



# Enduring Value

NATION FIRST: SAB SAATH BADHEIN

## RESULTS UPDATE & FAQ Q2 FY24



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## Q1. What is ITC's Vision and Mission?

### Vision:

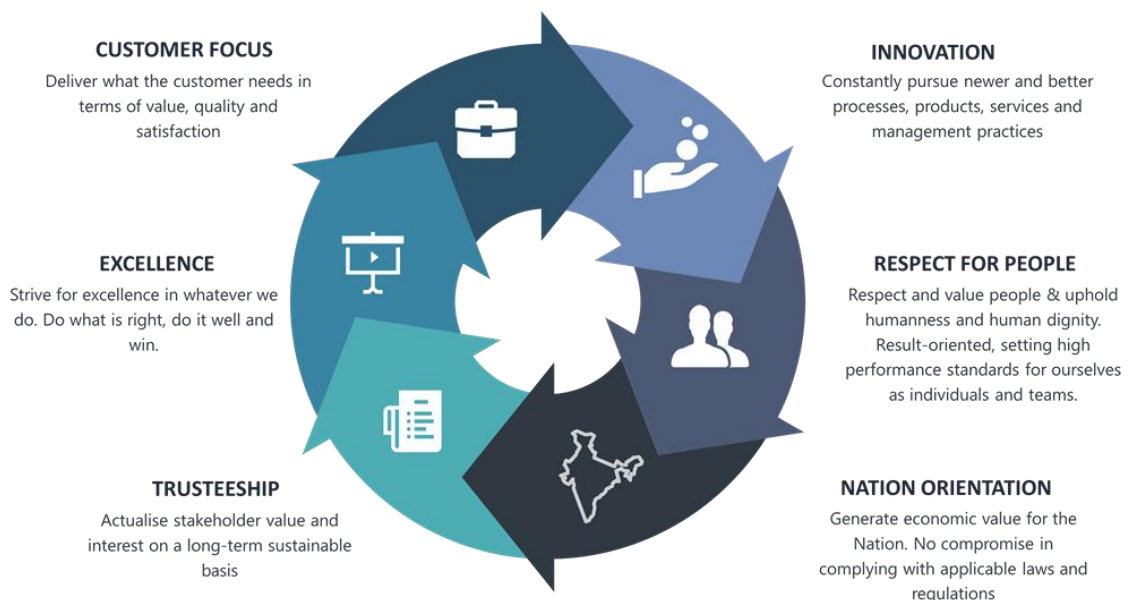
To sustain ITC's position as one of **India's most valuable and admired corporations** through **world-class performance**, creating **growing value for the Indian economy** and the **Company's stakeholders**.

### Mission:

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

## Q2. What are the Core Values of ITC?

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



Please refer <https://www.itcportal.com/about-itc/values/index.aspx#sectionb2>

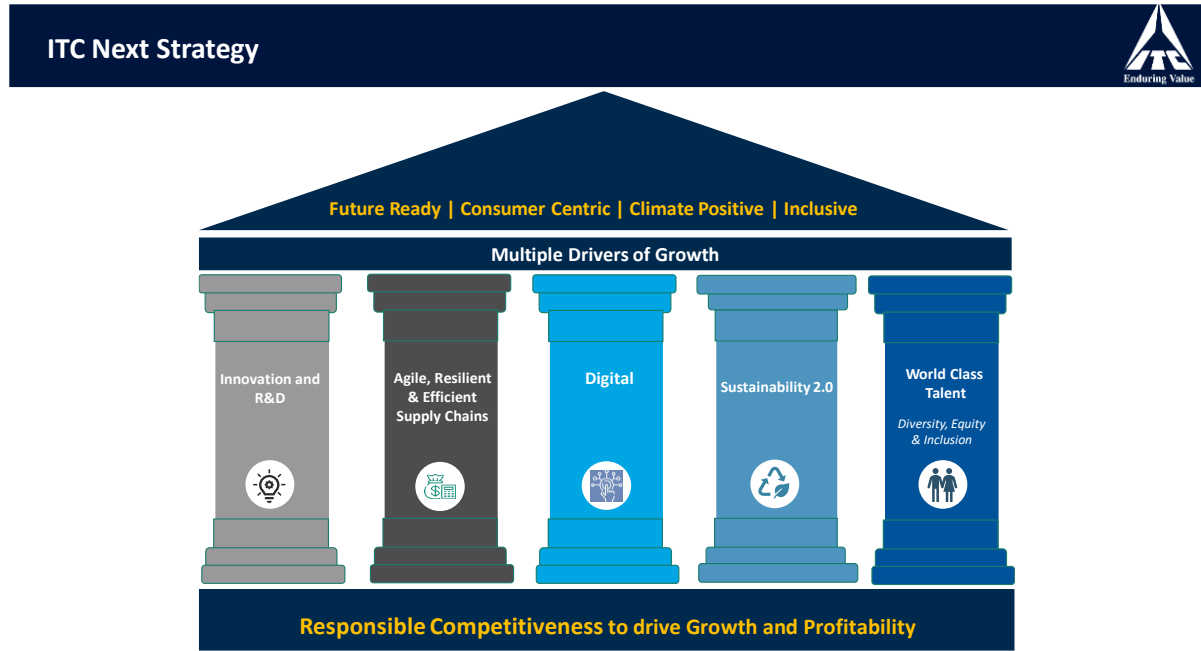
## Q3. How does the Company effectively manage a highly diversified business portfolio? What is the Company's Corporate Governance structure?

