund (₹ Lakhs)
Watershed	Water User Groups (WUGs)	2,793	49,055	117
Social Forestry	Vanikaran Sanghas (VSs)	1,788	43,048	183
Agriculture	Agri-business Centres (ABCs)	351	11,212	255
Women	Self-Help Groups (SHGs)	3,586	42,057	1,041
Education	School Management Committees (SMC)	682	4,092	-
		<b>9,200</b>	<b>149,464</b>	<b>1,596</b>



# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## GOVERNMENT PARTNERSHIPS

Partnerships with governments enable rapid scale-up of programmes that have been piloted and tested in ITC's project locations. Cumulatively, MSK has signed 61 MoUs (Table 5) with several state governments and NABARD. Of these, ten partnership agreements were signed with various state governments during 2018-19.



**TABLE 5: GOVERNMENT PARTNERSHIPS TO DATE**

Theme	State	Department/ Programme	No. of MoUs
<b>Agriculture</b>	Karnataka, Rajasthan, Maharashtra, Bihar, Madhya Pradesh, Assam, Jharkhand, Uttar Pradesh, Odisha	NABARD's Tribal Development Fund (TDF), MGNREGS and NITI Aayog's Aspirational District Programme	3
<b>Education</b>	Karnataka, Assam, West Bengal	Department of State Education Research and Training	3
<b>Livestock</b>	Andhra Pradesh, Madhya Pradesh	Andhra Pradesh Livestock Development Agency (APLDA) and NABARD's Farmer's Technology Transfer Fund (FTTF)	2
<b>Sanitation</b>	Rajasthan, Punjab, Uttar Pradesh, Uttarakhand	District drinking water and sanitation departments	4
<b>Solid Waste</b>	Uttar Pradesh, Andhra Pradesh, Tamil Nadu, Karnataka, Punjab	Saharanpur Municipal Corporation, Guntur Municipal Corporation, Coimbatore - Karamadai Panchayat, Greater Chennai Corporation, Zilla Panchayat Mysuru and Municipal Council of Kapurthala	6
<b>Water Stewardship</b>	Madhya Pradesh, Andhra Pradesh, Maharashtra, Rajasthan, Bihar	Mukhyamantri Jal Swabhalamban Abhiyan (MJSA) of Rajasthan, MGNREGS, Integrated Watershed Management Programme (IWMP) and NABARD	38
<b>Women Empowerment</b>	Madhya Pradesh, Maharashtra, Bihar, Rajasthan	State Rural Livelihood Mission	4
<b>Vocational Training</b>	Madhya Pradesh	NABARD	1
<b>Total MoUs</b>			<b>61</b>

## NITI AAYOG & ITC PARTNERSHIP TO IMPROVE AGRICULTURE AND ALLIED SECTORS IN 27 ASPIRATIONAL DISTRICTS

ITC entered into a partnership with NITI Aayog on 25th April, 2018 for improvement of agriculture and allied sector in **27 Aspirational Districts of 8 states (Assam, Bihar, Jharkhand, Rajasthan, Madhya Pradesh, Maharashtra, Odisha and Uttar Pradesh)** by capacity-building of Agriculture Department officers, who, in turn, would cascade the methodology to the farmers. The training material was developed in consultation with scientists from agriculture universities and Krishi Vigyan Kendras (KVKs), and the training kits were finalised in local languages - Hindi, Marathi Assamese and Odiya - for wheat, gram and paddy, the major rabi crops of these districts.



Since the launch of the programme in September, 2018, the following has been the progress:

**ITC, with its NGO partner VIKSAT, has trained 402 block level agri-officers as Master Trainers (MT);**

**Who in turn trained 2,259 village level staff as Village Resource Persons (VRPs) to train farmers directly.**

**These VRPs have so far trained 2.05 lakh farmers.**

**In addition, 675 Farmer Field Schools (FFS) were promoted by the year end creating a pool of 16,900 champion farmers.**

The impact of these trainings will be captured through dip-stick surveys post the harvest of the rabi crops.

In addition, the programme has also launched a vigorous campaign to raise farmer awareness on major government schemes with the objective of ensuring a significant increase in the off-take of such programmes by farmers.

As a result of these partnerships, the Social Investments Programme was able to raise a total of ₹ 32 cr by way of local contributions and external funds for almost all the important interventions across all projects (Table 6):

**TABLE 6: EXTERNAL FUNDS RAISED, 2018-19**

(In ₹ Lakhs)

Community Contribution	External Sources	Total
1,645	1,531	3,175

# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## KNOWLEDGE PARTNERSHIPS

### CGIAR - 'CLIMATE SMART VILLAGES' (CSV)

The partnership aims to improve the resilience of MSK operational villages in Madhya Pradesh, Maharashtra and Rajasthan to prepare farmers to confront climate change related challenges. During FY 2018-19, farmers from 594 villages of the 3 states were trained. Climate Smart Agriculture practices, which were finalised through participatory processes, were rolled out for seven major crops - soya, paddy, wheat, sugarcane, onion, mango and gram.



### INTERNATIONAL UNION FOR CONSERVATION OF NATURE (IUCN)

This partnership, in Munger (Bihar) aims to identify and revive key eco-system services ('Agriscapes') provided by nature through biodiversity conservation measures. Three different landscapes have been identified. Work is being implemented based on the action plan developed by IUCN. Interventions include creation of fuelwood and fodder sources within forest fringe area villages to bring down dependence on forests, native species plantation along Ahar & Pyne banks to ensure a long life of the system, and multi-tier native species plantation on fields adjacent to the Ganga river to minimise damage by floods.



### WORLD WIDE FUND FOR NATURE INDIA

MSK has two partnerships with WWF India:

- **Water Budgeting and Water Risks analysis** for the Bhavani River Basin in Kovai/ Coimbatore (Tamil Nadu). The WWF study concluded that the basin is under water stress with demand on water increasing day-by-day due to the changing cropping pattern and Coimbatore town's drinking water requirement. It recommended managed aquifer recharge, demand side management in banana and coconut crops and improvement of forest cover as major interventions.

- **The 'Better Cotton Initiative' (BCI) in Telangana:** Over 10,000 cotton growing farmers were trained in sustainable cotton cultivation as per BCI principles and practiced the same in about 28,000 acres of cotton and agroforestry plantations. These practices are aimed at decreasing cultivation costs and improving productivity along with improvement in tree productivity in agroforestry plantations. All the farmers are registered for BCI certification.



### COLLABORATIONS WITH AGRICULTURAL INSTITUTES

Formal collaborations have been signed with the Tamil Nadu Agricultural University (TNAU) and Vasant Dada Sugarcane Institute (VSI) to build capacities of ITC, partner NGO teams and farmers in sustainable agriculture and agricultural water-use efficiency in major crops of the area - banana, coconut and sugarcane.

### INTERNATIONAL WATER MANAGEMENT INSTITUTE (IWMI)

This partnership aims to develop standard templates for implementation of drought-proofing and unit water security programmes based on evidence provided by our water stewardship projects.

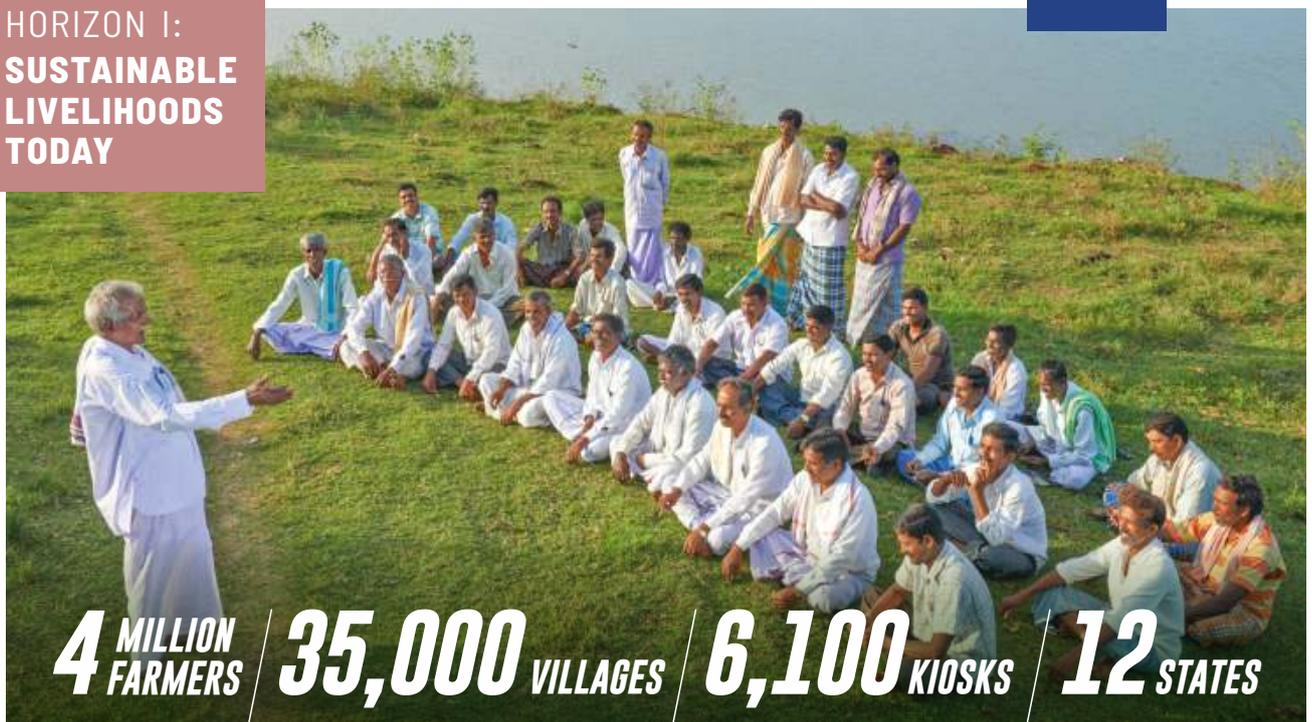
### IMPLEMENTATION PARTNERSHIPS

MSK has forged strong partnerships with 86 NGOs for execution of its 155 projects pan-India, which include both thematic experts and grassroot NGOs. These NGOs are identified after an operational and financial due diligence process. Whilst the agreements are renewed annually, the partnerships tend to be long term, enabling a deep understanding of the contextual realities and ITC's systems & processes by the partners, thus leading to effective delivery of desired outcomes. A process of structured "Dialogue" with NGO partners is in place for pulse check and also for feedback and forward planning. In most thematic interventions, there is more than one partner in place to ensure that there is no risk to the Project in case of any untimely closure of the partnership.

## INTERVENTIONS IN HIGH PRIORITY AREAS

**The projects promoted under the Social Investments Programme are spread over 235 districts of 27 States/ Union Territories.**

### HORIZON I: SUSTAINABLE LIVELIHOODS TODAY



# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## ■ SOCIAL FORESTRY

The programme focuses on creating commercially viable land use options for smallholder farmers through tree-based farming to diversify incomes from land while fostering food, fodder and fuelwood security. The programme is closely aligned to the 'National Agroforestry Policy, 2014', which emphasises improvement in productivity; employment, income and livelihood opportunities, especially for the smallholder farmers, through agroforestry.

Launched in 2001-02, the programme has covered over 2.15 lakh acres under pulpwood plantations, over 1.13 lakh acres under energy plantation and 608 acres of bamboo plantations (Table 7). Till date, the Farm and Social Forestry programmes together have greened over 7.33 lakh acres, generating 135 million person-days of employment.

**During the year, 1.08 lakh MT of wood was harvested (Table 8), of which 23% (25,537 MT) was Forest Stewardship Certified (FSC) wood, which benefited farmers through premium payment. The total wealth generation due to wood harvest in the year is to the tune of ₹ 32.82 crores for poor and marginal farmers.**

Agroforestry continued to be given emphasis, accounting for 91% of area under eucalyptus. Given the sizeable area under agroforestry, and to drive improvement in farm

economics from intercropping, ITC continued its efforts to improve productivity of intercropping cultivated along with trees. The partnership with the World Wide Fund for Nature, India (WWF India) implemented the 'Better Cotton Initiative' in three districts of Telangana - Khammam, Warangal and Nalgonda - as cotton is the major intercrop in those districts.

**TABLE 7: SOCIAL FORESTRY**

Activity	2017-18	2018-19	Cum to 2018-19
<b>Coverage</b>			
No. of new villages	182	90	<b>5,087</b>
No. of new beneficiaries	12,708	12,325	<b>121,557</b>
<b>Plantation Area (acres)</b>	39,504	33,982	<b>329,047</b>
<b>Saplings Planted (Lakhs)</b>	720	636	<b>6,916</b>
<b>Agroforestry Area (acres)</b>	19,683	10,379	<b>112,318</b>

**TABLE 8: WOOD HARVEST**

Description	2017-18	2018-19
Area (Acres)	6,161	5,935
Farmers (No.)	2,342	1,762
Volume Harvested (MT)	109,262	108,858
Total Income (₹ Lakhs)	3,167	3,282
<b>Earnings/ Household (₹)</b>	135,228	186,268
<b>Earnings/ Acre (₹)</b>	51,400	55,297



## ■ SUSTAINABLE AGRICULTURE (SA)

The primary objective of the SA programme is to **de-risk farming operations** from erratic weather events to improve profitability of agriculture by creating an ecosystem of services comprising:

- 1 **CAPACITY BUILDING AND KNOWLEDGE DISSEMINATION;**
- 2 **RESTORATION AND REPLENISHMENT OF NATURAL RESOURCES THAT ARE CRUCIAL FOR AGRICULTURE - WATER, SOIL AND BIODIVERSITY; AND**
- 3 **INSTITUTIONAL SUPPORT THROUGH FARMER GROUPS - AGRI BUSINESS CENTRES (ABCS) - FOR COLLECTIVE ACTION.**

The programme is closely aligned to The 'National Mission for Sustainable Agriculture (NMSA)', which aims to make agriculture productive, sustainable, remunerative and climate resilient.

The ITC e-Choupals are designed to deliver enhanced

value to all participants in the value chain, including farmers, by leveraging the power of Information Technology. Village internet-kiosks managed by lead farmers, called "sanchalaks", facilitate information access to other farmers, in their local language. It provides real-time information on weather forecasts and market prices, customised knowledge on scientific farm practices and risk management. Such crucial information and inputs enhance the ability of farmers to take informed decisions, align their farm output with market demand and ensure higher quality and productivity. The aggregation of demand for farm inputs from individual farmers gives them access to high quality inputs from established manufacturers at fair prices.

