

GRI - G3 Compliant  
Application Level A+

## SUSTAINABILITY REPORT 2007

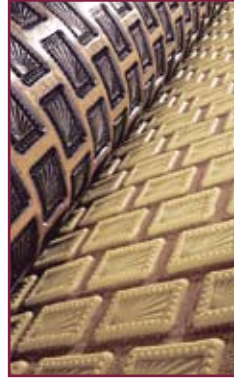


For All Our Tomorrows



**ITC Limited**  
**Enduring value**

# An Exemplar in Triple Bottom Line Contribution



## ECONOMIC

- A diversified multi business conglomerate with interest in FMCG, Paperboards & Packaging, Agri & Foods Business, Hotels and Information Technology.
- A turnover of US \$ 5 billion and a market capitalisation of close to US \$ 20 billion.
- Over the last 3 years, Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compound rate of 32% per annum, placing ITC among the foremost in the country in terms of efficiency in servicing financial capital.

## ENVIRONMENTAL










- ITC is carbon positive two years in a row (sequestering/storing twice the amount of CO<sub>2</sub> than the Company emits).
- Water positive five years in a row (creating four times more Rainwater Harvesting potential than ITC's net consumption).
- Close to zero solid waste discharge status.

## SOCIAL

- ITC's businesses generate livelihoods for over 5 million people.
- ITC's globally recognised e-Choupal initiative is the world's largest rural digital infrastructure benefiting over 4 million farming families.
- ITC's Social & Farm Forestry initiative has greened 77,000 hectares creating an estimated 35 million person days of employment among the disadvantaged.
- ITC's Watershed Development Initiative covering over 30,000 hectares brings precious water to drylands and moisture-stressed areas.

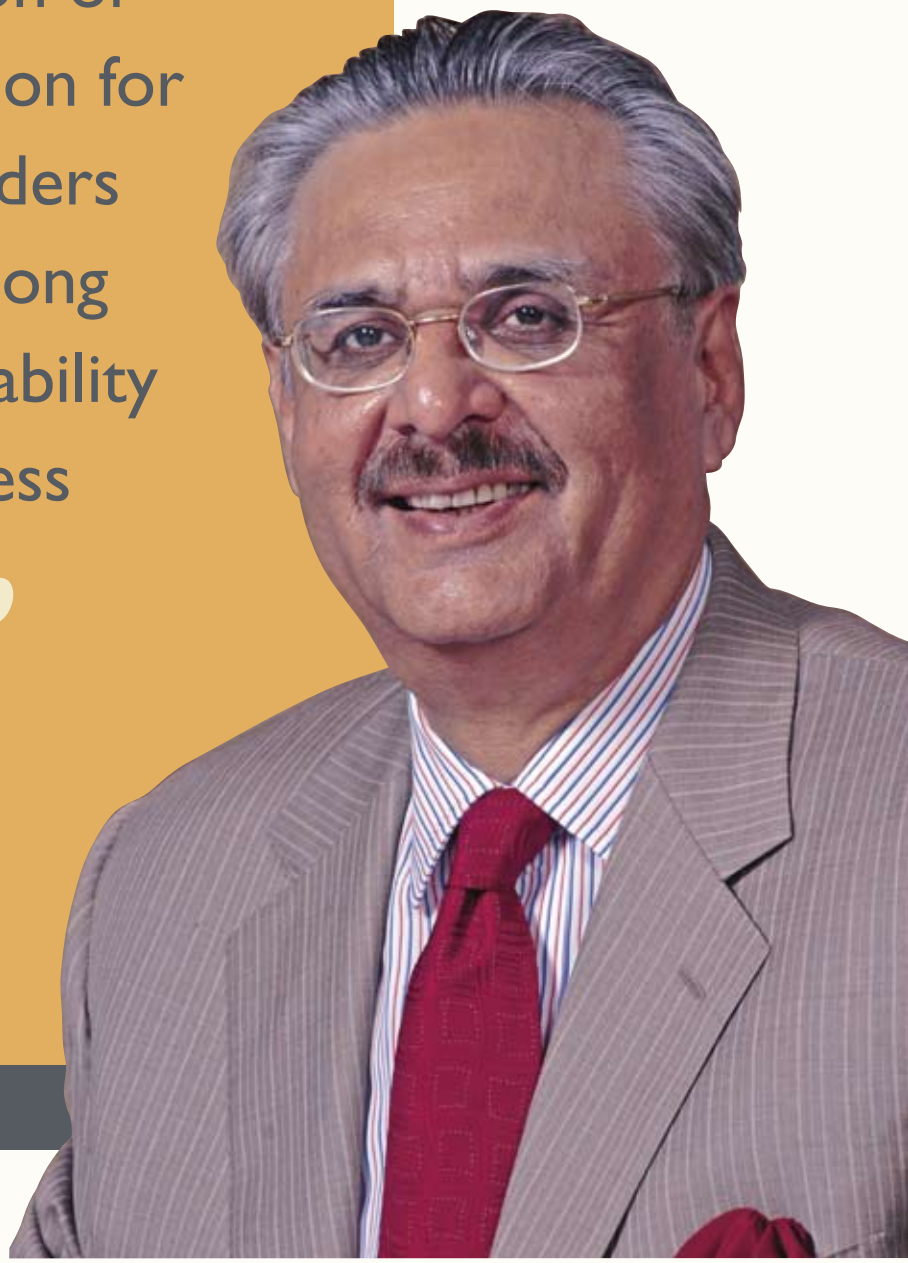
*Figures as on January, 2008*

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“We believe that our corporate strategy which embraces societal development as an integral part of our mission of wealth creation for our stakeholders ensures the long term sustainability of our business enterprise.”



# Chairman's Statement

## ITC's Vision and Strategy

I have immense pleasure in presenting ITC's fourth Sustainability Report. We take pride that we were among the first ten companies in the world to adopt the revised reporting procedure as per the G3 guidelines of the Global Reporting Initiative. This Report, assured by PricewaterhouseCoopers Pvt. Ltd., is a transparent disclosure of ITC's economic, social and environmental performance.

ITC is inspired by its vision to make a meaningful difference through the enlargement of its contribution to the national economy. We have pledged to sustain our position as one of India's most valuable corporations, powered by a relentless commitment to world-class performance and creation of enduring value for the Company's stakeholders and the Indian economy. It is our unwavering belief that the larger purpose of business is to serve society - through cutting-edge innovation that delivers the best value to the consumer and the shareholder, backed by exemplary governance that embodies the spirit of trusteeship. Over the last 3 years, Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compound rate of 32% per annum, placing ITC among the foremost in the country in terms of efficiency in servicing financial capital. ITC aims to sustain its premier market standing and leadership position in each of the business segments.

It is this abiding vision that has driven innovation in ITC to forge unique business models that synergise long-term shareholder value creation with the superordinate purpose of enhancing societal capital. As a result, we measure our accomplishments not only in terms of financial performance but also by the transformation we have consciously engendered to augment the natural and social capital of the nation. This aspiration to achieve Triple Bottom Line benchmarks springs from our vision to contribute to the national goal of sustainable and inclusive growth.

We believe that our corporate strategy, which embraces societal development as an integral part of our mission of wealth creation for our stakeholders, ensures the long term sustainability of our business enterprise unleashing in the process strong multipliers that contribute to making national progress more inclusive and equitable. This commitment finds expression in the Company's sustainable development philosophy, which recognises the need to not only preserve but also enrich precious environmental resources while providing a safe and healthy workplace for its employees.

The last few decades have been witness to a massive depletion of natural resources and bio-diversity, the increasing adverse impact of climate change and a dramatic rise in poverty and population. World-wide, growing concerns on Sustainability have driven cross-border initiatives to find urgent solutions to arrest the deterioration in our natural and social capital. The Nobel Peace Prize this year lauds the efforts for combating climate change. Elsewhere, Governments of advanced and developing nations are deliberating on the need to bridge the increasing inequities that threaten to erode valuable human capital in many countries.

Globally, there is a greater realisation by business leaders that the limits to sustainable growth will be determined less by access to financial capital and more by the commitment to preserve and augment social and ecological capital. It is also evident today that investors and other stakeholders expect the highest standards of ethics, transparency, sensitivity and responsiveness from corporates. It is my belief that stakeholders, including consumers, will increasingly raise the bar of expectation in relation to corporate response to issues of sustainable development. It is therefore, in the enlightened self interest of business to pursue sustainability in corporate strategies and business operations.

In consonance with our belief and the need to promote greater awareness and acceptance of sustainability amongst corporates, ITC together with the Confederation of Indian Industry, has launched the CII-ITC Centre of Excellence for Sustainable Development. The Centre seeks to address the institutional void in developing the requisite capability among Indian industry to pursue sustainability goals. The Centre has already taken various initiatives to help transform Indian businesses by providing thought leadership, promoting awareness and building capacity.

The developmental challenges for India are large. Nearly 27% of the world's poor live in India, and 60% of India's workforce, who reside in Rural India, are engaged in agriculture which barely contributes 18% of the nation's GDP. Sustainable growth demands that this disadvantaged section of society is brought into the mainstream economy. Economic policies will necessarily have to be inclusive if they are to be sustainable, and as a parallel, corporates have the responsibility to craft business models that innovate to ensure sustainable growth with social equity. ITC's e-Choupal and social forestry programmes represent just two of the stellar examples of this philosophy in action.

Apart from embedding into our business models a direct linkage between business objectives and societal goals, we are also engaged in implementing various other sustainable development initiatives to make a meaningful contribution towards social empowerment and genderised development. The thrust of these initiatives, christened 'Mission Sunehra Kal', is in three areas: (i) natural resource management, which includes

“ Apart from embedding into our business models a direct linkage between business objectives and societal goals, we are also engaged in implementing various other sustainable development initiatives to make a meaningful contribution towards social empowerment and genderised development.”

wasteland, watershed and agriculture development; (ii) sustainable livelihoods, comprising genetic improvement in livestock and economic empowerment of women; and (iii) community development, with focus on primary education and health and sanitation.

At ITC, we are committed to conducting our business operations with sincere respect for the environment. These endeavours, which bear testimony to ITC's abiding commitment, have earned us several prestigious national and international awards (listed elsewhere in this Report). Such recognition has further reinvigorated and encouraged us to reinforce our commitment to consciously direct the collective endeavour of our employees across all businesses, functions and locations to continuously improve sustainability practices, to ultimately attain and exceed global standards.

For five years in a row now, we have achieved and sustained our status as a 'water positive' organisation, creating nearly four times more water than the Company's net consumption. Internationally benchmarked specific consumption of water and scaling up of rainwater harvesting in several moisture-stressed districts of India have enabled ITC retain this enviable position.

We have also been 'carbon positive' for the last two years. This status has been achieved on the basis of several energy conservation measures, usage of carbon neutral fuels and carbon sequestration through large-scale agro-forestry programmes.

We continue to strive towards achieving a 'zero solid waste' discharge status, having recycled over 90% of solid waste produced during the year. This makes us, to the best of my knowledge, the only business enterprise in the world of our size and complexity to accomplish these three dimensions of environmental excellence – an extremely challenging task given the fact that we are continuously expanding our manufacturing operations.

In addition, through a concerted effort to develop innovative value-chains across our diverse businesses, we are today instrumental in creating and sustaining livelihoods for nearly 5 million people, many of whom represent the weakest sections in rural India. The ITC e-Choupal and Choupal Saagar infrastructure - a combination of digital, human and physical assets - already serve over 4 million farming families and is acknowledged in the Government of India's Economic Survey as an efficient delivery channel for rural development and public-private partnership. Similarly, ITC's social farm forestry strategy enables the creation of substantial employment both on-farm and off-farm. Besides converting private wastelands into productive assets, it simultaneously addresses serious issues relating to climate change, biomass depletion, soil erosion, water security, ecological balance and biodiversity.

ITC continues to strive to contribute to the Prime Minister's vision of responsible corporate action for sustainable and inclusive growth. This Report, as an exemplar in the pursuit of Triple Bottom Line, is a tribute to that vision. We feel privileged to be able to make a difference and be recognised for the contribution we have made. Our abiding vision, the strength of our outstanding human capital, and our commitment to creating sustainable value will continue to inspire us to achieve even greater success in the future.

( Y. C. DEVESHWAR )

# Key Impacts, Risks and Opportunities

## Economic Impact

India's remarkable growth story, over the past few years, has brought to the fore new opportunities for business. Corporates have created significant value for the nation, a dimension of which is visible in the enhanced market capitalisation and increasing tax revenues to the Government. However, this growth has not been equitable and inclusive. Despite the country's GDP in PPP terms ranking amongst the top 5 in the world, India's Human Development Index has been hovering at the bottom of the scale for many years now.

It is abundantly clear today that the security of future generations depends on economic growth being sustainable and inclusive. Rapid progress with callous depletion of natural resources and disparities in wealth will have consequences that will impact the sustainability of business, the economy and the nation.

ITC's abiding vision to be an exemplar in Triple Bottom Line performance provides the driving force to sustain growing shareholder value with the superordinate goal of creating value for the society. We practice this philosophy of a 'commitment beyond the market' by not only driving each of our businesses towards international competitiveness, but also by building the competitiveness of the larger value chain of which we are a part.

- Over the past decade, value-added by ITC has grown at a compound annual rate of more than 10% to over Rs. 76,000 crores, representing nearly 1.2% of the value-added by the nation's Industry sector.
- Nearly 77% of such value-added accrued to the Exchequer, providing the much-needed resources for deployment in developmental priorities.
- Foreign exchange earnings during this period amounted to nearly US \$ 2.8 billion. Agri exports constituted nearly 65% of these earnings, comprising well over 2% of the country's agri exports, effectively linking the Indian farmer to world markets.
- Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compound rate of over 25% per annum, over the last 12 years.
- The Company has consistently achieved a Return on Capital Employed (ROCE) well in excess of its cost of capital.
- It is a measure of the continued trust reposed in the Company by consumers that our brands today account for three of the top five FMCG brands in the country.
- ITC's investments of over Rs. 6,000 crores in the last decade to enhance the competitiveness of its businesses support direct employment to the tune of 21,000 and indirect employment across the value chains of nearly 5 million people, whose livelihoods are substantially linked to their association with ITC.
- Investment plans of over Rs. 15,000 crores over the next few years would further enlarge ITC's economic contribution.

ITC's engagement across diverse value chains spans the farming community, small enterprises and shopowners in the small, medium and cottage sectors. The Company's new FMCG businesses alone support the competitiveness of over 150 vendors in the SME sector thereby enabling them to adopt best practices, induct superior capabilities, and eliminate reprehensible practices like child labour.

## Environmental Impact

The Company's business operations impact the environment in three areas:

- release of greenhouse gases;
- consumption of water, both from surface and sub-surface sources; and
- generation of solid wastes from its operations.

ITC has implemented world-class strategic initiatives to minimise its environmental footprint in each of these areas of global concern.

Global Warming: In order to mitigate the effects of its activities on global warming, the Company follows a two-fold strategy:

- reduce specific energy consumption in its operations through improved technology and processes; and
- sequester greenhouse gases, especially carbon dioxide, through large-scale forestry programmes.

These efforts have greened 65,000 hectares of land, helping ITC sequester more carbon dioxide than its emissions. The total CO<sub>2</sub> sequestered in 2006-07 was 2025 kilotons, which is 177% of emissions, giving us the unique achievement of being a 'carbon positive' corporation for two years in a row. By 2012, the Company plans to green



100,000 hectares. It would not only lead to sustainable sources of raw materials for its expanding Paperboards business and provide millions of mandays of employment to marginalised farmers, but also help consolidate ITC's carbon positive status.

**Water Conservation:** India accounts for 18% of the world's population but has only 4% of global fresh water resources. In order to mitigate the negative impact on fresh water depletion due to its operations, ITC has adopted a three-fold strategy:

- minimise the consumption of fresh water per unit of output in all its businesses;
- minimise/eliminate discharge of treated effluents to prevent damage to the environment in any way; and
- create rainwater harvesting potential within the Company's units and in socially relevant areas.

Water intake in our units increased by only 0.8% over last year, despite a significant increase in production. Rainwater harvesting within the units has seen a significant increase between 2002-03 and 2006-07 - from 0.24 MKL to 0.5 MKL. In addition, the Company has systematically invested in creating additional rainwater harvesting capacity through external watershed development projects in water stressed areas. This recognises the critical need to ameliorate water scarcity in rural India which is home to more than 72% of our population with agriculture as their mainstay. Nearly 67% of the cultivated area face severe moisture stress for 5 to 10 months a year.

From 3 projects covering 60 villages during 2001-02, ITC's watershed development projects now cover 450 villages in 23 districts, benefiting 21,399 farmers. A total of 1,530 water harvesting structures have been created, providing critical irrigation to 14,287 hectares of farmland.

As a result of these measures, ITC has sustained its status as a 'water positive' Company for the past five consecutive years. Compared to the net fresh water consumption of 6.2 MKL in 2006-07, the Company has created potential storage of 23.6 MKL through its rainwater harvesting efforts, nearly 4 times that of our net consumption. The total area covered by watershed projects has risen to 27,000 hectares providing farmers and rural communities critical water resources for farming and consumption.

Our endeavour to sustain our 'water positive' status and contribute meaningfully to the country's effort in mitigating water scarcity problems gives us the stimulus to envisage a goal of bringing a total of 50,000 hectares under soil and moisture conservation in the next five years.

**Solid Waste Management:** A three-pronged strategy guides the Company's endeavour to reduce solid waste and achieve a 'zero solid waste' status within the next two years:

- Reduction of waste per unit of output;
- Ensure recycling of all wastes generated by our operations; and
- Maximise reuse of the wastes as raw material.

As a result of these initiatives, more than 93% of all solid wastes generated was recycled in 2006-07. Several of our units have already recycled over 99% of the solid wastes generated.

## Social Impact

We derive immense satisfaction from the fact that our business strategies aimed at maximising our societal contribution provide livelihoods to over 5 million people, many of whom comprise the poorest in rural India.

ITC has partnered the Indian farmer for close to a century, and is now engaged in elevating this partnership to a new paradigm. The ITC e-Choupal initiative is a powerful illustration of the Company's commitment to empower the small farmer and thus engender rural transformation. Through these rural partnerships, ITC touches the lives of nearly 4 million villagers across India. In the next 5 years, ITC aspires to empower over 10 million rural Indians in 100,000 villages.

ITC is also engaged in several other CSR initiatives in the economic vicinity of its operating locations. The Company's Sustainable Livelihoods initiative strives to create alternative employment by promoting non-farm incomes. The thrust of the Company's social sector investments, christened 'Mission Sunehra Kal', is on:

- natural resource management, which includes wasteland, watershed, and agricultural development;
- creating sustainable livelihoods, comprising genetic improvement in livestock and economic empowerment of women and,
- community development, with a focus on primary education, health and sanitation.

Details of these initiatives are presented in the various chapters of this Report, and reflect our commitment and pride in being "Citizen First".



## ITC: ORGANISATIONAL PROFILE

ITC Limited is one of India's foremost private sector companies with a turnover of US \$ 4.5 billion. ITC is rated among the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine, among India's Most Respected Companies by Business World and among India's Most Valuable Companies by Business Today. ITC also ranks among India's top 10 'Most Valuable (Company) Brands', in a study conducted by Brand Finance and published by the Economic Times (July, 2007).

ITC has a diversified presence in Cigarettes, Packaged Foods & Confectionery, Branded Apparel, Greeting Cards, Safety Matches and other FMCG products, Hotels, Paperboards & Specialty Papers, Packaging, Agri Business and Information Technology. While ITC is an outstanding market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel, Greeting Cards & Stationery and Information Technology.

The Company's successful strategy of creating multiple drivers of growth leveraging the diverse competencies residing in its portfolio of businesses is evident in its impressive track record of growth in the last decade and its strong debt-free balance sheet.

**ITC** is rated among the World's Best Big Companies, Asia's 'Fab 50' and World's Most Reputable Companies by Forbes magazine.





## FMCG

The new FMCG businesses grew by 68% during the year.



The Branded Packaged Foods business continued to expand rapidly with sales recording an impressive growth of 51% over the previous year. The range of offerings over the year extended to more than 150 distinct food products under 6 brands. In terms of consumer spend 'Aashirvaad' and 'Sunfeast' have both become Rs. 500 crore brands within a short span of time.

The year marked the Company's foray into the fast growing organised Salty Snacks market with the launch of the 'Bingo!' range of potato chips and finger snacks. The launch, initially comprising 16 highly innovative and differentiated flavours, is backed by extensive market research leading to crafting of products/variants customised for the Indian palate. Initial consumer response has been very encouraging.

For every pack of select Sunfeast, Aashirvaad or Kitchens of India products that a consumer buys, ITC contributes a portion of the sale proceeds to planting more trees and to water harvesting efforts initiated by the Company.



'Aashirvaad' and 'Sunfeast' have both become leading brands within a short span of time.



In the popular 'Youth' segment, 'John Players' has now established a strong pan-India presence with availability at over 170 Flagship Stores and 1700 Multi-Brand Outlets.

The Company's uncompromising commitment to providing superior value to consumers through world-class products helped in sustaining its leadership position in the cigarette industry. The strategy of value addition yielded an impressive performance during the year.