ITC's 'Strategy of Organisation' is crafted in a manner that enables focus on each business while harnessing the diversity of the portfolio to create unique sources of competitive advantage.

Please refer <https://www.itcportal.com/about-itc/values/index.aspx#sectionb4> for details of ITC's Governance Structure.

#### Q4. What are key elements of ITC's strategy?

ITC Next strategy is focused on creating structural drivers that will power the Company's next horizon of growth and ensure that the enterprise remains future-ready, consumer-centric and nimble.



#### Q5. Please provide a brief overview of Q2 FY24 results.

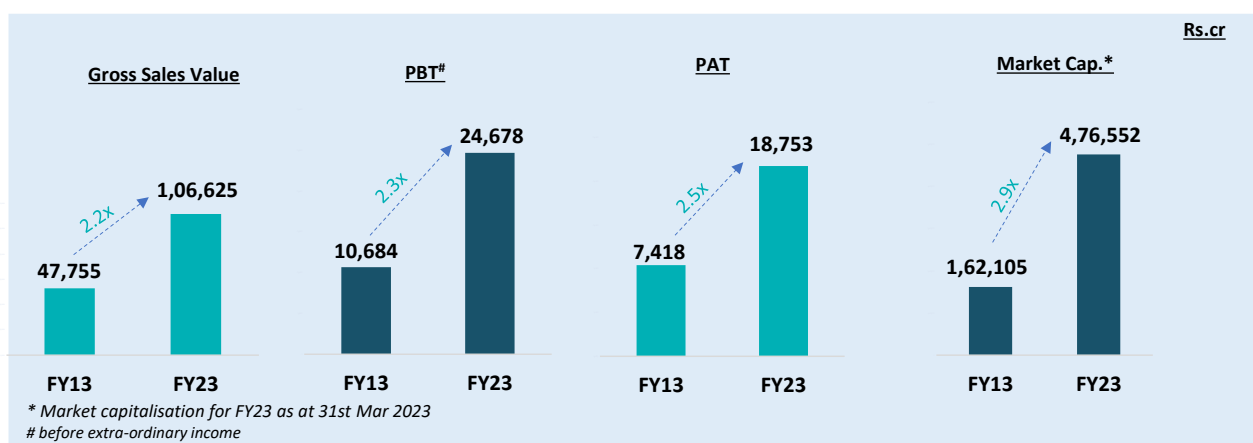
The global economy remains in the grip of a marked slowdown with growth in China and the Euro Area now expected to be lower than earlier estimates reflecting, inter alia, structural weaknesses in these economies. India remains a bright spot with buoyant tax collections, moderating inflation, credit growth uptick being some of the key positives amongst high frequency indicators. While public investment remains strong, consumption demand has been relatively subdued especially in the value segment and rural markets on the back of sub-par monsoons and persistent Food inflation which saw a sharp spike during the quarter. Green shoots of recovery are visible, with prospects of improved agri output, onset of the festive season, increase in rural wages and government spending on infrastructure auguring well for a recovery in rural markets. Pace of economic growth in China and other Advanced Economies, rising geopolitical tensions, crude oil prices, consumer price inflation (especially Food), commodity price volatility and agri output – would be the key monitorables in the near term.

Amidst a challenging operating environment as stated above and high base effect in some of its operating segments, the Company sustained its strong growth momentum during the quarter driven by focus on customer centricity, accelerated digital adoption, execution excellence and agility. Gross Revenue stood at Rs. 17549 crores representing a growth of 3.4% YoY (excl. Wheat & Rice exports: up 8.9%) while PBT at Rs. 6514 crores grew by 9.7% YoY. PAT grew by 10.3% YoY to Rs. 4927 crores. Earnings Per Share for the quarter stood at Rs. 3.96 (previous year Rs. 3.61).

*Please refer to the quarterly Press Release and Investor Presentation uploaded on the Corporate Website for detailed segment wise update.*

1. Quarterly Press Release: <https://www.itcportal.com/investor/pdf/ITC-Press-Release-Q2-FY2024.pdf>
2. Investor Presentation: <https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q2-FY2024.pdf>

**Q6. What has been the financial performance track record of the Company over the last decade?**



**Growth largely organic and funded through Retained Earnings**

Gross Sales Value includes all taxes (GST, Compensation Cess, VAT, Excise Duty, NCCD, etc.)

**Q7. What has been the performance track record of the Company over the last 5 years?**

- In FY23, the Company's **EBITDA grew by 26.5%** while **Earnings Per Share (EPS) registered a growth of 24.0%** and stood at Rs. 15.15 per share. During the five-year period i.e. between FY18 and FY23
  - The Company's EBITDA registered a **growth of 54%**
  - The Company's EPS **registered a robust growth of 65%** in absolute terms from Rs. 9.2 to Rs. 15.2.
  - The **Return on Segment Capital Employed (ROCE)** grew from 69% to **84%**.
- In the FMCG-Others segment, Segment EBITDA grew at a CAGR of 34% between FY18 to FY23. Segment **EBITDA margins expanded by ~620 bps since FY18.**

