

GRI - G3 Compliant
Application Level A+



ITC Limited
Enduring value

SUSTAINABILITY REPORT 2009

For All Our Tomorrows



AN EXEMPLARY CONTRIBUTION TO THE TRIPLE BOTTOM LINE

ECONOMIC

- A growing portfolio of business encompassing FMCG, Paperboards & Packaging, Agri & Foods Business, Hotels and Information Technology.
- A turnover of over US \$ 5 billion and a market capitalisation of over US \$ 18 billion.
- Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, grew at a compound rate of over 24% per annum over the last 5 years.
- The new FMCG businesses support the competitiveness, technology upgradation and market reach of over 170 Small and Medium Enterprises (SMEs).
- ITC Group provides direct employment to more than 26,000 people.



ENVIRONMENTAL

- ITC has been 'Carbon Positive' four years in a row (sequestering/storing twice the amount of CO₂ that the Company emits).
- 'Water Positive' seven years in a row (creating two times more Rainwater Harvesting potential than ITC's net consumption).
- Solid Waste Recycling Positive (Reusing/Recycling more solid waste than generated).
- All Environment, Health and Safety Management Systems in ITC conform to international standards.



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 farmers.
- ITC's Social and Farm Forestry initiative has greened nearly 96,000 hectares, creating an estimated 43 million person-days of employment among the disadvantaged.
- ITC's Watershed Development initiative brings precious water to over 46,000 hectares of drylands and moisture-stressed areas.
- ITC's Sustainable Community Development initiatives include women's empowerment, supplementary education and integrated animal husbandry programmes.



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Chairman's Statement

ITC's Vision and Strategy

I am delighted to present ITC's sixth Sustainability Report.

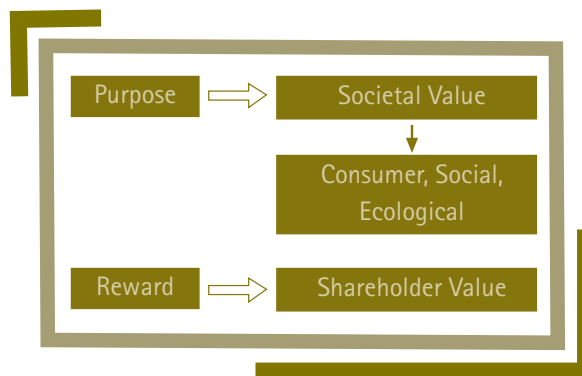
This Report is an expression of ITC's abiding commitment to contribute to building a sustainable, secure and inclusive future for India. A commitment that is manifest in our efforts to achieve higher levels of Triple Bottom Line performance measured in terms of our contribution to augmenting economic, environmental and societal capital.

This Report, a transparent and voluntary disclosure of ITC's sustainability endeavours, is independently assured by M/s Ernst & Young and conforms to the stringent 'G3' guidelines of the Global Reporting Initiative (GRI) at the highest 'A+' level.

As the world begins to sight the beginnings of a recovery from the deep crisis perpetuated by a global financial disaster, countries and corporations across the world are introspecting beyond the immediate causes to examine the fundamental vulnerability of economic systems prevalent over decades. It is increasingly being realised that the race for global economic strength and the resultant obsession with faster and higher growth has created a world of huge inequities with utter disregard for sustainability. Progressively degrading environments and inequitous social structures seriously threaten the future of mankind. Exacerbating these challenges today is the new danger posed by global warming and climate change. More than 4 billion people, comprising two-thirds of the world's population, live in poor nations and bear the severest brunt of these environmental and societal imbalances. India, despite its progress on many fronts, mirrors these challenges as a developing nation with large numbers of people living at the margin.

Businesses as an integral organ of society possess enormous strengths that enable them to contribute impactfully to sustainable and inclusive development. At ITC, we believe that businesses exist to subserve larger societal goals. Therefore, their contribution is best measured and judged in terms of the total value they create for society, namely wealth creation that goes beyond traditional profit and loss statements to encompass a much larger contribution to sustainable development. Sustainability Reporting seeks to encourage voluntary disclosure of such societal contribution by corporates, enabling discerning stakeholders and civil society to better appreciate and support such responsible corporations.