The market standing of the Company's Lifestyle Retailing business stood significantly enhanced on the back of an impressive 52% growth during the year in both the premium and popular segments. The export segment also registered strong growth during the year.

The brand's association with high fashion and premium imagery stood reinforced with the resounding success of the 'Wills Lifestyle India Fashion Week' (WIFW), the country's most prestigious lifestyle event. As part of the 'Ramp to Racks' initiative, the business in collaboration with some of the leading designers of the country successfully introduced the 'Wills Signature' range of designer wear in select 'Wills Lifestyle Stores'.



For every Classmate notebook sold, ITC contributes Re. 1/- towards its rural development initiatives including primary education.

Stationery sales doubled during the year driven by the flagship brand 'Classmate'. 'Classmate' has become India's leading and most widely distributed notebook brand in a relatively short span of time, garnering a share of 16% in the branded segment of the market.

'Classmate' has become India's leading and most widely distributed notebook brand.

During the year, the premium stationery brand 'Paperkraft' unveiled its new designer range. 'Paperkraft' is targeted at discerning executives and college students and is available at all leading modern format stationery stores.

The Safety Matches business gained significantly during the year from synergy benefits accruing from the recent acquisition of Wimco Ltd. by Russell Credit Ltd., a wholly owned subsidiary of the Company.

Market standing of the Company's 'Mangaldeep' brand of incense sticks (agarbattis) stood further strengthened with sales recording robust growth during the year driven by improved distribution reach and the launch of 11 new products (7 at regional level and 4 at national level). ITC collaborates with Small and Medium Enterprises (SMEs) to upgrade technology and quality standards to enhance their competitiveness. Currently, 7 such SMEs manufacturing agarbattis have received ISO 9001 certification with ITC's support. During the year, the 'Mangaldeep' brand was also exported to 11 countries including USA & South Africa.



## Hotels

Hotels posted impressive performance during the year with segment revenues growing by 26%.



Seven ITC-Welcomgroup hotels are part of Starwood's exclusive 'Luxury Collection'.



The Company's Hotels business posted yet another impressive performance during the year with segment revenues growing by 26%. The year marked a significant development for the Company's Hotels business with ITC-Welcomgroup entering a new phase in its collaboration with Starwood Hotels & Resorts through a new franchise agreement. As per the agreement, ITC-Welcomgroup will have an exclusive partnership with Starwood to bring in its premium brand, 'The Luxury Collection', to India. Seven ITC-Welcomgroup hotels have joined the list of exclusive properties world-wide that are part of Starwood's 'Luxury Collection'.

Construction activity in respect of the new super-deluxe luxury hotels at Bengaluru and Chennai is progressing as per plans.

## Paperboards, Specialty Papers & Packaging



The superior quality of ITC's Elemental Chlorine Free pulp has enabled expansion of the market for value added paperboards.

The Paperboards, Specialty Papers and Packaging segment recorded strong growth during the year both in terms of sales and operating profits. Segment revenue grew by 11%.

Production during the year touched 390,458 MT as compared to 365,819 MT in 2005-06. The Company's state-of-the-art ECF (Elemental Chlorine Free) pulp mill, the only one of its kind in the country, is a source of sustainable competitive advantage to the business. The superior quality of the ECF pulp has enabled expansion of the market for value added paperboards.

The business also made good progress in respect of the 2 major capacity augmentation projects comprising (a) a 90,000 TPA paperboard machine and (b) a 100,000 TPA paper machine for manufacturing uncoated paper including branded copier grades.

The Company's Packaging & Printing business is the leading provider of value added paperboard packaging in the country. The business supports the competitiveness of the Company's Cigarette and other FMCG businesses through discerningly superior and innovative packaging solutions. The new facility at Haridwar was completed during the year, adding manufacturing capacity both in the paperboard cartons and flexibles segments.



Overall Agribusiness revenues during the year grew by an impressive 38% driven by exports of soya, rice and leaf tobacco.

The e-Choupal network was further scaled up during the year while simultaneously focusing on enhancing its reach and productivity. It is a matter of pride and deep satisfaction that the pioneering e-Choupal initiative found special mention in Government of India's Economic Survey 2006/07 for its transformational impact on rural lives - a rare honour and perhaps the first for any private company in the country.

The rural distribution initiative made good progress, nearly doubling the channel throughput. On the rural retail front, 18 'Choupal Saagar' stores are now operational in the 3 states of Madhya Pradesh, Maharashtra and Uttar Pradesh.

Leaf tobacco exports during the year grew by an impressive 21% by value to touch an all-time high. This sterling performance was achieved through a combination of focused business development efforts and customised product and service offerings to both existing and new customers.

## Agri Business

The e-Choupal initiative found special mention in Government of India's Economic Survey 2006/07.





## Information Technology

ITC Infotech is one of the fastest growing IT and IT-enabled services companies in India.

ITC Infotech India Ltd, a fully owned subsidiary of ITC Limited, is one of the fastest growing India-based global IT and IT-enabled services companies. Since its inception in October 2000, the company has established itself as a key player in offshore outsourcing, providing outsourced IT solutions and services to leading global customers.

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

## Overseas Subsidiary

Surya Nepal Private Limited (SNPL) is an Indo-Nepal-UK joint venture, which started operations in Nepal in 1986. SNPL is the largest private sector enterprise in Nepal and a subsidiary of ITC Limited. Its businesses include manufacture and marketing of cigarettes and readymade garments, as well as export of readymade garments with a total turnover of over US \$ 77 million and a pre-tax profit of US \$ 14 million.

# CERTIFICATIONS, HONOURS & AWARDS



## Certifications

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All EHS and Sustainability Reporting in ITC conform to the best international standards.

**ISO 14001:** Environment Management Systems - All ITC manufacturing units and major hotels, Corporate EHS Department & ITC R&D Centre at Bengaluru are certified.

**OHSAS 18001:** Occupational Health & Safety Management Systems - All ITC manufacturing units and Corporate EHS Department are certified.

**SA 8000:** Social Accountability - Leaf Processing Plants at Chirala and Anaparti and Cigarette factory at Kolkata are certified.

**HACCP: Food Safety** - ITC Hotels Maurya, Sonar, Grand Central, Maratha and Kakatiya have received this certification.

*Chairman, Y C Deveshwar receiving the SAM/SPG Sustainability Leadership Award 2007 in Zurich*





The following awards received during the year bear testimony to the excellent EHS standards practiced in various units of ITC :

**British Safety Council, UK: Five Star Rating & Sword of Honour, 2006**

Awarded to Cigarette factories at Bengaluru and Saharanpur; Packaging & Printing unit at Tiruvottiyur; Leaf Processing Plants at Chirala and Anaparti.

**British Safety Council, UK: Five Star Rating, 2006**

Awarded to Cigarette factories at Kolkata and Munger; Packaging & Printing unit at Munger; Paperboards and Specialty Papers units at Tribeni and Bollarum.

**Royal Society for Prevention of Accidents (ROSPA): Gold Award 2006 for Occupational Safety**

Awarded to Packaging & Printing unit at Munger; Cigarette factory at Munger.

**CII, New Delhi: Safety, Health & Environment Award**

Awarded to Cigarette factory at Kolkata.

**World Environment Foundation, New Delhi: Golden Peacock Environment Management Award 2005**

Awarded to ITC Hotel Sonar, Kolkata.



# Honours 2006-07



**Greentech Foundation, New Delhi:  
Greentech Environment Excellence Award  
2006**

**Gold Award:** awarded to the Cigarette factories at Bengaluru & Kolkata; Leaf Processing Plants at Anaparti and Chirala; Paperboards and Specialty Papers unit at Bhadrachalam.

**Silver Award:** to Cigarette factory at Munger; Packaging & Printing unit at Munger; ITC Hotel in Agra and Sheraton Jaipur.

**Greentech Foundation, New Delhi:  
Greentech Safety Award 2006**

**Gold Award:** to Leaf Processing Plants at Chirala and Anaparti; Cigarette factories at Bengaluru, Saharanpur and Kolkata; Packaging & Printing unit at Munger; Sheraton, New Delhi.

**Bureau of Energy Efficiency, Govt. of India:  
National Energy Conservation Award 2006  
in Paper & Pulp category**  
Awarded to Specialty Papers unit at Tribeni.

**Certificate of Merit**  
Given to Sheraton, New Delhi.



**CII-National Award for Excellence in Energy  
Management 2006**

Awarded to Paperboards unit at Bhadrachalam; Cigarette factory at Munger.

**GERIAP (Greenhouse Emission Reduction  
in Asia Pacific) a body of UNEP – Certificate  
of Appreciation**

Awarded to Paperboards unit at Bhadrachalam.

**CII-Hyderabad: National Award for  
Excellence in Water Management 2006**

Awarded to Paperboards and Specialty Papers units at Bhadrachalam and Tribeni.

**CII-New Delhi: National Award for  
Excellence in Water Management 2006**

Awarded to Cigarette factory at Munger.

**CII-Hyderabad: Most useful case study in  
Water Management**

Awarded to Paperboards unit at Bhadrachalam.

**Energy Conservation Mission, Institution  
of Engineers, Hyderabad – Certificate of  
Appreciation**

Awarded to ITC Kakatiya, Hyderabad.

**ICC & WBPCB: Environment Excellence  
Award**

Awarded to Cigarette factory at Kolkata.

**Indian Paper Manufacturers' Association:  
IPMA Paper Mill of the year 2005-06**

Awarded to Paperboards unit at Bhadrachalam.

**FHRAI: Environmental Champion Hotel of  
the year 2005-06**

Awarded to ITC Kakatiya, Hyderabad.  
Runners up: Sheraton Rajputana, Jaipur.

**Royal Society for Prevention of Accidents  
(ROSPA): Gold Award 2007**

Awarded to Cigarette factories at Bengaluru and Kolkata.

**Karnataka State Safety Institute &  
Department of Factories and Boilers,  
Government of Karnataka: Best Industrial  
Boiler – 2nd prize**

Awarded to Cigarette factory at Bengaluru.

## Awards & Accolades



ITC constantly endeavours to benchmark its products, services and processes to global standards. The Company's pursuit of excellence has earned it national and international honours. Some of the significant recognition received during the year were:

**Business Person of the Year 2006** by 'UK Trade & Investment', to Chairman **Y C Deveshwar**.

**National Award for Excellence in Corporate Governance 2006** from the Institute of Company Secretaries of India.

**NDTV Profit Business Leadership Award for being the Best Food Company of 2007.** The Award has been instituted to recognise organisational excellence.

**Outstanding Exporter of the Year** award in the Agriculture, Food & FMCG category at the CNBC-TV 18 International Trade Awards 2006-07.

Named by **Forbes Asia** in its list of '**Fabulous 50**' for long term profitability, sales and earnings growth plus projected earnings and stock price gains.

**Golden Peacock Global Award** for 'Corporate Social Responsibility (Asia)' by the Institute of Directors in association with the World Council for Corporate Governance and Centre for Corporate Governance, India.

**Sustainability Leadership Award 2007** conferred on Chairman Y C Deveshwar by the Sustainability Forum, Zurich and SAM/SPG at the International Sustainability Leadership Symposium.

**Retailer of the Year** award for **Wills Lifestyle** at the Idea Zee F Awards.

The **Front Runner Award 2007** for **Wills Lifestyle** in the retail category from the Ministry of Social Justice and Empowerment, Government of India.

**Superbrand** status by Superbrands Council for **Wills Lifestyle** and **Kitchens of India**.

**The Most Admired Fashion Campaign 2006 for John Players** at the 7th Images Fashion Awards.

**Bukhara** at ITC Maurya, rated among the **Top 50 restaurants in the world** and **Best in Asia** by the UK-based 'Restaurant' Magazine.

**National Award for Excellence in Khadi & Village Industries 2006** for **Mangaldeep Agarbattis**, for the best hand rolled agarbattis.



## REPORT PARAMETERS

### **Report Profile, Scope & Boundary**

This is our fourth, annual Sustainability Report covering the data and performance indicators for the period April 1, 2006 to March 31, 2007, except for the sections on Highlights, Awards and Certifications which include more recent updates.

The last issue of our Sustainability Report was released in 2006 covering the period April 1, 2005 to March 31, 2006.

The reporting principles and methodology continue to remain in accordance with GRI guidelines' 2006 version - G3. The relevant technical protocols have been followed for reporting various indicators.

ITC is headquartered at Virginia House, 37 J L Nehru Road, Kolkata 700 071 (India).

For additional copies of this Report or any clarifications, please write to Corporate Communications Department at the above address or e-mail: [enduringvalue@itc.in](mailto:enduringvalue@itc.in)

### **Explanation of Processes**

This Report covers performance of all the businesses and units directly under ITC Limited. Our businesses/units continue to proactively engage with respective stakeholders, who, either have a major interest or are substantially affected by our performance in any of these businesses/units. A summary of this stakeholder engagement is provided elsewhere in this Report.

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

This 'Triple Bottom Line' performance is reported 'in accordance' with GRI - G3 guidelines at A+ level. No stakeholder engagement has been undertaken specifically for the purpose of Sustainability Reporting.

We are actively pursuing to influence our subsidiary companies and outsourced manufacturing with our 'Triple Bottom Line' philosophy.

The Report on economic performance is drawn from the Company's Report & Accounts (R&A) 2007. The R&A 2007 was prepared in accordance with the Companies Act, 1956 and has been audited by independent External Auditors - M/s A F Ferguson Co., Chartered Accountants.

The environment and safety data is compiled from actual operating data maintained by the various businesses, factories, hotels, etc. of the Company.

The social responsibility data has been collected on-site.

**Reporting Boundary:** This Report covers the following businesses and their corresponding units:

### FMCG

Cigarette manufacturing units at Kolkata (West Bengal), Bengaluru (Karnataka), Munger (Bihar), Saharanpur (Uttar Pradesh).



### Hotels

Hotels: ITC Maurya (New Delhi), ITC Maratha (Mumbai), ITC Grand Central (Mumbai), ITC Sonar (Kolkata), Sheraton New Delhi, Sheraton Chola (Chennai), ITC Mughal (Agra), ITC Windsor (Bengaluru), Sheraton Rajputana (Jaipur).



### Paperboards, Paper & Packaging

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



### Agri Business

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



### Lifestyle Retailing & Others

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



Our subsidiary companies such as ITC Infotech Ltd. etc also follow a Triple Bottom Line philosophy of business. Future Reports will progressively include their performances.

# GOVERNANCE, COMMITMENTS & ENGAGEMENTS



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

**Strategic supervision** - by the Board of Directors.

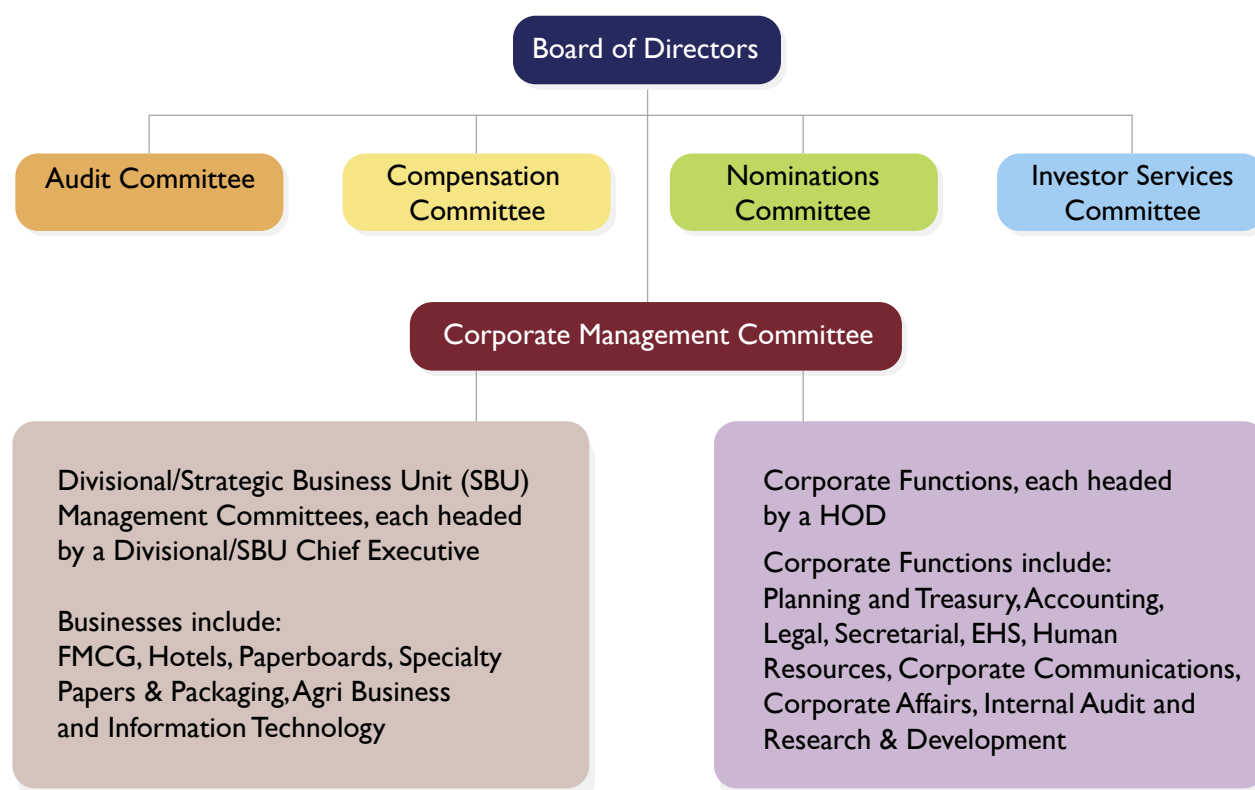
**Strategic management** - by the Corporate Management Committee.

**Executive management** - by the Divisional/Strategic Business Unit (SBU) Chief Executive assisted by the respective Divisional/SBU Management Committee.

The role, powers and composition of the Board of Directors, Board Committees, Corporate Management Committee and Divisional Management Committees is articulated and available on the Company's corporate website [www.itcportal.com](http://www.itcportal.com)



## Governance Structure



### Chair of the highest governance body

The Chairman of ITC is the Chief Executive of the Company. He is the Chairman of the Board and the CMC. His primary role is to provide leadership to the Board and the CMC for realising Company goals in accordance with the charter approved by the Board.

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

### Board of Directors (Board)

The ITC Board is a balanced Board, comprising 4 Executive and 9 Non-Executive Directors (including 7 Independent Directors) as on 31st March, 2007.

### Selection of Directors

ITC's Governance Policy stipulates that the Non-Executive Directors (including Independent Directors) be drawn from amongst eminent professionals with experience in business/finance/law/public enterprises. Directors are appointed/re-appointed with the approval of the shareholders for a period of three to five years or a shorter duration in accordance with retirement guidelines as determined by the Board from time to time. All Directors are liable to retire by rotation unless otherwise approved by the shareholders. One-third of the Directors who are liable to retire by rotation, retire every year and are eligible for re-election.

The selection of Directors is done by the Nominations Committee, which comprises all the Non-Executive Directors and the Chairman.

### **Performance of the highest governance body**

The role of the Board is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. The Board evaluates Directors collectively to reinforce the principle of collective responsibility.

### **Compensation for members of the highest governance body**

Remuneration of the Chairman, Executive Directors and seniormost level of management below the Executive Directors is determined by the Board, on the recommendation of the Compensation Committee comprising only Non-Executive Directors; Remuneration of the Directors is subject to the approval of the shareholders. Such remuneration is linked to the performance of the Company inasmuch as the performance bonus is based on various qualitative and quantitative performance criteria. The quantum of such performance bonus for each financial year is determined by the Board on the recommendation of the Compensation Committee.

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

The Corporate Management Committee determines the remuneration of other managers of the Company.

Stock Options are granted to Directors and managers to align their interest with those of

the shareholders by creating a common sense of purpose towards enhancing shareholder value. Options are granted based, *inter alia*, on the employee's and Company's performance, the level/grade of the employee and such other criteria as determined by the Compensation Committee/Board.

The appointment of Executive Directors, who have all been drawn from amongst the management cadre, is covered by the terms and conditions of their Service Contract. In terms of the Articles of Association of the Company, a notice of one month is required to be given by a Director seeking to vacate office and the resignation takes effect upon the expiration of such notice or its earlier acceptance by the Board. In terms of the Service Contract applicable to the management cadre, employment may be terminated at any time by either party giving in writing the requisite notice.