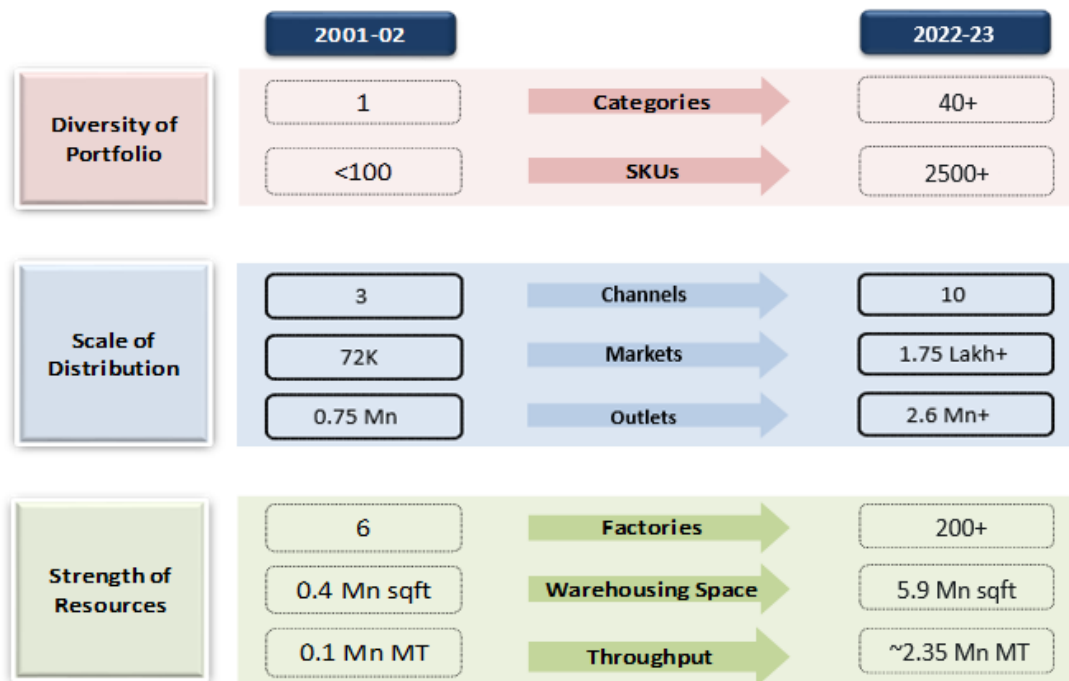
**Q8. Please provide some dimensions of the Company's transformation in the FMCG-Others segment over the years.**

The Company remains focused on rapidly scaling up the FMCG businesses anchored on strong growth platforms and a future-ready portfolio powered by purpose-led brands and supported by agile innovation leveraging the robust R&D platforms of ITC Life Sciences and Technology Centre (LSTC). In addition to fortifying their core portfolio, the Businesses continue to address adjacent growth opportunities by leveraging the 25+ powerful mother brands established over the years. Simultaneously, the Businesses continue to make strategic investments in building categories of the future and establishing the Company's

‘right to win’ by progressively scaling up those nascent categories where beachheads have been created.

The FMCG Businesses continue to create structural competitive advantages and enhance profitability by leveraging world-class distributed infrastructure, multi-channel distribution network, delayed operations, smart buying & value engineering and smart manufacturing anchored on the twin pillars of Digital and Sustainability.

ITC’s FMCG-Others Segment has grown manifold in scale, diversity of portfolio and in terms of resources deployed, as shown below:



\*Serviced directly. Total reach appx. 7 million outlets

**Q9. Please provide some insights on how the Company is strengthening its presence across distribution channels.**

- The Company continues to strengthen its deep & wide multi-channel distribution network and sharpen channel-specific strategies to efficiently service consumer demand across the country. Critical insights into consumer behaviour and channel-specific trends gained over the years are being continuously leveraged to deliver competitive advantage through superior product availability, visibility and freshness.
  - The FMCG Businesses continued to witness robust growth in both urban and rural markets on a high base, driven by enhanced distribution footprint, superior last mile execution, deep consumer insights, purposeful innovation and portfolio premiumisation. Both traditional and emerging channels (viz. Modern Trade, e-Commerce, Quick Commerce) witnessed robust traction driven by sharp execution of channel-specific business plans, collaborations, format-based assortments catering to the needs of a diverse set of shoppers and category-specific sell-out strategies. Certain categories such as Biscuits, Snacks, Noodles, popular Soaps witnessed increasing competitive intensity including from local/regional players in the backdrop of commodity price deflationary conditions.

- The Company's Trade Marketing & Distribution highway has transformed into a smart omni-channel network including 6 Direct to Consumer (D2C) platforms.
- In line with the Company's multi-channel Go-to-Market strategy, market coverage was stepped up to appx. 2.0x of pre-pandemic levels. In rural markets, direct reach enhancement was supported through a hub and spoke distribution model with the continued expansion of rural stockists network to 3.4x of pre-pandemic levels and collaborations with rural-focused eB2B players.
- e-Commerce sales witnessed rapid growth driven by account specific strategies, new product introductions and customized supply chain solutions; availability in Quick Commerce and Social Commerce platforms continues to be scaled up. Further, sales through the e-Commerce channel stood at nearly 5.6x over FY 2019-20 levels.
- Modern Trade sales are being accelerated with higher store footfalls and joint business planning with key accounts
- Presence in the Food Service and Institutional channels continues to be scaled up by leveraging existing partnerships and enhancement of product range. Tech-enabled cloud kitchens were scaled up to actualize emergent opportunities.
- 'ITC e-Store', the Company's exclusive D2C platform, is now operational in 24,000+ pin-codes and continues to receive excellent consumer response. Category specific D2C platforms viz. Classmateshop.com, Dermafique.com and Aashirvaad.com/Meri Chakki are being scaled up to gain consumer insights, as well as commerce. These initiatives continue to receive encouraging consumer response.
- The Company's digitally powered eB2B platform, UNNATI app (now also available in several vernacular languages) covers over 6.3 lakh outlets, facilitating sharp and direct engagement with retailers, superior analytics, personalised recommendations of hyperlocal baskets based on consumer purchase insights, and deeper brand engagement.
- In the last financial year, the Company implemented a digitally-powered integrated planning and supply chain tool, which leverages Artificial Intelligence and Machine Learning technologies for Inventory optimisation and productivity enhancement. This intervention is expected to enhance supply chain agility and efficiency, while also further improving market servicing.