Free market economies and their corporate strategies have so far been driven by a uni-dimensional purpose of shareholder value creation. To my mind, Shareholder Value ought to be a reward for Societal Value creation. This definition of wealth creation demands a commitment that goes far beyond the market. Committed corporates create total societal value by serving their consumers through competitively superior value propositions, by protecting and nurturing the environment and by innovating strategies that maximise sustainable livelihood creation. This Triple Bottom Line approach to creating larger 'stakeholder' value, as opposed to the uni-dimensional pursuit of 'shareholder' value, is crucially necessary to ensure the perpetual sustainability of our planet.



Inspired by the overarching vision of making a contribution to the national goals of sustainable development and inclusive growth, ITC has innovatively crafted unique business models that synergise long term shareholder value creation with enhancing societal capital. ITC's globally acknowledged e-Choupal initiative is one such example. Its customised extension and information services empower small and marginal farmers through sustainable agricultural practices that enhance farm productivity and raise rural incomes. Currently, e-Choupals cover 40,000 villages and benefit over 4 million farmers, while providing a unique source of competitiveness to ITC's agri-product sourcing. Similarly, our Social and Farm Forestry initiative, driven by an extensive research based clonal propagation programme, has greened nearly 96,000 hectares and created cumulative employment of 43 million person-days. These plantations provide a reliable source of wood pulp to secure the long-term competitiveness and sustainability of our Paper business. ITC's sustainable forestry practices have earned for it this year the membership of the Global Forest Trade Network of the WWF based on a rigorous process of qualification.

ITC continues to invest in 'Mission Sunehra Kal', its prime vehicle for implementing social development initiatives, to facilitate sustainable livelihood creation through identified areas of intervention, namely, (i) natural resource management, which includes wasteland, watershed and agriculture development; (ii) genetic improvement in livestock; (iii) economic empowerment of women; and (iv) community development, with focus on primary education, health and sanitation. Our deep engagement with rural communities has enabled us to contribute to the creation of sustainable livelihoods by building community assets. ITC's Integrated Watershed Development initiative has helped create freshwater potential covering over 46,000 hectares in water-stressed areas. In addition, the Company's integrated animal husbandry services have reached out to over 3,00,000 milch animals creating avenues for non-farm based livelihoods. Nearly 2,00,000 children have benefited from our rural supplementary education centres, and 20,000 women entrepreneurs have been created through 1300 self-help groups.

We believe that these efforts to improve the quality of life of rural communities, particularly women and children, will contribute to achieving many of the Millennium Development Goals enunciated by the United Nations. ITC takes pride in its association with the United Nations Global Compact, the world's largest global corporate citizenship initiative. I am happy to state that our initiatives and practices support the principles underlying the Global Compact.

It is also a matter of great satisfaction that ITC's aspiration to be an exemplar in sustainability practices is today manifest in its status as the only company in the world, of its size and diversity, to be 'carbon positive', 'water positive' and 'solid

waste recycling positive'. In addition, our businesses have created sustainable livelihoods for more than 5 million people, a majority of whom represent the poorest in rural India. Completing the Triple Bottom Line performance is ITC's foremost position in terms of efficiency in servicing financial capital. Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, have clocked an annual compound rate of growth of 24% over the past 5 years.

At ITC, we believe that our aggressive pursuit of the sustainability agenda is an investment for the future. These are impactful initiatives that will continue to create enduring value for all our stakeholders. Even as the world grapples with new challenges like global warming, ITC feels reassured that its conscious decision to adopt a low-carbon growth strategy will significantly secure its future competitiveness (for more details, please refer to Chairman's address at the AGM 2009 available at www.itcportal.com). Eight Clean Development Mechanism (CDM) projects have already been registered under the Kyoto Protocol of the UNFCCC. We are also progressively investing in renewable energy, and have achieved international benchmarks in specific energy consumption. Substantial investments are being made in cutting edge Research & Development, particularly in areas like agri sciences which will significantly enhance the future competitiveness of ITC's diversified businesses.

The Company's rich lineage in branding, trade marketing and distribution, based on deep consumer insights, is supported by world-class manufacturing practices and outstanding human capital to continuously create superior value for all its stakeholders.