### **Avoidance of conflicts of interest**

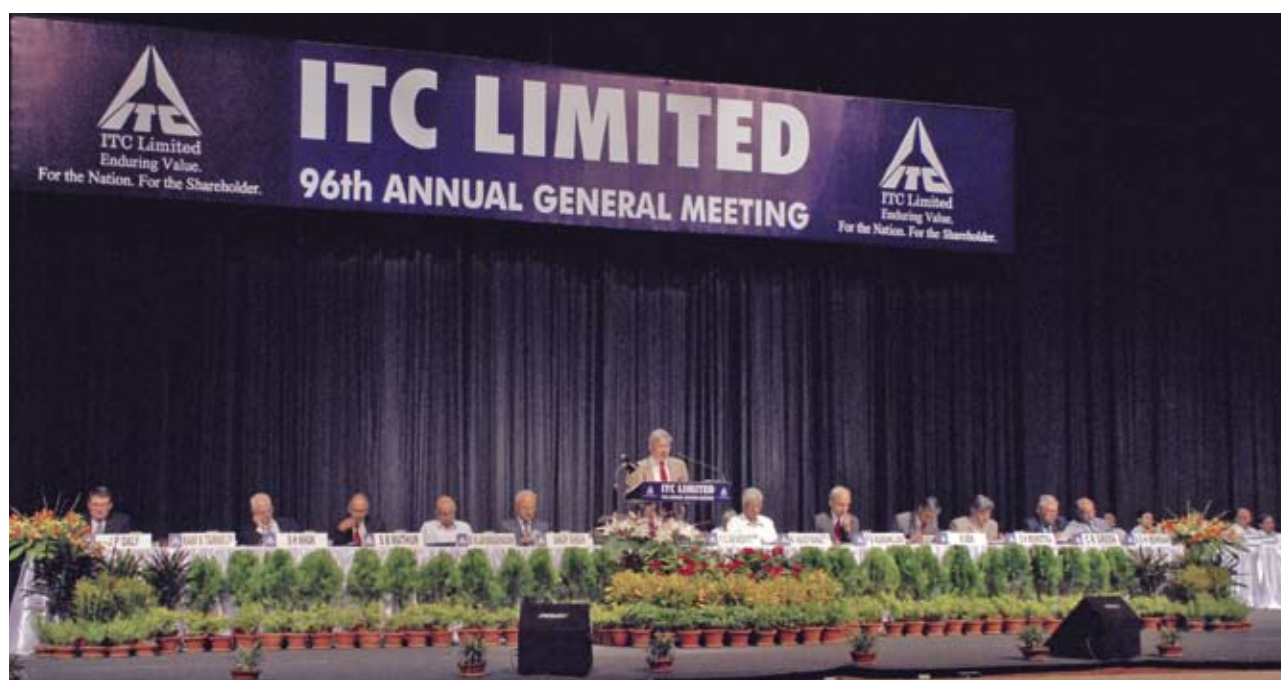
In terms of the ITC Code of Conduct, as adopted by the Board, Directors, senior management and employees must avoid situations in which their personal interest could conflict with the interest of the Company. This is an area in which it is impossible to provide comprehensive guidance but the guiding principle is that conflict, if any, or potential conflict must be disclosed to higher management for guidance and action as appropriate.

Contracts in which Directors are interested, if any, are required to be placed before the Board for approval. Further, senior management is also required to confirm on an annual basis that no material transaction has been entered into by them which could have potential conflict with the interest of the Company; such confirmations are placed before the Board.

The Company has a Code of Conduct for Prevention of Insider Trading ('ITC Code') in the shares and securities of the Company. The ITC Code, *inter alia*,







The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations.

prohibits purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. Instances of violation of the ITC Code, if any, are reported to the Board and to the regulatory authorities.

### Shareholder Mechanisms

Detailed in 'Shareholders' section of 'Stakeholder Engagement'.

### Precautionary approach

As a diversified enterprise, the Company has always had a system-based approach to business risk management. The annual business planning exercise requires all businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability.

Backed by strong internal control systems, the current risk management framework of the Company consists of the following elements:

- The Corporate Governance Policy has laid down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from the strategic to the operational, is specified in the Governance

Policy. These role definitions, *inter alia*, are aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.

- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address the inherent risks in business 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 need to be strengthened. The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. The Audit Compliance and Review Committee closely monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

All Management Systems and Standards in ITC conform to relevant national and international standards and benefit from internationally accepted Best Practices.

- 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 for new areas of operations.
- A robust and comprehensive framework of business planning and performance management ensures realisation of business objectives based on effective strategy implementation.

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

### **Oversight, Implementation and Audit of Economic, Environmental, Social and Related Policies**

The Corporate Management Committee (CMC) of the Company approves the relevant Financial, Environmental, Occupational Health and Safety, and Social policies of ITC.

The Corporate Internal Audit function audits implementation of all systems and policies in all Company businesses and Corporate Headquarters.

The Corporate EHS Department, headed by an Executive Vice-President, is responsible for laying down ITC's standards, preparing EHS Guidelines, ensuring implementation and, at least annually, auditing the EHS Performance in each of the Units/Factories/Hotels to ensure conformity to statutory requirements, Corporate EHS Guidelines and Standards.

The Corporate Human Resources (CHR) Department similarly coordinates all activities relating to the Company's social performance.

Reports relating to Economic, EHS and Social performance are provided to the CMC on a monthly basis. In addition to the above, periodic presentations are made to the CMC to ensure performance in accordance with specified targets.

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

Environment Management Systems in all ITC manufacturing units, major hotels and Corporate EHS Department are certified in accordance with ISO 14001.

Occupational Health & Safety Management Systems in all manufacturing units including Corporate EHS Department are certified in accordance with OHSAS 18001.



The senior management of the Company periodically reviews the risk management framework to maintain its contemporariness.



# Stakeholder Engagement



We continued to improve our systems to prioritise the needs & concerns of our various stakeholders, at relevant Corporate/Businesses/Unit level and address them appropriately.



## Shareholders

As trustees of shareholder's wealth, we believe that it is our responsibility to protect and enhance their wealth and we continue to enjoy their trust.

Their primary concerns remain continued profitability and growth, communication and investor servicing.

As one of India's foremost private sector companies, we have performed consistently well and since inception of the Company, have rewarded our shareholders by way of dividend, without any break, and issue of bonus shares from time to time.

Our Chairman addresses and provides clarifications to shareholders at least once each year, at the Annual General Meeting, the principal forum for face-to-face interaction, in the presence of the entire Board. The Board encourages open dialogue with all the shareholders—individuals, corporate or foreign investors.

Our corporate website '[www.itcportal.com](http://www.itcportal.com)' provides comprehensive information and two exclusive sections on 'Shareholder Value' and 'Investor Relations' serve to inform and service shareholder needs and an exclusive e-mail address has also been provided to the shareholders for direct interaction.

Our Investor Service Centre (ISC) is accredited with ISO 9001:2000 certification and has a dedicated and trained team of professionals backed by state-of-the-art infrastructure to address relevant needs and concerns of our 'providers of capital'.

Our Investor Service Centre (ISC) is accredited with ISO 9001:2000 certification.

## Customers



Understanding and addressing customer needs and aspirations are key to our business strategy and plans.

Our customer focus is backed by continuous interaction, customer feedback through meetings, direct interactions, visits to customers and market surveys to understand their requirements.

During the year we continued our efforts in delighting our customers through newer products, value added services, improvement in quality through innovations and strong R&D and enhancing employee training to improve service quality.

We made significant investments in infrastructure and implemented SAP/other relevant ERP systems to further improve the supply chain management thereby improving availability of our products.

## Employees



Our strategic agenda is to make each of our businesses globally competitive and create new engines of growth by blending proven skills and capabilities drawn from different parts of the ITC Group. The success of this strategy depends upon having an aligned workforce with requisite world class capabilities and leadership bandwidth.

Initiatives to strengthen engagement and alignment were undertaken, focusing on:

- Enhancing our value proposition as an employer by highlighting the 'uniqueness of ITC', both internally and externally.
- Building the talent bank in the organisation by expanding the channels of 'building' and 'acquiring' talent.

- Creating a shared mind-set across the organisation through training and development interventions, communication channels, etc.
- Building and acquiring competencies for the future by recruiting 'specialists' from the market as well as through internal capability building.
- Reviewing and changing organisation structures and remuneration to enhance the attraction and retention potential.
- Strengthening processes and mechanisms for dialoguing with employees and their representatives, including commissioning of engagement surveys, etc.
- Enhancing quality of life by providing quality amenities, improved work environment and enhancing administrative efficiency.



## Farmers

As illustrated elsewhere in this Report most significant and principle raw materials in ITC are agri-based. Farmers are an integral part of ITC's value chain and the Company partners them in securing improved productivity, assured markets and better price realisation.

Our commitment is backed by:

- R&D and agricultural extension programs in Tobacco.
- Productivity improvement through development of superior clones and enhancing production capacity to provide adequate supply of clonal plants.
- Support in improvement of quality and farm practices and best practices through in-house Research and Development.
- Empowerment of farmers through e-Choupals, helping higher productivity, connectivity to markets and better price realisation.
- Utilising wasteland for productive use and sharing the benefits of carbon credits with farmers.
- Training & awareness building for adoption of integrated pest management, water and energy conservation measures, post harvest product management.

The section on 'A Commitment beyond the Market: Enlarging Societal Contribution' amply demonstrates the fruitfulness of our engagement with farmers.

For more information refer to Page 36, Section Business Segments in ITC's Report and Accounts 2007 available at [www.itcportal.com](http://www.itcportal.com)

## Government



We comply with all the economic, environment, safety and social regulations, pay all relevant taxes and duties and monitor and report all relevant parameters/information to the Regulatory authorities/agencies. We have also achieved 'beyond compliance' status by adopting international best practices.

Our managers proactively participate in Government, statutory and business forums on issues relating to regulatory and public policy framework.

## Community



We actively engage with the communities around our operations and our social development initiatives, reported in the relevant section of this Report, are closely aligned to the needs/concerns of these communities.

## Suppliers



We believe our suppliers are our "Partners in progress" and critical to ITC's value chain.

We have periodic vendor reviews and audits resulting in ongoing vendor development. A large number of vendors in different businesses participate in design and development of products and services.

In a large number of businesses we have also supported our vendors in improving/upgrading technology, thereby enhancing their competitive position through value engineering.



# ITC'S TRIPLE BOTTOM LINE

# ECONOMIC PERFORMANCE



We posted yet another year of impressive results testifying to the robustness of our corporate strategy of creating multiple drivers of growth. The Company's performance is even more satisfying when viewed in the light of the challenging business environment of the cigarette industry, incubation costs of new FMCG business and the rural marketing initiatives and gestation costs of investments in the Paperboards business.

Gross Turnover for the year 2006-07 grew by 19.05% to Rs. 19,315 crores driven by good topline growth across all our businesses. Pre-tax profit (before exceptional items) increased by 20.1% to Rs. 3,927 crores, while post-tax profit (before exceptional items) at Rs. 2,700 crores registered a growth of 18.40%.\*

*For more information refer to Page 33, Section Company Performance in ITC's Report and Accounts 2007 available at [www.itcportal.com](http://www.itcportal.com)*



## Direct Economic Impact

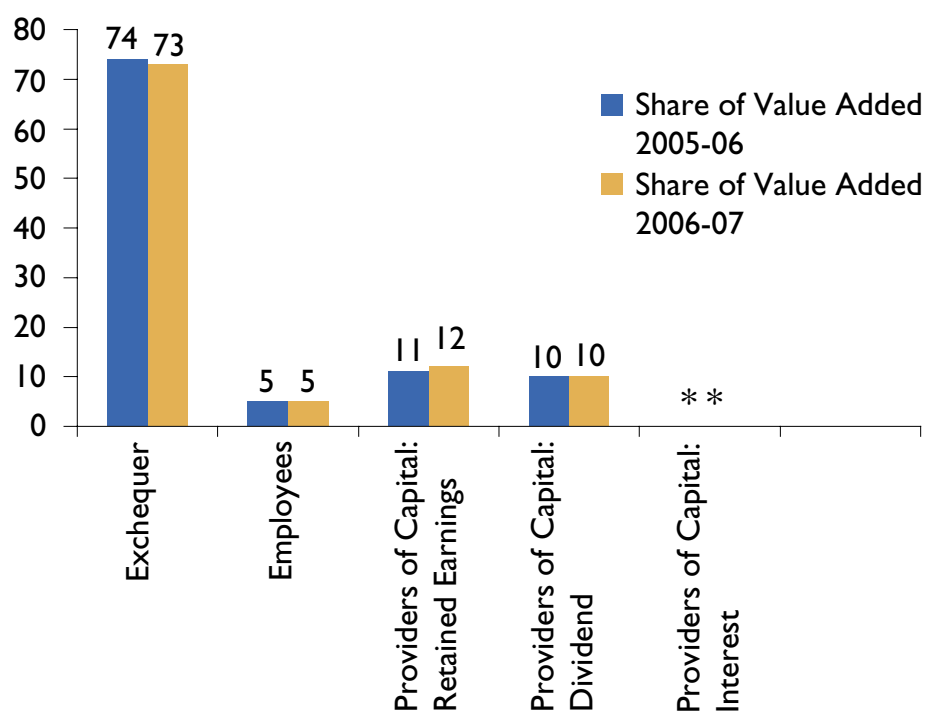
(Rs. Crores)

Key Economic Indicators	2005	2006	2007
Gross Turnover	13349	16224	19315
<b>Net Turnover</b>	<b>7639</b>	<b>9790</b>	<b>12179</b>
Exports	1009	1413	1926
Taxes Paid/Contribution to Exchequer	6523	7677	8455
Cost of Goods	2770	3983	5195
Consumption of Raw Materials & Stores and Spares	2142	2823	3586
Payroll Expenses	467	541	630
Interest paid on Debts & Borrowings	42	12	3
Dividend Paid (including Tax on Dividend)	882	1135	1365
Retained Profits	1310	1101	1335
Community Investments	56	65	64

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

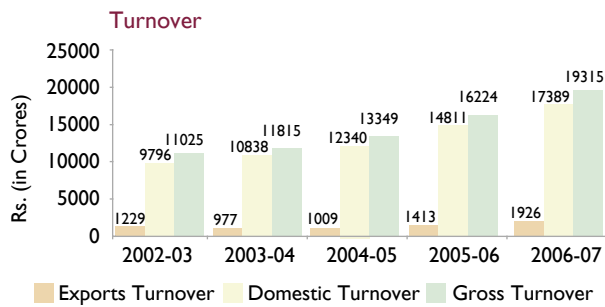
## Analysis of Value-Added

(Percentage)



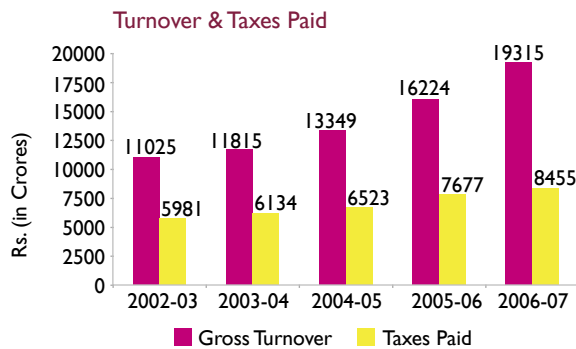
\*\* as given in the above table

## Putting Customers First



- We are fourth in gross sales (Indian Private Sector, 2006-07).
- Foreign exchange earnings (last 10 years) US \$ 2.8 billion.

## Contribution to National Exchequer



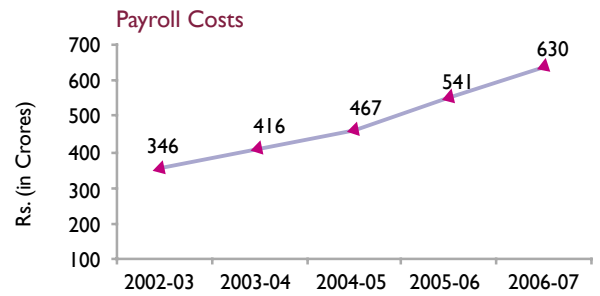
- Contribution to the exchequer: nearly 73% of Value Added.
- Direct Taxes: amongst the top 3 in private sector in India.
- Excise payments: over 5% of the total collection.

## Rewarding Shareholders

	2003	2004	2005	2006	2007
Dividend Paid (Rs. Crores)	419	559	882	1135	1365
Dividend Per Share* (Rs.)	1	1.33	2.07	2.65	3.1

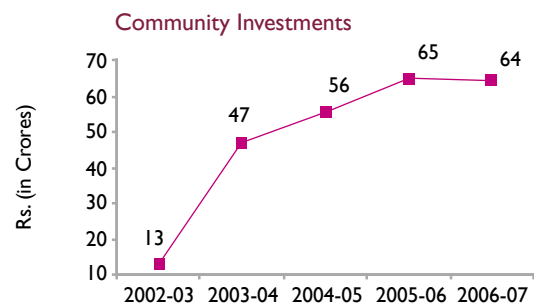
- \* Includes adjustment for 1:10 Stock Split and 1:2 Bonus Issue.
- Growth in Shareholder Returns: 24.8% (compounded annual average 95-96 to 06-07).
- ITC among the foremost in India in terms of efficiency of serving financial capital and 10th amongst listed private sector companies in terms of market capitalisation as at 31st March, 2007.

## Nurturing Talent



- Aiming to create a responsive, customer-centric and market-focused culture that enhances organisational capability and vitality.
- Nurturing and mobilising individual potential and providing a challenging, empowering and exciting environment - so that employees retain a cutting edge.

## Citizen First



ITC endeavours to create shareholder value while making a substantial contribution to society.







## Climate Change & its Financial Implications



India, a vast country covering 3.28 million square km, with varied soils, climate, biodiversity and ecological regimes, is a party to the United Nations Framework Convention for Climate Change (UNFCCC) and the Government of India attaches great importance to climate change issues.

### Our Climate Change Strategy and Action Plan

We, as a multi business, multi location company with manufacturing facilities and business units situated across the country, have adopted strategies to remain on the cutting edge of awareness, support international initiatives in mitigating the adverse impacts of climate change, de-risk our various businesses and benefit from the emerging opportunities offered by climate change mitigation and adaptation.

Our 'Carbon Committee' comprises Executive Vice Presidents from Finance and Environment, Health & Safety and three Senior Managers from Finance

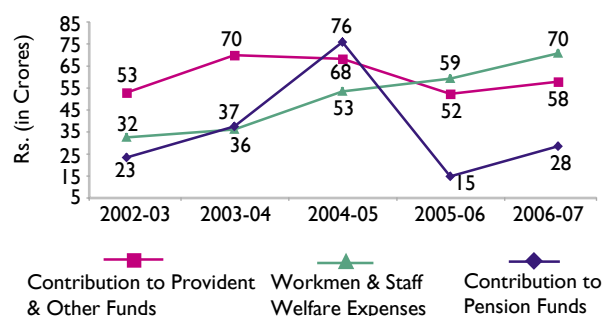
and Legal functions. The 'Carbon Committee' plays an important role in implementing the above strategies.

Kyoto Protocol & Clean Development Mechanism (CDM): India, a non-Annexure I country, does not have any GHG emission reduction targets in the first commitment period up to 2012. However, being a party to UNFCCC, India is committed to support international endeavours in mitigating the adverse implications of climate change and at the same time improve its sustainability through utilising the Clean Development Mechanism under Kyoto Protocol.

Our businesses/units actively pursue 'Greenhouse Gas' (GHG) emission reductions through energy conservation and large-scale tree plantations through farm and social forestry initiatives. These concerted efforts provide the Company the opportunity to not only minimise its environmental footprint and energy costs but also gain from CDM Certified Emission Reduction (CER) sale.

Seven of our projects have already been registered with the CDM Executive Board and a large number of additional projects are in various stages of registration. Our initiatives in energy and water conservation and watershed development will play significant role in further improving sustainability.

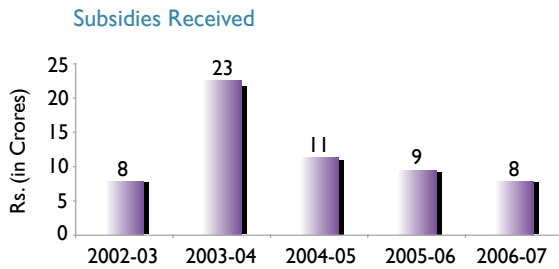
## Pension Obligations



- Employees' Retirement Benefit Schemes funded through duly constituted and approved independent trusts. Provident Fund and Family Pension contributions in respect of unionised staff, as required by the statutes, deposited with the Government.
- The defined benefit pension plan obligations cover over 17,000 employees. Plan is fully funded in accordance with annual actuarial valuation.

The funds are consistently sustained to meet requisite superannuation commitments.

## Financial Assistance from Government

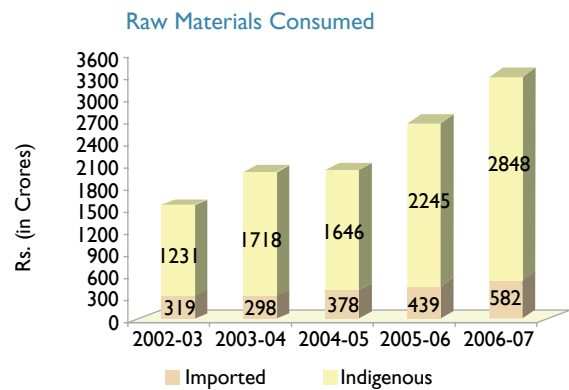


We support a large number of national priorities. The Governments of Andhra Pradesh and Tamil Nadu offer incentive such as deferment of sales tax for setting up a new unit or for the modernisation/expansion/diversification of existing units. The Paperboards and Specialty Papers Division has been receiving such assistance for setting up the Bhadrachalam and Bollaram units in Andhra Pradesh and for expansion of the Kovai unit in Tamil Nadu.