**Q10. In the FMCG-Others Segment, please provide an overview of ITC's scale, offerings, Brands and market standing.**

The Company's vibrant portfolio of over 25 world-class Indian brands, largely built through an organic growth strategy in a relatively short period of time, represents an annual consumer spend of over Rs. 29000 crores in FY23. To illustrate, the market standing of some of ITC's brands is as follows:

Brand	Offerings	Market Standing
	- Staples (Atta, Spices, Salt), Fresh Dairy, Ghee & RTE	#1 in Branded Atta
	- Biscuits & Cakes	#1 in Cream Biscuits
	- Bridges, Potato chips & Namkeens	#1 in Bridges Snacks
	- Noodles & Pasta	#2 in Noodles
	- Educational & Stationery products	#1 in Notebooks
	- Matches, Dhoop & Agarbatti	#1 in Dhoop #2 in Agarbattis

#### Other Key Brands:



#### Q11. How does the Company choose new categories in the FMCG space? Which are the new categories it has forayed into in recent years?

The choice of category is guided by its growth prospects, profitability profile and the ability of the Company to effectively leverage its institutional strengths with a view to achieving leadership status within a reasonable time frame. Synergies with existing categories in terms of overlap of distribution reach, brand extension possibility, procurement efficiencies, etc. are considered while choosing new categories.

In the Branded Packaged Foods Businesses, Chocolates, Dairy, Coffee and Frozen Foods are some of the areas that the Company has entered into over the last few years. In the Personal Care Products Business, the Business has successfully entered the Hygiene space with the acquisition of 'Savlon' brand a few years ago and more recently, the 'Nimyle' brand in the Floor Cleaner segment.

#### Q12. Is the Company open to making acquisitions in order to accelerate growth in the FMCG segment?

ITC examines prospects for inorganic growth that arise from time to time not only in this business segment but also in the other businesses, guided by considerations such as strategic fit, valuation, financial viability and ease of integration.

In recent times, the Company has acquired Brands such as 'Savlon', 'Nimyle' and 'Charmis' to strengthen its presence in Personal Care Products Business. In July'20, the Company acquired 100% of the equity share capital of M/s Sunrise Foods Private Limited (Sunrise), an Indian company primarily engaged in the business of spices under the trademark 'Sunrise'.

Fortifying its presence in the 45,000 crores, fast growing, nutrition-led healthy foods space, ITC has proposed a strategic investment of 100% in M/s. Sproutlife Foods Private Limited, a

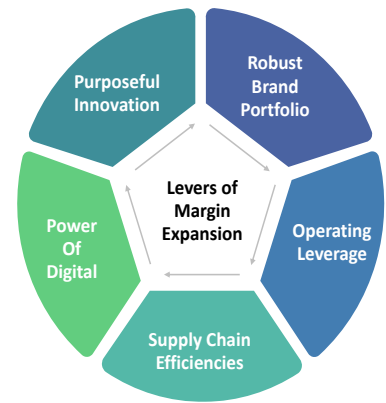
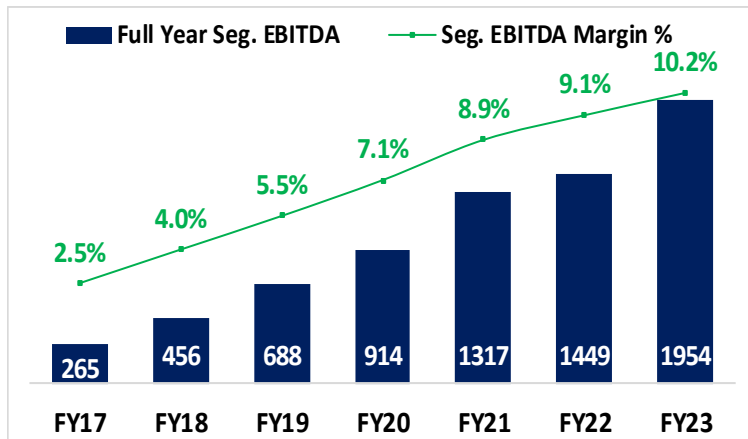


D2C start-up engaged in the manufacture and sale of innovative products catering to health-conscious consumers under the clean label, new-age digital-first brand 'Yoga Bar' over a period of 3 to 4 years.

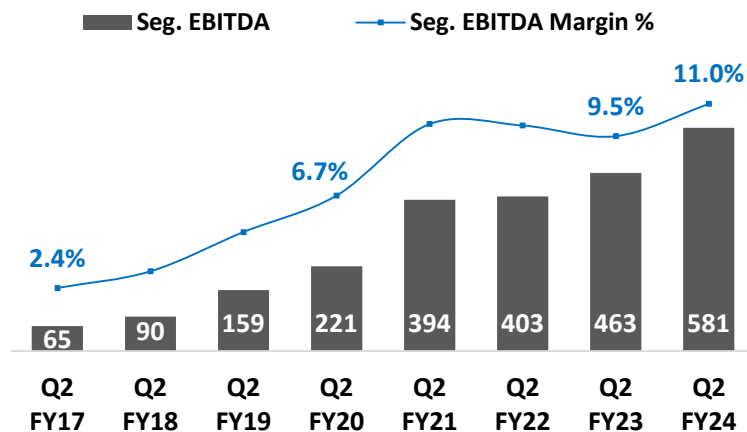
The Company shall continue to pursue opportunities for inorganic growth that are value-accretive and synergistic.