As a responsible corporate citizen, we pay utmost attention to issues such as corporate ethics, transparency and sustainability. The Code of Corporate Governance in ITC is based on the abiding principles of trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. We believe in setting exemplary standards of ethical behaviour, both internally within the organisation, as well as in external relationships. This year, a new sub-committee of the Board has been created to provide strategic guidance to strengthen the Company's sustainability practices. ITC together with the Confederation of Indian Industry has set up the CII-ITC Centre of Excellence for Sustainable Development to promote sustainability practices amongst a larger universe of corporates. The Centre has been able to mobilize significant action amongst a large section of business and industry. It has also instituted Awards to recognise such efforts.

I believe that in the years ahead sustainable business practices will emerge as a distinct source of competitiveness of firms as stakeholders demand an increasing level of contribution to societal goals. This phenomenon will start to become increasingly visible post the Copenhagen Conference on climate change scheduled for later this year. ITC has already gained momentum in that direction by embedding larger sustainability goals in its business strategies to lay the foundation for a more secure and sustainable future. This strong foundation will enable us to create enduring Stakeholder Value for generations to come.

ITC's sustainability journey has inspired us to renew our commitment to consciously direct the collective endeavours of our employees across all businesses, functions and locations to continuously improve sustainability practices to ultimately attain and exceed global standards.

Prime Minister Manmohan Singh's vision for sustainable development with social equity through effective public-private partnerships continues to inspire ITC's sustainability philosophy. I have great pleasure in dedicating this Report to that abiding vision.

(Y C Deveshwar)
Chairman
September 2009

KEY IMPACTS, RISKS AND OPPORTUNITIES

SUSTAINABILITY CHALLENGES

Regulation and Taxation

- Environment of rapidly escalating challenges, particularly in the areas of taxation and regulation for cigarettes.
- Discriminatory Taxation for Cigarettes -Cigarettes constitute less than 15% of total tobacco consumption but contribute more than 85% of total revenue collections from the tobacco industry.

Climate Change and Global Warming

- The ensuing Summit of the UNFCCC at Copenhagen signals the beginning of an era that will compel nations and corporations to look at distinctive carbon mitigation measures. It may lead to the emergence of stringent legislation that will significantly change the manner in which businesses conduct themselves.
- Growing environmental concerns of consumers will compel businesses to demonstrate low carbon performance.
- Non-tariff barriers and import restrictions will force a low carbon and an environmentally and socially responsible regime across the world.
- Climate Change will adversely impact agricultural productivity through rise in temperatures and severe moisture stress. It will also enhance coastal vulnerability.

ITC Initiatives

- Creating multiple drivers of growth by investing in businesses of the future, leveraging its diverse competencies in agri-sourcing, world class manufacturing, branding, packaging, hospitality, trade marketing and distribution.
- Engaging with policy makers to highlight the adverse impacts of high taxation which has led to the emergence of tax evaded illegal cigarettes and a spurt in contraband cigarettes which are a growing threat to legitimate industry, government revenue, market stability and the social objective of regulating tobacco consumption.
- Investments in R&D, Innovation and Quality Upgradation.

ITC Initiatives

- ITC has not only created a positive environmental footprint in the areas of carbon, water and solid waste, but continues to invest in building competitiveness through a low carbon strategy addressed by the following:
 - Maximising its renewable energy portfolio (30.6% of energy consumption in 2008-09 is from renewable resources. Installation of additional wind turbines, a large green boiler etc are in progress).
 - Enlarging its carbon positive footprint by large scale social and farm forestry programme which will cover more than 100,000 hectares over the next few years. This exemplary initiative has already greened over 90,000 hectares.
 - While a number of CDM projects are in various stages of progress, ITC already has 8 registered CDM projects including two unique projects-The Social Forestry Project, the first of its kind in India and second after China to receive CDM registration and ITC Sonar is the only hotel in the world to earn carbon credits.
 - ITC is the only company of its size and diversity, to be carbon positive, water positive and solid waste recycling positive.
 - All ITC buildings are progressing towards the Green Building concept. ITC Green Centre at Gurgaon is the world's first largest LEED certified platinum rated Green Building.
 - ITC has carried out studies to evaluate the implications of climate change and implement measures to minimise the risks.
 - ITC is gaining competitive advantage through pioneering environment friendly products and technologies including use of ozone bleaching and ECF processes.