## Locally Based Suppliers

Our businesses have state-of-the-art facilities and use the best relevant technologies to ensure benchmarked quality and value. We source specialised production machinery globally as well as from reputed Indian manufacturers. High-class utility machinery such as boilers, gensets, air-conditioning and refrigeration machinery, electrical & electronic systems are sourced largely from Indian or India-based suppliers. Competent Indian contractors carry out construction of new factories, hotels and large-scale upgrades.

Nearly 84% of raw materials are local/agricultural based.



### Local Hiring and Senior Management

We believe that our mission to create enduring value for all stakeholders can only be actualised by the dedication and commitment of our people. We recruit quality talent from premier campuses across the country. The selection process is objective and robust. A range of selection tools are used. These include assessment centres, group tasks and in-depth personal interviews.

New employees are assigned to various businesses of the Company and are expected to be competent enough to work in any part of the country.

We encourage local employment in the workforce in manufacturing and hotels, depending primarily on the availability of requisite skills.

### Infrastructure Investments & Services

Our multipronged social sector investments are complemented by our endeavour to create enduring symbols of excellence, be it in the field of culture or sustainable development.

#### ITC Sangeet Research Academy

ITC Sangeet Research Academy (ITC-SRA) was set up to preserve and promote Indian cultural heritage. ITC-SRA plays a major role in reviving and nurturing India's rich heritage of Hindustani classical music. It has created a residential learning centre in Kolkata which captures the mood and ambience of the traditional gurukul. (For details of this unique institution please visit [www.itcsra.org](http://www.itcsra.org)).

#### CII-ITC Centre of Excellence for Sustainable Development

The 'CII-ITC Centre of Excellence for Sustainable Development' was launched on January 18, 2006 in collaboration with the Confederation of Indian Industry. This centre aims to create a conducive,

enabling climate for Indian businesses to pursue sustainability goals. It seeks to create awareness, promote thought leadership and build capacity to achieve sustainability across a broad spectrum of issues (for further details please visit [www.cii-sustainability.org](http://www.cii-sustainability.org) or [www.sustainabledevelopment.in](http://www.sustainabledevelopment.in)).



#### Other 'infrastructure' initiatives

Information on e-Choupals (Web enablement of farmers), watershed development etc. are detailed elsewhere in this Report.

# ENVIRONMENTAL PERFORMANCE

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A 'CARBON POSITIVE' CORPORATION  
2 YEARS IN A ROW

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*Scientists are more confident than ever that humans have interfered with the climate and that further human induced climate change is on the way. The future, particularly in the longer term, remains largely in our hands – the magnitude of expected change depends on what humans choose to do about greenhouse gas emissions.*

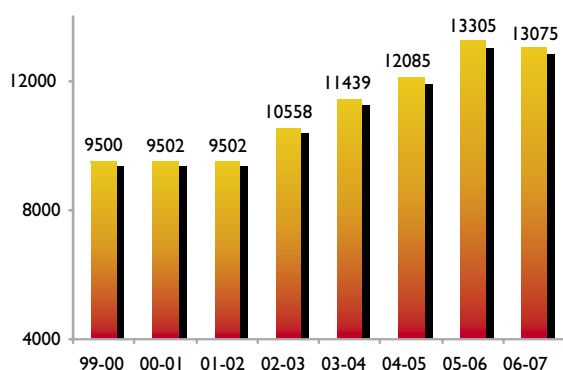
- The fourth assessment report of  
Intergovernmental Panel on Climate Change- 2007

We are committed to the international endeavour to mitigate the ill effects of global warming through strategies to minimise/eliminate any adverse effect on the climate that may be caused by GHG emissions from our operations. The strategies include:

- Conserving energy through audit, benchmarking and use of 'next' practices to achieve the lowest specific energy consumption (energy required per unit of production).
- Using renewable sources of energy.
- Creating a positive environmental footprint through forestry initiatives that enable Carbon Dioxide sequestration.
- Implementing CDM projects under the Kyoto protocol to mitigate the adverse effects of climate change.

## Energy Use

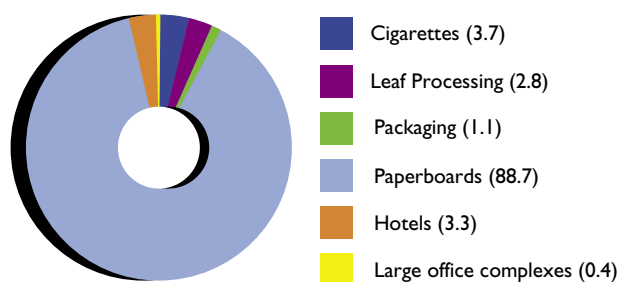
Total Energy Consumption by ITC (in Terra Joules)



Our operations consumed 13,075 Terra Joules of energy in 2006-07, a reduction of 1.73% over the previous year. This is particularly remarkable because during the year, Paperboards & Specialty Papers' production went up by 7.8%, Cigarettes grew by 10.9%, Leaf production went up by 10.6% and Packaging & Printing business grew 14.7%.

### Our approach to energy conservation

Our Paperboards & Specialty Papers business is the largest consumer (88.7%) of energy in the organisation.

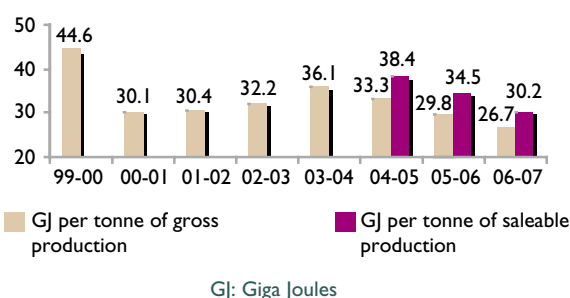


(All figures in percentage)

Of the four units in this business, the Bhadrachalam unit alone accounts for 65.5% of total energy utilised by all our operations.

ITC witnessed a 1.73% reduction in total energy consumption despite a significant growth in all our businesses.

Specific Energy Consumption: Bhadrachalam



GJ: Giga Joules

The Bhadrachalam unit continued energy conservation efforts in 2006-07 to further reduce specific energy consumption by 12.5% on saleable production.

This is a remarkable achievement for a Paperboards unit that is not only the greenest paperboards mill in India but also amongst one of India's most energy efficient ones. (All About Paper – The life cycle of the Indian pulp & paper Industry, Green Rating Project by The Centre for Science and Environment, 2004).

The Cigarettes business reduced specific energy consumption from 8.62 to 7.34 GJ per million cigarettes equivalent (a reduction of 14.8% over the previous year). The Cigarette factories at Munger and Saharanpur achieved 25.5% and 24.7% reduction in specific energy consumption, respectively.

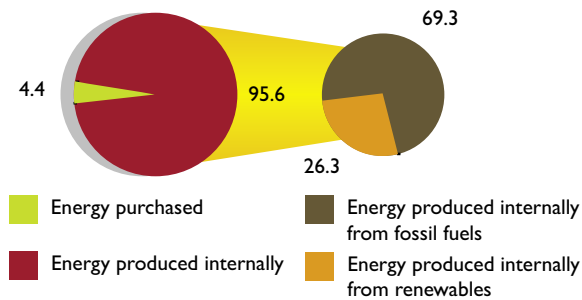
This compares well with the British American Tobacco average specific energy consumption of 18.17 GJ/million cigarettes equivalent. (British American Tobacco - Social Reporting: 2006 progress and review.)

The Leaf Tobacco unit in Chirala is well known in the International Leaf fraternity to be amongst the most energy efficient units in the world.

The production flow in Chirala is at differential levels to take advantage of gravity, thereby eliminating the need for a number of power-intensive pneumatic air lifts. Chirala, in 2006-07, reduced specific energy consumption from 4.61 to 3.91 GJ per tonne of leaf tobacco (Specific Energy reduction of 15.3% over the previous year). This coupled with a 21.7% reduction in Anaparti has brought the specific energy consumption in our Leaf business from 5.35 to 4.23 GJ/tonne of leaf (a reduction of 20.8% over the previous year).

## Renewable energy now at 26.3%

Sources of Energy in ITC (in percentage)



The major sources of renewable energy in ITC include:

- Black liquor; waste from pulping process in the Bhadrachalam Paperboards unit.
- Locally sourced wood chips/sawdust and deoiled bran in the Kovai Unit.
- Solar thermal systems for preheating boiler feed water and canteen hot water in a number of units.



## SOME SUCCESSFUL ENERGY CONSERVATION INITIATIVES

- Cold Plasma Odour Abatement System in the cigarette-manufacturing unit at Bengaluru.
- Upgradation of boilers in Leaf Tobacco units.
- Installation of electronic governors in steam turbine generating set at the Bhadrachalam paperboards unit.
- Boiler waste heat recovery and de-aerator at the Tribeni paper factory.
- Replacement of old compressors with higher efficiency sets at the Kovai paperboards factory.
- Revamping of boilers feed water system at the Bollarum paperboards factory.
- Energy efficient light fittings, light emitting diodes and automation of lighting controls in various hotels and factories.
- Replacement of existing air-conditioning equipment with higher efficiency systems in several hotels and factories.
- Common measures adopted across most business units:
  - Replacement of existing pumps with higher efficiency sets.
  - Installation of variable speed drives.
  - Automation of lighting controls.
  - Improvement in reactive power compensation.



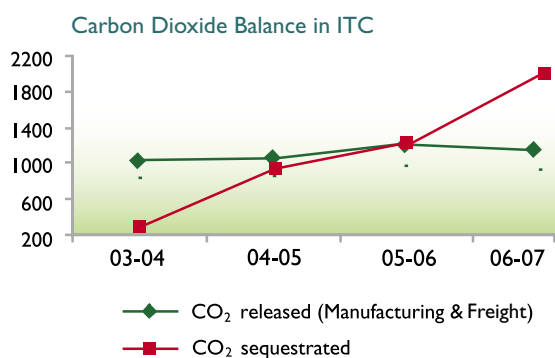
### A positive climatic footprint

We continued to rapidly upscale our farm and social forestry initiatives adding another nearly 24,000 hectares of plantations in 2006-07.

Total farm and social forestry plantations, as on March 31, 2007 covered an area of nearly 65,000 hectares.

This initiative has not only led to sustainable sources of raw materials for our Paperboards business and provided millions of mandays of employment to poor tribals and marginal farmers, but also has helped sequester 2025 kilotons of CO<sub>2</sub>, thereby consolidating ITC's 'Carbon Positive' status for the second consecutive year.

Total CO<sub>2</sub> emitted by our Units in 2006-07 amounted to 1143 kilotons (reduction of 4.9% from 05-06).



	Unit	03-04	04-05	05-06	06-07
CO <sub>2</sub> released (Manufacturing and Freight)	Kiloton	1013	1058	1202	1143
CO <sub>2</sub> sequestered	Kiloton	311	906	1244	2025
	Percent	31%	86%	104%	177%

We have implemented a computerised data management system for data collection and estimation of CO<sub>2</sub> emissions, using IPCC 2006 emission factors, during the year to further improve reliability of the presented data.

### Global Warming – Kyoto Protocol – Clean Development Mechanism

In keeping with our strategies, various businesses have implemented a large number of CDM projects, including social & farm forestry plantations, in various locations.

The CDM Executive Board has already registered seven of these projects and several other CDM projects are in different stages of progress.

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# A 'WATER POSITIVE' CORPORATION 5 YEARS IN A ROW

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In India, conservation, optimal utilisation and management of water are extremely important - not only for economic development but for sheer survival. Many parts of the country face acute water scarcity. This is not surprising given that India accounts for only 4% of the world's water resources, utilised by a population estimated to be around 18% of the world's total.

## WATER RESPONSIBLE

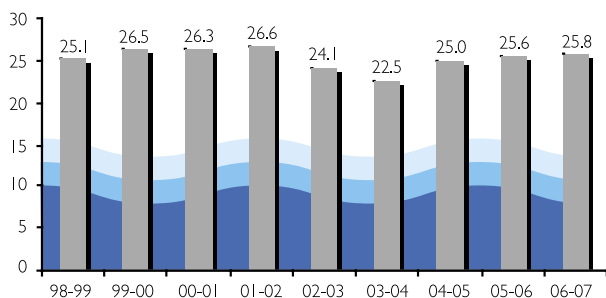
Our 'water responsible' role is evident from the following strategies on sustainable water management:

- **Water Conservation**  
through audits, benchmarking and use of 'next' practices to achieve the lowest specific water consumption (water per unit of production)
- **Zero Wastewater Discharge**  
treating and recycling all wastewater, thereby not only reducing fresh water intake but also preventing pollution of fresh water resources.
- **Creating a Positive Footprint**  
through rainwater harvesting, both on the Company's premises and socially relevant watershed projects.



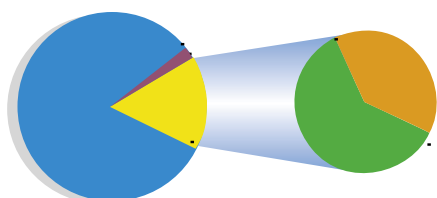


### Total Fresh Water Intake (in Million Kilo Litres)



We were able to limit the increase in overall water intake to only 0.8% over the previous year, in spite of significant growth in production in all the businesses.

### Water Sources



- River/Surface Water (21.35)
- Ground Water (3.92)
- Municipal/Others (0.53)
- Other units (1.53)
- Tribeni Papermill (2.39)

(All figures in Million KL)

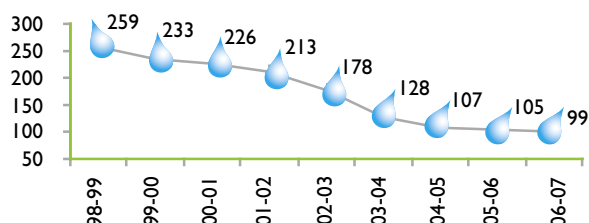
Of the 3.92 MKL ground water used by us during the year, the Tribeni Specialty Papers Mill



accounted for 61.1%. All the three large Paper and Paperboard mills used fresh water from rivers.

### Water Conservation at Tribeni Unit

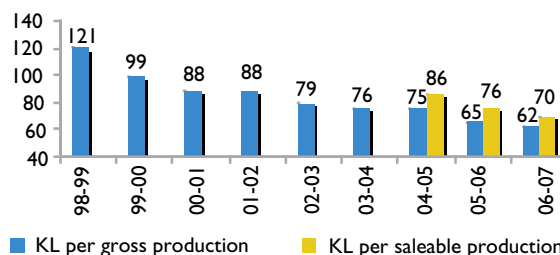
Specific Fresh Water Intake in Tribeni Mill (KL/ Tonne)



The Tribeni mill, in spite of a 40% growth in production since 1998-99, has reduced fresh water intake by 46%.

### Bhadrachalam Unit – Efficient Use

Specific Fresh Water Intake in Bhadrachalam Unit



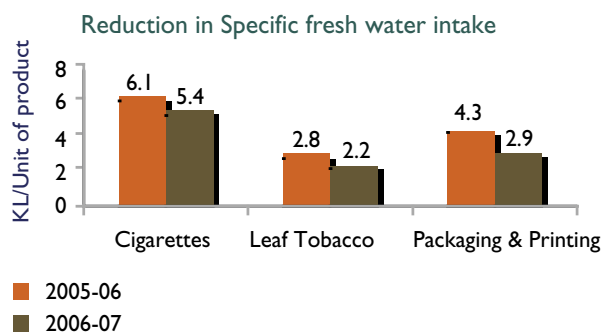
Our Bhadrachalam Paperboards unit, the largest user of water in ITC, has maintained its total fresh water intake at the same level in spite of a 91% growth in production since 1998-99.



ITC watershed projects already cover nearly 27,000 hectares.

### Other Businesses

Our efforts in other businesses, involving effective implementation of water audit recommendations, deployment of best available technologies, improving awareness and employee participation in water conservation initiatives have shown positive results.



The Cigarettes, Leaf Tobacco and Packaging & Printing businesses have reduced Specific fresh water intake by 13%, 21% & 33%, respectively.

The Specific fresh water intake of 5.36 cubic m per million cigarettes equivalent is now very close to 5.18 cubic m of water/million cigarettes equivalent intake by British American Tobacco. (British American Tobacco-Social Reporting: 2006 progress and review).

### Zero Wastewater Discharge

Closing the water loop in a factory/hotel not only minimises fresh water usage, it also prevents pollution of the environment including that of fresh water sources.

Our Cigarette factories at Bengaluru & Saharanpur, Leaf plants at Anaparti & Chirala, Packaging and Printing unit at Tiruvottiyur, Research Centres at

Bengaluru & Rajahmundry, Paperboards unit at Bollaram, ITC Green Centre at Gurgaon, ITC Sonar, ITC Grand Central and Sheraton Rajputana hotels recycled all the treated effluents by using them for flushing toilets, cooling towers, gardening, etc.

### Rainwater Harvesting

#### - Creating a Positive Footprint

We continued to invest in additional rainwater harvesting potential, within the Company units as well as watershed projects in socially relevant areas.

The watershed projects cover nearly 27,000 hectares, also supporting our 'Water Positive' status for 5 successive years. In 2006-07 the total rainwater harvesting potential created is nearly 4 times the net water consumption of all our operations.

Water balance at ITC	2002-03	2003-04	2004-05	2005-06	2006-07
Fresh Water Intake	24.10	22.48	24.98	25.58	25.79
Treated effluents discharged	14.64	14.04	19.55	20.96	19.58
Net water consumption	9.49	8.44	5.43	4.62	6.21
RWH potential created within ITC units	0.24	0.39	0.34	0.61	0.47
RWH potential created through watershed projects (till 31.03.07)	12.50	15.67	16.52	18.99	23.12
Total RWH potential created (till 31.03.07)	12.74	16.06	16.86	19.60	23.59

All units in Million KL

### Significant Effluent Discharges

While a number of our units are nearing the zero effluent discharge goal, three large Paperboards & Specialty Paper units account for almost 97.75% of the total treated waste water discharged. All these units have state-of-the-art effluent treatment facilities and have made significant progress towards conforming to international norms on the quality of treated wastewater discharged.



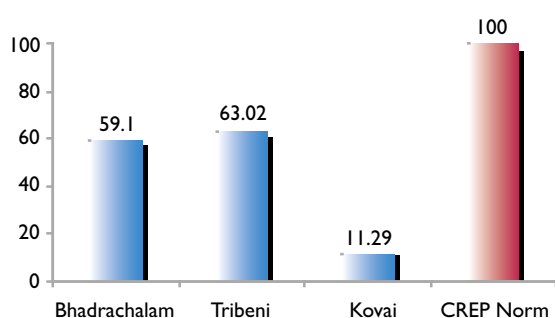
## The Voluntary Charter

Charter on Corporate Responsibility for Environmental Protection (CREP) proposed by MoEF (Ministry of Environment & Forests) and CPCB (Central Pollution Control Board) requires large Pulp and Paper Mills to ensure:

### 1. Wastewater discharge of less than 100 KL per tonne of paper

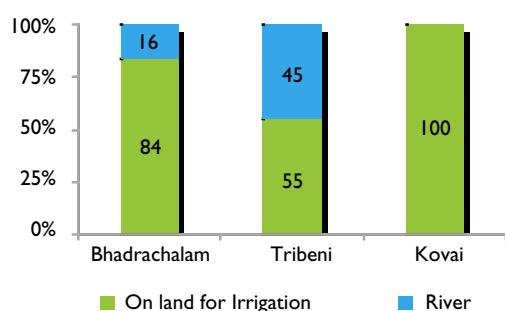
Our Paperboards & Specialty Paper business' performance in this regard has been exemplary:

Total Treated Effluent in KL/Tonne



The recent NPC report proposes the following three levels on specific wastewater discharge for integrated Pulp & Paper Mills - (Category A-applicable to Bhadrachalam): Benchmark: 50 cubic m/tonne, Best achievable: 53 cubic m/tonne and Relaxed standard: 63 cubic m/tonne. The Bhadrachalam unit is steadily progressing towards achieving the benchmark standard.

### 2. Utilisation of treated effluents for irrigation - wherever possible



Our treated effluents are well below the stipulated discharge norms. Plans are in place to achieve 100% discharge on land for irrigation at the Bhadrachalam and Tribeni units shortly.

### 3. Discharge of Adsorbable Organic Halides (AOX) to 1.0 kg/tonne by March 2008

Average discharge level by Indian Paper/Paperboard mills is 0.46–0.8 kg/tonne (Comprehensive Industry Document for Large Scale Paper Mills, study conducted by Central Pulp and Paper Research Institute, 2007).

The guidelines by the World Bank for new paper mills stipulate a level of 0.2 kg/tonne of AOX in effluent discharge.

In our organisation, Adsorbable Organic Halides (AOX) is applicable only to the Bhadrachalam unit, where AOX levels are a mere 0.0083 kg/tonne of paperboards.

### 4. Installation of Lime kiln by March 2007

The Bhadrachalam unit, where this norm is applicable, has a lime kiln in operation for the last five years.

### 5. Odour control

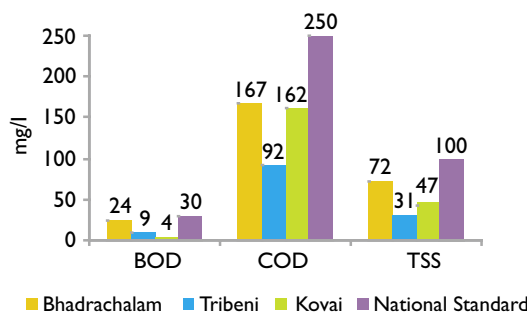
This is planned to be achieved by March, 2008, by burning the reduced sulphur emissions in boiler/ lime kiln.

