



Enduring Value

112<sup>TH</sup> ANNUAL GENERAL MEETING

ITC LIMITED

AUGUST 11, 2023

**ITC: Nation First**  
Transforming  
for our Shared  
Tomorrows

ADDRESS BY CHAIRMAN & MD  
MR SANJIV PURI

Ladies & Gentlemen,

We meet today at a time when India is taking purposeful strides towards the vision of Amrit Kaal. The country is buoyed by optimism and deeply engaged in realising that promise, striding on the pathways of clearly enunciated goals and policies. What is remarkable is that such an outlook pervades at a time when the world is grappling with serious issues affecting growth across all major economies. In this environment of poly-crisis and uncertainty, India has emerged as a beacon of growth and will remain the fastest growing major economy in the world this year.

India's resilient growth is a testament to the slew of policy measures unleashed by our inspirational Prime Minister Shri Narendra Modi ji. Some major policy initiatives include: tripling of public capex, best-in-class public digital infrastructure, the PLI scheme to attract private investment in focus sectors, establishing strong Farmer Producer Organisations supported by a multi-stakeholder integrated Agri-Stack to empower farmers, targeted welfare spending leading to impactful delivery of grassroot benefits; and many more. Aligned with the Prime Minister's overarching vision, the Hon'ble Finance Minister unveiled path-breaking Budgets recently with substantial outlays towards each of the policy measures to usher in green and inclusive growth. Prudent fiscal and monetary policies, extensive reforms of the financial sector, together with stronger corporate balance sheets and better capacity utilisations augur well for higher levels of investment required to raise the growth trajectory. As the Government celebrates its 9th anniversary, the remarkable transformation of the economy across multiple dimensions has fuelled unbounded aspirations, hope and optimism for the future.

The progressive policy environment together with favourable demographics and India's growing stature on the world stage, have led to heightened interest in leveraging India as a global hub for manufacturing, services and exports. Indeed, it is being widely acknowledged that this is India's Moment. India's large and growing consuming market is expected to fuel higher growth, and estimates suggest that India's middle class would cross 1 billion people by 2047, accounting for 61% of our population, up from about 31% today.

While the potential is almost limitless, we are not immune to the adverse impact of several global crises including climate emergency, persisting inflation, supply chain disruptions, muted demand conditions in some major economies and the impact of geo-political dynamics. The climate crisis represents an existential threat and in the short term, the impact of El Nino remains a key monitorable. Further, despite moderating inflation, key commodity prices remain elevated and volatile, adding to the magnitude of external risks. In such an uncertain environment, the Indian economy demonstrated resilience, reporting robust growth while simultaneously unshackling its latent potential towards realising the vision of Amrit Kaal.

Corporates have both an economic and a social purpose. Hence, the path to future progress necessitates business strategies that not only address such uncertainties but also the underlying fault-lines of social inequity and environmental threats. This realisation led your Company to embrace a paradigm of **Responsible Competitiveness**, that combines agile competitiveness with environmental sustainability and livelihood generation.

As I had articulated in my earlier address, the **ITC Next strategy** seeks to architect the next horizon of competitiveness, growth and profitability in the face of global uncertainties. The agility displayed particularly over the last 2 years attests to the robustness of the ITC Next strategy and stands testimony to the exceptional perseverance displayed by your Company's dedicated employees. Your Company remains committed to making the right

strategic choices and adapting to changing macro-economic circumstances. In this annual address, I would like to present to you the contours of the transformation being orchestrated to build a future-ready enterprise.

### Triple Bottomline Performance: A Snapshot

Over the past few years, your Company has traversed a remarkable journey of transformation across each of the multiple drivers of growth. During FY23, ITC's Gross Revenue was up by nearly 18% and EBITDA by over 26%. Non-cigarette Segment EBITDA grew by over 43%, reflecting robust performance across all businesses. Your Company's non-cigarette businesses today accounts for 67% of Revenue and 28% of Segment EBITDA. During the period FY17 to FY23, the turnover of FMCG-Others grew 1.8x, whilst Segment EBITDA margins expanded by 770 bps. Export earnings since FY17 crossed US\$ 5 billion, of which agri products contributed more than 60% thus effectively linking the Indian farmer to global markets. Your Company's world-class FMCG brands, paperboards, packaging and agri products are now exported to over 100 countries.