SUSTAINABILITY CHALLENGES

Environmental Degradation and Natural Resource Depletion

- With 17% of the world's population, India has only 4% of the fresh water resources and 1% of global forest resources.
- Coupled with degradation triggered by economic growth and global warming, scarce natural resources will limit future growth.
- Long term competitiveness will require significant efforts to augment scarce natural capital at our disposal.

ITC Initiatives

- ITC's strategies for natural resource augmentation include the following:
 - ITC developed high yielding disease resistant clones and a comprehensive package of plantation management services under its social and farm forestry programme which apart from creating a green cover of over 90,000 hectares, has also led to in-situ soil and moisture conservation, ground water recharge and significant reduction in top soil losses. The social and farm forestry programme also provides raw material sustainability to ITC's Paperboards Business.
 - Apart from minimising the consumption of fresh water per unit of output in all its businesses as well as recycling all treated effluents, ITC has created rainwater harvesting potential in socially relevant areas, covering nearly 44,000 hectares of drylands.
 - ITC also recycles nearly 100% of wastes generated by its units and also maximises reuse of wastes as raw materials.

Poverty and Income Inequities

- In India more than 800 million people live under \$ 2 a day according to the latest World Bank data.
- These income inequities are likely to be a source of discontent and render societies unsustainable.

ITC Initiatives

- ITC's businesses and social initiatives support livelihoods for over 5 million people, many of whom belong to the weaker sections in India.
- ITC's e-Choupal initiative has benefited over 4 million farmers.
- ITC has invested in 'Mission Sunehra Kal', its prime vehicle for implementing social development initiatives, to facilitate sustainable livelihood creation through the identified areas of intervention, namely, (i) natural resource management, which includes wasteland, watershed and agriculture development; (ii) sustainable livelihoods, comprising genetic improvement in livestock; (iii) economic empowerment of women; and (iv) community development, with focus on primary education, health and sanitation.
- ITC's deep engagement with rural communities has enabled us to contribute to the creation of sustainable livelihoods by building community assets.

ORGANISATIONAL PROFILE



ITC:

Organisational Profile

ITC: Creating value through a bouquet of world class products and services, state of the art manufacturing facilities, significant investments in Technology and R&D and a strong portfolio of Brands.

ITC is one of India's foremost private sector companies and a successfully diversified Indian conglomerate with interests in FMCG, Hotels, Paperboards & Packaging, Agri Business and Information Technology. With a market capitalisation of nearly US \$ 14 billion and a turnover of nearly US \$ 5 billion (as at March 31, 2009), ITC has been rated among the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine, and among India's Most Valuable Companies by Business Today.

ITC's diversification is powered by a robust corporate strategy designed to unleash multiple drivers of growth. Its time tested core competencies, namely unmatched distribution reach, superior brand building, effective supply chain management and acknowledged service skills in hoteliering have provided ITC the springboard to create new epicenters of growth.





FMCG

ITC's diversified FMCG portfolio comprises cigarettes, packaged foods, personal care products, branded apparel, education & stationery products, incense sticks and safety matches.

Cigarettes: ITC is the market leader in cigarettes in India. With its wide range of invaluable brands, it has a leadership position in every segment of the market. The Company has been able to build on its leadership position because of its relentless efforts to create value through significant investments in product design, innovation, manufacturing technology, quality, marketing and distribution.

Branded Packaged Foods: The range of offerings from ITC's Foods business covering staples, biscuits, snack food, confectionery and ready-to-eat meals now comprise more than 170 distinct products under 6 brands.





Lifestyle Retailing: Wills Lifestyle continues to be a leader in the top end of the branded apparel market with a unique range that reflects high fashion imagery, aspirational aura and brand premiums in line with international trends. Wills Lifestyle is now available in 50 exclusive stores in 30 cities and in more than 150 shop-in-shops in leading departmental stores. John Players in the popular youth segment has established a strong presence in the mind of the consumer with youthful and trendy products.



Personal Care Products: The Personal Care Products business continued to expand its portfolio under the Fiamma Di Wills, Vivel Di Wills, Vivel and Superia brands. Consumer response to these products as reflected in market research studies has been gratifying. Vivel Ultrapro shampoo is a unique product which provides anti-dandruff efficacy along with nourishment and protection.