### 6. Effluent Colour removal

The Indian Paper Manufacturers Association has engaged the Central Pulp and Paper Research Institute to suggest measures for colour removal from effluents. The study is in progress.

Actual measured (average) value of all the effluent parameters in our Paperboards & Specialty Paper mills in 2006-07 was far below national standards.

Measured Treated Effluent Quality Parameters



BOD - Biochemical Oxygen Demand, COD - Chemical Oxygen Demand, TSS - Total Suspended Solids. All the above units are in mg/l. All figures rounded off to the nearest digit.



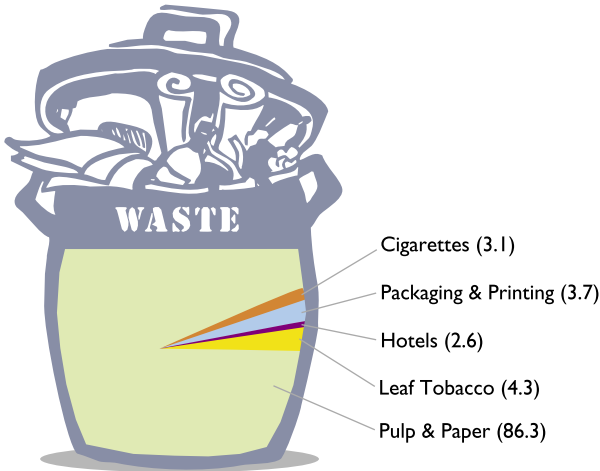
# TOWARDS A 'ZERO SOLID WASTE' CORPORATION

More than 93% of all solid wastes recycled.

167,913 tonnes of waste paper used as raw material by Paperboards business.

Land filling/dumping of waste, still a common practice in India, poses serious health hazard and environmental degradation.

Our endeavour to recycle all solid wastes generated from our operations is therefore a socially unique and environmentally responsible initiative.

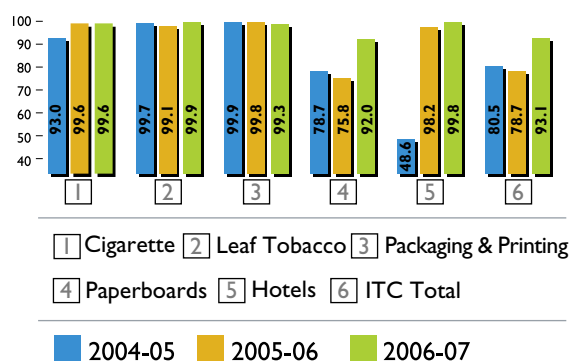


**Breakup of Solid Waste Generated by ITC Businesses**  
(in Percentage)

In 2006-07, we were able to reduce total solid wastes to 303,913 tonnes (3.4% less than 314,585 tonnes in 2005-06) in spite of a significant growth in all our businesses.

## Improvements in Waste Recycling

Recycling (%) of Solid Wastes by ITC Businesses



- Waste recycling in 2006-07 improved to 93.1% from 78.7% in 2005-06.
- In the fourth quarter of 2006-07, recycling levels reached 96.2%.

### 100% Utilisation of Fly Ash

We were able to utilise 98.2% of the 124,940 tonnes of fly ash generated during the year through brick making, road/embankment construction and use by cement factories as raw material.

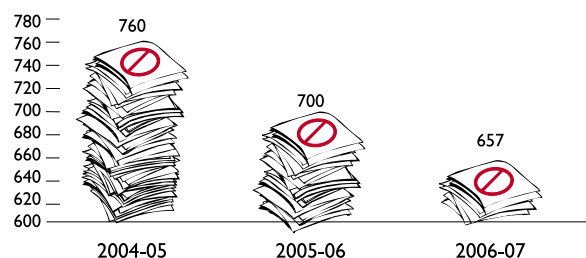
### Zero Solid Waste Units

In line with our endeavour to recycle 100% solid waste, the Cigarette factories at Bengaluru, Saharanpur and Kidderpore, the Leaf processing Units at Anaparti and Chirala, Packaging & Printing units at Tiruvottiyur and Munger, Paper mill at Tribeni, 'ITC Green Centre' at Gurgaon, ITC hotels Maurya, Mughal, Maratha, Grand Central, Sheraton Rajputana, Sonar, Chola and Windsor recycled almost all (more than 99%) solid wastes generated by them.

## Paperboards & Specialty Papers business

The division accounted for 86.3% of our total solid wastes in 2006-07. The Bhadrachalam mill, the Company's largest paperboards unit, alone generated 186,262 tonnes (61.3%).

Specific Solid Waste Generation by Bhadrachalam Unit (kg/tonne)



The Bhadrachalam unit reduced the waste generated per tonne of board to 657 kgs (a reduction of 13.5% since 2004-05) – a very significant achievement, compared to other Indian wood and bamboo-based mills. According to the Centre for Science and Environment report, 'All About Paper' published in 2004, similar mills generate 1250 kgs of solid waste per tonne of paper.

### Waste as Raw Materials

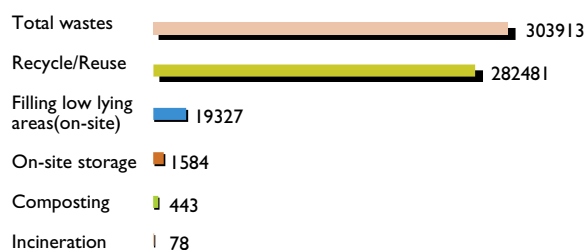
We used 167,913 tonnes of waste paper (9.9% more than 05-06) as raw material. The waste paper is sourced locally as well as from abroad.

Almost all (99.9%) of raw material used at the Kovai unit is waste paper, while the Bhadrachalam mill used 86,219 tonnes of waste paper as raw material in 2006-07.

In the last quarter of 2006-07, ITC was able to recycle all the fly ash generated well before the time frame stipulated by the Ministry of Environment and Forests notification.



## Solid Waste Generation and Disposal in ITC (2006-07)



All figures in tonnes

## Hazardous Wastes and Disposal

Total solid wastes reported include 22,556 tonnes of hazardous wastes - as defined by Indian Environment Protection Act/Rules, 1986.

We have established processes that trace wastes till final disposition and ensure, that the hazardous wastes are handled/disposed in legal and environmentally responsible manner. Our Corporate EHS guidelines require that units verify authorisation/licenses of the recyclers and ensure their capability for recycling and maintaining proper manifest on waste use/disposal.

Hazardous Waste Item	Quantity (tonnes)	Disposal
Sludge from effluent treatment plant	21,845	Recycled to form trays, paperboards etc. by third parties.
Empty containers of hazardous chemicals	401	Returned to original suppliers/decontaminated and disposed
Used oil	185	Given to authorised recyclers
Spent solvents/waste ink/ink sludge	67	Recycled/incinerated
Used batteries	57	Returned to original suppliers
Biomedical waste	0.6	Incinerated/Autoclaved



### Cleaning up India - profitably

The organised recovery of paper & paperboards in India is only around 15% out of the total consumption of 7.7 million tonnes. A significant quantity ends up on roadsides and in landfills.

Finland recovers nearly 68% of paper used. European countries and USA have recovery rates of over 70% and even China recovers more than 25% of paper used and is attempting to improve recovery.

ITC's Paperboards and Specialty Papers business imported 108,000 tonnes of waste paper in 2006-07 (India imported 3 million MT). To save on foreign exchange and to create a positive footprint, the Paperboards business has started a unique initiative to recover used paper in India.

ITC has reached an understanding with a number of corporates/units like Satyam Computers, Infosys, Wipro, GE, Suryapet Municipality, National Institute of Nutrition, Heavy Water Project, Secunderabad Cantonment and several schools and residential colonies to join this Recycling Initiative and help clean up the environment.

The pilot projects show very encouraging results and have demonstrated that it is possible to collect sizable quantities of used paper at very competitive costs.

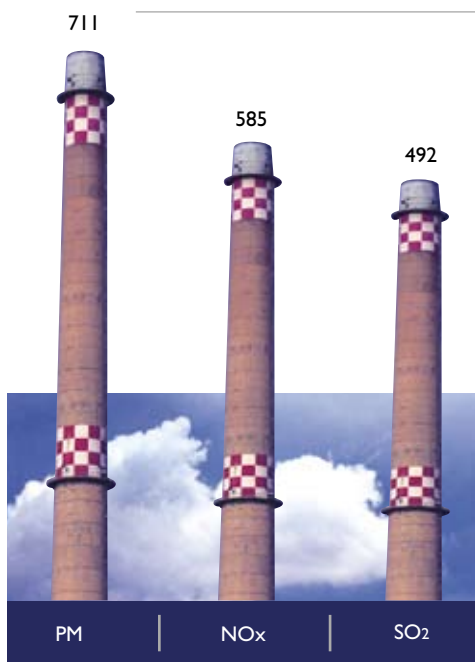
We plan to report the full program in our next Sustainability Report.



# SIGNIFICANT AIR EMISSIONS

All our units continued to monitor relevant emission parameters to ensure compliance and continuously improve performance through use of state-of-the-art air pollution control and monitoring technologies and systems.

Significant Air Emissions (tonnes)



Our Bhadrachalam Paperboards unit accounts for a significant proportion of the Company's total emissions. It regularly monitors Hydrogen Sulphide (H<sub>2</sub>S) emission, which at 4.7 tonnes in 2006-07 is 21.7% lower than the previous year.

In 2006-07, Particulate Matter (PM) levels at 0.82 kg/BDMT (Bone-Dry Metric ton) of paperboards manufactured were lower by 21% than the previous year (1.04 kg/BDMT). This is remarkable when compared to other large Indian mills, which emit nearly 3.8 kg/BDMT (Source: All About Paper - The life cycle of Indian pulp and paper Industry, Green Rating Project by The Centre for Science & Environment, 2004).

Average specific SO<sub>2</sub> and NO<sub>x</sub> emission levels from ITC's Bhadrachalam unit compare well with the Best European standards.

Average specific Sulphur Dioxide (SO<sub>2</sub>) and Oxides of Nitrogen (NO<sub>x</sub>) emission levels from Bhadrachalam continued to improve and compare well with the Swedish, European Union (EU) and EU-BAT standards.

	SO <sub>2</sub> (Kg/tonne)	NO <sub>x</sub> (Kg/tonne)
<b>Bhadrachalam</b>	<b>0.65</b>	<b>0.67</b>
<b>Standards:</b>		
Sweden	0.5-1.4	1.2-2.4
EU	0.1-0.5	1.0-1.8
EU-BAT*	0.2-0.4	1.0-1.5

Source: Comprehensive Industry Document for Large Scale Pulp and Paper Mills, Study done by CPPRI, published by CPCB, 2007.

\*EU-BAT: EU Norm Best Available technology.

The Cigarettes business brought down PM levels from 1.65 to 1.29 kg per million cigarettes equivalent (a reduction of 22%). The specific SO<sub>2</sub> emission level at 1.75 kg/million cigarettes equivalent showed a reduction of 29% over the previous year, while NO<sub>x</sub> at 1.05 kg per million cigarettes equivalent was 15% lower than last year.

### Ozone Depleting Substances (ODS)

The ozone layer surrounding the earth, around 15-30 Km from the surface, acts as a natural filter to prevent biologically harmful ultra-violet radiations. The Montreal Protocol, adopted in 1987, regulates/bans the use of ozone-depleting substances internationally. India, one of the signatories to this Protocol, has formulated rules and committed a schedule to phase out Ozone depleting substances.

### Our corporate EHS guidelines require that:

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



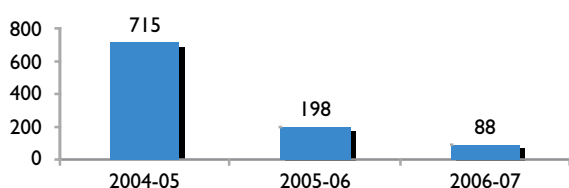




## 88% reduction in ODS consumption since 2004-05

The Corporate EHS team annually audits implementation of these guidelines in all the units.

Consumption of Ozone Depleting Substances (CFC-11 equivalent)



All figures in kgs.

88% reduction in ODS consumption since 2004-05

### Responsible management of chemicals, oils and fuels

We have instituted effective spill control measures in all our units to eliminate or contain any spills of chemicals, oils, fuels and hazardous wastes/chemicals to prevent any adverse impact on environment. The storage facilities are designed to international standards with impervious flooring, dyke walls and leak detection systems. In addition, spill control procedures and preventive maintenance programmes are rigorously followed to avoid any spillage or leakage. All hazardous wastes, before disposal, are stored in suitable containers to prevent any leakage/spill. These measures are inspected on a regular basis to ensure robustness of the systems. Once a year, Corporate EHS experts audit these measures at every unit.

We did not have any significant chemical, oil, fuel or hazardous waste spill in any of the units during the year, except one minor incident of furnace oil

leakage in Munger Cigarette unit where immediate corrective measures were taken to contain the leakage.

Among our businesses, primarily Paperboards and Specialty Papers business is the significant user of hazardous substances/chemicals. Not only do we follow best practices to reduce usage of hazardous materials but also continuously seek to substitute these with less or non-hazardous chemicals.

### Biodiversity

None of our units/operations is located in a biodiversity sensitive zone.

Construction of a new factory in Uttarakhand in a Government-identified industrial area and two new hotel projects in Bengaluru and Chennai were in progress in 2006-07. These projects have been undertaken after a detailed Environmental Impact Assessment and stakeholder consultations. Due care has been taken to address all the issues identified in the Environment Impact Assessments.

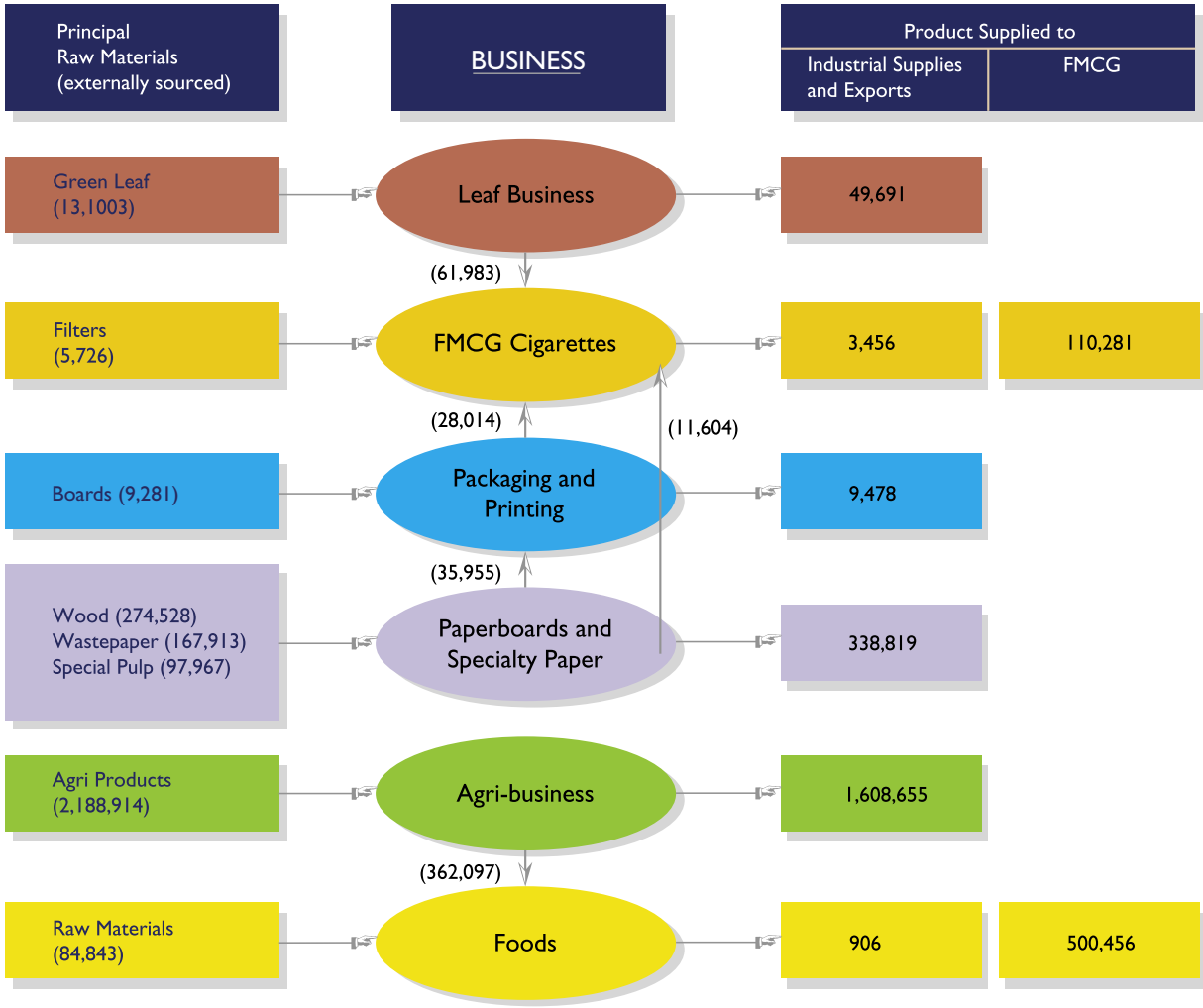
### Beyond compliance

We remain committed to benchmarking against international standards and deploying state-of-the-art processes and technologies.

EHS management systems in our units conform to ISO 14001/OHSAS 18001/HACCP as detailed elsewhere and are certified by reputed third party.

ITC's Corporate EHS experts audited all the units to ensure that they continued to adhere to regulatory or voluntary requirements.

# MATERIALS FLOW IN ITC BUSINESSES



All figures in Tonnes

## Raw Materials

The diagram above representing principal raw materials, that constitute more than 5% of total raw materials in our businesses, clearly demonstrates that our raw materials, significantly, are agri-based.

We also use very substantial quantities of wastepaper in our paper business and this is sourced locally as well as internationally.

Our initiatives in large-scale development of social and farm forestry plantations, watershed projects, empowerment of marginal farmers through e-Choupals provide us significant advantage in raw material sustainability.

Vertical and horizontal integration of our businesses provides us significant opportunity and synergy in eliminating/reducing our environmental footprint through optimal utilisation of materials, opportunity to recycle/reuse wastes and optimising logistics and transportation.

The above measures coupled with technology upgradation, extensive R&D and waste minimisation through product and process improvements help us improving long-term availability of necessary raw materials at optimum and competitive prices.

## Environmental footprint of our products

ITC products can be broadly classified into the following categories:

### FMCG products:

Cigarettes, Foods, Matches, Greeting Cards and Stationery, etc.

Due to the varied nature and range of FMCG products, we focussed on the environmental impacts from sourcing of raw materials till production of finished goods.

### Industrial Supplies and Exports:

Paper, Paperboards, Packaging; Leaf Tobacco, Agri-products, etc.

We expect the user industries to take adequate measures to minimise the environmental impact from these supplies.

### Services:

Hotels. The environmental impact from these has already been accounted for in the relevant sections of this Report.



## ITC's Fibre Strategy: Raw Material Sustainability

Wood is the major source of fibre for the paper and paperboard industry. Availability of wood remains a major challenge and a serious sustainability concern, especially with the forests density/cover in India being far short of desirable 33%.

Our paperboards mill at Bhadrachalam manufactured over 283,470 tonnes of paperboards in 2006-07, requiring 273,656 tonnes of wood, apart from waste paper and some special pulp.

We have effectively leveraged our need for wood fibre to provide significant opportunities to the economically backward by helping them raise plantations. Our forestry project aims at building grassroots capacity to initiate a virtuous cycle of sustainable development.

Our Research and Development has evolved high yielding, site specific, disease resistant clones and a comprehensive package of plantation management practices. We distributed 119 million high quality saplings to farmers during the year.

Apart from the obvious benefits of increasing the green cover, this effort also directly contributes to *in-situ* moisture conservation, ground water

recharge and significant reduction in topsoil losses due to wind and water erosion. As a result of the leaf litter from multi-species plantations and the promotion of leguminous intercrops, depleted soils are constantly enriched.

Over 91% of our Bhadrachalam mill's total wood requirement came from plantations under this forestry project. Only 946 tonnes (0.35%) was sourced from private farmlands. The mill also utilised 86,219 tonnes of waste paper. Its bamboo requirement of 15,155 tonnes was sourced from government authorised/approved open market sale.

We do not buy wood-based raw materials from unidentified sources. The Bhadrachalam mill, our only unit with pulping facilities, is ISO 9001 certified and ensures traceability of all the wood used in its manufacturing process.

ITC is committed to greening over 100,000 hectares in the coming years under its forestry programme.

This would far exceed the wood fibre requirement for our paperboards business, create livelihood opportunities for a very large number of people in tribal areas and sustain our position as a 'carbon positive' corporation.