You will be happy to note that this year, your Company commissioned 5 state-of-the-art factories and 1 iconic hotel. Reflecting our optimism in India's growth story, ITC is making investments in 4 more facilities. ITC continues its stellar contribution to environmental and social capital as we complete 20 years of Sustainability Reporting. You will draw immense pride that 12 of your Company's hotels and the Data Centre 'ITC Sankhya' became the first in the world to be certified LEED Zero Carbon, with 2 hotels also receiving the LEED Zero Water distinction. ITC's businesses and value chains today support over 6 million livelihoods. The footprint of your Company's CSR projects spans over 300 districts in 27 States/Union Territories and reaches out to over 7.5 million people of which nearly 5 million are women. Several more milestones in sustainability performance have been crossed, which I will detail in a subsequent section.

### Transforming ITC: New Vectors of Growth & Competitiveness

Your Company has taken decisive strides to transform into a **FutureTech, Climate Positive, Innovative and Inclusive enterprise**. We recognise that this journey will be traversed in an era of unprecedented uncertainties, making it mission critical to be extremely agile, consumer-centric, competitive and resilient.

The ITC Next strategy seeks to energise this transformation with multiple interventions.

- Your Company's Businesses continue to build on their **future-ready portfolio** of differentiated, high quality products and services to address evolving needs of customers and consumers.
- **New vectors of growth** are being nurtured at the convergence of mega trends in digital and sustainability, harnessing ITC's enterprise strengths. ITCMAARS, Sustainable Packaging and FoodTech are vectors born out of this approach. FoodTech synergises your Company's strengths in Foods, Hotels and Digital. Having established the product-market fit successfully in Bengaluru with 3 brands - 'ITC Master Chef Creations', 'ITC Aashirvaad Soul Creations' and 'ITC Sunfeast Baked Creations' - delivered through 19 cloud kitchens, we are now gearing up to take the offering to other cities. I will touch upon the other vectors later in this address.
- **Structural competitiveness** is being strengthened through focused investments in establishing market-aligned innovation platforms, an agile, resilient and efficient supply-chain, a digital-first culture and smart operations across businesses.

- **Institutional synergies** are being consciously nurtured to create new levers of unique competitive advantage.
- Besides physical and digital infrastructure, your Company continues to invest in creating **Intellectual Capital** through cutting edge R&D and proprietary intellectual property, also manifest in ITC's world-class brands.
- In today's context, it is evident that any strategy, which is devoid of addressing the growing societal challenges will be outdated, irrelevant and bound to be short-lived. It is for this reason that ITC has made sustainable and inclusive growth the bedrock of its corporate strategy, **crafting innovative business models that work towards building economic, environmental and social capital as a unified approach.**

These multipronged strategic initiatives are designed to fortify mature businesses that are leaders in their segments and also lend strong wings to newer businesses as they move towards achieving the pole position in their respective categories. Let me now take this opportunity to discuss the progress made in each of our businesses towards this promising future.

### **Fast Moving Consumer Goods**

FMCG represents an area of immense potential, given the expected growth in per capita income, increasing consumer preference for trusted brands and value-added products, as well as accelerating digitalisation. In this context, Indian brands that are globally competitive can foster substantial value retention in the domestic economy by creating robust supply chains within the country. This opportunity to contribute meaningfully to a 'Viksit Bharat' inspires your Company to build its FMCG Businesses at scale powered by world-class brands that cater to evolving consumer aspirations.

The ITC Next strategy for your Company's FMCG Businesses has redefined the critical pathways to growth and profitability by building a future-ready portfolio focused on fortifying and scaling mega brands, leveraging these brands to address value-added adjacencies and crafting categories of the future. Innovation, brand investments, reach and digitalisation are driving premiumisation as well as penetration-led growth. In a relatively short span of time, your Company has built a portfolio of 25-plus vibrant brands in the FMCG Businesses that represent an annual consumer spend of Rs 29,000 crore. It is a source of immense satisfaction that 2 of our flagship brands are already in the league of over Rs 5,000 crore, whilst 5 more brands have touched spends between Rs 1,000 crore and Rs 4,000 crore. More importantly, these brands anchor competitive domestic value chains that foster large-scale livelihoods as well as local entrepreneurship.

Over the past 3 years, nearly 300 new products were launched, including several premium products, leveraging the innovation capacity of ITC's Life Sciences & Technology Centre. Some recent examples include: 'Sunfeast Dark Fantasy' Desserts, 'Engage L'amante', 'Classmate Interaktiv' notebooks and so on. Mega brands are also addressing adjacencies such as 'Aashirvaad' range of frozen breads, vermicelli, fresh paneer slices and 'Sunfeast Dark Fantasy' milkshakes.