Education and Stationery Products Business:

The growth of the Education and Stationery Products business is powered by brand Classmate which continues to consolidate its leadership position in student notebooks.

The business has entered the office supplies segment with the launch of Paperkraft Premium Business Paper which is a first of its kind environment friendly multi purpose paper with superior attributes of whiteness and brightness, ideal for home and office use. It has been crafted using a pioneering technology called 'Ozone Treated Chlorine Free Technology' and uses pulpwood sourced from Renewable Plantations. The business has launched a slew of complimentary categories including geometry boxes, pens and pencils under the Classmate brand with the aim of consolidating the market standing of Classmate as the most trusted student stationery brand.



Incense Sticks: ITC markets agarbattis manufactured by the small scale sector and this business continues to contribute to the Company's Triple Bottom Line by providing livelihood opportunities to more than 5000 people through small scale entrepreneurs and self-help groups. Mangaldeep has emerged as one of the leading national brands in the country and is available to consumers in innovative 'Fragrance-Locked' packaging which helps retain the fragrance for a longer period of time.

Safety Matches: ITC brands in Safety Matches along with those of Wimco enjoy strong consumer preference. Aim, iKno, Mangaldeep, Homelites, VaxLit and Delite have already earned consumer loyalty in the market. Aim is the single largest safety match brand in the country.

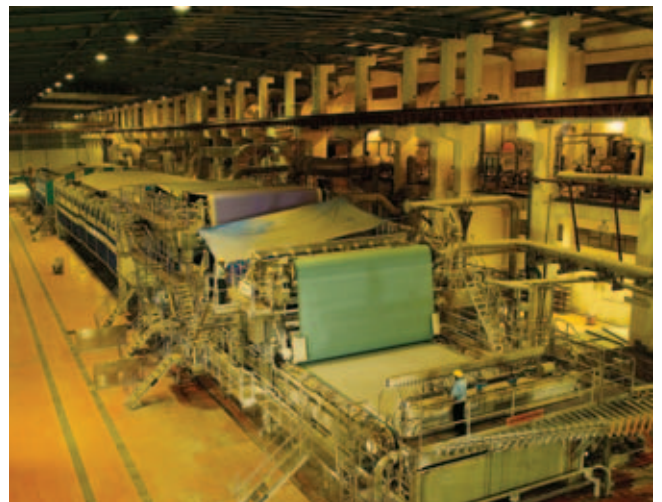
HOTELS

ITC's Hotels business, with over 100 hotels in more than 80 destinations, has emerged as one of India's premier hospitality chains encompassing hotels, resorts and palaces. With four brand propositions spanning Luxury to Five Star and Budget to Heritage, ITC's Hotels Business has set new standards of excellence in the hotel industry touching new dimensions in Accommodation, Cuisine, Environment and Guest Safety. ITC Hotels' commitment to delivering globally benchmarked services, embedded in a culture deeply rooted in India's rich tradition of hospitality, gives it a unique and distinct identity.

A leader in the premium hospitality segment, ITC Hotels have had the privilege of hosting world leaders, Heads of State, business leaders and other distinguished guests from across the world.

ITC Hotels' commitment to delivering globally benchmarked services, embedded in a culture deeply rooted in India's rich tradition of hospitality, gives it a unique and distinct identity.

PAPERBOARDS, SPECIALTY PAPERS & PACKAGING



ITC's Paperboards and Specialty Papers business is the largest and technologically most advanced in India. Besides being a market leader in the value added paperboards segment, it is the country's largest converter of paperboards into packaging and is a pioneer in the use of cutting edge environmental technology including Ozone Bleaching and Elemental Chlorine Free Technology.





AGRI BUSINESS



ITC leads corporate India's agri-export initiatives and is one of the country's largest foreign exchange earners in this segment. The key driver of ITC's agri-development blueprint is the trailblazing e-Choupal initiative, the world's largest rural digital infrastructure. Empowering 4 million farmers in 40,000 villages through the power of the Internet, it provides the farming community with value-added services to enhance farmer incomes. The e-Choupal is a case study at the Harvard Business School and finds special mention in the World Bank's World Development Report 2008.