Launched in June 2000, ITC e-Choupal is today the largest initiative among internet-based interventions in rural India. Its services reach out to more than 4 million farmers in over 35,000 villages through 6,100 kiosks spread across 12 states. 1,243 Choupal Pradarshan Khets (CPK) complemented the e-Choupals to disseminate appropriate agri-practices to 65,000 farmers covering 1.48 lakh acres.



## ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH



3,504 Farmer Field Schools (FFS) and 49,109 demonstration farms disseminated scientific and technological best practices to over 69,000 farmers during the year. 351 Agri Business Centres (ABCs) continued to give extension services (Table 9), promoted advanced agri-practices, arranged agri-credit linkages and established collective input procurement and agricultural equipment on hire, together impacting over 1.50 lakh farmers. Towards ITC's long-term objective of improving Soil Organic Carbon, 3,169 compost units were constructed during the year, taking the cumulative total to 40,699.

To strengthen participation of women in agriculture, ITC trained them in agri-related skills through 368 exclusive women FFS and promoted 425 enterprises owned and managed by women. Women run Agri Business Centres (ABCs) hired out agri equipment, undertook seed production and established nurseries.

In addition, major agriculture practices have been

institutionalised in several states with the aim of reducing water use and cultivation costs, and improving productivity (Table- 10) to make agriculture more sustainable and climate resilient.

**TABLE 9: SUSTAINABLE AGRICULTURE**

Activity	2017-18	2018-19	Cum to 2018-19
<b>Minor Irrigation</b>			
Group Irrigation (Nos.)	31	247	1,110
Sprinklers (Nos.)	617	1,610	5,877
<b>Sustainable Agriculture</b>			
Demonstration Plots (Nos.)	5,348	4,617	49,109
Compost Units (Nos.)	2,731	3,169	40,699
Farmer Field Schools (Functional Nos.)	2,084	3,504	3,504
<b>Agri Business Centres (Nos.)</b>	381	351	351

HIGHLIGHTS

**1.50** LAKH FARMERS  
POSITIVELY IMPACTED

**69,000** farmers made aware about the  
**TECHNOLOGICAL  
BEST PRACTICES,**  
during the year.

**3,504** FARMER  
FIELD SCHOOLS  
**368** EXCLUSIVE  
WOMEN FFS

**3,169** COMPOST  
UNITS constructed during  
the reporting year

**351** AGRI  
BUSINESS  
CENTRES

**425** WOMEN-  
OWNED  
ENTERPRISES  
PROMOTED

## ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

**TABLE 10: MAJOR PRACTICES PROMOTED UNDER MISSION SUNEHRA KAL**

Crops	Major Practices Promoted	States	Total 2018-19 (Acres)
Wheat	Zero tillage (ZT) method of sowing, location specific varietal introduction	Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan, Maharashtra, Punjab, Uttarakhand and Jharkhand	143,757
Rice	Direct Seeding of Rice (DSR), Mechanised Paddy Transplanter (MPT) harvesting of Rice	Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan, Maharashtra, Punjab and Uttarakhand	15,069
Soya	Broad Bed Furrow (BBF) method of sowing	Madhya Pradesh, Rajasthan and Maharashtra	35,250
Cash Crops	Mulching with Ring Bunds, Drip Irrigation, Water Efficient System, Organic Practices	Uttar Pradesh, Andhra Pradesh, Tamil Nadu, Maharashtra, Telangana, Odisha and Uttarakhand	31,782
Horticulture	Organic plantation promotion, Water efficient system, productivity enhancement	Uttar Pradesh, Andhra Pradesh, Karnataka, Maharashtra, Gujarat and Telangana	1,691
Other Crops: Vegetables, Oil seeds, Maize, Bajra, Pulses	Seed treatment, green manure, pre-germination tests and standard package of practices	Bihar, Uttar Pradesh, Andhra Pradesh, Tamil Nadu, Rajasthan, Karnataka, Maharashtra, Telangana, Odisha, Assam and Chhattisgarh	51,821
<b>Total</b>			<b>279,367</b>

**ITC has successfully partnered with 2 state Governments (Andhra Pradesh and Karnataka) in introducing 'Food Safe Chilli Production' system covering 28 villages, 2,800 acres and benefiting 1,100 small farmers. The project focuses on deploying Sustainable Agricultural Practices and Infrastructure Development in villages. Farmers under the guidance of ITC and support from the National Horticultural Mission (NHM) have set up 30 shade nets for producing seedlings and vegetables. 4,942 acres of seedling and 300 tons of vegetables were produced and sold directly to consumers by farmers.**



## ASSESSMENT OF SUSTAINABLE AGRICULTURE PRACTICES BIHAR AND UTTAR PRADESH (UP)

The study covered 5 districts of 2 states- Lakhisarai, Munger and Begusarai of Bihar and Chandauli and Ghazipur of Uttar Pradesh (UP). The impact assessment combined household surveys, focus group discussions and case studies. The study revealed the following:

### PADDY MONSOON CROP



Crop yield of paddy using MPT and DSR is almost twice the yield of conventional transplantation. Most farmers adopted the DSR method of sowing because:

- The cost of cultivation with DSR is 32% lower.
- Crop yield is 21.75 qtl/ acre against 11.71 qtl/ acre for conventional transplanting.
- Profit per acre under the DSR method of sowing paddy is, therefore, 5.25 times greater than conventional transplantation.

### WHEAT WINTER CROP



The average yield of wheat using ZT method of sowing is 23.85 qt/ acre and 22.70 qt/ acre in UP & Bihar respectively, against yields of 15.71 qt/ acre and 13.90 qt/ acre respectively for the broadcasting method of sowing.

- Comparative analysis highlights that cost of cultivation for ZT method of wheat sowing is 17% lower than the conventional method and net profit per acre is 2.4 times more than conventional method. On an average, a farmer saves ₹ 2,277 per acre by adopting ZT method of wheat sowing, which is equivalent to an extra production of 1.42 qt/ acre.
- The farmers adopting ZT for wheat sowing earned an extra net return of ₹ 15,202 per acre over those practicing broadcasting of seeds method.

### MOONG SUMMER CROP



Post the intervention, farmers adopting mechanisation are able to cultivate a third crop, summer crop (Moong, Green Gram, etc.), thus ensuring round-the-year engagement for smallholder farmers.

- Summer crops generate an average yield of 5.1 qt/ acre leading to an average profit of ₹ 12,349, which is almost 180% more than the cost of cultivation.

### TOTAL IMPACT ON FARM INCOMES

**Collectively, the profit earned while employing DSR, ZT & Summer crop is 311% of the conventional method.**

**Whereas, profit while employing MPT, ZT & Summer crop is 287% of the conventional method.**

# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## SUSTAINABLE MANAGEMENT OF PADDY STUBBLE IN KAPURTHALA DISTRICT, PUNJAB

Crop residue burning in the paddy-wheat crop cycle has emerged as an area of great concern in Punjab and Haryana due to its adverse impacts on air pollution. This problem was also pervasive in MSK's project villages in Kapurthala district of Punjab. ITC, in consultation with scientists, NGOs, farmers & government officials, designed a comprehensive eco-system approach for sustainable management of crop residue in Kapurthala.

Post consultations, the most appropriate and immediate solution that surfaced was to promote in-situ stubble incorporation by introducing Super Straw Management System (Super SMS) along with combine harvesters and Happy Seeders. This would not only take care of the stubble but, in fact, would improve soil moisture and the soil organic content.

### INTERVENTIONS

**Motivated combine harvester and tractor owners** to purchase additional equipment through existing government subsidies;

**Demand generation for the equipment from farmers** by explaining the economic benefits to them; and

**Efficient logistics during the planting season** to link farmers with machine operators to minimise the demand-supply gap arising from the short window available for completion of sowing.

### COVERAGE & OUTCOMES

- 1** All 1,780 farmers in 46 target villages were trained through 25 Farmer Field Schools established with the help of KVKs;
- 2** 62 additional Super SMS were introduced, in addition to the 2 existing ones. Similarly, 246 additional Happy Seeders were procured in addition to the 4 existing ones;
- 3** Out of 1,780 farmers who harvested paddy, 1,743 did not burn stubble at all whereas 37 farmers had burnt the stubble partially. In area terms, stubble burning was practiced on 37 acres (0.5%) whereas no burning and incorporation of biomass was witnessed in the balance 18,730 acres (99.5%).





## ■ WATER STEWARDSHIP

This programme champions **water stewardship for all stakeholders** in ITC's operational areas to promote water security through community-based participation in planning and execution and scientific water- balance assessments. The programme is closely aligned to the 'Pradhan Mantri Krishi Sinchai Yojana', which is being implemented in mission mode by the government.

**In the agri-catchments, ITC focuses on drought-proofing agriculture by improving groundwater status and reducing crop-related demand for water. In factory locations, ITC aims to achieve water security for all stakeholders by progressing towards positive water balance through interventions in supply and demand side management.**

In pursuit of these objectives, ITC collaborates with reputed institutions and thematic expert organisations to improve water use efficiency in agriculture, map recharge zones for managed aquifer recharge and for water balance estimation. **ITC has partnered with institutions such as IWMI, WWF India, ACWADAM, CII, GEOVALE till date for the tasks mentioned above.**

# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

**TABLE 11: WATER STEWARDSHIP**

Activity	2017-18	2018-19	Cum to 2018-19
<b>Water-harvesting</b>			
Minor Structures (No.)	1,949	2,250	11,141
Major Structures (No.)	392	396	3,945
<b>Total Structures</b>	<b>2,341</b>	<b>2,646</b>	<b>15,086</b>
<b>Watershed Area (acres)</b>			
Area Treated	68,643	97,128	682,139
Critical Irrigation Area	29,536	39,977	329,462
<b>Total Watershed Area</b>	<b>98,180</b>	<b>137,105</b>	<b>1,011,601</b>
Water Storage Capacity (million KL)	2.93	3.39	34.64
Direct Beneficiaries (Nos.)	32,705	25,744	310,435
Empl person-days (lakhs)	1.46	1.62	58.60

Public Private Partnership (PPP) projects with various state governments and NABARD, have traditionally formed a significant part of the total watershed projects implemented by ITC.

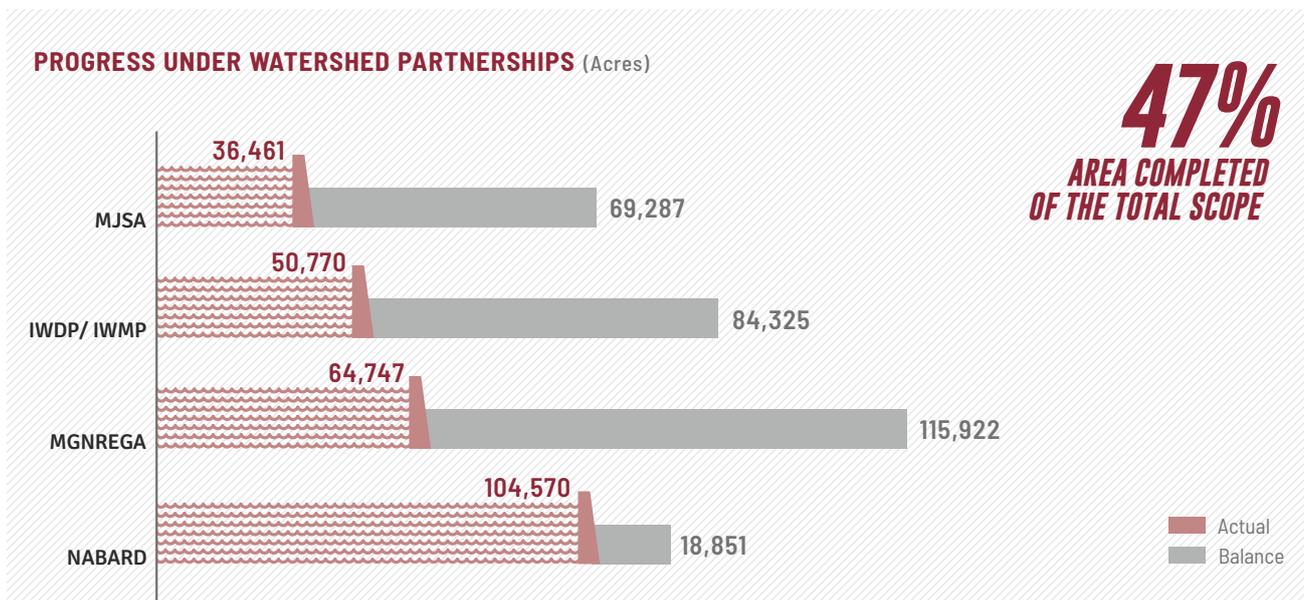
In 2018-19, three new MoUs were signed with:

- i) NABARD in Chhindwara district of Madhya Pradesh;
- ii) NABARD in Guntur and Prakasam districts of Andhra Pradesh; and
- iii) IWMP in Sehore district of Madhya Pradesh, to cover 45,647 acres under watershed development.

With this, the total target area under such PPP projects in Andhra Pradesh, Madhya Pradesh, Rajasthan and Maharashtra stands at 5.45 lakh acres. Of the total, work on 47% of the area has been completed so far, of which progress in NABARD partnership programmes is 85% as they were the earliest amongst the PPPs signed.

Close to 7,413 acres have been brought under drip irrigation in FY 2018-19 in the West Godavari region of Andhra Pradesh, taking the total area to 16,309 acres.

**The water stewardship programme covered over 1.37 lakh acres (Table 11) in 2018-19, taking the total area to over 10.12 lakh acres spread over 15 states. Cumulatively, 15,086 water harvesting structures have been constructed, creating fresh water-harvesting potential of 34.64 million kl.**



**■ INTEGRATED ANIMAL HUSBANDRY PROGRAMME**

The animal husbandry programme provides **an opportunity for farmers to diversify their livelihood portfolio** from primary dependence on agriculture by enhancing productivity of milch animals. It is closely aligned to the 'National Livestock Mission (NLM)', which aims at quantitative and qualitative improvement in livestock production systems and capacity building of all stakeholders.



The programme provides extension services, including breed improvement through door-step artificial insemination (AI), fodder propagation and training of farmers to increase their incomes by enhancing milk yield of cattle in 21 districts of 6 states.