# SOCIAL PERFORMANCE

## LABOUR PRACTICES AND DECENT WORK

We continued to attract, retain and engage talent of the highest quality, facilitating the achievement of business and organisational objectives on a sustained basis. Our human resource management systems and processes aim to create a responsive, stakeholder-centric and customer-focused culture that enhances organisational capability and vitality.

During 2006-07 our full time direct employees numbered over 21,000 of which nearly 2,100 employees in the Leaf Tobacco business were engaged on a seasonal basis due to the very nature of the Leaf business. Nearly 12,000 of the full time direct employees are members of various unions. During the reporting period, four units signed long-term agreements with the recognised unions

across different businesses. Employees were aligned and involved in the implementation of significant investments in technology and process improvements aimed at enhancing productivity, quality and delivery effectiveness.

Company policies and individual contracts of employment apply to management, frontline supervisors and office assistants and the terms and conditions of their services are reviewed periodically.

Our commitment to pay employees a competitive remuneration is reflected in a 15% compounded annual growth rate in 'employee costs' in the last 3 years.





Despite the market for talent being extremely competitive in India, we were able to restrict attrition across categories below 12% during 2006-07. Attrition amongst middle and senior management was not significant, reflecting the solidity of our work culture and leadership capability. We have strong and proactive systems in place to ensure a steady pipeline of talent to manage business growth and profitability.

We invested over 45,000 man-days in formal training of employees across businesses and employee categories. Training was also provided to various employees of service providers at different locations.

The various value chains related to our businesses also provided indirect employment to over 5 million people, whose livelihoods were substantially linked to their association with the Company. Indirect employment covers the supply and distribution network, agri-sourcing, social and farm forestry, e-Choupals, women's empowerment and micro-enterprises and livestock development.

ITC invested over 45,000 man-days in formal training of employees across businesses and employee categories.



### Occupational Health & Safety

We continued to actualise our 'beyond compliance' commitment to Environment, Occupational Health and Safety and performed significantly better in these areas during the year. Our Corporate EHS guidelines are designed to ensure significantly better performance than required by Indian statutes, which encompass all the requirements of a safe and healthy work environment and are aligned with requirements of the International Labour Organisation (ILO).

#### Towards Zero Accident

Safety standards in each of our units are audited by Corporate EHS experts, at least once a year to ensure compliance to corporate guidelines and standards.

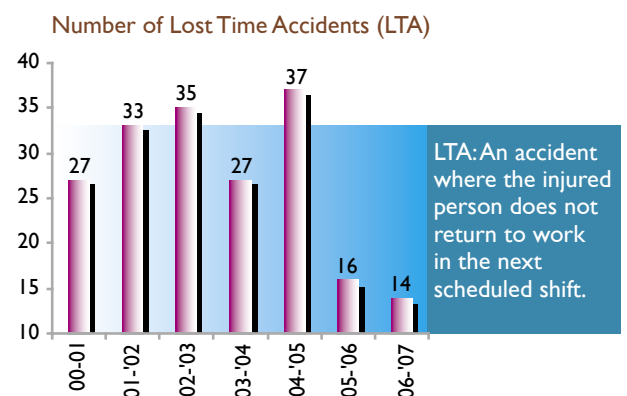
All our factories, hotels and large offices have established EHS committees, consisting of an equal number of representatives from workers and management. Proactive involvement of all employees has helped develop a safety culture throughout the organisation.

Our units are required to proactively identify potential hazards and eliminate/reduce risks. New Projects/Expansion plans are reviewed by Corporate/ Divisional EHS experts. The engineering control measures are designed at this stage and installed during the implementation of the project. Corporate EHS experts conduct comprehensive audit before commissioning of any projects to

ensure compliance to Statutory as well as our EHS standards and guidelines.

We encourage recording and investigation of all incidents (accidents without injury, property or environmental damage) to prevent accidents. All accidents, including first aid injuries, serious accidents, dangerous occurrences and fires are recorded, investigated by trained managers (including the Unit EHS Manager) to identify the root cause and recommend measures to prevent recurrence. The findings and recommendations are discussed at Safety Committee meetings and circulated to all Departmental Heads/Chiefs for implementation. All statutory reporting requirements are strictly complied with.

In order to disseminate learnings on safety issues, we communicate all serious accident details throughout the Company.



We achieved 12.5% reduction in Lost Time Accidents in 2006-07 by a proactive risk management approach, adoption of benchmarked practices, state-of-the-art engineering control measures, comprehensive fire safety protection systems and best-in-class electricals, regular training of employees and service providers and employee involvement through suggestion schemes, celebration of safety events and other motivational programmes.

### Accident Free Units

Our Cigarette factories at Saharanpur, Bengaluru & Kidderpore; the Research centers at Bengaluru & Rajahmundry; Packaging & Printing unit at Munger; Paperboards unit at Kovai; Pilot Plant of the Lifestyle Retailing business at Gurgaon; and among Hotels - Maurya, Mughal, Chola, Sonar, Maratha, Grand Central, Rajputana, Sheraton, New Delhi and Windsor remained free of Lost Time Accidents in 2006-07.

### Injury Rate and Lost Day Rate

Injury Rate and Lost Day Rate (LDR) are key measures used internationally to assess the safety performance of a company.

Our LDR - the total number of days lost due to accidents for every 200,000 person-hours worked - has also reduced by 66.6% to 2.16 (2005-06 LDR 6.47).

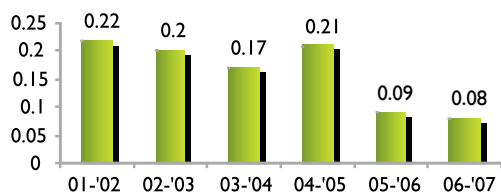
Effective safety measures helped us in achieving zero fatal accidents during 2006-07.

### Occupational Health

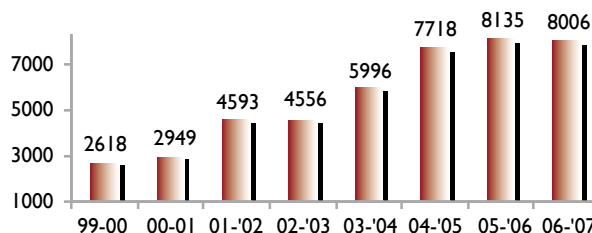
A healthy workforce is an important constituent of our sustainability strategy. Our units are required to maintain high standards of hygiene, excellent lighting, ventilation and effective control on noise and dust in accordance with national/international standards.

Over 8000 employees were medically examined in 2006-07 to identify any symptoms/trends of occupational illness and need for appropriate action to eliminate/restrict any adverse health risks.

Injury Rate (IR)  
(LTA per 200,000 person-hours worked)



Preventive Medical Examination



IITC has been able to reduce Injury Rate in 2006-07 by 16.4%.





### HIV/AIDS

We continued to make progress on our commitment to specific programmes and actions in response to the HIV epidemic and conducted 100 HIV/AIDS awareness programmes involving over 3,750 employees within our units and 6,000 members of communities around our operations.

### Human Rights: Significant Investments

During 2006-07, nearly 41% (Rs.718 crores) of our total capex cash flow of Rs.1,742 crores was incurred on machinery and technology, which were sourced from reputed global suppliers/vendors who follow internationally accepted norms and standards on Human Rights. Approximately Rs. 779 crores were invested on new factories, hotels and on modernisation.

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

During 2006-07, our project in Bengaluru and the composite factory project in Uttaranchal were managed and supervised by our managers, who also ensured Human Rights compliance. Corporate Internal Audit and Corporate EHS audited the above projects to ensure compliance with our Policies and Standards.

### Human Rights: Supply Chain

As a large and multi-product enterprise whose products are benchmarked nationally and internationally, we recognise our responsibility to proactively encourage high levels of 'Human Rights' standards in our supply chain.

The Company's approach to managing human rights in the following distinct categories is described below:

- All major businesses are vertically integrated across Divisions that follow ITC policies.
- We procure inputs for the Company's agri-based businesses from State-controlled trading platforms and the open market.
- We position our managers at all significant 'outsourced' manufacturing facilities (Cigarettes and Packaged Foods) to ensure high standards of product quality and adherence to our guidelines on EHS and labour practices.

Government officials also routinely inspect these units to ensure compliance with relevant Labour and Factories Acts/Rules, which, *inter alia*, provide for the necessary EHS and labour practices standards.

- A large proportion of our supply chain consists of global/reputed manufacturers and service providers. Compliance with ITC's Human Rights policies is obligatory for all such service providers operating within our establishments.

During 2006-07, the total number of service providers' contracts was about 2,075 of which 460 operated within the Company's premises offering engagement opportunities to over 5,000 people. All contracts, both on and off site, included important clauses on Human Rights, environment, health and safety. No contracts were cancelled during the year as a result of non-compliance with ITC's Human Rights clauses.



### **Prevention of Discrimination at the Workplace**

During 2006-07 no incident of discrimination in any of our units was reported either internally or to statutory authorities.

### **Freedom of Association**

During 2006-07 no incident of violation of freedom of association was reported either to the concerned units or statutory authorities. Within our operations, there are no areas where the right to exercise freedom of association and collective bargaining is at risk.

### **Prohibiting Child Labour and Preventing Forced Labour at the Workplace**

During 2006-07 no incident of child or forced labour was reported either to the units concerned or statutory authorities.

### **Diversity and Equal Opportunity**

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

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

### **Governance Bodies and Diversity**

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

supervision of the Company, consists of 4 Executive Directors (including the Chairman) and 9 Non-Executive Directors. The Non-Executive Directors are experts from different fields, thereby ensuring multi-dimensional perspectives in setting the strategic agenda.

The strategic management of the Company rests with the Corporate Management Committee comprising full time Executive Directors and 3 members drawn from senior management, representing diverse functions.

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

### **Equal Remuneration**

Our compensation philosophy does not differentiate on gender, caste or age. It is linked to responsibility levels and based on performance. We also ensure compliance with the Equal Remuneration Act which mandates every employer to pay equal remuneration to men and women employees for the same work or work of similar nature.

ITC's approach to human resource is premised on the fundamental belief of fostering meritocracy in the organisation. ITC promotes diversity and offers equality of opportunity to all employees.

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# A COMMITMENT BEYOND THE MARKET: ENLARGING SOCIETAL CONTRIBUTION

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Our social development initiatives harmonise our goals to create shareholder value and make a substantial contribution to society through a number of unique value chains that converge with our business plans.

The primary focus is to create sustainable sources of farm and off-farm livelihoods and improve the social infrastructure, especially in areas that impact women and children.

We conduct Participatory Rural Appraisals (PRAs) at all new project sites to assess baseline data. The PRAs are also instrumental in highlighting stakeholder needs that lead to appropriate project design. During

the implementation phase, we review projects on a quarterly basis on key impact indicators for each intervention.

## Web-enablement of the Indian farmer

### ITC e-Choupal

ITC's pioneering e-Choupal initiative is a powerful illustration of linking business purpose with a larger societal purpose. The e-Choupal leverages the power of the internet to empower the small and marginal farmer with a host of services related to know-how, best practices, timely and relevant weather information, transparent discovery of prices and much more. This digital infrastructure is



also increasingly being used for channelising services related to credit and insurance and can be extended to areas such as health, education and entertainment. It can also serve as a strong foundation for linking small and marginal farmers to futures markets to facilitate farmer risk management. The access to e-Choupals, within walking distance from the farm gate, is supplemented through physical infrastructure – the ITC Choupal Saagar – which functions as a hub for a cluster of villages within tractorable distance. These made-to-design hubs also serve as warehouses, and as rural hypermarkets for a variety of goods. In effect, the e-Choupal infrastructure is potentially an efficient delivery channel for rural development and an instrument for converting village populations into vibrant economic organisations.

The network currently comprises 6,400 choupals reaching out to more than 3.5 million farmers in 38,500 villages in the states of Madhya Pradesh, Uttar Pradesh, Haryana, Uttaranchal, Rajasthan, Maharashtra, Karnataka, Andhra Pradesh and Kerala.

### Natural Resource Management

#### Wasteland Development – Social Forestry

It is becoming more difficult for wood-based industries to make demands on existing forests given the country's dwindling forest cover. Indian laws do not permit captive plantations on degraded forests or village commons. Given this, we took a conscious decision to source pulpwood only from sustainable sources by targeting private wastelands and surplus lands.

This ensures sustainability in three ways:

- (a) India's forest resource base remains intact. With the beneficiaries using the loppings and toppings from plantations for their fuelwood requirements, the forests remain safe from depredation.
- (b) Provides a sustainable livelihoods option for poor rural households
- (c) Supports our Paperboards business by creating a sustainable raw material base.

Our social forestry initiatives, covering 14% of the total area of 65,000 hectares brought under plantations during the year, were extended to Guntur and Nellore, apart from Khammam and Prakasam districts of Andhra Pradesh. The collaboration with the Government of Andhra Pradesh contributed nearly 60% of the eucalyptus plantations under this initiative.

Livelihoods creation on a significant scale, one of the main objectives of the programme, is clearly evident from the impressive number of beneficiaries and income generated.

	Cumulative to 2005-06	2006-07	Total Todate
<b>Coverage: social forestry</b>			
No. of villages	301	82	383
No. of beneficiaries	8,019	2,713	10,732
<b>Plantation area</b>			
(hectares)	6,822	2,247	9,069
<b>Saplings planted</b>			
(millions)	22.98	8.51	31.50



So far 1,021 poor households have earned Rs. 3.75 crores from harvesting mature plantations. The repayment to the village sanghas to form the Village Development Fund has increased to Rs. 47 lakhs.

### Soil & Moisture Conservation

Agri-products constitute vital parts of several of our supply chains. Most of these products are grown in moisture stressed regions of the country where farmers are vulnerable to the vagaries of the monsoons, which, in turn, has an impact on procurement of such products by us. Our watershed programme contributes to sustainability in the following critical ways:

- (a) Top soil conservation and critical irrigation stabilises farm productivity, giving farmers assured returns and, thus, financial sustainability;
- (b) Efficient management of the water regime promotes sustainability of agriculture; and
- (c) We are assured of procuring agri-products in the desired quantity and of desirable quality.

From 5 projects covering 100 villages during 2004-05, the activity was extended to 23 districts covering a total of 450 villages. Most importantly, responding to the agrarian crisis in the Vidarbha region of Maharashtra, which has witnessed a large number of farmer suicides, we initiated our first project in Yawatmal district.

We also signed an MoU with the Government of Rajasthan for the joint development of a watershed programme covering 5,000 hectares in Bhilwara District.

That the farmers value the work being promoted by us is evident from the fact that to date as much as 21% of the total expenditure has been raised from them. Sustainability too is being ensured through water user groups, which have already created a maintenance fund through levy of user charges.

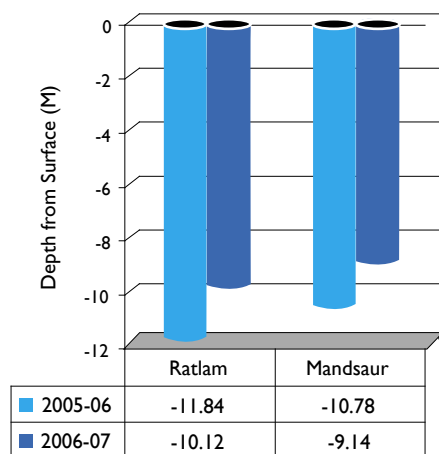
Activity	Unit	Cumulative to 2005-06	2006-07	Total Todate
<b>Coverage: watershed</b>				
Catchment Area Treated	Hectares	10,004	2,413	12,417
Official Irrigation Area	Hectares	10,426	3,861	14,287
<b>Total Watershed Area</b>	<b>Hectares</b>	<b>20,430</b>	<b>6,274</b>	<b>26,704</b>
<b>Water Harvesting</b>				
Minor Structures	No	794	354	1,148
Major Structures	No	198	184	382
<b>Total Structures</b>	<b>No</b>	<b>992</b>	<b>538</b>	<b>1,530</b>



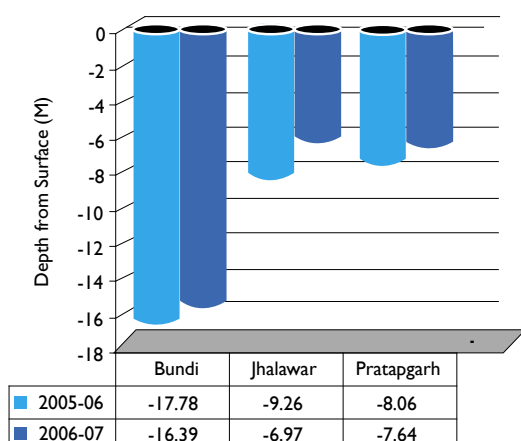
To analyse the impact of our watershed programme, we collect baseline data prior to the initiation of any watershed activity to compare changes according to certain key indicators. Graphical representations for representative districts in 2 states (Madhya Pradesh and Rajasthan) are provided for the following indicators:

- a) **Increase in water availability:** Regular reading of observation wells capture data on water column height. These projects have demonstrated significant success as water is much closer to the surface in observation wells, indicating effective groundwater recharge, as shown below.

#### WELL RECHARGE - Madhya Pradesh

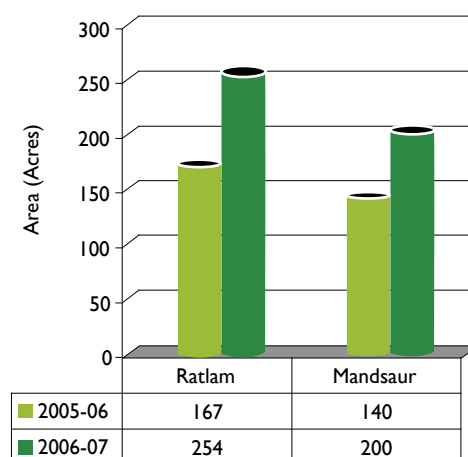


#### WELL RECHARGE - Rajasthan

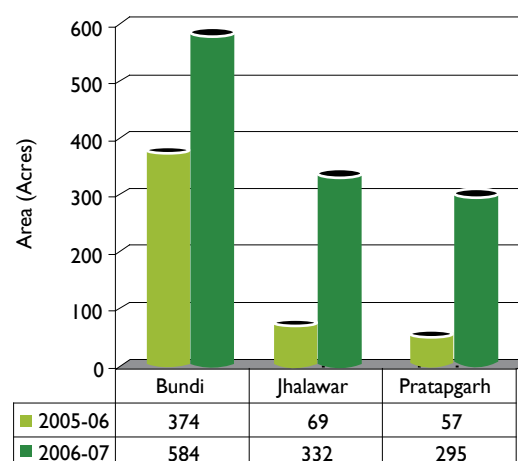


- b) **Changes in area under irrigation:** Increased availability of water leads to increase in area under production and changes in cropping intensity. The area under irrigation has increased significantly.

#### CHANGE IN IRRIGATED AREA UNDER RABI - Madhya Pradesh



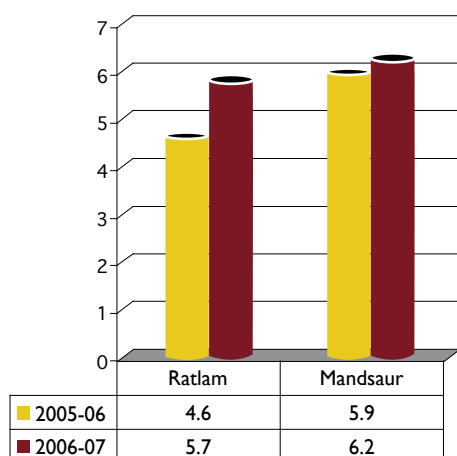
#### CHANGE IN IRRIGATED AREA UNDER RABI - Rajasthan



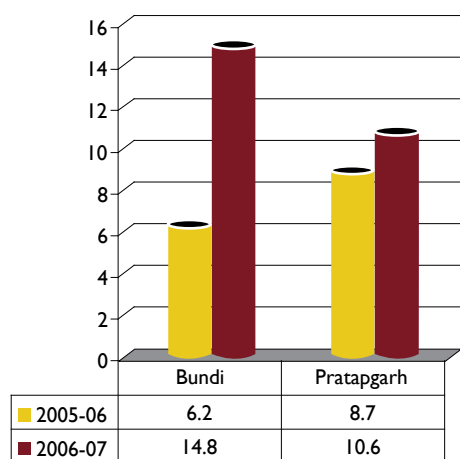
- c) **Change in productivity per acre:** An improvement in the moisture regime leads to an improvement in productivity and a shift from a single to a double-cropping regime. The following graphs show varying degrees of improvement in productivity per acre measured in quintals. Higher productivity results in increased incomes for farmers, while the shift to a double cropping regime means they now earn from two crops instead of one.

ITC has signed an MoU with the Government of Rajasthan for the joint development of a watershed programme covering 5,000 hectares in Bhilwara District.

**CHANGE IN YIELD IN QUINTALS  
PER ACRE IN RABI - Madhya Pradesh**



**CHANGE IN YIELD IN QUINTALS  
PER ACRE IN RABI - Rajasthan**



**Integrated Agriculture Development**

The water conserved through our efforts is used optimally, which promotes sustainability in the following ways:

- (a) It makes agriculture sustainable in the long run, both by using less water per unit of output and by improving soil health through compost applications;
- (b) All these measures increase productivity and hence farm incomes, thus providing financial sustainability to farmers; and
- (c) We assure ourselves of quality products in the future, thus ensuring sustainability of our businesses.