**Q13. (a) Please update on the margin expansion trajectory in the FMCG-Others segment.**

The **Segment EBITDA margin** of the FMCG-Others segment has been on an upward trajectory and has improved by ~620 bps (between FY18 to FY23). **Segment EBITDA for FY23 grew by 34.9% to Rs. 1953.97 crores, with margins improving to 10.2%** amidst elevated commodity prices.



During the quarter ending 30<sup>th</sup> September, 2023, **Segment EBITDA margin stood at 11.0%** (Q2 FY23: 9.5%); margin expansion driven by multi-pronged interventions viz. premiumisation, supply chain optimisation, digital interventions across the value chain, strategic cost management and judicious pricing actions. **Segment EBITDA margins have expanded by 425 bps over Q2 FY20 (pre-pandemic).**



Please refer to the Investor Presentation <https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q2-FY2024.pdf>

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**(b) Please provide an overview of the margin profile of the Branded Packaged Foods Businesses and the Personal Care Products Business.**

**The Branded Packaged Foods Businesses** of the Company comprise 'Staples & Meals', 'Snacks', 'Dairy & Beverages', 'Biscuits & Cakes' and 'Chocolates, Coffee & Confectionery'. These Businesses **have evolved over a period of time and are currently at different stages of their lifecycles**. As such, the revenue dimensions, cost structures and profitability profiles of each of these businesses are distinct from one another. For example, **EBITDA margins of the more mature categories in the portfolio are either in early double digits or in the mid-to-high single digit range** whilst margins of other nascent categories are lower, reflecting scale of investments towards category development and brand building.

**The Personal Care Products Business** comprise 'Personal Wash & Hygiene', 'Health', 'Fragrances', 'Home Care', 'Skin Care' and 'Talc' categories. The Company continues to **make significant investments** in this Business primarily in the **area of brand building, R&D and product development** towards competing effectively with incumbent players comprising firmly entrenched MNCs and domestic companies.

Presently, each category is **operating at industry benchmarked gross margins**. With enhanced scale and consumer connect, each category is expected to earn best-in-class EBIT margins progressively over the medium-term.

**Q14. Please provide some insights on ITC Mission Millets.**

Encouraged by the Government of India's initiative of promoting millets and 2023 being declared as the 'International Year of Millets', ITC has spearheaded 'ITC Mission Millets', to implement multi-dimensional interventions in this area, leveraging its enterprise strengths in agriculture, foods and hospitality. The Company has implemented a focused strategy to craft a millet based product portfolio for every occasion, age and format. To cater to the diverse needs of consumers, the Company has launched products across traditional and modern formats viz. 'Gluten Free Flour', 'Multi-Millet Mix' and 'Ragi Flour', Vermicelli, Biscuits and Snacks under the 'Aashirvaad', 'Sunfeast' and 'Bingo' brands. The thrust on millets is further exemplified by the Hotels Business creating easy-to-try recipes with millets to help encourage individuals experiment with the taste and texture of millets.

**Q15. Please provide an overview of other Operating segments.**

Hotels 2 <sup>nd</sup> largest Hotel Chain	Agri No 1. Agri business Player	Paper Clear Market Leader
<ul style="list-style-type: none"> <li>▪ <b>129 properties with over 11,876 Keys</b></li> <li>▪ <b>One of the fastest growing</b> hospitality chains in India</li> <li>▪ <b>Trailblazer</b> in Green Hoteliering (All ITC Luxury Hotels <b>LEED® Platinum certified</b>)</li> <li>▪ <b>First 12 hotels</b> in the world to receive the LEED® Zero Carbon Certification.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Leading Agri Business</b> player in India</li> <li>▪ <b>Pioneer</b> in rural transformation (<i>e-Choupal</i>)</li> <li>▪ <b>Digitising Agri value chain with</b> ITCMAARS – a crop-agnostic ‘phygital’ full stack AgriTech platform</li> <li>▪ <b>Largest procurer of Wheat</b> after FCI</li> <li>▪ No 1. leaf tobacco exporter in India</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>No. 1</b> in Revenue</li> <li>▪ <b>No. 1</b> in Profitability</li> <li>▪ <b>World-class</b> Environmental Performance</li> <li>▪ <b>Best-in-Class</b> operating metrics</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>First 2 hotels</b> in the world to receive LEED Zero Water Certification.</li> <li>▪ <b>World-class properties and iconic cuisine brands</b></li> <li>▪ <b>‘Asset-right’</b> growth strategy</li> <li>▪ Focus on <b>sweating existing assets</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Best-in-class</b> profitability</li> <li>▪ <b>Sourcing &amp; Supply</b> operations in <b>22 states</b></li> <li>▪ <b>Delivering competitive advantage</b> to ITC’s Foods Business through distinctive sourcing capabilities</li> <li>▪ <b>World-class</b> processing facilities</li> <li>▪ <b>Focus on scaling up Value-added segment</b> (<i>Spices, Coffee, Aqua, MAPE, etc.</i>)</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Integrated Operations</b> (BCTMP <i>first-of-kind in India</i>)</li> <li>▪ <b>Secure, sustainable &amp; cost competitive fibre base</b> (<i>Cumulative plantations @ over 10.4 lakh acres</i>)</li> <li>▪ <b>44% of energy</b> consumption from <b>renewable sources</b></li> </ul>

**Q16. Please provide an update on the performance of the other Operating segments for Q2 FY24**

Stellar performance in Hotels Business with **record high second quarter performance; Segment Revenue and PBIT up 21% and 50% YoY** respectively on a high base.