**During the year, 1.46 lakh AIs were carried out leading to the birth of 0.62 lakh high yielding progenies (Table 12).**

Indigenous breed promotion was given special focus in all project areas in order to build resilience in livestock-based livelihoods. This matches the national priorities articulated in the National Project for Cattle and Buffalo Breeding (NPCBB). 67% (97,647) of AIs were done with native breed semen for both cows and buffalos in 2018-19.

**TABLE 12: ANIMAL HUSBANDRY SERVICES**

Activity	2017-18	2018-19	Cum to 2018-19
<b>CDC Centres</b> (Functional Nos.)	211	156	156
<b>Breed Improvement</b>			
No. of AIs (lakhs)	2.02	1.46	23.67
No. of pregnancies (lakhs)	1.09	0.75	11.55
No. of calving (lakhs)	0.79	0.62	8.13
<b>Vaccination &amp; Health</b> (lakhs)	1.17	1.26	10.03

# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## TRANSFORMING LIVELIHOODS OF SMALLHOLDER FARMERS THROUGH INTEGRATED LIVESTOCK DEVELOPMENT

The study covered 7 districts of 3 states: Prakasam, Guntur, West Godavari and Nellore (Andhra Pradesh); Khammam (Telangana); and Mysuru & Hassan (Karnataka). The impact assessment combined household surveys, focus group discussions and case studies.

The study revealed the following:

- In AP and Telangana, the project has significantly contributed to improving the characteristics of Ongole and Hallikar cattle breed in project locations **leading to improved herd size and better quality animals.**
- All project farmers in the three states **access AI services**, while 48% of control farmers use natural service in AP and Telangana.
- **Project farmers have reported a higher rate of conception** - an average of 2 inseminations for a pregnancy in AP & Telangana and 2.2 in Karnataka as compared to 2.2 and 2.8 for control farmers, respectively.
- Calving rate for buffalos in project locations of AP & Telangana is 40% as compared to 37% for control farmers and for crossbreed cattle in Karnataka it is 47% as against 37% in control location.
- Feed and fodder management are significant inputs and cost components for animal owners. Due to project interventions, **65% of farmers in Karnataka are growing green fodder** as compared to control farmers (29%).



Study by Creative Agri Solutions Pvt. Ltd., 2019

**In addition, 1.29 lakh cattle of over 55,000 dairy farmers of 426 villages in 6 districts of Bihar were supported through 317 training programmes on clean milk production and mastitis control. 727 Animal Health Camps were conducted covering over 45,000 animals and nearly 46,000 doses of deworming and vaccination were distributed.**

## ■ WOMEN'S ECONOMIC EMPOWERMENT

This initiative is designed to provide **a range of gainful entrepreneurial opportunities** to poor women supported with financial assistance by way of loans and grants. Strong market linkages are attempted to ensure long term sustainability. This initiative is closely aligned to 'Support to Training and Employment Programme for Women (STEP)' programme of the government, which aims to provide skills that give employability to women.

### Ultra-Poor Women

Initiated in 2014, this holistic intervention currently supports 8,900 ultra-poor women to promote their socio-economic mainstreaming. The Programme is operational in 8 districts of Bihar, West Bengal, Madhya Pradesh, Telangana, Rajasthan and Assam and has cumulatively impacted 22,700 women (Table 13). 13,795 graduated women have shown significant progress on outcome indicators such as financial inclusion, literacy, health, water, sanitation and nutrition, besides income.

**72% of the graduating women till date have tripled their incomes, earning more than ₹ 60,000 per annum from a base of less than ₹ 18,000 per annum (Table 14).**

**TABLE 13: ULTRA POOR WOMEN PROGRESS**

(Nos.)

Beneficiaries	2018-19	Cumulative
Women Selected*	8,900	22,700
Women Trained*	8,900	20,100
Women Provided Assets*	8,900	20,100
Women Graduated	3,595	13,795
<b>Enterprise (Asset distribution)</b>		
On-Farm Assets	1,151	6,670
Off-Farm Assets	5,673	11,787
Mixed	2,076	4,243

*Note\*:* Figures in the first three parameters under "Beneficiaries" include 6,300 women from 2017-18 continuing in 2018-19



# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

**TABLE 14: DISTRIBUTION OF WOMEN BY CURRENT INCOME SIZE**

HH income before project (₹/ month)	HH income post project (₹/ month)			Total women
	3,000-4,999	5,000-6,999	> 7,000	
500-999	1,856	3,671	1,678	<b>7,205</b>
1,000-1,500	1,992	3,354	1,225	<b>6,571</b>
>1,500	10	6	3	<b>19</b>
<b>Women Numbers</b>	<b>3,858</b>	<b>7,031</b>	<b>2,906</b>	<b>13,795</b>



## Self-Help Groups (SHGs)

Out of a total of 3,586 operational SHGs, 400 SHGs were newly formed in 2018-19. The SHGs together leveraged ₹ 218 lakh from banks and other formal financial sources.

## Financial Inclusion

Post the signing of the MoU with Madhya Pradesh State Rural Livelihood Mission (MPSRLM) for financial literacy and inclusion of SHG women members, the programme was rolled-out to 11 districts during the year.

**446 Super Trainers were trained directly and they in turn, trained 735 Master Trainers who cascaded the training to 6,588 SHGs covering 62,197 women in 765 villages. 26,486 women of those trained have been linked to Government social security schemes.**



## Empowerment through legal rights

The "Ab Samjhauta Nahin", Know Your Rights initiative created awareness on legal rights that safeguard and protect women in 115 colleges in Delhi and Gujarat, directly reaching out to over 14,000 students via interactive workshops.

## WE, THE CHANGEMAKERS - WOMEN AGRI-ENTREPRENEURS

As in other parts of India, it was observed that while women play a critical role in the agricultural sector, they are not recognised as farmers and do not count as decision makers in Munger district of Bihar also. Therefore, ITC's Mission Sunehra Kal designs and implements a special intervention to empower rural women through knowledge and technology: women-run Agri-Business Centres (ABCs) were established to promote sustainable agriculture practices. In Munger, the ABC engages in a variety of activities like

- hiring out of agri equipment
- nursery raising • seed production
- capacity building of other farmers and
- linkages to government schemes collectively.

Initially, the women faced hurdles like family restriction, lack of acceptance by other farmers, and difficulty in operating the agri equipment and finances. However, regular and continuous training equipped the women with adequate technical and financial knowledge to operate and manage the ABC independently. Previously women were recognised as mere helpers in field operations. Post the intervention, however, they were recognised as 'farmers' and their collective bargaining power increased as they were given high regard as a group undertaking practices to improve agricultural productivity, whilst reducing cost of cultivation. **Due to the success of the intervention, government officials offer the women ABCs the first right to draw the benefit of government schemes and agricultural inputs at subsidised rates.**



Economic prosperity of the group and individual women was observed, which triggered improvement in their Human Development Indices (HDI) like access to quality healthcare, children education, nutritious meals, savings account and linkage to social security schemes.

Sunita, one of the hundreds of such beneficiaries summarises,

**“These days, women have more money in their accounts than the husbands. Whatever they grow and sell, they save it to secure the education of their children, healthcare, housing and dreams.”**

# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## OUTCOME OF GOAT BASED LIVELIHOOD PROGRAMME IN MUNGER, BIHAR

The study was conducted in Sadar Munger block of Munger district of Bihar to assess the outcomes of the Goat-based Livelihood programme. The assessment was undertaken through a mix of quantitative data and qualitative information using household survey and focus group discussions.

### OUTCOMES

Indicators	Unit	Pre Intervention	Post Intervention
Mortality - Adults	%	20.89	1.41
Mortality - Kids	%	27	3.59
Morbidity	%	46	22
Weight at Maturity	Kg	15.6	25.8
Change in Herd Size	Nos.	4.20	7.36
Sale price per kg of weight	₹	190	210
Kidding Interval	Months	11.5	8.5

The study pointed out that the majority of goat owners adopted improved animal husbandry practices such as,

- i) regular cleaning of goat sheds;
- ii) watering of goats 3 times a day;
- iii) providing first aid; and
- iv) deworming and vaccination of goats and kids.



**HORIZON 2  
 CREATING  
 CAPABILITIES  
 FOR TOMORROW**



**PRIMARY EDUCATION**

This Programme is designed to provide children from weaker sections access to education with focus on **learning outcomes and retention**. The intervention is closely aligned to 'Sarva Shiksha Abhiyan', which provides a variety of interventions for universal access and retention, bridging of gender and social category gaps in elementary education and improving the quality of learning.

**Operational in 24 districts of 14 States, the programme covered 1.15 lakh children in 2018-19 (Table 15). Of this, the Read India Plus programme covered 46,252 children and continued to bring about significant improvements in the learning levels of children in reading, number recognition and basic maths operations.**

**TABLE 15: PRIMARY EDUCATION**

Activity	2017-18	2018-19	Cum to 2018-19
<b>Education</b>			
Govt Schools Infra support (Nos.)	162	199	<b>1,802</b>
Children covered (lakhs)	0.45	1.15	<b>6.91</b>

Post the signing of the two MoUs last year in Karnataka and Assam for training of government school teachers and the MoU signed in West Bengal in 2018-19, 2,262 government school teachers were trained and an additional 69,524 children were covered through the child-friendly pedagogy.

The State Council of Education Research & Training (SCERT) Assam has adopted, with some modifications, the original training content, developed for the MSK project in Kamrup district, for roll-out across 33 districts of Assam, which will impact over 1.15 lakh teachers.

# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## Infrastructure Support and Maintenance

Improvement in infrastructure at identified government primary schools/ anganwadis is an important feature of the programme with the aim of creating an attractive and enabling learning environment through 'child friendly schools'.

**199 primary schools/ anganwadis were provided with infrastructure support in 2018-19, taking the cumulative number till date to 1,802 schools.**

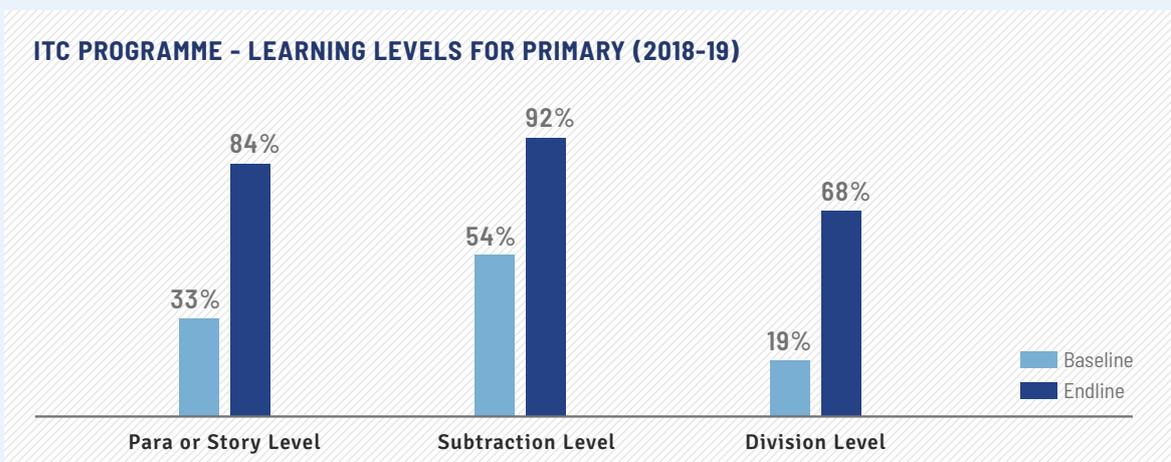
The programme strengthened 682 School Management Committees (SMCs) to enable participation, ownership and involvement in sustainable maintenance of school infrastructure being provided by the Company. In several schools, contributions for operations and maintenance of infrastructure/ sanitation facilities, creation of soap banks, capacity building of headmasters, teachers and child cabinet members have also been initiated. In addition, 545 child cabinets were formed and strengthened in all project locations to drive cleanliness and hygienic practices in the schools.



## ARE PRIMARY SCHOOL-GOERS IN OUR PROJECTS LEARNING WELL? IMPACT OF READ INDIA PLUS PROGRAMME



The Read India Programme has shown significant improvement in children's enrolment and basic learning levels for each project district across India. The graph below highlights the performance of children on some key parameters:



Pratham project data, 2018-19

### Digital learning

ITC's partnership with SAP India on 'Code Unnati', covered more than 7,100 children in 27 government schools in Andhra Pradesh (AP) under digital literacy and software skill development.

## ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

### ■ VOCATIONAL TRAINING

The programme focuses on providing market relevant skills to make potential job seekers industry-ready and employable. The programme is closely aligned to the Pradhan Mantri Kaushal Vikas Yojana (PMKVY), which aims to enable Indian youth to take up industry-relevant skill training to help secure better livelihoods.



The programme is being implemented around ITC's factories and agribusiness catchments in 32 districts of 17 states and has covered 67,496 youth cumulatively. 36% of the youth were from the SC/ ST communities and 44% were female students in FY 2018-19 (Table 16).

**TABLE 16: VOCATIONAL TRAINING**

Activity	2017-18	2018-19	Cum to 2018-19
Students Enrolled	11,619	12,172	<b>67,496</b>
Students Trained	10,584	10,550	<b>52,303</b>
Students Placed	7,428	7,315	<b>33,756</b>

The Programme offered courses in about 7 skills with the most sought after skills being hospitality, electrical, computer skills and bedside assistance, which accounted for 72% of total enrolment. 69% of the students trained in 2018-19 have been placed so far with salaries ranging from ₹ 5,000 to ₹ 12,000 per month. The quality of placement has been superior in Hospitality, Electrical and Bedside assistance courses.

Another programme, focused on marketing skills, covered 785 youth to open up opportunities for entrepreneurial development.

The Company continues to work with the Welcomgroup Graduate School of Hotel Administration (WGSHA) together with Dr TMA Pai Foundation to cater to the ever growing need for professionally trained human resources in the hospitality industry. In addition, since the inception of ITC Culinary Skills Training Centre, Chhindwara in 2014, 103 trainee chefs have successfully completed the 6-months Programme wherein cooking skills are imparted to youth from the lower economic strata.

■ **PUBLIC HEALTH**

**Individual Household Toilets**

The objective of the programme is to promote a hygienic environment through **prevention of open defecation** and reduction in incidence of water-borne diseases. The intervention is aligned to the 'Swachh Bharat Mission (SBM)', which aims at a holistic approach to sanitation, including construction of toilets, street cleaning, waste minimising and behavioural change.

ITC has promoted toilets on a cost sharing basis, coupled with high impact awareness campaigns, to ensure enhanced levels of ownership and behavioural change.