In line with the strong need for healthy 'good-for-you' products, your Company launched the 'Help India Eat Better' initiative a couple of years ago that focuses on affordable, accessible and planet-friendly nutrition. Furthering this initiative, your Company recently launched the '**ITC Mission Millets**' programme. This Mission is founded on a 3-pillar model that encompasses development of a 'good-for-you' portfolio, implementation of sustainable farming and enhancing consumer awareness. Together with supporting FPOs in the millet

value chain, two PPP projects have been implemented in Maharashtra and Andhra Pradesh, in partnership with Indian Institute of Millets Research. An extensive portfolio is being rolled out for every meal occasion, age and format. In this context, your Company also invested in Yoga Bar that has a portfolio of premium products, including millet-based offerings, catering to health-conscious consumers.

Your Company believes that brands must serve a larger societal purpose and leverage the substantial market interventions to positively influence social change. This belief drives our efforts to build purpose-led brands. Several of your Company's brands lead purposeful initiatives in areas that can make a meaningful difference. The 'Mangaldeep' brand has empanelled visually impaired persons as fragrance testers, fostering a life of dignity and hope. 'Fiama' espouses the cause of addressing mental health issues. 'Vivel' champions women's empowerment. The 'Savlon Swasth India' programme which orchestrates hygiene behaviour, has covered over 8,000 schools reaching out to over 2 million students. 'Classmate All Rounder' programme aims at holistic skill development, covering over 3,00,000 school students. 'YiPPee!'s Terra programme upcycles post-consumer plastic wrapper waste into attractive laptop sleeves, tote bags and so on.

ITC's vision to be a FutureTech company is powered by '**Mission DigiArc**' a next-generation smart digital architecture. The DigiArc ecosystem today encompasses 200 factories, 50 warehouses, nearly 3,000 distributors and 2.6 million retailers driving real-time, data-led intelligence across the extended enterprise. Embedded with cutting-edge technologies in AI/ML together with Centres of Excellence in Industry 4.0, Advanced Analytics and Data Sciences as well as the 6<sup>th</sup> Sense Marketing Command Centre, DigiArc empowers mainstreaming of the digital-first culture to create new sources of competitive advantage. Over 25 projects contributed to transforming all facets of our operations, ranging from insighting to product development, smart sourcing to on-time efficient delivery in markets and superior brand engagement and marketing through real-time content, connect and commerce. The digital-native Gen Z talent pool of your Company is at the forefront of this transformation.

Your Company's Trade Marketing & Distribution highway has transformed into a **smart omni-channel network** including 6 D2C platforms. This network leverages proprietary algorithms for sharp targeting markets, geo whitespacing, and enhancing responsiveness and efficiencies. Today, nearly 6,00,000 retailers are digitally connected through UNNATI B2B app. Effectiveness of sales execution improved by **17%** in one year; sales through digital channels increased by **7x** over FY20 levels; coverage increased by **2x** and rural stockists tripled in the last three years.

In my address last year, I had highlighted the investments in Integrated Consumer Goods Manufacturing and Logistics Facilities (ICML) at strategic locations towards deriving economies of scale and scope, creating agility in market responsiveness and optimising logistics with delayering of operations. Recently, we commissioned our 11<sup>th</sup> ICML in Khordha, Odisha. The integrated Ancillary Manufacturing and Logistics Facilities in Pudukkottai and Kapurthala utilise robotics and automation to enable seamless market servicing and superior operational efficiencies. These ICMLs now span a built-up area of more than 6 million sq.ft., and together with other facilities, ship out more than 56 million packs of your Company's products every day. With a view to optimising cost and quality, your Company's agri value chains are being integrated, enabling proximal sourcing in the vicinity of the ICMLs.

Your Company continues to strengthen its Cigarettes segment through fortifying product portfolio, innovation, sharpening execution capabilities and upgrading product quality to reinforce market standing in the face of severe threats from illicit cigarette trade. It is

pertinent to note that legal cigarettes constitute merely 8% of the aggregate tobacco consumption in the country. Deterrent action from the Government, coupled with relative stability in taxes, has enabled this segment to partially recover volumes from illicit trade. Volume recovery over time will lead to buoyancy in tax revenues and growth in demand for Indian tobaccos, benefitting both the Exchequer and Indian farmers.