INFORMATION TECHNOLOGY

ITC Infotech, the Information Technology arm of ITC provides end to end solutions, including e-enabled solutions and business process outsourcing, to a host of global names in Europe and America.



As a diversified conglomerate, ITC aspires to achieve and sustain leadership positions in each of its businesses.

ITC: Touching your life everyday

ITC's endeavour to leverage its deep understanding of the consumer, gained through its intimate relationship with the consumer over several decades, its commitment to creating world-class products and services through intensive R&D and innovation, and its world-class human capital have created a large bouquet of Indian brands across a range of products and services that do our nation proud and provide consumers a delightful experience.





WILLS LIFESTYLE

classmate




ITC-WELCOMGROUP

JOHN PLAYERS


ESSENZA DI WILLS

SCISSORS
FILTER

Kitchens
of INDIA

Vivel
DI WILLS

mint-o

MANGALDEEP

CANDYMAN

Superia

MISS PLAYERS

ई-चौपाल

Certifications, Honours & Awards



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 recognitions received during the past few years are:

- © **The inaugural World Business Award in 2004**, that recognises companies which have made significant efforts to create sustainable livelihood opportunities and enduring wealth in developing countries. The award has been instituted jointly by the United Nations Development Programme (UNDP), International Chamber of Commerce (ICC) and the HRH Prince of Wales International Business Leaders Forum (IBLF).
- © **The Development Gateway Award in 2005** for its trailblazing e-Choupal. ITC is the first Indian company and the second in the world to win this award for the importance of its contribution to development priorities like poverty reduction, its scale and replicability, sustainability and transparency.
- © **The Stockholm Challenge Award 2006** for the e-Choupal initiative for using Information Technology for the economic development of rural communities.
- © **FICCI Outstanding Vision Triple Impact Corporate Award 2007** for exemplary Triple Bottom Line performance.
- © **Sustainability Leadership Award 2007** conferred on Chairman Y C Deveshwar by the Sustainability Forum, Zurich and SAM/SPG at the International Sustainability Leadership Symposium.



- ◎ The Corporate Social Responsibility Crown Award for Water Practices from UNESCO and Water Digest for its distinguished work carried out in the water sector in India.
- ◎ NDTV Profit Business Leadership Award for being the Best Food Company of 2007. The award has been instituted to recognise organisational excellence.
- ◎ Wills Lifestyle rated amongst the top 5 Luxury brands in the country in a Global Luxury Survey conducted by TIME Magazine.

Some major Awards received by the Company in 2008-09



- ◎ Mr Y C Deveshwar was conferred the Business Person of the Year Award by the Bengali News Channel 24 Ghanta. The award was presented by the Hon'ble Chief Minister of West Bengal, Shri Buddhadeb Bhattacharjee.
- ◎ ITC won the top UNIDO Award at the International Conference on Sharing Innovative Agribusiness Solutions 2008 at Cairo in recognition of its exemplary initiatives in agri business.
- ◎ TERI Corporate Award for Social Responsibility 2008 in recognition of the Company's exemplary initiatives in implementing integrated watershed development programmes across 7 states.
- ◎ ICAI Award for Excellence in Financial Reporting with its Annual Report and Accounts, adjudged a commendable entry under the category 'Manufacturing and Trading Enterprises'.
- ◎ ITC won 5 awards at the 30th All India Annual Conference of the Public Relation Society of India (PRSI), for its outstanding communication initiatives reaching out to a large gamut of external stakeholders as well as its internal audience.



- © **NASSCOM - CNBC IT User Award 2008** in the category Retail & Logistics, recognised for its pro-active and holistic approach to IT adoption and the seamless alignment of IT with business strategy.
- © **ITC Welcomgroup adjudged the Best Employer in Asia** in the hospitality sector by the global Human Resources consulting and outsourcing firm, Hong Kong-Hewitt Associates in partnership with Wall Street Journal.
- © **ITC Infotech featured in the Black Book of Outsourcing 2008 Green Report**, brought out by the Brown Wilson Group in the US, as one of the top twenty green vendors delivering the Triple Bottom Line milestones of economic gains, environmental stewardship and social improvements.
- © **Top Export Award to ITC's Paperboards Business** from Chemicals & Allied Products Export Promotion Council (CAPEXIL) for the 7th consecutive year in the Paper & Paperboard Panel.
- © **Best Corporate Social Responsibility Practice Award** at the Social and Corporate Governance Awards 2008 instituted by The Bombay Stock Exchange (BSE), Times Foundation and the NASSCOM Foundation.
- © **Bukhara, at ITC Maurya, was declared the Best Indian Restaurant in Asia - 2008** by the Restaurant magazine.