**TABLE 17: HOUSEHOLD TOILETS**

Activity	2017-18	2018-19	Cum to 2018-19
Individual Household Toilets (IHHT) (Including Convergence)	7,494	4,443	<b>35,916</b>

**During the year, 4,443 Individual Household Toilets were constructed (Table 17) in 26 districts of 15 states in collaboration with Swachh Bharat Abhiyan, the government's flagship programme. As a result of these efforts, by March 2019, 468 of the project villages/wards (95%) have been declared ODF by the government.**



To cover poor households without land for toilets, 15 community toilets were constructed in 2018-19 in Munger and Kidderpore catchments with O&M being managed sustainably through funds generated by the community. In addition, 17 community toilets were renovated/constructed and water made available in identified Delhi slums by leveraging Delhi Jal Board funds and liaising with Delhi Urban Shelter Improvement Board (DUSIB). Cumulatively, 62 community toilets have been constructed till March 2019, benefitting over 30,000 people.

# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## ASSESSMENT OF INDIVIDUAL HOUSEHOLD TOILET AND COMMUNITY TOILET IN ITC'S CATCHMENTS

The study was conducted in 24 districts of 14 states - Andhra Pradesh, Bihar, Himachal Pradesh, Delhi, Karnataka, Maharashtra, Madhya Pradesh, Odisha, Punjab, Rajasthan, Telangana, Tamil Nadu, Uttar Pradesh and West Bengal. The study used a combination of household surveys, key person interviews and focus group discussions. The study revealed the following:

### INDIVIDUAL HOUSEHOLD TOILETS (IHHTS)

The study findings clearly highlighted high level of toilet usage at the household and at the individual member level, evident from the table below:

	Household level	Adults (above 18 years)		Adolescents (13-18 years)		Children (5-12 years)	
		Male	Female	Male	Female	Male	Female
Pan India	90%	95%	95%	96%	97%	97%	96%

- Women members of the household played a critical role in the construction of toilets as previously they faced problems in defecating in the open. Post toilet construction, 96% of women beneficiaries felt safe since their access to toilet during the day and night had become convenient and easy.
- Panchayat heads and NGO partners' continuous interaction and awareness activities (mike campaigns and street plays) was successful in encouraging households to construct toilets, increase toilet usage and ensure sustainable operation and maintenance.
- 97% of the respondents confirmed daily cleaning of the toilet as compared to 65% of control respondents.
- 98% of the respondents felt that toilet construction improved the health profile of family members. 89% of the respondents highlighted that there was no occurrence of diarrhoea among children (age <3 years) post the construction of toilet.
- Extensive Information, Education and Communication (IEC) activities were undertaken to inculcate Water, Sanitation and Hygiene (WASH) practices among community members and school children, resulting in 95% and 88% of respondents washing their hand with soap after defecating and before meals, respectively.

### COMMUNITY TOILETS

- All respondents affirmed usage of community toilets during the day and at night. 62% of the respondents confirmed daily cleaning of the community toilet.
- In Bihar and West Bengal, all the community toilet beneficiaries paid 'user fees', which in turn is used for operation and maintenance of the community toilet. However, in Delhi, the Municipal Bodies are responsible for operation & maintenance of the community toilet, including regular cleaning.

## Potable Water

**To make hygienic and healthy water available to local communities in 4 districts of Andhra Pradesh and Telangana, 26 new RO plants were established in 2018-19, taking the total to 127 plants providing safe drinking water to over 1.51 lakh rural people.**

The beneficiaries pay for the water, thereby making it a financially viable model which provides the revenues for the running and maintenance of the plant.

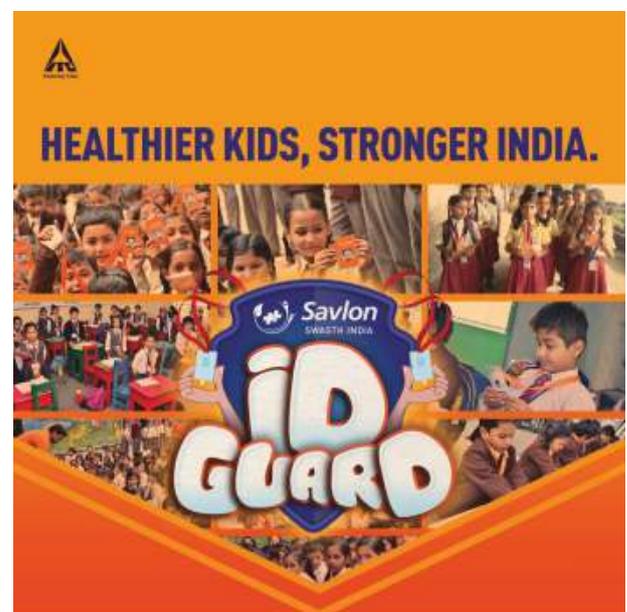
## Health

The Company continued to enhance awareness on various health issues through a network of 415 women Village Health Champions (VHCs) who covered nearly 3.22 lakh women, adolescent girls and school children during the year. The programme is operational in 7 districts of Uttar Pradesh and 4 districts of Madhya Pradesh.

77,621 beneficiaries were covered under Mother and Child Health initiative, through 5,471 awareness camps aimed to improve the health-nutrition status of women, adolescents and children by strengthening institutional capacity, promoting greater convergence with existing government schemes and increased access to basic services on maternal, child, and adolescent health, nutrition and child protection.

## Hygienic practices

The “Swasth India Mission” leveraged a mix of audio-visual aids, games and practical training to encourage healthy hygiene habits amongst children. Nearly, 19.2 lakhs children from around 5,247 schools in 60 cities in 12 states were covered during the year. Additionally, access to handwashing was enabled through the unique 'ID Guard' initiative to all students who were covered in these 5,247 schools.



# ITC's MISSION SUNEHRA KAL FOR SUSTAINABLE & INCLUSIVE GROWTH

## SOLID WASTE MANAGEMENT

### Waste Recycling Programme

'WOW – Well Being Out of Waste' promotes a clean and green environment through source segregation and recycling of dry waste. During the year, the programme continued to be executed in Hyderabad, Warrangal, Siddipet, Sircilla, Gajwel, Mahbubnagar, Karimnagar, Kothagudem, Bhadrachalam, Medak, Coimbatore, Chennai, Bengaluru, Delhi, Muzaffarpur (Bihar) and major districts of Andhra Pradesh, and was expanded to Mysuru and Chikmagalur districts (Karnataka). 51,696 MT

of dry waste was collected from **651 wards from about 89 lakh citizens**. 15 lakh school children were also added through the school programme while propagation continued in 2,000 corporate offices. The Programme creates **sustainable livelihoods for 14,745 waste collectors and has also created over 178 social entrepreneurs** who are involved in maximising value capture from the dry waste collected.

### Solid Waste Management

The primary focus of the Programme remains on source segregation and minimising waste to landfills. The projects are operational in 15 districts of Andhra Pradesh, Bihar, Maharashtra, Punjab, Tamil Nadu, Karnataka, Uttar Pradesh, Uttarakhand, Telangana and West Bengal. During the year, 4 MoUs were signed to implement the decentralised SWM model with- i) Greater Chennai Municipal Corporation to cover 10,000 households in Ward 4 & 5 of Thiruvottiyur, Tamil Nadu; ii) Karamadai Panchayat Union, Tamil Nadu to cover 88 villages in 4 Gram Panchayats with 10,704 households; iii) Zila Parishad, Mysuru, Karnataka to cover 266 Gram Panchayat with approximately 4 lakh households; and iv) Municipal Council, Kapurthala, Punjab to cover 29 wards and benefit 21,000 households.



The projects together covered 2.12 lakh households and handled 12,608 MT of waste during the year.

Focus on decentralised community owned waste management continued with the formation of household clusters (Mohalla Committees - Chart 2) and home composting to push waste management closer to the generator so as to minimise environmental impact and associated costs. Currently 10,892 households are engaged in home composting and 69% (1.47 lakh households) of total households are practicing source segregation.

**Only 14% of the total waste, which is non-recyclable, was dumped in landfills.**



The projects earned ₹ 408 lakhs during the year as revenue from household levy, sale of compost and recyclables, which went towards meeting part of the administration and overhead costs.



The Green Temple initiative is a closed-loop waste management model involving processing of waste generated in temples to provide biogas to the kitchen and compost for its gardens. During the year, three Green Temple projects were operational in Tamil Nadu, with Kapaleeswarar Temple project having been made sustainable last year. In 2018-19, less than 10% of the total waste generated by the 3 temples reached landfills. Energy consumption has been reduced by 35 LPG cylinders per month post the introduction of the Project, leading to a saving of approximately ₹ 5 lakhs per annum for the temple kitchens in Kapaleeswarar temple (Chennai) and Srirangam temple (Tiruchirappalli). Further, to expand the Green Temple project, a hub & spoke approach was adopted. During the year, 47 spoke temple stakeholders were trained and 19 Green Temples initiated in Chennai, Trichy and Madurai locations of Tamil Nadu.

# CREATING ENDURING INSTITUTIONS

## RESPONSIBLE ADVOCACY

The Policy on Responsible Advocacy provides the framework for necessary interface with Government/ Regulatory Authorities on matters concerning various sectors in which the Company operates. The Company 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. The Company's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders.

### ■ CII-ITC CENTRE OF EXCELLENCE FOR SUSTAINABLE DEVELOPMENT



### Fast Tracks for the 2030 Agenda: Water, Energy and Green Industry

A high-level B2G Partnership Conclave on Sustainable Development Goals (SDGs), was organised in August 2018 in New Delhi by the Centre, NITI Aayog and the UN. A three-year partnership MoU was signed to showcase the efforts of Indian businesses to the Government and the UN. The partnership focuses on specific activities that seek to develop: (i) Vision and Action Agenda for businesses and industries to contribute to SDGs; (ii) Annual Status Reports; and (iii) Sector-specific Best Practice Documents.

### Indian Solutions for the World to Achieve SDGs

This report was launched during the B2G Partnership Conclave on Sustainable Development Goals in the presence of Shri Raj Kumar Singh, Hon'ble Minister of State (IC), Power and New & Renewable Energy; Shri Amitabh Kant, CEO, NITI Aayog; and Mr Yuri Afanasiev, UN Resident Coordinator, India. The report provides industry-specific case examples to illustrate how Indian companies incorporate the SDGs framework as a part of their business strategy.

## 13th Annual Sustainability Summit: Everyone's Future

The annual flagship event of CII-ITC Centre of Excellence for Sustainable Development was held in September 2018 in New Delhi. Key dignitaries included Dr Harsh Vardhan, Minister for Environment, Forest & Climate Change, Science & Technology, and Earth Sciences; Mr Suresh Prabhu, Minister of Commerce & Industry and Civil Aviation; Mr Hardeep Singh Puri, Minister for State (IC) Housing and Urban Affairs; Mr Karmenu Vella, Commissioner for Environment, Maritime Affairs and Fisheries, European Commission; and Mr Sanjiv Puri, ITC Limited.

CII hosted the Circular Economy Mission (CEM) at its 13th Sustainability Summit, which was attended by 80 delegates from 16 different countries with their representatives from industry, business associations, and academia. A circular economy guidebook for CEOs was launched by Dr Harsh Vardhan and Mr Sanjiv Puri on this occasion. Mr. Suresh Prabhu, Minister of Commerce & Industry and Civil Aviation, launched the CEM at a separate session hosted by the Centre through video conference.

## CII-ITC Sustainability Awards 2018

The thirteenth CII-ITC Sustainability Awards 2018 took place in December 2018. Since 2006, 878 businesses have applied of which 275 have been recognised so far. In 2018, 76 applications qualified for assessment and 39 companies were declared winners in various categories, including environment management, excellence in CSR and biodiversity, in the presence of Shri Amitabh Kant, Chief Executive Officer, NITI Aayog and Mr Sanjiv Puri, ITC Limited.

## India Business & Biodiversity Initiative (IBBI)

CII IBBI participated in the Business & Biodiversity Forum of the 14th Meeting of the Conference of the Parties (COP 14) to the UN Convention on Biological Diversity (CBD) held in Sharm El Sheikh, Egypt from 17 to 29 November 2018 with the theme of "Investing in biodiversity for people and planet". The Centre took an Indian industry delegation to participate in the forum to present Indian companies' initiatives and best practice case studies on mainstreaming biodiversity into the sectors of energy and mining, infrastructure, manufacturing and processing, and health.

## Climate Change

The Centre organised a session on voluntary climate adaptation framework for industry at the 24th Conference of Parties under United Nations Framework Convention on Climate Change (COP24) held at Katowice, Poland in December 2018.

## Capacity Building

The Centre promoted capacity building in sustainability through a range of training and consulting assignments. In 2018, almost 2,000 participants were covered through 75 programmes, conducted both in India and abroad. Topics included Value Innovation, CSR Rules and Impact Measurement, Sustainability Reporting, Integrated Reporting, Cluster Platform for Transformative Solutions, Human Rights, and Biodiversity.

## ITC Sangeet Research Academy

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

Padma Shri Pt. Ajoy Chakrabarty, Padma Shri Pt. Ulhas Kashalkar, Pt. Partha Chatterjee, Pt. Uday Bhawalkar, Vidushi Subhra Guha and Shri Omkar Dadarkar are the present gurus of the Academy. The focus of the Academy remains the nurturing of exceptionally gifted students, carefully hand-picked from across India, who receive full scholarship to reside and pursue music education in the Academy's campus and in other designated locations under the tutelage of the country's most distinguished musicians. The objective is to create the next generation of masters of Hindustani Classical Music for the continued propagation of a precious legacy.

**COMMITTED TO DELIVERING  
WORLD-CLASS PRODUCTS AND SERVICES  
THAT DELIGHT CUSTOMERS.**

**EMBED TO**

**ASSURE**





ITC, with its unwavering focus on quality and innovation, is committed to delivering world-class products and services that delight customers. Given ITC's presence in the FMCG and Hospitality sectors, its products and services reach out to a large number of consumers. The Company has put in place stringent processes and systems to ensure that all products and services are in compliance with relevant regulatory requirements. This is an integral part of ITC's approach and all efforts are made to ensure that there is no deviation on this account. Additionally, key attributes of ITC's products and services are constantly evaluated against international standards and best practices.