Agriculture extension services are promoted for enhancing land productivity through composting, higher yields per acre through varietal demonstrations and efficient management of water through group wells and sprinkler systems. Careful documentation of the benefits from these interventions helps in convincing farmers to adopt these on a large scale.



Activities	Cumulative to 2005-06	2006-07	Total Todate
<b>Irrigation</b>			
Group Irrigation (nos.)	106	69	175
Sprinkler Irrigation (nos.)	325	89	414
<b>Demonstration plots</b>			
IPNM*+Varietal demo (acres)	947	450	1,397
Vericompositing (nos.)	3,102	3,625	6,727
Nadep/supercompositing (nos.)	1,663	948	2,611

\* Integrated Pest & Nutrient Management

**Sustainable Livelihoods**

**Breed Improvement Programme**

Arable land in India is under severe pressure due to expansion of population and the inability of the manufacturing and services sector to absorb surplus labour, leading to environmentally damaging practices by rural households. There is a critical need to deflect pressure from land to off-farm livelihood opportunities. Upgradation of livestock to increase productivity is one proven way of achieving this objective. This intervention promotes sustainability in the following ways:

- (a) By supplementing farm incomes, it reduces pressure on land, thus promoting long-term sustainability of agriculture;
- (b) It provides a viable livelihood opportunity, thus promoting financial viability of rural households; and
- (c) We benefit from the secondary effect of a revitalised agriculture since it leads to a stable production regime.





Activities	Cumulative to 2005-06	2006-07	Total Todate
No. of CDCs	72	5	77
<b>Breed Improvement</b>			
No. of AIs	40,100	54,554	94,654
No. of Crossbreed heifers	4,270	10,466	14,736
<b>Animal Health Services (No.)</b>			
	79,209	124,022	203,231
<b>Milk Procurement</b>			
No. of Societies	9	25	34
No. of farmers	408	950	1,358
Volume (litres)	212,040	445,273	657,313

Our breed improvement programme aims at a significant increase in yield rates of milk during the lactation period. It provides integrated animal husbandry services that include pre and post natal interventions. Farmers benefiting from the breed improvement programme also get linked to formal milk marketing channels to get the best price.

Initiated in 2004-05 with 23 Cattle Development Centres (CDCs), the number increased to 77 CDCs covering 1,540 villages during 2006-07.

### Community Development Programmes

All these programmes are implemented around our production sites situated in rural hinterlands or semi-urban locations. The objectives of these programmes are either to provide livelihood opportunities to household members or increase their chances of employability either through skills training or better education. These initiatives promote sustainability in the following ways:

- The employment generation interventions provide supplementary incomes to poor households, thus improving their financial sustainability;
- The skills and education programme prepare youngsters to enter the labour market as qualified candidates with better chances of securing employment; and
- For us, these interventions improve social relations thus enabling our factories to operate in harmony with the local society.

### Economic Empowerment of Women

Promotion of micro-credit groups is only the first step towards the economic empowerment of women. Mature SHGs are linked with micro-enterprises like incense stick rolling and embroidery to provide diversified sources of income for poor

rural households. Moreover, increased incomes in the hands of women go towards better education and health for their children, thus improving human development in the project areas.



Activity	Cumulative to 2005-06	2006-07	Total Todate
<b>Micro-credit programme</b>			
SHGs (cumulative)	627	216	843
Members (cumulative)	9,423	3,195	12,618
Savings (Rs. lakhs)	38.70	21.28	59.98
<b>Self Employment</b>			
(No. of women)	2,714	1,071	3,785
<b>Employed in Micro-Enterprises</b>			
(No. of women)	1,585	1,135	2,720
<b>Skills Training</b>			
(No. of women)	575	588	1,163

### Primary Education

In line with the Government's concern for universalisation of primary education in India, our supplementary learning centres provided extra coaching to thousands of primary school goers from poor families. In order to increase enrolment, poor children receive school uniforms and text/exercise books. A network of rural libraries and resource centres enrich the process of learning for these children. State-run schools are made more attractive for children through infrastructure support, comprising mainly of benches and chairs.



State-run schools are made more attractive for children through infrastructure support from ITC.

Activities	Unit	Cumulative to 2006-07 2005-06		Total Todate
<b>Supplementary Learning Centres</b>				
Centres	No.	566	523	1089
Students	No.	47,190	23,980	71,170
School				
Infrastructure	Govt. Schools	39	81	120
Libraries	No.	52	64	116
Roaming laptop	Govt Schools		35	35
Text/Exercise books	No. of students	16,971	33,289	50,260
Uniforms	No. of students	4,966	500	5,466
Cutural & sports events	No.	881	55	936

### Primary Health & Sanitation

Poor hygienic conditions are the main cause of high morbidity, especially amongst at-risk women and young children. Low cost sanitary toilets improve hygiene in villages while back yard horticulture provide nutritional supplements. Our health camps address the curative needs of villagers.

Activities	Cumulative to 2005-06	2006-07	Total Todate
No. of Toilets	1,691	471	2,162
No. of Saplings	10,554	11,060	21,614
No. of Drip Kits	29	151	180
Awareness/ Health camps			
No. of camps	116	92	208
No. of patients	12,290	3,497	15,787

### Prevention of Corruption at Workplace

We believe that corporations like ours have a responsibility to set exemplary standards of ethical behaviour, both within the organisation as well as in their external relationships. We believe that unethical behaviour corrupts organisational culture and undermines shareholder value.

A booklet on ITC's Code of Conduct, which also contains the policy against corruption is periodically circulated to all managers. In addition, it is posted on the corporate intranet sites and the ITC Portal. The Audit Committee of the Board met nine times during the year to review, *inter alia*, the adequacy and effectiveness of the internal controls and monitored implementation of internal audit recommendations, including those relating to strengthening of the Company's risk management policies and systems.

Instances of corruption involving employees or business partners were cognised for and suitable action was taken. ITC has a zero-tolerance approach to proven cases of corruption, resulting in immediate termination of service.

### Public Policy Advocacy

Our senior managers not only participated in a large number of industry fora to help contribute to debates on public policy and issues related to our businesses, but have also established a number of institutions - namely the Tobacco Institute of India and the CII-ITC Centre of Excellence for Sustainable Development - to promote public debate and shape policies on important issues concerning industry and the nation.

The Tobacco Institute of India is a tobacco industry body, which helps support industry norms and Government policy initiatives.

The CII-ITC Centre of Excellence for Sustainable Development was set up by ITC in collaboration with the Confederation of Indian Industry to promote a movement on corporate sustainability in India and policy advocacy.

### Compliance

All our businesses/divisions have systems and procedures to identify and comply with all relevant statutory requirements. There was no non-compliance with laws or regulations by any of our businesses in 2006-07.





# PRODUCT RESPONSIBILITY



## Customer Safety - Our Prime Concern

Our uncompromising commitment in providing world class products and services to delight our customers, on a consistent basis is duly supported by our concern for the safety of our customers/consumers.

New products creation in our **Cigarettes business** involves consideration of global developments and is supported by comprehensive research and testing facilities at ITC Research & Development Centre, where laboratories conform to ISO/IEC 17025 and are certified by NABL (National Accreditation Board for Testing and Calibration.)

We use proprietary software for regular monitoring and review of stringent product specifications of all the raw materials. The manufacturing units have state-of-the-art facilities, cutting edge technology and international quality management systems, which are constantly reviewed and upgraded.

Our **Foods business** ensures adherence to highest levels of quality, safety and hygiene standards in manufacturing and the supply chain. The Product design/development process is an integrated process of assessing consumer needs and designing the product accordingly.

The Business operates predominantly in a model of outsourced manufacturing. The performance of each manufacturer is monitored on a daily basis apart from regular audits and HACCP certification. The selection of vendors, manufacturing locations and storage locations are all based on specified norms.

All the manufactures of the **Greeting, Gifting and Stationery business** use approved non-hazardous materials, as well as ink, dyes, etc and ITC's Elemental Chlorine Free paper. Adopting rigorous quality control measures during manufacturing ensures product safety.

In the **Hotels business**, policies are in place to ensure the highest standards of customer health and safety. These policies are prominently displayed at conspicuous locations in the hotels.

An independent reputed laboratory tests value added paper and boards, manufactured with 100% virgin pulp in our **Paperboards and Specialty Papers business** and used for packaging food and pharmaceutical products, for compliance with US FDA standards. Bollaram unit, manufacturing food grade board for direct food contact, is certified in accordance with BRC/loP (British Retail Consortium/Institute of Packaging) standards. Pira, a renowned testing & consultancy firm, now certifies our “Indobarr”, “Indobev” and “Cyber Propac” brands to be compliant with German BFR standards for food packaging.

Good manufacturing practices are followed for recycled Paperboards (with a certain percentage of recycled fibre) to avoid any risk during storage, distribution and usage.

In the **Agri business**, products are sold or exported entirely as per customer specifications and requirements. Products in Choupal Saagars are sourced from reputed companies as per statutory norms while Choupal Fresh products are sourced from farmers and mandis. Stringent process control norms are in place to ensure the quality of all products.

Our **Leaf Tobacco business** manufactures products as per customer specifications. “Hygiene and Infestation Management Systems” to control Infestation levels and “Mould Prevention and control systems” to eliminate mould formation are in place. Our Agri Extension Services are designed to ensure “Seed Integrity”, “Pesticide Residue level monitoring”, “Non Tobacco Related Matter Elimination”, thereby promoting Product Hygiene Standards. Anaparti and Chirala leaf threshing plants are certified in accordance with ISO 9001 and International Quality Rating System (IQRS) Level 7 – International Quality Management Systems.

We follow OECD Guidelines for Multinational Enterprises in our **Lifestyle Retailing business** to ensure product safety. All raw materials/products are tested in ITC’s in-house state-of-the-art Testing Laboratory. Products are manufactured in state-of-the-art plants, equipped with the best of breed technology. We also evaluate our products from the ‘Consumer’s View Point’ through an internal Product Quality Rating System (PQRS).

## Product Information & Labelling

Our **Cigarettes business** complies fully with Standards of Weights and Measures Act (Packaged Commodities Rules), Cigarettes Act, Central Excise Act and COTPA [Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production Supply and Distribution) Act]. From 13 January, 2007, all cigarettes and smoking mixtures sold bear ‘the name, address, telephone number, email address if available, of the person who can be or the office which can be, contacted, in case of consumer complaint’ in accordance with the ‘Standards of Weights and Measures (Packaged Commodities) Rules 1977’.

Our **Foods business** complies with all statutes including statutes on labeling and product information (e.g. Prevention of Food Adulteration Act, Standards of Weights & Measures Act, Food Products Order, Packaged Commodity Rules, etc) relevant to packaged branded Food products. In addition to the statutory requirements, the Business ensures voluntary declaration of nutrition facts based on benchmarked international practices in the final packaging of its Ready to Eat products

In our **Greeting, Gifting and Stationery business** we comply with all the requirements of the Standards of Weights and Measures Act (including the Packaged Commodity Rules).

Brochures, in-room literature and the website are normally used to provide relevant information regarding Rooms and Food & Beverages in our **Hotels business**.

Our **Paperboards and Specialty Papers business** issues Quality Assurance Certificates for the consignments on request from customers. The information about the product, covering relevant technical parameters agreed with the customers, is documented in the product specification sheet. The label on each pack bears the product name, substance (gsm), size, weight & batch/reference number for effective traceability.

In our **Packaging and Printing business** we barcode all packages. Internal quality procedures follow norms agreed with the customers.

Products in our **Agri business** are primarily sold on a B2B basis and are labelled to meet customer requirements on quality, shipping marks or importing country labelling requirements. Where required we



provide phytosanitary certificates, surveyor quality and quantity reports, Chamber of Commerce certificates, etc. We comply with all statutory requirements for exports.

Customers specify the labeling requirements in our **Leaf Tobacco business**. All the packages are barcoded. Our Units have advanced systems to monitor strict adherence to process and packing specifications and product traceability in tobacco supply chain from farm to customer.

We provide information on attributes and salient features of the product to our customers in addition to following all statutory requirements on labeling in our **Lifestyle Retailing business**.

All our products and services are legal and none of them is banned. Except tobacco products – none is a subject of stakeholder questions or public debate. Tobacco products are often a subject of public debate. Stringent quality standards/systems are established to respond to queries/concerns and are known to all stakeholders.

### Marketing Communications

Our businesses have systems in place to ensure that we comply with all the statutes, codes and voluntary standards as stated below. These are regularly audited to provide assurance.

Our **Cigarettes business** follows an internal code that not only includes all the requirements under Advertising Standards Council of India's (ASCI) code of conduct (Government of India's governing code) but also incorporates best practices for advertising/promotions. We also ensure that all laws related to marketing communications and promulgated in ordinances such as The Cigarettes (Regulation of Production, Supply and Distribution) Act, 1975, The Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act 2003, The Cable Television Networks (Regulation) Act, 1995, the Cinematography Act, 1952 and any State Government laws on advertising/promotion are strictly followed.

Our **Foods business** voluntarily follows the ASCI (Advertising Standards Council of India) Code for all Marketing Communication.

In our **Paperboards and Specialty Papers business**, all relevant codes, standards of weights and measures rules are followed.

In the **Hotels business**, marketing communication is governed by self-regulation and guided by Indian Society of Advertisers (ISA) Rules and guidelines.

**Agri business** has adopted a voluntary code for advertising and communication duly approved by Divisional Management Committee. All external communication is also vetted by the divisional legal resource.

Our **Lifestyle Retailing business** follows the Voluntary Code on Advertising and Promotion. The code ensures that the advertisements are not deliberately misleading in terms of claim and representation, and are not offensive to generally accepted standards of public decency (nothing vulgar, indecent or repulsive). Glorification of acts of sex and violence and reference to religion are avoided. It is ensured that advertisements maintain fairness to competition and the contests and promotions are as per the laws of the land. There is no deriding of race, caste and community in advertisements or promotion.

### Compliance

All our businesses/divisions have well-established systems, procedures and review mechanisms to identify and comply with the laws and regulations concerning our products and services. We continued to comply with all applicable statutes during 2006-07.

# GRI INDICATORS - INDEX

Indicators	Page/Remarks	Indicators	Page/Remarks
<b>Strategy and Analysis</b>		<b>Commitments to External Initiatives</b>	
1.1	Statement from the most senior decision-maker of the organisation: relevance of sustainability to the organisation and its strategy	4.11	The precautionary approach or principle
1.2	Description of key impacts, risks and opportunities	4.12	Externally developed economic, environmental, and social charters, principles
<b>Organisational Profile</b>		4.13	Memberships in associations
2.1	Name of the organisation	<b>Stakeholder Engagement</b>	
2.2	Primary brands, products and services	4.14	List of stakeholder groups
2.3	Operational structure of the organisation	4.15	Basis for identification and selection of Stakeholders
2.4	Location of Organisation's Headquarters	4.16	Approaches to stakeholder engagement, including frequency of engagement
2.5	Number of countries where the organisation operates	4.17	Key topics and concerns and how the organisation has responded to those
2.6	Nature of ownership and legal form	<b>Economic Performance</b>	
2.7	Markets served	<b>Disclosure on Management Approach</b>	
2.8	Scale of the reporting organisation	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments
2.9	Significant changes during the reporting period regarding the size, structure and ownership	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change
2.10	Awards received in the reporting period	EC3	Coverage of the organisation's defined benefit plan obligations
<b>Report Parameters</b>		EC4	Significant financial assistance received from government
<b>Report Profile</b>		<b>Market Presence</b>	
3.1	Reporting period	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation
3.2	Date of most recent previous report	EC7	Procedure for local hiring, and proportion of senior management hired from the local community at locations of significant operation
3.3	Reporting cycle	<b>Indirect Economic Impacts</b>	
3.4	Contact Point for questions regarding the report or its contents	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement
<b>Report Scope and Boundary</b>		<b>Environmental Performance</b>	
3.5	Process for defining report content	<b>Disclosure on Management Approach</b>	
3.6	Boundary of the report	<b>Materials</b>	
3.7	Specific limitations on the scope or boundary of the report	EN1	Materials used by weight or volume
3.8	Basis for reporting on joint ventures, subsidiaries, leased/ outsourced operations and other entities	EN2	Percentage of materials used that are recycled input materials
3.9	Data measurement techniques and bases of calculations including assumptions and techniques	<b>Energy</b>	
3.10	Explanation of the effect of any re-instatement of information provided in the earlier reports	EN3	Direct energy consumption by primary energy source
3.11	Significant changes from previous reporting period	EN4	Indirect energy consumption by primary source
3.12	GRI Content index	<b>Water</b>	
3.13	Assurance	EN8	Total water withdrawal by source
<b>Governance, Commitments and Engagement</b>		EN10	Percentage and total volume of water recycled and reused
<b>Governance</b>		<b>Biodiversity</b>	
4.1	Governance structure of the organisation	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
4.2	The Chair of the highest Governance body	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
4.3	Independent and/or non-executive members		
4.4	Mechanisms for shareholders and employees to provide recommendations		
4.5	Linkage between compensation for members of highest governance body and the organisation's performance		
4.6	Process for the highest governance body to ensure conflicts of interest are avoided		
4.7	Qualifications and expertise of the members of the highest governance body		
4.8	Statements of mission or values, codes of conduct and principles		
4.9	Procedures of the highest governance body for overseeing the management of economic, environmental, and social performance		
4.10	Processes for evaluating the highest governance body's own performance		

Indicators	Page/Remarks	Indicators	Page/Remarks
<b>Emissions, Effluents and Waste</b>			
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EN17 Other relevant indirect greenhouse gas emissions by weight	under evaluation	<b>Non-Discrimination</b>	
EN19 Emissions of ozone-depleting substances by weight	46	HR4 Total number of incidents of discrimination and actions taken	55
EN20 NOx, SOx and other significant air emissions by type and weight	45	<b>Freedom of Association and Collective Bargaining</b>	
EN21 Total water discharge by quality and destination	40	HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	55
EN22 Total weight of waste by type and disposal method	42	<b>Child Labour</b>	
EN23 Total number and volume of significant spills	47	HR6 Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	55
<b>Products and Services</b>		<b>Forced and Compulsory Labour</b>	
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	study under progress	HR7 Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	55
EN27 Percentage of products sold and their packaging materials that are reclaimed by category		<b>Society</b>	
<b>Compliance</b>		<b>Disclosure on Management Approach</b>	
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	47	<b>Community</b>	
<b>Social Performance</b>		SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	56
<b>Labour Practices and Decent Work</b>		<b>Corruption</b>	
<b>Disclosure on Management Approach</b>		SO2 Percentage and total number of business units analysed for risks related to corruption	62
<b>Employment</b>		SO3 Percentage of employees trained in organisation's anti-corruption policies and procedures	62
LA1 Total workforce by employment type, employment contract, and region	50	SO4 Actions taken in response to incidents of corruption	62
LA2 Total number and rate of employee turnover by age group, gender and region	51	<b>Public Policy</b>	
<b>Labour/Management Relations</b>		SO5 Public policy positions and participation in public policy development and lobbying	62
LA4 Percentage of employees covered by collective bargaining agreements	50	<b>Compliance</b>	
LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	50,77	SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	62
<b>Occupational Health &amp; Safety</b>		<b>Product Responsibility</b>	
LA7 Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	53	<b>Disclosure on Management Approach</b>	
LA8 Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	54	<b>Customer Health and Safety</b>	
<b>Training &amp; Education</b>		PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	63
LA10 Average hours of training per year per employee, by employee category	51	<b>Products and Services</b>	
<b>Diversity and Equal Opportunity</b>		PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	64
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	55	<b>Marketing Communications</b>	
LA14 Ratio of basic salary of men to women by employee category	55	PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	65
<b>Human Rights</b>		<b>Compliance</b>	
<b>Disclosure on Management Approach</b>		PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	65
<b>Investment and Procurement Practices</b>			
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	54		

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# Statement from PricewaterhouseCoopers

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## **Objective of Review**

PricewaterhouseCoopers (PwC) was retained by ITC Limited (“ITC”) to review the contents of its Corporate Sustainability Report (“Report”) prepared under its responsibility and based on Global Reporting Initiative (GRI) 2006 guidelines (G3). The Report, which relates to ITC’s triple bottom line (TBL) performance for the period 1 April 2006 to 31 March 2007, covers all units of ITC mentioned in the Report.

This statement to ITC provides PwC’s Independent Review on select information and data, as stated below, presented in the Report.

## **Responsibilities during Review**

The Management of ITC is responsible for the collection and presentation of the TBL information in the Report. Our responsibility, as agreed with the Management, is to express conclusions with limited review of select data and information contained in the Report in accordance with the International Standard on Assurance Engagements (ISAE) 3000 “Assurance Engagements other than Audits or Reviews of Historical Information,” approved December 2003 by the International Auditing and Assurance Standards Board (IAASB).

The Report and its contents are the responsibility of the management of ITC, while the observations made under Independent Review Statement is the outcome of the professional work undertaken by PwC.

## **Limitations of Scope of Work**

Our review comprised limited assurance on data and information reported against the indicators delineated under Scope of Review, below.