- © Inaugural GRI Readers' Choice Awards 2008 for the Sustainability Report.
- © Best City Spa Award for Kaya Kalp at ITC Mughal at the Tatler Spa Awards in London.
- © ITC Welcomgroup won the NCPEDP Shell Helen Keller Award 2008, in the category 'Companies/Organisations/ Institutions who share our vision and through their policies and practices demonstrate their belief in equal rights and gainful employment for persons with disabilities'.
- © The Best Premium Hotel Brand to ITC Hotels at the 6th edition of the annual Galileo Express Travel World Awards, organised by The Express Group.
- © National Tourism Award for ITC Grand Central for the best private public enterprise providing facilities for physically challenged guests at the hotel.



Certifications

All EHS Management Systems & Sustainability Reporting in ITC conform to the best international standards.

- ⊙ **ISO 14001 (Environment Management Systems):** All manufacturing Units of ITC (except the newly commissioned Haridwar and Pune Units), all the major hotels, Corporate EHS Department & ITC R&D Centre at Bengaluru are certified.
- ⊙ **OHSAS 18001 (Occupational Health & Safety Management Systems):** All the manufacturing Units of ITC (except the newly commissioned Haridwar and Pune Units) and Corporate EHS Department are certified.
- ⊙ **SA 8000 Social Accountability:** Leaf Processing plants at Chirala and Anaparti, Cigarette factory at Kolkata and Surya Nepal's Simra factory are certified. Efforts are continuing to obtain company wide certification.

Food Safety

- ⊙ **ISO 22000 (Food Safety Management System):** ITC Hotels Maurya, Mughal, Sheraton Rajputana and Sheraton Chola are certified.
- ⊙ **HACCP:** ITC Hotels Maratha, Grand Central, Sonar and Kakatiya are certified.

The Foods Business Unit in Haridwar has also achieved this Certification.

ITC Infotech India Ltd has become the first Indian IT Company to receive the prestigious Social Accountability (SA) 8000:2008 Certification. SA 8000 is widely accepted as the most viable and comprehensive international workplace management system. This Certification is yet another major milestone in our journey towards excellence in Sustainability. This achievement demonstrates our commitment towards building a workplace benchmarked with the best in the global arena.



Honours: 2008–09

The following awards received during 2008–09 are in recognition of the significant achievements in the areas of EHS and the international standards conformed to by various Units of the company.

Five Star Rating & Sword of Honour by British Safety Council, UK

- ⊙ Leaf Processing plants at Chirala & Anaparti
- ⊙ Packaging & Printing Units at Tiruvottiyur & Munger

Five Star Rating (Safety) by British Safety Council

- ⊙ Cigarette factories at Bengaluru, Kolkata, Saharanpur & Munger
- ⊙ Leaf Processing plants at Chirala & Anaparti
- ⊙ Packaging & Printing Units at Munger, Tiruvottiyur & Haridwar
- ⊙ Paperboards and Specialty Papers Units at Bhadrachalam, Tribeni, Bollaram & Kovai

Five Star Rating (Environment) by British Safety Council

- ⊙ Cigarette factories at Bengaluru, Munger, Kolkata & Saharanpur
- ⊙ Leaf Processing plants at Chirala & Anaparti
- ⊙ Packaging & Printing Unit at Tiruvottiyur

Suraksha Puraskar Bronze Trophy by National Safety Council

- ⊙ Cigarette factory at Bengaluru

National Safety Award by National Safety Council

- ⊙ Cigarette factory at Kolkata

Suraksha Puraskar Award by National Safety Council

- ⊙ Packaging & Printing factory at Munger

Prashansa Patra Award by the Ministry of Labour and Employment, Government of India

- ⊙ Cigarette Unit at Kolkata

Golden Peacock Occupational Health & Safety Award by Institute of Directors, New Delhi