 Enduring Value			 AASHIRVAAD			 Sunfeast			 BINGO!		
<b>ITC'S FMCG PRODUCTS REACH 124 MILLION HOUSEHOLDS ACROSS INDIA</b>			 Yippee!			 Natural			 classmate		
 ITC HOTELS RESPONSIBLE LUXURY			 FABELLE Exquisite CHOCOLATES			 SUNBEAN GOURMET COFFEE					
 ESSENZA DI WILLS		 DERMAFIQUE cell by cell		 WILLS LIFESTYLE		 ITC MASTER CHEF		 Farmland SAFE AND NUTRITIOUS		 fiama	
 Vivel		 ENGAGE		 Savlon		 CHARMIS		 Shower to Shower		 nimyle	
 Wonderz Milk		 Paperkraft		 Kitchens of India <i>A feast for the senses</i>		 CANDYMAN		 mint-o		 MINGALDEEP PUJA AGARBATTIS	
						 Gumon		 AIM			

## CUSTOMER HEALTH & SAFETY

### MANAGEMENT APPROACH

ITC's commitment towards ensuring compliance with applicable standards of health and safety commences at the design stage. Risks during procurement, manufacturing and delivery stages are also mapped and evaluated, based on which necessary control measures are deployed. The entire process is supported by advanced research and testing facilities at the ITC Life Sciences & Technology Centre (LSTC), whose laboratories conform to ISO/IEC 17025 and are certified by National Accreditation Board for Testing and Calibration Laboratories (NABL). Manufacturing Units and Hotels are also housed in state-of-the-art facilities and internationally benchmarked quality management systems have been implemented. All systems and practices are subject to periodic review to ensure that these remain up-to-date, in line with national and international developments. The quality performance of third party manufacturing facilities is also monitored regularly.



## BEST PRACTICES

### ■ AGRI BUSINESS

#### Leaf Tobacco

Product integrity, quality and hygiene standards are accorded the highest importance in the entire value chain. ITC sensitises tobacco farmers on the importance of sustainable production of residue-free tobacco on a regular basis through field-level trainings and seminars. For assessment of product integrity, leaf samples from farmlands and packed cases of finished products are closely monitored for any undesired chemical residue and necessary measures are implemented across the value chain towards minimisation of Non Tobacco Related Matter.

#### Agro-chemicals Management Programme

ITC encourages an ecosystem approach to crop production and protection that integrates management practices to grow a healthy crop with minimal use of pesticides. The programme involves active engagement with farmers to create awareness about biological means of pest control, to deploy pest monitoring stations and to recommend safe pesticide applications. In addition, this initiative stresses on the importance of safe and environmentally responsible selection, handling, application, storage and disposal of agro-chemicals. During the year, more than 65,000 farmers have been covered in this programme.

#### Other Agri-commodities

The Business involves sourcing of agri-commodities like Wheat, Soya, Coffee, Shrimps, Mustard Seeds, Rice, Refined Wheat Flour, Spices and Processed Fruits based on customer requirements of quality, quantity and packaging for both the domestic and export markets. Stringent process controls and quality inspection norms have been established to ensure compliance with customer requirements. Systems and processes are in place to ensure hygiene of stored stock. Products are shipped after meticulous testing in ITC's in-house NABL accredited lab or through external accredited labs as required by the customer.

The Business closely engages with farmers to disseminate knowledge on organic farming, integrated pest management and crop management practices. The Business also helps farmers in adopting farm technology and obtaining certifications which together results in improving yield and value of produce. For example, in Spices, special emphasis is given to food safety and quality across the value chain, right from the farm to processing and sterilisation. ITC has adopted a holistic approach of "Integrated Crop Engagement" covering not only pest management but also crop management practices to ensure that the product meets stringent global food safety standards.





### Good Agricultural Practices

The Business successfully continued its partnership with the State Governments of Karnataka and Andhra Pradesh on 'Food Safe Chilli Production', benefiting 1,100 small farmers in 28 villages and covering 2,800 acres of farmland. The project leverages Government schemes for farmers in deploying good agricultural practices with a win-win outcome for all the stakeholders – 15% increase in crop productivity with higher export potential, 70% increase in farmer income that contributes to social development, environmental benefits due to optimisation in pesticide and fertilizer use, and farmers benefitting from safe labour practices.

### Rainforest Alliance Certification

ITC has also been working with chilli farmers to help them obtain Rainforest Alliance (RFA) certification for their farms, confirming adherence to sustainable agricultural practices. In 2018-19, the certification was expanded to cover cumin, turmeric, celery and coffee farms as well, which together contributed to 3,200 tonnes of RFA certified products reaching the market.

### Partnering with farmers for authentic organic production

With extensive linkages to India's agricultural sector, ITC is uniquely positioned to bring value to the organic market. For over a century, ITC has been engaging with farmers across the country and has built significant presence across every node of the agri value chain. Committed to sustainability in every aspect of operations, ITC has played a pioneering role in working with these communities to build capacity and come up with robust solutions to make farming sustainable and profitable. This experience and proactive partnership with farmers is enabling the building of an ecosystem of

services that brings organic production in line with rigorous standards necessary to offer certified organic products in the domestic and global markets. In Spices segment, ITC has a portfolio of crops such as Chilli, Cumin, Turmeric and Celery which are certified to India's National Programme for Organic Production Standard, which is also aligned to global standards such as USDA Standards.

For organic and sustainable farm practices in the processed fruits business catering to specific customer segments, the Business has received the following international certifications:

**Fairtrade certification** endorsing that the products meet defined environmental, labour and developmental standards



**Demeter Certification** for Biodynamic Farming

**USDA Organic and India Organic Certifications** for Organic Farming

**Bio-Suisse Certification** for Organic Farming

In the seafood segment, for example, prawns sold are compliant with Best Aquaculture Practices, British Retail Consortium, Hazard Analysis Critical Control Points (HACCP) and Indian, European, Japanese and American food safety standards.

Under the ITC's Farmland fresh fruits and vegetable range, specialised varieties offering superior nutritional value such as naturally low sugar potatoes and naturally high antioxidant potatoes are made available to discerning consumers. These specialised varieties are developed after doing extensive research on eating habits and nutritional requirements of Indian consumers.

ITC Master Chef Frozen Snacks, launched in the domestic market during the year, are manufactured using state-of-the-art Individual Quick Freezing (IQF) Technology which retains the shape, colour, aroma and taste of the product even after defrosting as compared to conventional frozen food preparation methods. ITC Master Chef Frozen Snacks offer higher shelf-life with a lower preparation time and these snacks can be prepared using an air fryer which helps in reducing oil uptake. The frozen snacks range includes popular traditional and local snacks like samosas, batata vada, falafel, etc. which are prepared using the special culinary skills of Master Chefs of ITC Hotels.

## ■ BRANDED PACKAGED FOODS

The Business meets its commitment to provide world-class products through innovation, state-of-the-art manufacturing facilities and rigorous quality controls.

**77 out of 82 manufacturing locations including third party manufacturing units, accounting for 97% of total production volume in 2018-19, are FSSC 22000/ISO 22000/HACCP certified. Certification of the remaining five newly commissioned units is planned in 2019-20.**



*'ITC MASTER CHEF SUPER SAFE SPICES'*

***ARE TESTED FOR MORE THAN 470***

***PESTICIDE RESIDUES IN ACCORDANCE WITH EUROPEAN STANDARDS TO ENSURE SAFETY OF THE PRODUCT WITHOUT COMPROMISING ON TASTE AND AROMA.***

### **Products that not only 'Taste Good' but also 'Do Good'**

With the objective of continuously providing consumers with products that not only 'Taste Good' but also 'Do Good', continuous efforts are being made to deliver formulations for identified health needs of Indian consumers. This includes formulating products with lower saturated fat, sodium and sugar, and trans-fat and cholesterol free products. Through such efforts, a number of healthier products are offered to the consumers.

- **'B Natural'** has pioneered 'not from concentrate' juices wherein fruit pulp is used instead of concentrate. The process of making juice from concentrate reduces the fruit nutrients, anti-oxidants etc. which are not lost when making it directly from pulp, thus providing a more nutritive and a natural experience to the consumer. Entire portfolio of 'B Natural' juices is crafted from Indian fruits sourced from Indian farmers and not from concentrate.

- **'Sunfeast Wonderz Milk'**, ready-to-drink milk based beverages, was launched during the year offering a delightful taste experience with goodness of milk. The Fruit n Milk variant, is made with real fruit pulp and has real fruit bits. The Shakes variant, available in vanilla flavour, is made with natural vanilla extracts and promises a thick and creamy milkshake experience. The Nut Shakes variant available in Kesar Badam flavour contains real badam bits.



- In 2018-19, ITC launched **'Aashirvaad Svasti Milk'** which undergoes a special homogenization process due to which cream and other nutrients remain uniformly distributed in the milk, making the milk richer, creamier and tastier. In addition, 'Aashirvaad Svasti' Toned Milk was also launched in Kolkata which is a high quality milk processed using a special "TasteUp" process that enhances the overall characteristics of milk including taste, flavour and viscosity viz mouthfeel of milk and improved quality of end products.



- During the year, **'Aashirvaad Svasti'** Curd and Fresh Paneer were also launched, offering superior quality products with great taste, body and texture. ITC's curd and paneer, good sources of protein and calcium, are made from mixed milk with specific ratio of buffalo and cow milk to provide good sensory quality.



- **'Aashirvaad Sugar Release Control Atta'** is a blend of quality whole wheat and a natural grain mix including fenugreek (methi) and oats, which renders it rich in protein and fibre content. It's a low Glycemic Index (GI) atta which releases its sugar slowly in the body.

- **'Aashirvaad Atta with Multigrains'** gives the consumer wholesome goodness of six different grains – wheat, soya, channa, oat, maize and psyllium husk. These ingredients provide nutrients like proteins, vitamins, minerals and fibre to the consumer's diet. Another variant, 'Aashirvaad Fortified Chakki Atta' contains nutrients like Iron, Folic Acid, and Vitamin B12 which helps in meeting the daily micronutrient requirement.



- **'Sunfeast Farmlite'** range of biscuits with 0% Maida perfectly complements a healthy lifestyle. There is no cholesterol, no trans-fat, and no artificial sweetener, which makes these biscuits truly healthy. Several variants have been introduced to cater to specific consumer needs:
  - **'Active Protein Power'** biscuit made from Bengal Gram is rich in protein, providing consumers a tasty and healthy indulgence.
  - **'Sunfeast Farmlite Digestive High Fibre'** variant is made from 5 grains - Wheat, Corn, Oats, Ragi (Millet) and Jowar (Sorghum), making it one of the highest fibre content biscuits in India.
  - **'Sunfeast Farmlite Digestive All Good Biscuit'** has additional benefits of no added sugar and a low Glycemic Index (GI) which makes it suitable for consumers seeking to control sugar intake.



- **'Sunfeast Milk Biscuits'**, India's first A2 Cow Milk biscuit, is enriched with Indian native cow milk, 8 essential Vitamins, Iron and Calcium. Indian native cow milk contains A2 protein which is known to be beneficial for health especially for growing children.



- Sunfeast Marie Light, Sunfeast Marie Light Oats and recently launched **'Sunfeast Marie Light Vita'** are other such products that come enriched with micronutrients like vitamins and minerals.



## PERSONAL CARE PRODUCTS

For personal care products, a comprehensive approach has been developed to address potential health and safety impacts at each stage of the product lifecycle and products are designed keeping in mind both the current and upcoming regulations. All safety tests from prototype development stage to final product stage are conducted in accordance with Indian and International guidelines. The ingredients used in products undergo rigorous analysis for toxicity and skin sensitivity prior to clearance for use in product development.

Product safety and efficacy is certified through external accredited laboratories and manufacturing of products takes place in a highly automated environment under strict hygienic conditions. A documented Quality Management System which includes procured material checks, in-process checks and finished goods quality checks, ensures that the manufactured products are consistently of high quality.

## HOTELS

Robust food safety management systems certified as per HACCP/ISO 22000 are in place at all ITC Hotels. In addition, ITC Hotels adhere to Good Hygiene Practices (GHP) and Good Manufacturing Practices (GMP). All ITC Hotels adhere to the ITC Fire and Life Safety Management Guidelines that are based on National Fire Protection Association (NFPA) Codes and other international best practices. They supplement the EHS Guidelines applicable to all ITC Businesses, compliance to which is audited by the Corporate EHS Department on a regular basis.



## EDUCATION AND STATIONERY PRODUCTS

Since the primary consumers of these products are children, the products introduced by the Business are not only safe but are also uniquely appealing. In addition to graphics and packaging appeal, the products are also free from harmful and toxic chemicals. Some of the measures undertaken by the Business are:

- Pencils and art stationery products are free from hazardous and toxic chemicals as identified in Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and certified to European Standard EN 71.
- All notebooks and pens use only approved non-hazardous inks and dyes. Further, notebooks are manufactured using Elemental Chlorine Free (ECF) paper and paperboard that are brighter and whiter for better writing experience.
- Notebooks under the 'Signature' and 'Green Impression' series of Paperkraft brand offers products made from FSC certified paper for environmentally conscious customers.



The Business has instituted Product Quality Rating System (PQRS) along with stringent quality control measures covering both in-process and finished product, and various third party certifications that helps deliver superior and consistent quality products to delight customers.

## ■ LIFESTYLE RETAILING

Customer delight has always been core to the Business where styling, comfort and product safety are given due importance. Product safety is driven by manufacturing clothes with right materials and right specifications.

Selecting right materials is important, since the textile and apparels supply chain uses various hazardous chemicals, such as dyes, that may have an adverse impact on human health. Oeko-Tex, a globally renowned association in this area, has identified 100 such harmful chemicals.

WLS (previously known as Wills Lifestyle) offerings had eliminated these hazardous chemicals in its supply chain in 2012 and was the first Indian brand to be certified to “Standard 100”, a testimonial to its commitment for making safer products. In addition, the entire WLS range has been shifted to 100% natural fibres, i.e. cotton, linen, silk and wool, during the year. Apparels made from these natural fibres offer unique comfort to consumers especially in the Indian climatic conditions.

The products are carefully designed and rigorously tested at an in-house NABL accredited laboratory to give overall positive experience during the entire use-phase. These tests cover several aspects of product use including colour fastness, dimensional stability and physical strength among others. The quality testing process results are also periodically validated with international testing agencies. The Business has also instituted a Product Quality Rating System (PQRS), in addition to Acceptable Quality Level (AQL), which is followed by apparel industry globally to have better control over the product quality.

WLS apparels are not only safe but also offer unique styling. Collections include designs inspired by the unique arts and handicrafts indigenous to diverse regions in India and combined with Western silhouettes for the Global Indian.