The FMCG industry offers immense opportunity for growth. The market size of the FMCG segment is estimated to be upwards of Rs 21 trillion by 2030 and the addressable market for your Company's carefully curated FMCG portfolio is estimated to be about Rs 5 trillion. The multi-dimensional interventions of ITC Next position your Company well to harness the significant market potential, attain leadership in every segment and create growing value for all stakeholders.

## **Agri Business**

I would now like to turn to your Company's Agri Business, a pioneer in rural transformation and one of the country's largest businesses in the agri value chain. Agriculture assumes even more significance as we envision a future with nearly 10 billion people on this planet by 2050, requiring a massive 70% increase in food production. The agri sector has the onerous task of providing for food, bio-energy and livelihood security, even as climate change causes more vulnerability. Nearly half of India's workforce is dependent on this sector, which faces challenges of low productivity and incomes. Consequently, there is an urgent need for a new developmental paradigm for this sector.

India is well endowed as the 2nd highest agri producer in the world, with the largest arable land and diverse agro-climatic zones. Yet, agriculture accounts for just 18% of GVA with only 3% share of global trade and less than 10% share of processed produce. However, there is tremendous untapped growth potential through vertical scale-up, value addition and larger integration to global markets, with consequent large-scale rural transformation.

The ITC Next strategy seeks to harness this potential and address the imperatives of fostering demand-responsive agriculture, accelerating value-addition, enhancing productivity, quality and farm incomes, strengthening competitiveness and tackling vulnerabilities arising from climate risks. The purposeful policy thrust of the Government to accelerate digital adoption in the farm sector and promote Farmer Producer Organisations (FPOs) are laudable steps to engender transformation in the agri sector. These far-reaching policy interventions have enabled your Company to bring the power of digital revolution to farmers with FPOs as the pivot. ITCMAARS, the phygital ecosystem that your Company launched last year, is poised to be a game changing catalyst to usher in Next Generation Agriculture. This new business model enables larger efficiencies in sourcing, higher value addition and better traceability of attribute-specific products, besides promoting sustainable agriculture. ITCMAARS has been rapidly expanded to 9 states, supporting more than 6,00,000 farmers through 1,150 FPOs. Your Company's aspiration is to support 4,000 FPOs by 2030, stepping up farmer empowerment from 4 million to 10 million. As the ITCMAARS ecosystem scales up, it will strengthen the competitiveness of the Foods and Agri Businesses, and create a new business model whilst empowering farmers.

Your Company's Climate Smart Agriculture (CSA) Programme aims to de-risk farmers from extreme weather events. Multiple initiatives have been taken to promote regenerative agriculture with a package of agronomy practices, high-yielding and climate-resilient varieties as well as appropriate mechanisation. Today, the programme has already covered over 2.3 million acres against the target of 3 million acres, benefiting more than 7,40,000 farmers. It is encouraging to note from an assessment of the first phase of CSA districts that

GHG emissions of select crops reduced between 13-66% and net returns to farmers increased by 46-93%. Also, 70% of the villages have moved into the High-Resilience, High-Yield category.

A key opportunity area in the agri sector is Horticulture given the potential for value addition, exports and higher farmer incomes. This segment contributes around 30% to Agri GDP while using only 13% of the gross cropped area. ITC's Agri Business is building on its portfolio of Value-Added Products across multiple value chains including spices, coffee, frozen marine products, processed fruits and organic produce. The Business is also gearing up for a full play in Medicinal and Aromatic Plants. This year, your Company set up a state-of-the-art export-oriented spices facility in Guntur, Andhra Pradesh. This plant, together with the Integrated Crop Management programme of your Company, initiated in partnership with various State Governments, will provide formidable competitiveness, support agri value chains, whilst empowering farmers. In addition, your Company's subsidiary, ITC IndiVision Limited has recently commissioned a world-class facility for the manufacture and export of nicotine and nicotine derivative products, conforming to stringent US and EU Pharmacopoeia standards. This plant, equipped with sophisticated technology draws strength from the deep engagement with tobacco farmers enabling traceability, consistency and superior sustainability practices lending a competitive edge in the global market.