- Segment EBITDA margin up 170 bps YoY to 30.7% driven by higher RevPAR, structural cost interventions & operating leverage
- Scheme of Demerger approved by Board in August 2023; progressing as per scheduled timelines.

**Agri Business Revenue grew by 26.4% YoY (excl. Wheat & Rice exports)** driven by Value Added Agri products & Leaf Tobacco; stock limits on wheat, ban on non-basmati rice exports and export duty on parboiled rice, further limited business opportunities for the Agri Business. **Segment PBIT up 3.3% YoY (2-yr CAGR +9.7%).**

Performance in the **Paperboards, Paper & Packaging Segment** reflects the impact of low priced Chinese supplies and muted demand in export markets, sharp reduction in global pulp prices, relatively subdued domestic demand and high base effect; Segment Revenue declined 9.5% YoY (**2-yr CAGR +6.4%**) and Segment PBIT declined 49.9% YoY.

**Q17. Please provide an overview of the Capex plan of the Company.**

The Company’s capex plans are **directed primarily towards capacity gearing, productivity enhancement, ensuring the highest standards in quality and environment, health & safety, and R&D.**

In the FMCG-Others segment, in the recent years, the Company has been investing behind setting up **state-of-the-art owned integrated consumer goods manufacturing and logistics facilities (ICMLs)** across regions in line with demand projections. These ICMLs provide structural advantages such as enhancing market responsiveness, reducing the cost of servicing proximal markets, ensuring delivery of fresher products to the market and providing

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heightened focus on product hygiene, safety and quality. Currently, **eleven ICMLs have been operationalized**. Going forward, over the next few years, additional investments in these ICMLs will be largely through equipment lines on a modular basis in line with demand growth.

**In the Hotels Business**, the planned investments in the current capex cycle have been completed with the launch of ITC Narmada (a luxury 291-key hotel in Ahmedabad) in the last financial year.

In line with its 'asset-right' strategy, the Business has generated, a healthy pipeline of management contracts under its brands viz. Mementos, Welcomhotel, Storii, Fortune and WelcomHeritage, which is expected to be a key vector of growth. During the quarter, 3 new properties were added under management contracts to the Group portfolio, including 'WelcomHeritage Santa Roza, Kasauli', 'Fortune Park Hoshiarpur' and 'Fortune Ranjit Vihar, Amritsar'. The Company remains committed to focus on sweating existing assets, create additional revenue streams and pursue alternate structures in line with industry recovery dynamics towards engendering the next horizon of growth as also enhancing value creation.

The major items of capital expenditure in the **Paperboards, Paper and Packaging segment** going forward comprise investments for gaining structural cost advantages in the segment and capacity augmentation for Value added Paperboards in line with the growth needs of the Business.

**Q18. The Board of ITC has recently considered and approved a proposal for Demerger of the Hotels Business. Could you please provide details on the rationale for demerger and major contours of the scheme of demerger?**

The Board of Directors of the Company, at the meeting held on 24<sup>th</sup> July, 2023, evaluated and discussed various alternative structures for the Hotels Business towards crafting the next horizon of growth as also enhancing value creation for all stakeholders.

The Board noted that the Company's Hotel Business has matured over the years and is well poised to chart its own growth path as a separate entity in the fast-growing hospitality industry with sharper focus on the business and an optimal capital structure, whilst continuing to leverage ITC's institutional strengths, brand equity and goodwill. After due consideration, the Board accorded its in-principle approval to the demerger of the Hotels Business under a scheme of arrangement, with the Company holding a stake of about 40% in the new entity and the balance shareholding of about 60% to be held directly by the Company's shareholders proportionate to their shareholding in the Company.

The Board advised the Management to place the final proposal, including the draft scheme of arrangement, at the next Board Meeting for their final approval.

On 27<sup>th</sup> July, 2023, the Company hosted an Analysts/Investor meet on the proposed demerger of the Hotels Business, at which a detailed presentation was made on the proposed demerger of the Hotels Business followed by a Q&A session with the participants.

The Board of Directors at the meeting held on 14<sup>th</sup> August, 2023, considered and approved the Scheme of Arrangement amongst ITC Limited and ITC Hotels Limited and their respective shareholders and creditors, subject to necessary statutory and regulatory approvals.

The said Scheme involves the demerger of the Demerged Undertaking comprising the Hotels Business of the Demerged Company into the Resulting Company on a going concern basis and in consideration, the consequent issuance of equity shares by the Resulting Company to all the shareholders of the Demerged Company in accordance with the Share Entitlement

Ratio i.e. “for every 10 (Ten) Ordinary Shares of face and paid-up value of Re. 1 each held in the Demerged Company, 1 (One) equity share of face and paid-up value of Re. 1 in the Resulting Company”.

The Scheme has been submitted to stock exchanges for requisite approvals and is progressing as scheduled.