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**Entire WLS apparel range is certified to “Standard 100” by Oeko-Tex, a testimonial to its commitment for making products safe. The certification guarantees that the products are free from 100 harmful chemicals and ensures that WLS garments are completely safe for consumers, without compromising on style quotient.**

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## ■ CIGARETTES

With consistent focus on product innovation, new product development in the Business involves consideration of Indian and global developments and is supported by research and testing facilities at the ITC Life Sciences & Technology Centre. The Business uses proprietary software to regularly monitor and review product specifications of all raw materials.

## ■ PACKAGING AND PRINTING

The Business actively engages with customers to provide packaging solutions that not only meet functional needs like product integrity and visual imagery, but also offers environmentally sound alternatives. Some of the solutions include optimising packaging such as weight and thickness reduction and using environment-friendly alternative materials such as water based varnishes, among others. The Business also leverages the technical expertise of ITC Life Sciences and Technology Centre to develop sustainable packaging solutions for its customers. These solutions help customers in reducing the environmental impacts of their product packaging.

The Business also has the capability of manufacturing specialised packaging for food products with 'low migration food grade inks', where risk of migration of chemicals to the product is minimised, thereby making packaging safer. In addition, the Business uses virgin ECF paperboard for food specific applications.

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**All operations at Haridwar and Tiruvottiyur factories have been certified as per British Retail Consortium (BRC) Global Standard for Packaging and Packaging Materials.**

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## ■ INCENSE STICKS (AGARBATTIS) AND SAFETY MATCHES

Chemicals approved by IFRA (International Fragrance Resource Association, Geneva) are used to prepare fragrances required in the manufacture of dipped Mangaldeep Agarbattis. The manufacturing processes of Agarbattis and Safety Matches are designed to ensure product safety and consistency.

## ■ PAPERBOARDS AND SPECIALTY PAPERS

ITC has been a pioneer in manufacturing ECF pulp in India. This ensures that the levels of dioxins and furans in the pulp are less than 1 part per trillion and the levels of specific Adsorbable Organic Halides (AOX) in wastewater are well below the regulatory limit.

In addition to the pulp, special emphasis is given to the product safety of all food-grade paper. The global migration test is conducted periodically on all food-grade paper and paperboards for compliance with the US FDA Standards and adherence to prescribed limits for presence of heavy metals. All manufacturing ingredients for applications involving direct/ indirect food contact are procured from reputed suppliers that 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. All food-grade papers and paperboards are periodically tested for compliance with European Regulation on REACH and Restriction of Hazardous Substances (RoHS).

**The Bollaram Unit and production lines at Bhadrachalam Unit that manufacture food grade board meant for direct/ indirect food contact, are 'third party' certified in accordance with BRC/IoP (British Retail Consortium/ Institute of Packaging) Standards.**



## ■ TECHNICO AGRI SCIENCES LIMITED

The Business utilises Agri Bio-technology for growing TECHNITUBER® Seed Potatoes (miniature seed potatoes). These are either sold as is or further multiplied in farms for sale as field seed potatoes. In order to do this, the Business has set up infrastructure of advanced and efficient greenhouses to produce high volumes of TECHNITUBER® seed potatoes using minimal water consumption.

The tissue culture facility that maintains and multiplies the seed potato germplasm is accredited by the Department of Biotechnology, Ministry of Science & Technology, Government of India. The facility is regularly inspected by Indian Council for Agricultural Research (ICAR) - Central Potato Research Institute, Shimla to ensure adherence to the Potato Tissue Culture Raised Mini Tubers (PTCMT) Standards laid down by the Ministry of Agriculture, Government of India.

The Business sources and supplies potatoes from its farmer base, its seed distributors and aggregators. It is also undertaking trials for sourcing and selling of select fruits and vegetables.

## PRODUCT INFORMATION AND LABELLING

### MANAGEMENT APPROACH

As an organisation committed to high standards of transparency and good governance, ITC's Business operations comply with applicable laws of the Nation. As an integral part of ITC's customer satisfaction philosophy, adequate systems with respect to product information and labelling, and customer engagement have been put in place. Some of the best practices followed at ITC are mentioned below:

#### ■ FMCG PRODUCTS

Consumers are provided with several communication channels like email, telephone number, website address and feedback forms to enable them to connect with the relevant Business. Processes are laid down to ensure that consumers are provided with responses on their feedback in a timely manner. For food products, information regarding ingredients and nutrition is published on product packaging in line with relevant statutory requirements.

#### Traceability in the Foods Supply Chain

ITC's Board approved policies on Sustainability supplemented by a 'Code of Conduct for Vendors and Service providers' provide the structure for addressing traceability within the supply chain and also the sustainability aspects therein. (For further details refer to the "Supply Chain" section of this Report). In Foods Business, over 90% of the vendors for processed raw materials like flavours, seasoning, colour, emulsifier and other special ingredients have already provided documented acceptance of 'ITC's Code of Conduct for Vendors and Service providers', demonstrating their commitment to comply with applicable laws and contribute to sustainable development

**In Foods Business, wheat constitutes around 35% of the total value of raw material procured and is sourced through the e-Choupal eco-system of ITC's Agri Business thereby ensuring 100% traceability to the origin.**



#### ■ B2B BUSINESSES

Customer feedback for B2B businesses like Agri Business and Packaging and Printing, is obtained through different channels. For example, Agri-Business conducts pre-season engagement with customers, undertakes client visits and the Divisional Management Committees engages with major customers. The Business also looks at claims due to rejection on grounds of quality as a proxy indicator for measuring customer dissatisfaction.

Products sold by Agri Business on a B2B basis are labelled as per customer requirements on quality, shipping marks or in line with the labelling requirements of the importing country. The Business also provides phytosanitary certificates, surveyor quality and quantity reports as well as Chamber of Commerce certificates etc. as necessary. In the Leaf Tobacco Strategic Business Unit, customer concerns are addressed through a robust redressal mechanism which involves preparing a Corrective and Preventive Action (CAPA) report for all queries. These reports are shared with the customers as well.

**HOTELS BUSINESS**

Hotels Business has a well-established system for monitoring guest satisfaction levels across all properties through a proprietary index called WoW Ratio. The three-tiered process followed by ITC Hotels ensures that the guest feedback is not only received but is also addressed in a systematic and satisfactory manner.

REPORTS ANALYSED	IMPROVEMENTS IDENTIFIED AND IMPLEMENTED	MONITORED AND VERIFIED
<ul style="list-style-type: none"> <li>• Scores are generated for the hotel and individual departments</li> <li>• Scores are compared against the target set</li> </ul>	<ul style="list-style-type: none"> <li>• Data is analysed to identify areas of improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Scores are monitored to ensure that corrective action has been effective</li> <li>• Audits are conducted to check efficacy of the changes</li> </ul>



*THE AVERAGE*

**WOW RATIO FOR 2018-19 WAS 92.42%,**  
*SUSTAINING THE HIGH LEVELS ACHIEVED IN THE PAST FEW YEARS.*

**INFORMATION TECHNOLOGY BUSINESS**

Formal mechanisms are in place to measure customer experience. The Customer Service Satisfaction Survey is an annual check on the robustness of customer engagement that culminates into the Customer Experience Index. The survey is conducted amongst Chief Executives and Senior Management, and is based on a structured questionnaire customised for the stakeholder. Multiple parameters and business outcomes are measured including satisfaction, loyalty, advocacy and value for money. The outcomes and insights from the survey are utilised to further drive customer engagement and improvements in service delivery at the organisation, business unit and account level.

## MARKETING COMMUNICATIONS

All Businesses/Divisions of ITC have established rigorous systems, standard operating procedures and review mechanisms to identify and comply with applicable laws and regulations concerning marketing communications. In addition to the above, ITC has put in place a dedicated consumer response cell to address consumer queries related to ITC products.

ITC follows standard operating procedures to ensure that its marketing communications are in accordance with voluntary codes adopted by each business as well as applicable statutes. Marketing and advertising communications of all ITC's Businesses are vetted by the internal legal team for compliance. Such process compliances are validated periodically by internal audit department.



ITC'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

ITC's Hotels Business follows a **self-regulated marketing communications approach** which is also guided by the Indian Society of Advertisers (ISA) rules and guidelines

## CUSTOMER PRIVACY

Data privacy is primarily relevant to ITC's Information Technology Business. Systems and procedures have been established to ensure that there are no instances of non-compliance related to breach of data privacy. The Business has a privacy policy, developed in line with the IT Act, 2000, that covers all aspects of data privacy with respect to sensitive information.

**Stringent risk assessments are carried out on a periodic basis to identify vulnerabilities and threats to assets, and controls that need to be put in place.**

Network architecture and information security controls of the Business, driven by industry best practices, ensures compliance to the privacy policy. The Business has also formulated an Information Management policy catering to IT security aspects of ISO 27001 Information Security Management System (ISMS). 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 control 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 locations.

**During the year 2018-19, no complaint related to breach of data privacy or loss of data was received.**

## COMPLIANCE

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

ITC has established systems wherein every Business and Corporate Department has to submit a monthly statutory compliance report to the CMC/Board on regulatory, product specific, finance/revenue, personnel, technical/process and environmental statutes, and other applicable laws and regulations. This is done on the basis of updated checklists backed by appropriate monitoring and control systems maintained by each Unit/Business/Corporate function.

**No incident of non-compliance was reported in FY 2018-19.**

## THE ROAD AHEAD

Recognising the unique construct of ITC in terms of its strong presence in Agriculture, Branded Packaged Foods and Personal Care Products, a convergence of R&D capabilities is being leveraged for delivering future products aimed at nutrition and health and well-being.



**ITC'S LIFE SCIENCES AND TECHNOLOGY CENTRE (LSTC) HAS CREATED**

***LONG TERM RESEARCH PLATFORMS TO EVOLVE  
MULTI-GENERATION PRODUCT CONCEPTS.***

LSTC has been working on a strategy of building a new value chain called 'Nutrition', with a special focus on 'Indianness' and 'health and well-being'. This concept is rooted in Value Added Agriculture (VAA) using medicinal and aromatic plants. Multiple value propositions have been identified in the area of functional foods, and progress is being made towards developing products of the future with scientifically validated claims via clinical trials. Similar advances have been made in the area of personal care products covering health, hygiene & well-being. This segment of the growth engine continues to harness science and technology platforms established at LSTC to deliver best in class anti-ageing and moisturizing skin care range of products.

Significant advances in biology are seamlessly integrated with novel chemistry and materials sciences to create innovative consumer compelling concepts. Some of the examples are: a new range of body wash, hand hygiene and fragrancing products. World-class capabilities in process science are being leveraged to design, develop and scale up next generation soap bars and liquid cleansing and care innovations.

# GRI STANDARDS CONTENT INDEX

General Disclosures		Report Section/Explanation	Omissions	External Assurance/ Section Reference
Disclosure Number	Disclosure Title			
<b>ORGANISATIONAL PROFILE</b>				
102-1	Name of the organisation	07	-	-
102-2	Activities, brands, products, and services	11-21	-	Yes/Independent Assurance Statement
102-3	Location of headquarters	45	-	Yes/Independent Assurance Statement
102-4	Location of operations	45-47	-	Yes/Independent Assurance Statement
102-5	Ownership and legal form	Report and Accounts 2019	-	Yes/Independent Assurance Statement
102-6	Markets served	07-21	-	Yes/Independent Assurance Statement
102-7	Scale of the organisation	07-21	-	Yes/Independent Assurance Statement
102-8	Information on employees and other workers	127	-	Yes/Independent Assurance Statement
102-9	Supply chain	22-27	-	Yes/Independent Assurance Statement
102-10	Significant changes to the organisation and its supply chain	22-27, 45-47	-	Yes/Independent Assurance Statement
102-11	Precautionary Principle or approach	55-56	-	Yes/Independent Assurance Statement
102-12	External initiatives	01-06	-	-
102-13	Membership of associations	179-180	-	-
<b>STRATEGY</b>				
102-14	Statement from senior decision-maker	01-06	-	-
102-15	Key impacts, risks, and opportunities	37-44	-	-
<b>ETHICS AND INTEGRITY</b>				
102-16	Values, principles, standards, and norms of behaviour	210	-	Yes/Independent Assurance Statement
102-17	Mechanisms for advice and concerns about ethics	55	-	Yes/Independent Assurance Statement
<b>GOVERNANCE</b>				
102-18	Governance structure	49-56	-	Yes/Independent Assurance Statement
102-19	Delegating employees	49-56	-	Yes/Independent Assurance Statement

General Disclosures		Report Section/Explanation	Omissions	External Assurance/ Section Reference
Disclosure Number	Disclosure Title			
<b>GOVERNANCE</b>				
102-20	Executive-level responsibility for economic, environmental, and social topics	52	-	Yes/Independent Assurance Statement
102-21	Consulting stakeholders on economic, environmental, and social topics	49-54	-	Yes/Independent Assurance Statement
102-22	Composition of the highest governance body and its committees	50-54	-	Yes/Independent Assurance Statement
102-23	Chair of the highest governance body	53-54	-	Yes/Independent Assurance Statement
102-24	Nominating and selecting the highest governance body	50-54	-	Yes/Independent Assurance Statement
102-25	Conflicts of interest	54	-	Yes/Independent Assurance Statement
102-26	Role of highest governance body in setting purpose, values, and strategy	53-54	-	Yes/Independent Assurance Statement
102-27	Collective knowledge of highest governance body	53-54	-	Yes/Independent Assurance Statement
102-28	Evaluating the highest governance body's performance	53-54	-	Yes/Independent Assurance Statement
102-29	Identifying and managing economic, environmental, and social impacts	52	-	Yes/Independent Assurance Statement
102-30	Effectiveness of risk management processes	55-56	-	Yes/Independent Assurance Statement
102-31	Review of economic, environmental, and social topics	During the year, two meetings of the Sustainability Compliance Review Committee were held to review the sustainability performance of the Company.	-	Yes/Independent Assurance Statement
102-32	Highest governance body's role in sustainability reporting	42, 52	-	Yes/Independent Assurance Statement
102-33	Communicating critical concerns	42	-	Yes/Independent Assurance Statement
102-34	Nature and total number of critical concerns	37-42	-	-
102-35	Remuneration policies	55	-	-
102-36	Process for determining remuneration	55	-	-
102-37	Stakeholders' involvement in remuneration	55	-	-
102-38	Annual total compensation ratio	55	-	-
102-39	Percentage increase in annual total compensation ratio	55	-	-