The data and graphs on financial performance, as specified in the Report under Economic indicators are derived from the audited 2006-07 financial statements of ITC Limited.

Excluded from the scope of our work is information relating to:

- Units and indicators other than those mentioned above ;
- All future looking statements including those of commitments, opinion, belief and/or aspiration.

### Scope and Approach of Review

The scope of the review covering sample sites and indicators, as delineated below, included those that are material to ITC's business and provided our evidence gathering procedures with sufficient appropriate evidence on which to base our conclusion.

1. Visits to the following sites viz.

- a. Paperboards and Specialty Papers Division (PSPD): Bhadrachalam (Andhra Pradesh)
- b. Packaging and Printing Business (PPB): Tiruvottiyur (Tamil Nadu)
- c. India Tobacco Division (ITD): Bengaluru Factory, (Karnataka)
- d. Hotels: ITC Windsor, Bengaluru (Karnataka)

Additionally, discussions were held at the Corporate Head Quarters at Kolkata (West Bengal) with senior management responsible for providing overview of HSE issues and community initiatives.

2. Review of the following short-listed TBL indicators:

- a. Energy
  - i. Direct Energy and Indirect Energy use
  - ii. Initiatives to use renewable energy
  - iii. CO<sub>2</sub> Emissions
- b. Water
  - i. Total water withdrawn segmented by source
  - ii. Significant effluent discharges, water recycled and reused
  - iii. Initiatives for water conservation and harvesting
- c. Solid Waste
  - i. Solid waste generated, reused and recycled
- d. Accidents
  - i. Lost Day, injury, absentee rates and work related fatalities
- e. Community Initiatives
  - i. Targeted investments for soil and moisture conservation
  - ii. Social & Farm Forestry Initiatives

### Review Procedures carried out

Our work comprised of:

- a. a desktop review of TBL issues relevant to ITC's businesses;
- b. understanding of the operations and systems established at each of the four sample sites mentioned above with respect to the delineated indicators for the period 1 April 2006 to 31 March 2007 and the TBL commitments made by ITC;
- c. an understanding of systems for data generation, collection, analysis, consolidation and reporting at business unit, divisional and group level based on evidence gathering procedures;
- d. review and sample testing at four sample sites of the indicators and associated statements presented in the Report;
- e. interviews with senior management at Corporate Office as well as relevant ITC personnel at the four sample sites for issues relating to HSE and community initiatives;
- f. review of conclusions drawn from data and corresponding statements made in ITC's Report for the delineated indicators stated above at (2) under *Scope of Review* in the context of completeness and reliability.

### Basis for Review

We planned and performed our work in accordance with ISAE 3000. We sought all information and explanations that we considered necessary to provide sufficient evidence for us to ascertain that the above indicators were consistent with the activities in the four sample units for the financial period; and were documented and stated in accordance with G3 as well as the corporate guidelines under ITC's corporate policies.

## Conclusion

- a) On the basis of the work undertaken, nothing has come to our attention that would cause us not to believe that:
  - The information for the indicators stated above [at (2) under *Scope of Review*] has been stated in a fair and balanced manner.
- b) Based on our review, we consider the data and text presented in the Sustainability Report to cover the significant aspects of ITC's sustainability performance and management thereof.
- c) The Report is in accordance with G3 guidelines.

## **Tapan Ray**

Executive Director

PricewaterhouseCoopers Private Limited

Dated: 1 February 2008

Place: Mumbai



# ANNEXURES

# MANAGEMENT APPROACH

## Economic Performance

**Policy:** The Company's commitment in the area of economic performance is encapsulated in its Vision statement, which is 'to sustain ITC's position as one of India's most valuable corporations through world-class performance, creating growing value for the Indian economy and the Company's stakeholders'. ITC's Mission is 'to enhance the wealth generating capability of the enterprise in a globalising environment delivering superior and sustainable stakeholder value'.

The Company's strategy is to ensure that each of its businesses is world-class and internationally competitive in the Indian global market in the first instance, and progressively in the offshore global markets.

ITC, as a premier 'Indian' enterprise, consciously exercises the strategic choice of contributing to and securing the competitiveness of the entire value chain of which it is a part. This philosophy has shaped the Company's approach to business into 'a commitment beyond the market'.

**Goals and Performance:** At the enterprise level the Company's goals include:

- Sustaining ITC's position as one of India's most valuable corporations.
- Achieving leadership in each of the business segments within a reasonable time frame.
- Achieving a Return on Capital Employed (ROCE) in excess of the Company's cost of capital, at all times.

Please refer to the 'Report of the Directors and Management Discussion and Analysis' section of the Report and Accounts 2007 (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.

**Context:** Please refer to the 'Report of the Directors and Management Discussion and Analysis' section of the Report and Accounts 2007 for a detailed discussion on the business environment, opportunities, key challenges, etc. pertaining to each of the Company's businesses (available on [www.itcportal.com](http://www.itcportal.com)).

## Environmental Performance

**Policy:** ITC endeavours not only to minimise its environmental footprint but wherever possible create a positive environmental footprint. The Corporate Management Committee of the Company has issued an Environment, Health & Safety Policy. ITC's EHS Policy extends to all sites of the Company.

**Goals & Performance:** The Company has adopted 4 goals in the area of Environment:

- Performance Beyond Compliance
- Carbon Positive Footprint

- Water Positive Footprint
- Zero Solid Waste (reduction, reuse and 100% recycling of all solid wastes)

**Responsibility:** It is the overall responsibility of the Divisional/Strategic Business Unit (SBU) Chief Executives, through the members of their Divisional Management Committees, General Managers and Unit Heads, to ensure implementation of this Policy and Corporate Standards on EHS, including formation of various committees and designating individuals for specific responsibilities in respect of their Division/SBU.

The Corporate EHS Department is responsible for reviewing and updating Corporate Standards on EHS, and for providing guidance and support to all concerned.

**Management:** All the manufacturing units, large hotels & Corporate EHS Department are certified to ISO 14001 Environment Management Systems. Additionally, the Corporate EHS Department has laid down detailed guidelines and standards for all ITC businesses/units. Experts from the Corporate EHS Department audit each unit at least once annually to ensure implementation and provide assistance for further improving EHS performance.

**Awards:** A large number of awards and certifications listed in this Report are a testimony to ITC's commitment to create positive environmental footprints.

**Context:** ITC businesses have identified and adopted a number of initiatives where environmental performance provides significant financial, strategic and sustainability benefits and complement national priorities.

## Labour Practices and Decent Work Environment

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

**Responsibility:** It is the overall responsibility of the Divisional Chief Executives, through the members of their Divisional Management Committees, Human Resources and EHS Functions, to ensure that employment and EHS practices in all Units are in accordance with the policy outlined above and to ensure total compliance with all statutory provisions governing labour practices and decent work. Specific responsibilities are assigned to different individuals based on the roles being performed by them.

The Corporate Human Resources and EHS functions are responsible for reviewing and updating standards and

guidelines on labour and EHS policies, employment practices, and for providing guidance and support to all concerned.

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

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

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

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

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

- All ITC's Units, which are already 'beyond compliance' in all areas related to labour practices, will continue to be so.
- Ensure that the Company's record of attraction and retention of talent is superior to other companies in the comparative sample.
- Enable employees to perform to their fullest potential to add value to the enterprise, nation and themselves.
- Enhance the Company's employee value proposition so that ITC retains its position as an employer of choice.
- Endeavour to eliminate accidents and injuries both onsite and offsite.

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

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

## Human Rights

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

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

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

**Management:** The Human Rights policies approved by the CMC provide guidelines for the implementation of these policies and their periodic review. Corporate HR provides specialist services to assist in implementation and monitoring.

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

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

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

- All ITC's operational units are and will remain fully compliant with the Company's Human Rights policies, premised on a zero tolerance guiding principle towards such violations.
- All investment decisions will integrate Human Rights considerations into the decision-making process.
- All ITC's business partners will follow and adhere to the Human Rights policies that the Company upholds.

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

## Society

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

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

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

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

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

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

**Training & Awareness:** Employees engaged in social development initiatives are given regular training both to enhance their domain knowledge and improve management skills. Details of social development work being done is posted on the ITC portal. Society is made aware of these projects and programmes through the circulation of a brochure called 'Transforming Lives and Landscapes'.

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

**Objective:** The primary focus of ITC's Social Development Initiatives is to create sustainable sources of farm and off-farm livelihoods and to improve the social infrastructure especially in areas where it impacts women and children. In pursuit of these objectives, the following goals have been set for the next five years:

- Web-enable 10 million farmers through 20,000 e-Choupals in 100,000 villages.
- Bring at least 50,000 hectares under soil and moisture conservation practices.
- Transform at least 100,000 hectares of wastelands into productive and revenue-generating assets for the poor.
- Create at least 10,000 women entrepreneurs with a sustainable source of supplementary incomes.
- Improve the genetic stock of at least 150,000 cattle through artificial insemination practices.
- Provide supplementary education support services to at least 100,000 children.

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

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

## Product Responsibility

ITC's product leadership is founded on its core strategy of continuously enhancing product values through significant investments in research and development, product design, manufacturing technology, quality, marketing and distribution.

In ITC, one of the pioneers in market research in India, the consumer is King. The Company, with core competencies in unmatched distribution reach, superior brand-building capabilities, effective supply chain management and acknowledged service skills, continuously endeavours to provide products that are internationally benchmarked and more than meet consumer expectations.

**Responsibility:** It is the overall responsibility of the Divisional/SBU Chief Executives, through the members of their Divisional Management Committees, General Managers and Unit Heads, to ensure that all ITC products and services are in accordance with the above stated policy and principles, including designating individuals for specific responsibilities in respect of their Divisions/SBUs.

**Management:** The unique nature of ITC's businesses requires each business to adopt and implement necessary management systems and controls to meet policy requirements.

All the manufacturing units in the Company are certified in accordance with ISO 9001, ISO 14001 and OHSAS 18001 managements systems. All major hotels have been certified to ISO 14001 and 5 hotels have received HACCP certification. Others are in the process of receiving the certifications.

International Quality Rating System (IQRS) for Business Excellence, which rates key processes against international benchmarks, has already been introduced in a number of businesses. In addition, various other quality improvement tools such as 'Six Sigma' initiatives and 'Total Productive Maintenance' (TPM) are integrated with the Quality Management Systems.

**Goals & Performance:** ITC continuously endeavours to provide its consumers products that are benchmarked to international quality. Individual business performance on 'Product Responsibility' is described later in this section of the Report.

**Context:** ITC businesses have identified and adopted a number of initiatives on Product Responsibility where its performance provides significant financial, strategic and sustainability benefits complementing national priorities.

# POLICIES AND GUIDELINES

## Vision, Mission and Core Values

### ITC's Vision

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

### ITC's Mission

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

### ITC's Core Values

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

#### Trusteeship

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

#### Customer Focus

We are always customer focused and will deliver what the customer needs in terms of value, quality and satisfaction.

#### Respect for People

We are result oriented, setting high performance standards for ourselves as individuals and teams. We will simultaneously respect and value people and uphold humanness and human dignity.

We acknowledge that every individual brings different perspectives and capabilities to the team and that a strong team is founded on a variety of perspectives.

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

#### Excellence

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

#### Innovation

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

#### Nation Orientation

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

## Corporate Governance Policy

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

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

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

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

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

## ITC Code of Conduct

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

## ITC Code of Conduct for Prevention of Insider Trading

ITC has a Code of Conduct for Prevention of Insider Trading ('ITC Code') in the shares and securities of the Company. The ITC Code, *inter alia*, prohibits purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. The ITC Code is available on the Company's corporate website.

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

## ITC's EHS Policy

ITC's mission is to sustain and enhance the wealth-generating capacity of its portfolio of businesses in a progressively globalising environment. As one of India's premier corporations employing a vast quantum of societal resources, ITC seeks to fulfil a larger role by enlarging its contribution to the society of which it is a part. The trusteeship role related to social and environmental resources, aligned to the pursuit of economic objectives, is the cornerstone of ITC's Environment, Health and Safety philosophy. ITC's EHS philosophy cognises for the twin needs of conservation and creation of productive resources.

In the multi-business context of ITC, Corporate Strategies are designed to create enduring value for the nation and the shareholder, through leadership in each business and the attainment of world-class competitive capabilities across the value chain. The objective of leadership extends to all facets of business operations including Environment, Health and Safety.

ITC is, therefore, committed to conducting its operations with due regard for the environment, and providing a safe and healthy workplace for each employee. Various international and national awards and accreditations stand testimony to ITC's commitment to EHS. Such external recognition further reinforces the need to direct the collective endeavour of the Company's employees at all levels towards sustaining and continuously improving standards of Environment, Health and Safety in a bid to attain and exceed benchmarked standards, whether regulatory or otherwise.

### In particular, it is ITC's EHS policy:

- To contribute to sustainable development through the establishment and implementation of environment standards that are scientifically tested and meet the requirement of relevant laws, regulations and codes of practice.
- To take account of environment, occupational health and safety in planning and decision-making.
- To provide appropriate training and disseminate information to enable all employees to accept individual responsibility for environment, health and safety, implement best practices, and work in partnership to create a culture of continuous improvement.
- To instil a sense of duty in every employee towards personal safety, as well as that of others who may be affected by the employee's actions.
- To provide and maintain facilities, equipment, operations and working conditions which are safe for employees, visitors and contractors at the Company's premises.
- To ensure safe handling, storage, use and disposal of all substances and materials that are classified as hazardous to health and environment.
- To reduce waste, conserve energy, and promote recycling of materials wherever possible.
- To institute and implement a system of regular EHS audit in order to assure compliance with laid down policy, benchmarked standards, and requirements of laws, regulations and applicable codes of practice.
- To proactively share information with business partners towards inculcating world-class EHS standards across the value chain of which ITC is a part.

All employees of ITC are expected to adhere to and comply with the EHS Policy and Corporate Standards on EHS.

ITC's EHS Policy extends to all sites of the Company. It will be the overall responsibility of the Divisional/SBU Chief Executives, through the members of their Divisional Management Committees, General Managers and Unit Heads, to ensure implementation of this Policy and Corporate Standards on EHS, including formation of various committees and designating individuals for specific responsibilities in respect of their Division/SBU.

The Corporate EHS Department is responsible for reviewing and updating Corporate Standards on EHS, and for providing guidance and support to all concerned.

## Consultation and Notice for Significant changes

**Policy:** All major changes in operations, involving work processes, manning norms and other productivity linked issues are implemented after discussions with the employees and the recognised unions at each location.

**Implementation:** Business plans are shared with employees at all Units through a series of communication meetings, and through the intranet portals. Unionised employees at the concerned Units are informed of all major changes well in advance through their representatives.

The responsibility for the implementation of the policy rests with the Unit's Human Resources Department in the case of unionised employees and with the concerned Divisional Management Committees for other employees.

The employees are given enough time to consider the implications of change and an opportunity to discuss their apprehensions, if any, with the management. The Policy is actualised through consultative meetings with representatives of employees, culminating in joint minutes/agreements.

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

## Policy on HIV/AIDS

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

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

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

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

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

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

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

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

## Human Rights Consideration in Significant Investments

**Policy:** ITC's commitment to human rights extends to all its significant investment decisions in order to ensure integration of statutory compliance, environmental, occupational health

and safety, human rights and progressive labour policies into business decision-making processes.

**Implementation:** The custodian of this policy is the Divisional Chief Executive/SBU Head of the concerned business.

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

## Human Rights Consideration Across the Supply Chain

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

**Implementation:** The responsibility for implementation of this policy rests with the Divisional Chief Executive/SBU Head of the concerned business.

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

## Prevention of Discrimination at Workplace

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

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

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

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



annually on a sample basis with Unit Heads and through on-site assessments.

### Freedom of Association

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

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

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

### Prohibition of Child and Forced Labour

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

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

The implementation of the policy is the responsibility of the Unit's HR Department and the security staff who do not permit minors to enter the factory as workers.

Employment contracts and other records, documenting all relevant details of the employees, including age, are maintained at all units and are open to verification by any authorised personnel or relevant statutory body.

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

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

### Prevention of Corruption at Workplace

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

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

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

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




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

# MEMBERSHIPS AND AFFILIATIONS

- Advanced Management Services
- Agricultural & Processed Foods Export Development Authority
- All India Food Processors Association
- All India Management Association
- All India Spice Exporters Forum
- Andhra Pradesh Chamber of Commerce & Industry
- Andhra Pradesh Oil Millers Association Limited
- Apparel Export Promotion Council
- Asian Packaging Federation
- Associated Chambers of Commerce & Industry
- Bangalore Chamber of Commerce & Industry
- Bangalore Management Association
- Bihar Chamber of Commerce
- Bihar Industries Association
- Bihar State Productivity Council
- Bombay Chamber of Commerce & Industry
- Bombay Management Association
- Calcutta Management Association
- Chemicals & Plastics Export Council of India
- Central Food Technology Research Institute
- Coal Consumers Association
- Cochin Chamber of Commerce & Industry
- Coffee Board
- Coffee Exporters Association
- Coimbatore Management Association
- Coimbatore Productivity Council
- Confederation of Indian Industry
- Council for Fair Business Practices
- Eastern India Shippers Association
- Federation of Andhra Pradesh Chambers of Commerce and Industry
- Federation of Biscuits Manufacturers Association of India
- Federation of Hotels & Restaurants Association of India
- Federation of Indian Chambers of Commerce & Industry
- Federation of India Export Organisation
- Federation of Industries and Commerce of North Eastern Region
- Federation of Jharkhand Chambers of Commerce & Industry
- Federation of Karnataka Chambers of Commerce & Industry
- Federation of Madhya Pradesh Chambers of Commerce & Industry
- Gujarat Chamber of Commerce
- Guwahati Management Association
- Hotels Association of India
- Indian Association of Tour Operators
- Indian Chamber of Commerce
- Indian Chamber of Commerce & Industry, Coimbatore
- Indian Coffee Trade Association
- Indian Confectionery Manufacturers Association
- Indian Industries Association
- Indian Institute of Packaging
- Indian Merchants Chamber
- Indian Oil & Produce Exporters Association
- Indian Paper Manufacturers Association
- Indian Society of Advertising
- Indian Tobacco Association
- Indo American Chamber of Commerce
- Indo Australian Chamber of Commerce
- Indo German Chamber of Commerce
- International Chamber of Commerce
- International Fiscal Association
- International Life Science Institute
- International Packaging Group
- Jammu & Kashmir Chamber of Commerce
- Jharkhand Chamber of Commerce
- Kerala Management Association
- Leatherhead Food International, UK
- Loss Prevention Association of India
- Madras Chamber of Commerce & Industry
- Madras Management Association
- Madras Printers and Lithographers Association
- Maharashtra Chamber of Commerce & Industry
- Maharashtra Economic Development Council
- Marine Products Export Development Authority
- Nagpur Vidarbha Chamber of Commerce
- National Safety Council
- Pacific Asia Travel Association
- Paper, Film, Foil Convertors Association
- PHD Chamber of Commerce and Industry
- Protein Food and Nutrition Development Association of India
- Seafood Exporters' Association of India
- Snack Foods Association
- Solvent Extractors Association of India
- Soyabean Processors Association of India
- Spice Board
- Spices and Foodstuff Exporters Association of India
- The All India Association of Industries
- The Bengal Chamber of Commerce & Industry
- The Central Organisation for Oil Industry and Trade
- The Groundnut Extractions Export Development Association
- The Utkal Chamber of Commerce & Industry
- The Visakhapatnam Chamber of Commerce & Industry
- Tamil Nadu Electricity Consumers Association
- Travel Agents Association of India
- Uttar Pradesh Chamber of Commerce
- West Bengal State Productivity Council
- Western UP Chamber of Commerce & Industry

## Application Level

**A+**

<b>Standard Disclosure</b>	<b>G3 Profile Disclosures</b>	Output 	Reported on 1.1 - 1.2 2.1 - 2.10 3.1 - 3.13 4.1 - 4.17	<b>Report Externally Assured by PwC</b>
	<b>G3 Management Approach Disclosures</b>	Output 	Management Approach disclosed for each Indicator Category	
	<b>G3 Performance Indicators &amp; Sectors Supplement Performance Indicators</b>	Output 	Responded on each core G3 indicator with due regard to Materiality Principle by either: a) reporting on the indicator, or b) explaining the reason for its omission	



## Yet another laurel for shaping a better tomorrow

2007: ITC Chairman Y. C. Deveshwar becomes the first Indian to win the global SAM/SPG Sustainability Leadership Award in Zurich.

2006: The Stockholm Challenge Award

2005: Development Gateway Award

2004: UNDP-ICC World Business Award

For ITC, these awards are an inspiration to continue its pioneering efforts in fostering sustainable and inclusive growth - developing the world's largest rural digital infrastructure, e-Choupal. Greening wastelands through one of the largest industry-facilitated afforestation programmes of its kind globally and rejuvenating drylands through one of the most impactful watershed development programmes in India. Creating livelihoods for 5 million people. Making ITC the only company of its size to be carbon positive, water positive and close to zero solid waste discharge.



**ITC Limited**  
**Enduring value**

*Let's put India first*

For more information on ITC's sustainable development initiatives visit [www.itcportal.com](http://www.itcportal.com)

For additional copies, please email to [enduringvalue@itc.in](mailto:enduringvalue@itc.in)

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