For further details on the proposed demerger of Hotels Business please refer below:

Press Release – 24<sup>th</sup> July, 2023: <https://www.itcportal.com/media-centre/press-releases-content.aspx?id=2608&type=C&news=itc-board-accords-in-principle-approval-to-demerge-the-hotels-business-into>

Investor Presentation – 24<sup>th</sup> July, 2023: <https://www.itcportal.com/investor/pdf/proposed-demerger-of-hotels-business-240723.pdf>

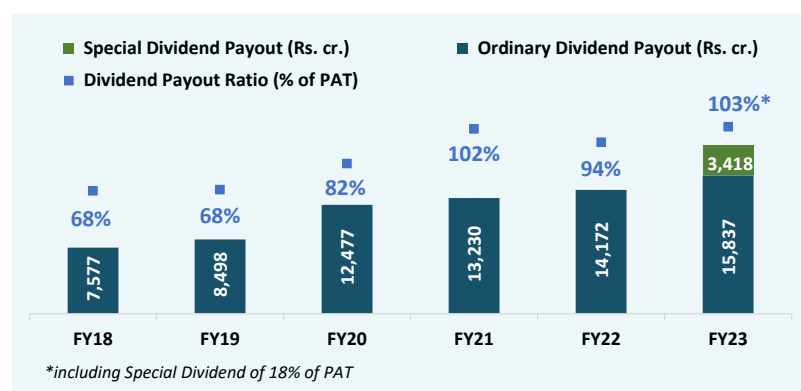
Analyst / Investor Meet transcript – 27<sup>th</sup> July, 2023:

<https://www.itcportal.com/investor/pdf/analyst-call-transcript-hotels-demerger.pdf>

Stock Exchange Intimation and Investor Presentation – 14<sup>th</sup> August, 2023: <https://www.itcportal.com/about-itc/shareholder-value/pdf/lodr-14aug23c.pdf>

**Q19. What is the Dividend policy of the Company? What has been the trend of dividend pay-outs in recent years?**

As per the Dividend Distribution policy approved by the Board of Directors on 18th March, 2020, effective financial year 2019-20, in the medium term, the dividend pay-out ratio is expected to be around 80% to 85% of the Profit After Tax of the Company. The Board may declare interim dividend(s) at its discretion. The Board’s recommendation to the shareholders on the final dividend may include special dividend(s) as considered appropriate. At its meeting held on 18th May, 2023, the Directors have recommended Final Dividend of Rs. 6.75 per share in addition to a special dividend of 2.75 per share for the financial year ending 31st March, 2023. Together with the Interim Dividend of Rs. 6.00 per share paid on 3rd March 2023, the total Dividend for the financial year ended 31st March 2023 amounts to Rs. 15.50 per share (previous year: Rs. 11.50 per share). Total cash outflow on account of Dividends (including Interim Dividend of Rs. 7448.41 crores paid in March 2023) will be Rs. 19255.02 crores.



The Board’s recommendation to the shareholders on the final dividend may include special dividend(s) as considered appropriate. At its meeting held on 18th May, 2023, the Directors have recommended Final Dividend of Rs. 6.75 per share in addition to a special dividend of 2.75 per share for the financial year ending 31st March, 2023. Together with the Interim Dividend of Rs. 6.00 per share paid on 3rd March 2023, the total Dividend for the financial year ended 31st March 2023 amounts to Rs. 15.50 per share (previous year: Rs. 11.50 per share). Total cash outflow on account of Dividends (including Interim Dividend of Rs. 7448.41 crores paid in March 2023) will be Rs. 19255.02 crores.

Refer chart above for Dividends in the last 5 years.

Please refer to the following link for the Dividend Distribution policy of the Company. <http://www.itcportal.com/about-itc/policies/dividend-distribution-policy.pdf>

**Q20. Please explain the Company's 'Triple Bottom Line' philosophy & Environment, Social & Governance (ESG) credentials.**



ITC believes that when enterprises make societal value creation an integral part of their corporate strategy, powerful drivers of innovation emerge that make growth more enduring for all stakeholders. At ITC, this paradigm is called 'Responsible Capitalism' - an abiding strategy that focuses on extreme competitiveness but in a manner that replenishes the environment and supports sustainable livelihoods.

The Company's innovative business models synergize the building of economic, environmental and social capital, thus embedding sustainability at the core of its corporate strategy. Today, this strategy has not only contributed to building strong businesses of the future as well as a portfolio of winning world-class brands, but also in making the Company a global exemplar in 'Triple Bottom Line' performance. The Company is the only enterprise in the world of comparable dimensions to have achieved and sustained the three key global indices of environmental sustainability of being 'water positive' (for 21 years), 'carbon positive' (for 18 years), and 'solid waste recycling positive' (for 16 years) and is a global exemplar in sustainability. This approach has enabled the Company and its businesses, to support sustainable livelihoods for more than six million people.

ITC has sustained its 'AA' rating for the 5th successive year by MSCI-ESG - the highest amongst global tobacco companies. The Company has also been included in the Dow Jones Sustainability Emerging Markets Index for the third year in a row - a reflection of being a sustainability leader in the industry and a recognition of its continued commitment to people and planet. The Company has also been rated at the 'Leadership Level' score of 'A-' for both Climate Change and Water Security (Asia and Global average at C for climate change and B for water security) by CDP, a reputed independent global platform for disclosures on environmental impacts.

Reaffirming the Company's commitment to the ethos of 'Responsible Luxury', twelve Hotels in the chain became the first in the world to have received the prestigious LEED Zero Carbon certification by the US Green Building Council (USGBC) till date. ITC Mughal became the first hotel globally to be awarded the LEED Zero Water Certification by the US Green Building Council, followed by ITC Sonar, which is also the second hotel to be awarded the certification globally.

In the area of water stewardship, the Company has stepped up its initiatives in both demand and supply side management. On the demand side, in addition to the Kovai paper mill, which became the second site in the world to have received the Platinum-level certification under

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the 'Alliance for Water Stewardship Standards (AWS)', the Malur unit became the first food processing facility in Asia to be awarded this recognition, which is the gold standard for water stewardship in the world.