Today, your Company is the largest procurer of agri commodities in the private sector, sourcing 4.5 million tonnes across 20 value chains in 22 States, placing it in a unique position to make a meaningful difference to rural transformation and farmer empowerment. The multidimensional initiatives of your Company build resilience and competitiveness of inclusive value chains and deepen digital adoption, thus benefitting millions of farmers. Your Company's world-class FMCG brands anchor several agri value chains contributing to rural transformation and national priorities. We believe our efforts will usher in a new dimension of agricultural progress, benefitting farmers whilst providing significant competitive advantage to your Company's businesses.

### **Paperboards, Paper and Packaging Business**

I now move to your Company's Paperboards, Paper and Packaging Business which is today one of India's largest, greenest and technologically advanced. India's ambitious growth trajectory is expected to drive demand for high quality value-added paperboards and sustainable packaging. Current per capita paperboard and paper consumption in India is considerably low at 14 kgs, compared to world average of 57 kgs, pointing to the growth potential. The emerging trend for plastic substitution will also provide further fillip to the demand for paperboards and plant-based moulded fibre biodegradable products.

In order to realise the significant market potential, the ITC Next strategy for the Paperboards and Packaging Business entails development of a portfolio of Value-Added Paperboards and Sustainable Packaging, strengthening structural competitiveness, scaling up a cost-effective fibre chain and leveraging opportunities arising out of the mega trends of digital and sustainability.

The Value-Added Paperboards portfolio has been fortified with substantial capacity augmentation in the last 5 years. The Business is at the forefront of developing sustainable packaging solutions and a range of planet-friendly, biodegradable and recyclable products have been launched on existing platforms under the 'Filo', 'Omega', 'Bio-seal' and 'Oxyblock' series. These eco-labelled products have recorded a 2x increase in revenue over last year. Pioneering work has been undertaken to create a new platform with exciting market opportunity for substituting plastic packaging with plant-based premium moulded

fibre products that are capable of solving complex engineering and aesthetic requirements. Accordingly, your Company is investing in a state-of-the-art manufacturing facility in Sehore, Madhya Pradesh, to manufacture technologically sophisticated products with promising applications in pharmaceutical, cosmetics, electronics and other sectors.

The Business is an acknowledged icon of environmental stewardship, with focus on decarbonisation, sequestration and livelihood generation. The recent state-of-the-art High-Pressure Recovery Boiler commissioned at Bhadrachalam will reduce coal usage by one-third while improving ITC's share of renewable energy by 6%. Your Company's afforestation programme has greened over 1 million acres and supported over 190 million person-days of employment for marginal farmers whilst creating a sustainable and competitive fibre chain for your Company.

It is evident that a competitive wood-based industry can generate large economic multipliers, enable significant carbon sequestration and livelihood generation. Our country has 30 million hectares of degraded forest land capable of being converted into productive and green assets. An enabling policy framework that would permit enterprises to lease degraded forest land can enhance competitiveness, spawn new wood-based industries, enable import substitution to the tune of US\$ 4 billion annually, create large carbon sinks and generate significant rural employment of nearly 1.3 billion person-days.

Your Company's manufacturing excellence, thrust on digital, sustainability and frugal innovation capacity will enable competitively superior performance whilst also creating significant environmental and social capital as it embraces the vast opportunities ahead.

## **Hotels**

Let me now turn to the Hotels Business. The Hospitality industry is poised for strong growth due to the confluence of favourable factors such as rising societal aspirations, the growing stature of India as an attractive investment destination, increasing connectivity, strong macros, policy interventions as well as digital explosion. Given that India's share of global tourism is just 1%, there is substantial headroom for growth. It is estimated that the Tourism GDP in India can grow from US\$ 143 billion to US\$ 250 billion by 2030 with employment growing from 88 million to 137 million.

ITC's Hotels Business recorded a strong performance for FY23 with the doubling of Segment Revenue. EBITDA margins expanded by 930 bps over FY20. The Business is well poised to capitalise on the significant growth opportunity, given its distinctive position in India's tourism landscape. The Business' unique value proposition has been built on the strength of its iconic properties, signature cuisines, best-in-class service and ethos of Responsible Luxury. It is the chain of choice for the discerning traveller and today spans over 120 hotels, with 11,600 keys in 70 locations. The renowned properties and cuisine brands of ITC Hotels have consistently won several global accolades. Digital investments across every facet of operations have helped redefine guest experience and set new standards of service excellence besides enhancing operational efficiency.

The Hotels Business has also been a trailblazer in Responsible Luxury, a trend that the world is moving towards. The Business' LEED certifications are unmatched by any hotel chain in the world. Carbon emissions per room are already lower than the 2030 GHG sectoral emission targets. Single use plastics have been eliminated to the tune of 2,50,000 kgs every year.