# GRI STANDARDS INDICATORS INDEX

General Disclosures		Report Section/Explanation	Omissions	External Assurance/ Section Reference
Disclosure Number	Disclosure Title			
<b>STAKEHOLDER ENGAGEMENT</b>				
102-40	List of stakeholder groups	29-34	-	Yes/Independent Assurance Statement
102-41	Collective bargaining agreements	131	-	Yes/Independent Assurance Statement
102-42	Identifying and selecting stakeholders	30	-	Yes/Independent Assurance Statement
102-43	Approach to stakeholder engagement	29-34	-	Yes/Independent Assurance Statement
102-44	Key topics and concerns raised	31-33	-	Yes/Independent Assurance Statement
<b>REPORTING PRACTICE</b>				
102-45	Entities included in the consolidated financial statements	45-48	-	Yes/Independent Assurance Statement
102-46	Defining report content and topic boundaries	45-48	-	Yes/Independent Assurance Statement
102-47	List of material topics	42	-	Yes/Independent Assurance Statement
102-48	Restatements of information	45-48	-	Yes/Independent Assurance Statement
102-49	Changes in reporting	45-48	-	Yes/Independent Assurance Statement
102-50	Reporting Period	45	-	-
102-51	Date of most recent report	45	-	-
102-52	Reporting cycle	45	-	-
102-53	Contact point for questions regarding the report	46	-	-
102-54	Claims of reporting in accordance with the GRI Standards	45	-	-
102-55	GRI content index	197-208	-	-
102-56	External assurance	212-217	-	-

Topic-specific disclosures		Report Section/Explanation	Omissions	External Assurance
Disclosure Number	Disclosure Title			
<b>ECONOMIC</b>				
<b>ECONOMIC PERFORMANCE</b>				
103	Management approach	60	-	-
201-1	Direct economic value generated and distributed	62-68	-	-
201-2	Financial implications and other risks and opportunities due to climate change	81-82	-	-
201-3	Defined benefit plan obligations and other retirement plans	67-68	-	-
201-4	Financial assistance received from government	66	-	-
<b>INDIRECT ECONOMIC IMPACTS</b>				
103	Management Approach	68	-	-
203-1	Infrastructure investments and services supported	68	-	-
203-2	Significant indirect economic impacts	143-178	-	-
<b>PROCUREMENT PRACTICES</b>				
103	Management Approach	66	-	-
204-1	Proportion of spending on local suppliers	66	-	-
<b>ANTI-CORRUPTION</b>				
103	Management Approach	54	-	-
205-1	Operations assessed for risks related to corruption	54	-	-
205-2	Communication and training about anti-corruption policies and procedures	54	-	-
205-3	Confirmed incidents of corruption and actions taken	54	-	-
<b>ANTI-COMPETITIVE BEHAVIOUR</b>				
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	195-196	-	-

# GRI STANDARDS INDICATORS INDEX

Topic-specific disclosures		Report Section/Explanation	Omissions	External Assurance
Disclosure Number	Disclosure Title			
<b>ENVIRONMENT</b>				
<b>ENVIRONMENT</b>				
103	Management approach	73-74	-	-
<b>RAW MATERIALS</b>				
103	Management Approach	107-111	-	-
301-1	Materials used by weight or volume	107-111	-	Yes/Independent Assurance Statement
301-2	Recycled input materials used	107-111	-	-
301-3	Reclaimed products and their packaging materials	107-111	-	-
<b>ENERGY</b>				
103	Management Approach	75-78	-	-
302-1	Energy consumption within the organisation	83-84	-	Yes/Independent Assurance Statement
302-2	Energy consumption outside of the organisation	89	-	-
302-3	Energy intensity	87	-	Yes/Independent Assurance Statement
302-4	Reduction of energy consumption	86	-	Yes/Independent Assurance Statement
302-5	Reduction in energy requirements of products and services	86	-	-
<b>WATER</b>				
103	Management Approach	95-98	-	-
303-1	Water withdrawal by source	99-101	-	Yes/Independent Assurance Statement
303-2	Water sources significantly affected by withdrawal of water	99-101	-	-
303-3	Water recycled and reused	95-105	-	Yes/Independent Assurance Statement
<b>BIODIVERSITY</b>				
103	Management Approach	122-124	-	-

Topic-specific disclosures		Report Section/Explanation	Omissions	External Assurance
Disclosure Number	Disclosure Title			
304-1	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 are not applicable.	-
304-2	Significant impacts of activities, products, and services on biodiversity	-		-
304-3	Habitats protected or restored	-		-
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-		-

### EMISSIONS

103	Management Approach	81-82	-	-
305-1	Direct (Scope 1) GHG emissions	85-86	-	Yes/Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
305-2	Energy indirect (Scope 2) GHG emissions	85-86	-	Yes/Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
305-3	Other indirect (Scope 3) GHG emissions	85-86, 89	-	Yes/Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
305-4	GHG emissions intensity	87-88	-	-
305-5	Reduction of GHG emissions	87-90	-	-
305-6	Emissions of ozone-depleting substances (ODS)	91-94	-	
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	91-94	-	Yes/Independent Assurance Statement

### EFFLUENTS AND WASTE

103	Management Approach	95-98 112-114	-	-
306-1	Water discharge by quality and destination	102-104	-	Yes/Independent Assurance Statement
306-2	Waste by type and disposal method	112-119	-	Yes/Independent Assurance Statement

# GRI STANDARDS INDICATORS INDEX

Topic-specific disclosures		Report Section/Explanation	Omissions	External Assurance
Disclosure Number	Disclosure Title			
306-3	Significant spills	91-94	-	-
306-4	Transport of hazardous waste	-	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	-
306-5	Water bodies affected by water discharges and/or runoff	95-106	-	-

## ENVIRONMENTAL COMPLIANCE

307-1	Non-compliance with environmental laws and regulations	195-196	-	-
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## SOCIAL

### EMPLOYMENT

103	Management Approach	127-132	-	-
401-1	New employee hires and employee turnover	127-132	-	Yes/Independent Assurance Statement
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	127-132	-	-
401-3	Parental leave	127-132	-	-

### LABOUR MANAGEMENT RELATIONS

103	Management Approach	127-132	-	-
402-1	Minimum notice periods regarding operational changes	127-132		

### OCCUPATIONAL HEALTH AND SAFETY

103	Management Approach	133-135	-	-
403-1	Workers representation in formal joint management-worker health and safety committees	137	-	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	136-139	-	Yes/Independent Assurance Statement

Topic-specific disclosures		Report Section/Explanation	Omissions	External Assurance
Disclosure Number	Disclosure Title			
403-3	Workers with high incidence or high risk of diseases related to their occupation	139-140	-	-
403-4	Health and safety topics covered in formal agreements with trade unions	137	-	-
<b>TRAINING AND EDUCATION</b>				
103	Management Approach	127-132	-	-
404-1	Average hours of training per year per employee	127-132	-	Yes/Independent Assurance Statement
404-2	Programmes for upgrading employee skills and transition assistance programmes	127-132	-	-
404-3	Percentage of employees receiving regular performance and career development reviews	127-132	-	-
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>				
103	Management Approach	127-132	-	-
405-1	Diversity of governance bodies and employees	51	-	-
<b>NON - DISCRIMINATION</b>				
103	Management Approach	127-132	-	-
406-1	Incidents of discrimination and corrective actions taken	127-132		
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>				
103	Management Approach	127-132	-	-
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	127-132	-	-
<b>CHILD LABOUR</b>				
103	Management Approach	127-132	-	-
408-1	Operations and suppliers at significant risk for incidents of child labour	127-132	-	-

## GRI STANDARDS INDICATORS INDEX

Topic-specific disclosures		Report Section/Explanation	Omissions	External Assurance
Disclosure Number	Disclosure Title			
<b>FORCED OR COMPULSORY LABOUR</b>				
103	Management Approach	127-132	-	-
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	127-132	-	-
<b>HUMAN RIGHTS ASSESSMENT</b>				
103	Management Approach	127-132	-	-
412-2	Employee training on human rights policies or procedures	127-132	-	-
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	127-132	-	-
<b>LOCAL COMMUNITIES</b>				
103	Management Approach	143-178	-	-
413-1	Operations with local community engagement, impact assessments, and development programmes	143-178	-	Yes/Independent Assurance Statement
413-2	Operations with significant actual and potential negative impacts on local communities	143-178	-	-
<b>PUBLIC POLICY</b>				
103	Management Approach	179	-	-
<b>CUSTOMER HEALTH AND SOCIETY</b>				
103	Management Approach	184	-	-
416-1	Assessment of the health and safety impacts of product and service categories	185-192	-	-
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	195	-	-
<b>MARKETING AND LABELLING</b>				
103	Management Approach	195	-	-
417-1	Requirements for product and service information and labelling	195	-	Yes/Independent Assurance Statement

Topic-specific disclosures		Report Section/Explanation	Omissions	External Assurance
Disclosure Number	Disclosure Title			
417-2	Incidents of non-compliance concerning product and service information and labelling	195	-	Yes/Independent Assurance Statement
417-3	Incidents of non-compliance concerning marketing communications	195	-	Yes/Independent Assurance Statement
<b>CUSTOMER PRIVACY</b>				
103	Management Approach	195	-	-
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	195	-	-
<b>SOCIOECONOMIC COMPLIANCE</b>				
103	Management Approach	195-196	-	-
419-1	Non-compliance with laws and regulations in the social and economic area	195-196	-	-

# GRI G4 FOOD PROCESSING SECTOR SUPPLEMENT (FPSS)

Material Aspects - DMAs and Indicators	Description	Explanation/Page number	Reasons for Omissions	External Assurance
<b>ASPECT: PROCUREMENT/SOURCING PRACTICES - DISCLOSURE ON MANAGEMENT APPROACH (DMA)</b>				
DMA	Protecting Natural Resources	73-74	-	-
DMA	Minimising Toxicity	187-189	-	-
DMA	Fair Trade	All of ITC's trading partnerships are conducted in compliance with applicable legislations	-	-
DMA	Fair Compensation for Labour	127-133	-	-
DMA	Traceability	193	-	-
DMA	Genetically Modified Organisms (GMOs)	ITC Foods Business does not use any GMOs in manufacturing its products	-	-
DMA	Biofuels	83	-	-
<b>ASPECT: PROCUREMENT/SOURCING PRACTICES - INDICATORS</b>				
FP1	Percentage of purchased volume from suppliers compliant with Company's sourcing policy	All our suppliers comply with the Company's defined sourcing processes	-	-
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	All suppliers of food-based raw materials comply with the Food Safety and Standards Authority of India (FSSAI) requirements	-	-
<b>ASPECT: LABOUR/MANAGEMENT RELATIONS</b>				
DMA	-	-	-	-
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs by country	Nil	-	-
<b>ASPECT: HEALTHY AND AFFORDABLE FOOD</b>				
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	183-196	-	-

Material Aspects - DMAs and Indicators	Description	Explanation/Page number	Reasons for Omissions	External Assurance
<b>ASPECT: CUSTOMER HEALTH AND SAFETY</b>				
DMA	-	-	-	-
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards	183-196	-	-
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars		-	-
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fibre, vitamins, minerals, phytochemicals or functional food additives		-	-
<b>ASPECT: PRODUCT AND SERVICE LABELLING</b>				
DMA	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	For food products, all information about ingredients and nutrition of products is published on the product packaging as per relevant statutory requirements	-	-

**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 2019 to Business Responsibility Report (BRR) Principles to assess compliance with Environmental, Social and Governance (ESG) norms.

Principle	BRR Principles to assess compliance with ESG norms	Coverage in Section of Sustainability Report 2019
1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	<ul style="list-style-type: none"> <li>Corporate Governance</li> </ul>
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life-cycle	<ul style="list-style-type: none"> <li>Supply Chain</li> <li>Energy and Climate Change</li> <li>Air Emissions</li> <li>Water Management</li> <li>Waste Management</li> <li>Raw Materials</li> <li>ITC Mission Sunehra Kal for Sustainable &amp; Inclusive Growth</li> <li>Product Responsibility</li> </ul>
3	Businesses should promote the well-being of all employees	<ul style="list-style-type: none"> <li>Labour Practices &amp; Decent Work and Human Rights</li> <li>Occupational Health and Safety</li> </ul>
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"> <li>Stakeholder Engagement</li> <li>Economic Performance</li> <li>Labour Practices &amp; Decent Work and Human Rights</li> <li>ITC Mission Sunehra Kal for Sustainable &amp; Inclusive Growth</li> </ul>
5	Businesses should respect and promote human rights	<ul style="list-style-type: none"> <li>Labour Practices &amp; Decent Work and Human Rights</li> </ul>
6	Businesses should respect, protect, and make efforts to restore the environment	<ul style="list-style-type: none"> <li>Energy and Climate Change</li> <li>Air Emissions</li> <li>Water Management</li> <li>Waste Management</li> <li>Raw Materials</li> <li>Biodiversity</li> <li>ITC Mission Sunehra Kal for Sustainable &amp; Inclusive Growth</li> </ul>
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	<ul style="list-style-type: none"> <li>Stakeholder Engagement</li> <li>Responsible Policy Advocacy</li> </ul>
8	Businesses should support inclusive growth and equitable development	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>ITC Mission Sunehra Kal for Sustainable &amp; Inclusive Growth</li> </ul>
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner	<ul style="list-style-type: none"> <li>Stakeholder Engagement</li> <li>Product Responsibility</li> </ul>

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# ITC'S VISION, MISSION, CORE VALUES AND POLICIES & GUIDELINES

## THE ITC 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

## THE ITC MISSION

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

## ITC'S CORE VALUES

ITC's Core Values are aimed at developing a customer-focused, high-performance organisation which creates value for all its stakeholders. ITC's Core Values encompass the principles of Trusteeship, Customer Focus, Respect for People, Excellence, Innovation and Nation Orientation. Please check the following link for details:  
<https://www.itcportal.com/about-itc/values/index.aspx#sectionb2>

## CORPORATE GOVERNANCE AT ITC

<https://www.itcportal.com/about-itc/values/index.aspx#sectionb4>

**ITC Code of Conduct and Policies are available on the Company's corporate website** [www.itcportal.com](http://www.itcportal.com).