The Company also won the first UNDP Mahatma Award for Biodiversity in recognition of efforts in promoting biodiversity conservation through intensive community engagement.

Further, ITC Sankhya, Bengaluru became the world's first Data Centre to achieve LEED Zero Carbon certification by the USGBC making it an icon of environmental stewardship.

Refer link below for highlights:

<https://www.itcportal.com/investor/pdf/ITC-Quarterly-Result-Presentation-Q1-FY2024.pdf>

The Company is actively working towards its Sustainability 2.0 agenda which calls for inclusive strategies that can support sustainable livelihoods, pursue newer ways to fight climate change, enable the transition to a net zero economy, work towards ensuring water security for all and create an effective circular economy. With its bold Sustainability 2.0 ambitions, the Company is setting the bar higher with a multi-dimensional contribution to societal value creation, and remains committed to making a meaningful contribution to the Nation's future while retaining its status as a sustainability exemplar.

To achieve its Sustainability 2.0 vision, the Company continues to strengthen its management approach which is guided by a comprehensive set of sustainability policies and is being implemented across the organisation. The Company is also 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. Sustainability 2.0 broadly captures the theme of reducing resources utilisation, recycling, restoring the environment and replenishing. The Company will continue to update these systems and processes in line with evolving disclosure standards and Environmental, Social and Governance (ESG) requirements.

The Company's Sustainability & Integrated Report for FY 2022-23, in addition to conforming with Global Reporting Initiative (GRI) Standards, is also aligned with the requirements of the International Framework developed by the International Integrated Reporting Council.

**Please refer to the following link**

- **Sustainability & Integrated Report:**

<https://www.itcportal.com/sustainability/sustainability-integrated-report-2023/ITC-Sustainability-Integrated-Report-2023.pdf>

- **ITC Sustainability at a glance:**

<https://www.itcportal.com/sustainability/index.aspx>

**Q21. Please provide a brief on ITC's Digital journey.**

ITC continues to build a dynamic 'Future-Tech' enterprise powered by state-of-the-art digital technologies and infrastructure across the value chain adding significant impetus to digital marketing, digital commerce, digital products and digital operations.

ITC today, is a pioneer in adoption of cutting-edge digital technologies across strategic impact areas spanning Intelligent new-age insights that reimagine Consumer Experience, Business Model Transformation, Smart Operations and Employee Experience. Initiatives

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such as 'DigiNext' and 'Young Digital Leaders Forum' are accelerating the Company's digital journey and inculcating a data driven and 'digital first' culture across the organisation.

The FMCG Businesses continue to increasingly leverage 'Sixth Sense', the Marketing Command Centre and Consumer Data Hub – an AI powered hyper-personalized platform backed by a robust partner ecosystem for content and data - to gain insights on market trends and consumer behavior, and synthesize the same to craft contextual and hyper-personalized brand communication and product development. Over 3000 content assets have been deployed leveraging this capability within a relatively short span of time at significantly lower cost.

Cutting-edge digital technologies including Industry 4.0, Advanced Analytics, Big Data and industrial Internet of Things (IoT) continue to be deployed towards strengthening the Company's real time operations and execution platform. Several digitally powered interventions are underway towards enhancing productivity, driving efficiency and reducing costs. These initiatives are anchored on the key pillars of deepening trade & consumer connect, synchronized planning and forecasting, next generation agile supply chain, smart manufacturing and sourcing, and smart demand capture and fulfilment. Strategic investments are also being made towards enhancing value creation leveraging data and analytics. Key interventions include augmenting the Company's NextGen data architecture powered by Artificial Intelligence/Machine Learning (AI/ML), identifying and prioritising use cases for impactful outcomes and setting up a Data Science academy comprising data scientists and engineers to strengthen data and analytics programmes.

Towards enhancing the competitiveness of domestic agri-value chains, fostering new business models and further augmenting value creation opportunities, the Company has successfully launched ITCMAARS (Metamarket for Advanced Agriculture and Rural Services) – a crop-agnostic 'phygital' full stack AgriTech platform in nine states, with over 1250 FPOs encompassing more than 10.6 lac farmers already added to the Company's network. This initiative, powered by cutting-edge digital technologies, will create a robust eco system to deliver seamless customised solutions to farmers, whilst creating new revenue streams, strengthening sourcing efficiencies and powering the Company's world-class Indian brands. This digitally powered platform seeks to empower the farming community by delivering customised solutions through synergistically integrating NextGen agri-technologies. These include an e-Marketplace for agri inputs and farm outputs, wide range of advisory services covering weather forecasts, agronomy, best practices for improved productivity, quality assurance, etc. Value propositions across each of these opportunity spaces are expected to create new and scalable revenue streams for the Company over time. The Business expects to rapidly scale up the initiative to create a unique platform providing significant competitive advantage to the Company's Agri Business.

The Company's TM&D vertical continues to leverage cutting-edge digital technologies to drive productivity, improve market servicing, draw actionable insights for sharp-focused interventions, augment sales force capability and deepen connect with retailers. Technology enablement in the form of customised mobility and routing solutions, machine learning algorithms, data science models, data analytics comprising insightful visualisation tools and predictive analysis are being increasingly leveraged to enable speedy and accurate data capture, enable real-time informed decisions and aid in scientific design of trade inputs to drive sales.



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Several Robotic Process Automation BOTs are operational across businesses thereby eliminating non-value adding and repetitive work. Access to secure and contemporary platforms has been provided by seamlessly and securely implementing remote working for its employees through extensive IT enablement.



## Notes