Having established a strong market standing, as part of ITC Next, your Company pivoted to an asset right strategy. The Hotels Business has developed a bouquet of brands, including



ITC Hotels, Mementos, Welcomhotel, Storii, Welcomheritage and Fortune, that address relevant customer need spaces and are receiving favourable response from asset owners. In the last 16 months alone, 18 hotels have been added, mostly through management contracts. Today, managed properties account for 55% of total rooms. ITC Narmada launched this year in Ahmedabad, is the first LEED Platinum hotel in Gujarat and has received excellent customer response.

As you are aware, the Board of Directors of your Company has accorded its in-principle approval to the proposed demerger of the Hotels Business, under a scheme of arrangement. The continued interest of ITC in the new entity will provide long term stability and instil a sense of assurance among partners, investors and employees, while enabling the new entity to leverage ITC's institutional strengths including the timeless goodwill, world-class brands and governance processes. For ITC, the reorganisation will sharpen capital allocation, improve asset efficiency ratios, unlock value for its shareholders as well as enable leveraging of institutional synergies.

Thus, the proposed reorganisation will enable the Business to architect the next horizon of growth as a pure play hotels entity with a strong balance sheet and healthy pipeline, especially when the industry is poised for robust growth.

### **ITC Infotech**

Your Company's subsidiary ITC Infotech has made encouraging progress in recent years and is dialling up investments to be future-ready. The company continues to play a pivotal role in enabling clients to accelerate digital transformation, optimise costs and enhance operational efficiencies. As an endorsement of this focus, the company won a significant deal this year, creating a gateway for similar marquee client acquisitions in the future.

Partnerships have also been forged in important domains. Last year, ITC Infotech acquired a substantial portion of PTC Inc's PLM professional services business, which will reinforce the company's leadership in the Digital Manufacturing space.

The sharpened focus on customer centricity, employee centricity and operational excellence together with deep new-age capabilities holds immense promise for the company to be a significant value creator.

### **ITC: A Stellar Sustainability Journey**

A few years ago, the UN Secretary General aptly termed climate change as a 'crisis multiplier'. The IPCC has warned that nearly 3.6 billion people today are dangerously vulnerable to climate impacts. Estimates suggest that climate induced events since 2000 have led to global losses of US\$ 2.56 trillion in PPP terms. India experienced extreme weather events on 84 of the 120 days in the first four months of 2023. By 2050, 30 Indian cities are likely to face acute water scarcity. This planetary crisis is also aggravated by growing social inequity worldwide. Clearly, radical changes in growth models are imperative if future progress is to be sustainable and inclusive.

It is heartening to note the leadership role being played by India in spearheading climate action and transitioning to a net-zero economy. The Hon'ble Prime Minister had earlier unveiled the Panchamrit plan setting out our nationally determined contribution goals. Several progressive interventions have been taken by the Government including the International Solar Alliance, National Hydrogen Mission, apart from a slew of other policy measures. Transition to a net-zero economy will require faster adoption of green technologies, as well as accelerated investments in R&D to develop new pathways through viable and accessible technology solutions, particularly in agriculture and hard-to-abate

sectors as well as carbon capture, usage and storage. Despite efforts to move towards net zero, IPCC has warned of the likelihood of breaching the tipping point of 1.5°C in the near term multiplying extreme weather events manifold. Therefore, it is imperative to bring Adaptation to the centre stage of climate action.

The ITC Next framework mainstreams sustainability as an integral part of business strategy to leverage emerging opportunities, build resilience and competitiveness, whilst pursuing a bold agenda for adaptation and mitigation. Substantial investments have been directed towards establishing green infrastructure, expanding renewable energy, enabling higher resource efficiency, promoting sequestration and nature-based solutions and in embedding circularity in business models.

Your Company has made tremendous progress on decarbonisation. Despite a growing operational footprint, nearly 43% of ITC's total energy consumption is from renewable sources. Investments in solar, wind and biofuels have contributed to an installed capacity of 178 MW. ITC is also a pioneer in the green building movement with 49 LEED certified buildings. Contributing to Circularity, ITC has been plastic neutral for the 2nd consecutive year. Your Company remains committed to developing newer technology pathways. Towards this end, partnerships have been forged with leading research organisations to develop viable energy storage systems, decarbonise cold chains and improve prediction modelling for generation of renewable energy.