**Please check the following links for details:**

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## ITC'S CODE OF CONDUCT

<https://www.itcportal.com/about-itc/values/index.aspx#sectionb5>

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## ITC'S SUSTAINABILITY POLICIES

<https://www.itcportal.com/about-itc/policies/sustainability-policy.aspx>

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## ITC'S CSR POLICY

<https://www.itcportal.com/about-itc/policies/corporate-social-responsibility-policy.aspx>

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## ITC'S FOOD PRODUCTS POLICY

<https://www.itcportal.com/about-itc/policies/itc-food-product-policy.aspx>

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## ITC'S E-WASTE POLICY

<https://www.itcportal.com/about-itc/policies/itc-it-e-waste-policy.aspx>

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## ITC'S REMUNERATION POLICY

<http://www.itcportal.com/about-itc/policies/remuneration-policy.pdf>

# QUANTIFICATION METHODOLOGIES

## ENERGY AND GHG EMISSIONS

To set organisational boundaries for consolidated GHG emissions, ITC has utilised the operational control approach for various entities covered under the Report. ITC's GHG emissions inventory is prepared based on the ISO 14064-1: 2006 Standard, and using 'GHG Protocol Corporate Accounting and Reporting Standard' and 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard' developed by the GHG Protocol Initiative, a partnership between World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

### 1. STATIONARY COMBUSTION

Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 have been 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 (NCV) to arrive at the energy consumption values, which is multiplied by the emission factor to quantify the direct emission from stationary combustion sources.

### 2. PURCHASED ENERGY

The quantification of indirect GHG emission due to purchased electricity is based on activity data (electricity consumption in kWh) multiplied by emission factors specified in the 'CO<sub>2</sub> Baseline Database for the Indian Power Sector User Guide', (version 13.0, June 2018) issued by Central Electricity Authority, Government of India.

The quantification of indirect GHG emissions for purchased steam is based on activity data (energy consumption in GJ) multiplied by the relevant emission factor provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006.

### 3. TRANSPORTATION

Sources for calculation of emission factors for different modes of transportation 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. Emission factors for employee commuting by means of company owned/hired vehicles and transportation due to guest pick-up in ITC Hotels are based on 'Emission factor development for Indian Vehicles' report by Automotive Research Association of India.

**Rail** - Emission factors are calculated based on the information available from the Indian Railways Annual Report 2013-14, Indian Railways Statistics 2013-14.

**Air/Ship** - "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. MINOR SOURCES

The quantification of GHG emissions from minor\* sources is based on a robust process of data collection at Unit/Division level and methodologies/emission factors taken from recognised global sources such as IPCC, GHG Protocol and UNFCCC. The sources that have a minor contribution to ITC's overall GHG emissions are listed below:

1. Process Emissions
2. Company owned vehicles
3. SF<sub>6</sub> release from power distribution system
4. CO<sub>2</sub> release from fire protection system
5. Gas cutting/ welding
6. Waste water treatment
7. GHG emissions from composting of waste inside the unit premises
8. GHG emissions from fertiliser application in forestry project
9. GHG emissions due to employee air travel

### 5. 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 frequency of quantification of GHG emissions from minor sources is once in three years.



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## Independent Assurance Statement

### The Management and Board of Directors

ITC Limited  
Virginia House  
Kolkata 700071, India.

Ernst & Young Associates LLP (EY) was engaged by ITC Limited (the "Company") to provide independent assurance to its annual Sustainability Report 2019 (the 'Report').

The development of the Report is based on the Global Reporting Initiative (GRI) Standards (2016) and Food Processing Sector Supplement (applicable only for Foods Division); its content and presentation is the sole responsibility of the management of the Company. EY's responsibility, as agreed with the management of the Company, is to provide independent assurance on the Report content as described in the scope of assurance. Our responsibility in performing our assurance activities is to the management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

### Scope of Assurance

The scope of assurance covers the following aspects of the Report:

- ▶ Data and information related to the Company's sustainability performance for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019;
- ▶ The Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data;
- ▶ Review of information on sample basis through consultations at the Company's Registered Office and the following Divisional Headquarters (DHQs) and locations of operations:
  - Personal Care Products DHQ and Trade Marketing and Distribution (TM&D) in Kolkata; Packaging and Printing Business Headquarter (HQ) and Education and Stationery Products Business HQ at Chennai; Paperboards and Specialty Papers DHQ at Hyderabad; Foods DHQ in Bengaluru and Hotels DHQ at Gurugram;
  - Locations of operations, as listed below:
    1. India Tobacco Division: Bengaluru, Kidderpore, Pune, Saharanpur and Munger;
    2. Foods Division: Haridwar, Panchla, Pune, Mysuru, Uluberia and Guwahati;
    3. Personal Care Products Division: Haridwar and Guwahati;
    4. Hotels Division: ITC Gardenia (Bengaluru), ITC Maratha (Mumbai), Sheraton New Delhi (New Delhi), ITC Sonar (Kolkata), ITC Grand Chola (Chennai), WelcomHotel (Chennai) and WelcomHotel (Coimbatore);
    5. Packaging and Printing Business: Haridwar, Munger and Tiruvottiyur;
    6. Paperboards and Specialty Papers Division: Bhadrachalam, Tribeni, Kovai and Bollaram;
    7. Agri Business Division (Leaf Tobacco): Mysuru, Chirala and Anaparti.

EY's multidisciplinary team of professionals visited the Company's aforementioned units and reviewed and verified the data and information in the Report, on the following General Disclosures and Specific Disclosures of the GRI Standards (2016):



#### General Disclosures:

- ▶ Organizational Profile (102-2 to 102-11)
- ▶ Ethics and Integrity (102-16, 102-17)
- ▶ Governance (102-18 to 102-33)
- ▶ Stakeholder Engagement (102-40 to 102-44)
- ▶ Reporting Practice (102-45 to 102-49)

#### Specific Disclosures:

- ▶ Environmental
  - Materials (301-1), Energy (302-1, 302-3, 302-4), Water (303-1, 303-3), Emissions (305-1 to 305-3, 305-7), Effluents and Waste (306-1, 306-2)
- ▶ Social
  - Employment (401-1), Occupational Health & Safety (403-2), Training & Education (404-1), Local Communities (413-1), Marketing & Labelling (417-1 to 417-3)

#### Limitations of our review

The assurance scope excludes:

- ▶ Operations of the Company other than those mentioned in the 'Scope of Assurance';
- ▶ Aspects of the Report and data/information other than those mentioned above;
- ▶ Data and information outside the defined reporting period i.e., 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019;
- ▶ The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention provided by the Company;
- ▶ Data and information on economic and financial performance of the Company.

#### Assurance criteria

The assurance engagement was planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Our evidence-gathering procedures were designed to obtain a 'reasonable' level of assurance (as set out in ISAE 3000) as well as conformance of sustainability performance indicators as per the GRI Standards (2016).

#### What we did to form our conclusions

In order to form our conclusions, we undertook the following key steps:

- ▶ Interviews with select key personnel and the core team responsible for the preparation of the Report to understand the Company's sustainability vision, mechanism for management of sustainability issues and engagement with key stakeholders;
- ▶ Interactions with the key personnel at the Company's manufacturing units and hotels in order to understand and review the current processes in place for capturing sustainability performance data;
- ▶ Physical and desktop audits of the Company's Registered Office, Trade Marketing and Distribution Office, DHQs and manufacturing units and hotels as mentioned in the 'Scope of Assurance' above;
- ▶ Review of relevant documents and systems for gathering, analyzing and aggregating sustainability performance data in the reporting period;
- ▶ Review of selected qualitative statements and sample case studies in various sections of the Report.

#### Our Observations

The Company continues to uphold its commitment to managing its environmental impacts as evidenced by its continued status as being carbon positive, water positive, and solid waste recycling positive. The



Company's carbon positive status is based on improvements in specific energy consumption and sequestration of carbon dioxide through social and farm forestry initiatives, the water positive status is based on water saving measures implemented at its manufacturing units and Hotels, creation of rainwater harvesting structures both within and outside the fence and their evaluated rainwater harvesting potential, while the solid waste recycling positive status of the Company is based on reduction of specific waste generated and usage of post-consumer wastes as raw material. The Company has also continued to demonstrate its commitment to creating shared value through its extensive social initiatives.

#### **Our Conclusions**

On the basis of our procedures aimed at obtaining reasonable assurance, we conclude that in our opinion, the Company has presented, in a reasonably balanced, accurate, complete and transparent manner, the information on material aspects in accordance with the GRI Standards (2016) and Food Sector Supplement (applicable to Foods Division) of the GRI, and conforms to the GRI Standards 'In Accordance - Comprehensive' disclosure criteria.

#### **Our assurance team and independence**

Our assurance team, comprising multidisciplinary professionals, has been drawn from our Climate Change and Sustainability network and undertakes similar engagements with a number of significant Indian and international businesses. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics<sup>1</sup> for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

for Ernst & Young Associates LLP

Chaitanya Kalia  
Partner  
11 June 2019  
Mumbai

<sup>1</sup> International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. This Code establishes ethical requirements for professional accountants. The guidance related to network firms was updated in July 2006.



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## Independent Assurance Statement

### The Management and Board of Directors

ITC Limited  
Virginia House  
Kolkata 700071, India.

Ernst & Young Associates LLP ('EY') was engaged by ITC Limited (the 'Company') to provide independent assurance to its annual Greenhouse Gas (GHG) inventory (the 'Inventory') presented in their Sustainability Report 2019 (the 'Report').

The Company has developed its GHG inventory in accordance with the ISO14064-1:2006 Standard. EY's responsibility, as agreed with the Management of the Company, is to provide independent assurance as per the requirements of ISO14064-3:2006 "Specification with guidance for the validation and verification of greenhouse gas assertions" and as per the 'International Federation of Accountants' International Standard for Assurance Engagements (ISAE) 3410 Standard - Assurance Engagements on Greenhouse Gas Statements. Our responsibility in performing our assurance activities is to the Management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

### Scope of Assurance

The scope of assurance covers the following aspects of the Inventory:

- ▶ Data and information related to the Company's GHG inventory- Scope 1, Scope 2, Scope 3 and Biogenic emissions as well as GHG removals;
- ▶ The consistency of the Company's internal protocols, processes, and controls related to the collection and collation of GHG emissions and removals with the requirements of ISO14064-1:2006 Standard;
- ▶ Understanding the reasonableness of various assumptions, estimations and materiality thresholds used by the Company for data analysis;
- ▶ Review of information and data on sample basis through consultations at the Company's Registered Office and the following Divisional Headquarters (DHQs) and locations of operations:
  - Personal Care Products DHQ and Trade Marketing and Distribution (TM&D) in Kolkata; Packaging and Printing Business Headquarter (HQ) and Education and Stationery Products Business HQ at Chennai; Paperboards and Specialty Papers DHQ at Hyderabad; Foods DHQ in Bengaluru and Hotels DHQ at Gurugram;
  - Locations of operations, as listed below:
    1. India Tobacco Division: Bengaluru, Kidderpore, Pune, Saharanpur and Munger;
    2. Foods Division: Haridwar, Panchla, Pune, Mysuru, Uluberia and Guwahati;
    3. Personal Care Products Division: Haridwar and Guwahati;
    4. Hotels Division: ITC Gardenia (Bengaluru), ITC Maratha (Mumbai), Sheraton New Delhi (New Delhi), ITC Sonar (Kolkata), ITC Grand Chola (Chennai), WelcomHotel (Chennai) and WelcomHotel (Coimbatore);
    5. Packaging and Printing Business: Haridwar, Munger and Tiruvottiyur;



6. Paperboards and Specialty Papers Division: Bhadrachalam, Tribeni, Kovai and Bollaram;
7. Agri Business Division (Leaf Tobacco): Mysuru, Chirala and Anaparti.

#### Limitations of our review

The assurance scope excludes:

- ▶ Operations of the Company as mentioned in the Inventory other than those mentioned in the 'Scope of Assurance';
- ▶ Data and information outside the defined reporting period i.e. 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019.

#### Assurance criteria

The assurance engagement was planned and performed in accordance with the 'International Federation of Accountants' International Standard for Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) as well as ISO14064-3:2006 "Specification with guidance for the validation and verification of greenhouse gas assertions". Our evidence-gathering procedures were designed to obtain a 'reasonable' level of assurance in order to ascertain that the Company's GHG Inventory is fairly stated and in conformance in all material aspects with the requirements of ISO14064-1:2006.

#### What we did to form our conclusions

In order to form our conclusions we undertook the following key steps:

- ▶ Interactions with the key personnel at the Company's registered office, DHQ, manufacturing units and hotels in order to understand and review the current processes in place for capturing the GHG emissions and removals data;
- ▶ Verification of the reported GHG inventory, on a sample basis, at the Company's registered office, DHQ, manufacturing units and hotels as mentioned in the 'Scope of Assurance' above;
- ▶ Review of relevant documents and systems for gathering, analyzing and aggregating the data in the reporting period.

#### Our Observations

The GHG emissions and removals have been calculated as per the ISO14064-1:2006 Standard. There were no observed inconsistencies in the Company's internal protocols, processes, and controls related to the collection and collation of GHG emissions and removals with the requirements of ISO14064-1:2006 Standard. The various assumptions, estimations and materiality thresholds used by the Company for data analysis were found to be in line with the requirements of ISO14064-1:2006 Standard.

#### Our Conclusion

On the basis of our procedures aimed at obtaining reasonable assurance, we conclude that in our opinion the Company has fairly represented its GHG Inventory in accordance with the requirements of the ISO14064-1:2006 Standard. The reported GHG emissions and removals for the reporting period are:

- ▶ Scope 1 emissions: 12,35,986 tonnes CO<sub>2</sub>e



- ▶ Scope 2 emissions: 1,98,564 tonnes CO<sub>2</sub>e
- ▶ Scope 3 emissions: 2,81,569 tonnes CO<sub>2</sub>e
- ▶ Biogenic emissions: 8,41,303 tonnes CO<sub>2</sub>
- ▶ GHG removals: 52,38,470 tonnes CO<sub>2</sub>

#### **Our assurance team and independence**

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant Indian and international businesses. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics<sup>1</sup> for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

**For Ernst & Young Associates LLP**

A handwritten signature in blue ink is written over a circular blue stamp. The stamp contains the text 'Ernst &amp; Young Associates LLP' around the perimeter and 'Mumbai' in the center, with two small stars on either side of the word 'Mumbai'.

Chaitanya Kalia  
Partner  
11 June 2019  
Mumbai

<sup>1</sup> International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. This Code establishes ethical requirements for professional accountants. The guidance related to network firms was updated in July 2006.





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