To build resilience against the growing threat of extreme weather events, your Company has initiated several purposeful adaptation measures to secure physical infrastructure and de-risk agri value chains. Given the deep linkages of your Company's businesses to agriculture, we have invested substantially in pursuing adaptation through innovative nature-based solutions in view of its effectiveness in building resilience of farming and rural communities. These include Afforestation, Biodiversity, CSA and Water Stewardship. The Afforestation initiative today sequesters nearly 6 million tonnes of CO<sub>2</sub>e annually. ITC's Biodiversity Conservation initiatives have restored over 2,90,000 acres in 12 States and we intend to cover 1 million acres by 2030. Under the Water Stewardship initiatives, the Integrated Watershed Development Programme has covered over 1.4 million acres with 28,000 water harvesting structures. The demand-side management programme undertaken in 1.2 million acres has led to water usage efficiencies of 20-45% across 15 crops, resulting in a water savings potential of 780 million kilo litres. ITC has now embarked upon an ambitious plan of achieving water positive status at river basin level that will also benefit local ecosystems. The success achieved in making the Ghod river basin water positive in a span of 5 years has emboldened us to implement 4 more such river regeneration projects.

Your Company has also committed to pursuing Alliance for Water Stewardship (AWS) certification for all high water stressed sites by 2035. Recently, your Company's unit at Malur has become Asia's first food factory to be awarded the AWS Platinum level certification, which follows a similar achievement for our Paperboards Unit in Kovai.

Recognising the need to comprehensively address the challenge of global warming, a climate risk modelling exercise using advanced analytics was undertaken at a pan ITC level, which was subsequently followed with site-specific and agri value chain-specific assessments so as to sharp target adaptation actions. Based on such studies, appropriate site-specific interventions are being progressed.

Over the years, your Company has implemented an impactful Social Investments Programme to catalyse gainful livelihood opportunities for rural communities through a two-horizon approach. Horizon-1 focuses on strengthening current livelihoods of communities,

primarily in agriculture and allied sectors whilst Horizon-2 builds capabilities for a better tomorrow. Interventions in areas such as primary education, vocational training, women empowerment, healthcare and others have been progressively scaled up over the years with a transformative impact on the ground. Pursuing our Diversity and Inclusion goals, it is heartening that our recent ICMLs employ a majority of women, ranging between 50-75% of the total workforce.

Your Company sustained its 'AA' rating by MSCI-ESG for the 5th consecutive year reinforcing its leadership amongst peers. It is a matter of pride that our innovative initiatives have enabled ITC to be the only company of its size to achieve the global environmental distinction of being carbon, water and solid waste re-cycling positive for over 18, 21 and 16 years respectively.

The inspiring adage that "we have not inherited the earth from our ancestors but have borrowed it from our children" also reaffirms our belief that corporates can and must contribute to building larger societal value and a secure future. ITC's sustainability approach has not only led to globally distinctive performance but also contributed to making the enterprise, its value chains and the rural communities that we engage with much more resilient. This abiding commitment to national priorities drives your Company and dedicated employees to build an exemplary Indian enterprise for all our shared tomorrows.

### **In Conclusion**

India's confident march to Amrit Kaal will undoubtedly present exciting growth opportunities. Winning enterprises, in this era of polycrisis and uncertainty, will need to be agile, accelerate adoption of newer technologies, be consumer-centric, resilient and competitive, but do so with a commitment that goes beyond business to create larger societal value.

This belief has guided the ITC Next strategy to define future horizons. Inspired by this opportunity to make a larger contribution to the nation, we have consistently pushed the boundaries of what is possible by building the businesses of tomorrow, by making innovation the foundation of our future-readiness, by embracing technology that will redefine the horizon and by making sustainability the soul of our enterprise.

As I conclude, I would like to express on behalf of the Board, our deepest gratitude to our valued ecosystem of stakeholders comprising our consumers and customers, farmers, local communities, partners and many others. As always, I draw immense confidence from Team ITC who have re-energised themselves to build a competitive FutureTech, Climate Positive, Innovative and Inclusive enterprise.

We deeply appreciate the faith and encouragement that our esteemed shareholders have bestowed on us, and I count on you for your continued support and goodwill. In a few days, India will celebrate its 76th year of Independence. Let us pledge together to do all that we can to bring more glory to our beloved nation.

Thank you.

=====