- ⊙ Cigarette factories at Munger, Saharanpur & Bengaluru

Greentech Environment Excellence Awards by Greentech Foundation, New Delhi

Gold Award to

- ⊙ Cigarette factories at Kolkata, Munger & Bengaluru
- ⊙ Leaf Processing plant at Chirala
- ⊙ Packaging & Printing Unit at Munger
- ⊙ ITC Kakatiya
- ⊙ Sheraton Rajputana

Silver Award to

- ⊙ ITC Mughal
- ⊙ Paperboards Unit at Bhadrachalam

Excellent Energy Efficient Unit Award & Most Useful Presentation Award by CII

- ⊙ Cigarette factory at Saharanpur

National Award for Excellence in Energy Management 2008 by CII

- ⊙ PSPD Units at Bhadrachalam & Tribeni

Safety, Health & Environment Award by CII, Eastern Region

- ⊙ Cigarette Units at Munger & Kolkata

National Award for Excellence in Water Management by CII

- ⊙ Cigarette Unit at Munger

Golden Peacock Environment Management Award by Institute of Directors

- ⊙ Sheraton New Delhi

Merit Certificate for Best Safety Practices by Directorate of Industries & Boilers (Karnataka)

- ⊙ Cigarette factory at Bengaluru

Energy Conservation award by CII Eastern Region

- ⊙ Cigarette Unit at Munger



REPORT PROFILE, SCOPE & BOUNDARY

This is our sixth Sustainability Report and includes the sustainability performance for the period from April 1, 2008 to March 31, 2009. We report our performance on an annual basis.

The last issue of our Sustainability Report was published in 2008 covering the period April 1, 2007 to March 31, 2008.

The reporting principles and methodology continue to remain in accordance with the 2006 version of GRI guidelines - G3. The relevant indicator protocols and 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 contact Corporate Communications Department at the above address or e-mail: enduringvalue@itc.in

Explanation of Processes

This Report covers performance of all the businesses and units directly under ITC Limited and four subsidiary companies, where we have operational control (as in the previous years). The information/data reported here reflect significant economic, environment and social impacts that can substantially influence assessments or decisions of our stakeholders. Our businesses/units continue to proactively engage with key stakeholders, who, either have a major interest or are largely affected by our performance in any of these businesses/units.

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

We continue to enlarge our Triple Bottom Line footprint by influencing other subsidiaries, joint ventures and outsourced manufacturing units.

The Report on economic performance is drawn from the Company's Report & Accounts (R&A) 2009. The R&A 2009 was prepared in accordance with the Companies Act, 1956 and has been audited by independent External Auditors - M/s A F Ferguson & Company. The EHS data is compiled from actual operating data maintained by the various businesses, factories, hotels, etc. of the Company and the subsidiaries.

The social responsibility data has been collected on-site.



Reporting Boundary:

This report covers the following businesses and their corresponding units:

FMCG

Cigarette units at: Kolkata (West Bengal) | Bengaluru (Karnataka) | Munger (Bihar) | Saharanpur (Uttar Pradesh)



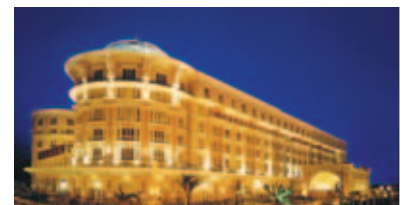
FMCG Others

Foods unit at Haridwar (Uttarakhand) | Personal Care Products unit at Haridwar (Uttarakhand)



Hotels

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



Paperboards, Paper & Packaging

Units at: Munger (Bihar) | Tiruvottiyur (Tamil Nadu) | Haridwar (Uttarakhand) | 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) | ITC Head Office, Kolkata (West Bengal)



Subsidiaries

ITC Infotech India Limited units at Bengaluru (Karnataka) and Kolkata (West Bengal) | Surya Nepal Private Limited Cigarette Manufacturing unit at Simra (Nepal) | Srinivasa Resorts Limited ITC Kakatiya, Hyderabad (Andhra Pradesh) | Bay Islands Hotels Limited Fortune Resort Bay Island Hotel, Port Blair, Andaman & Nicobar



GOVERNANCE, COMMITMENTS & ENGAGEMENTS





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 –

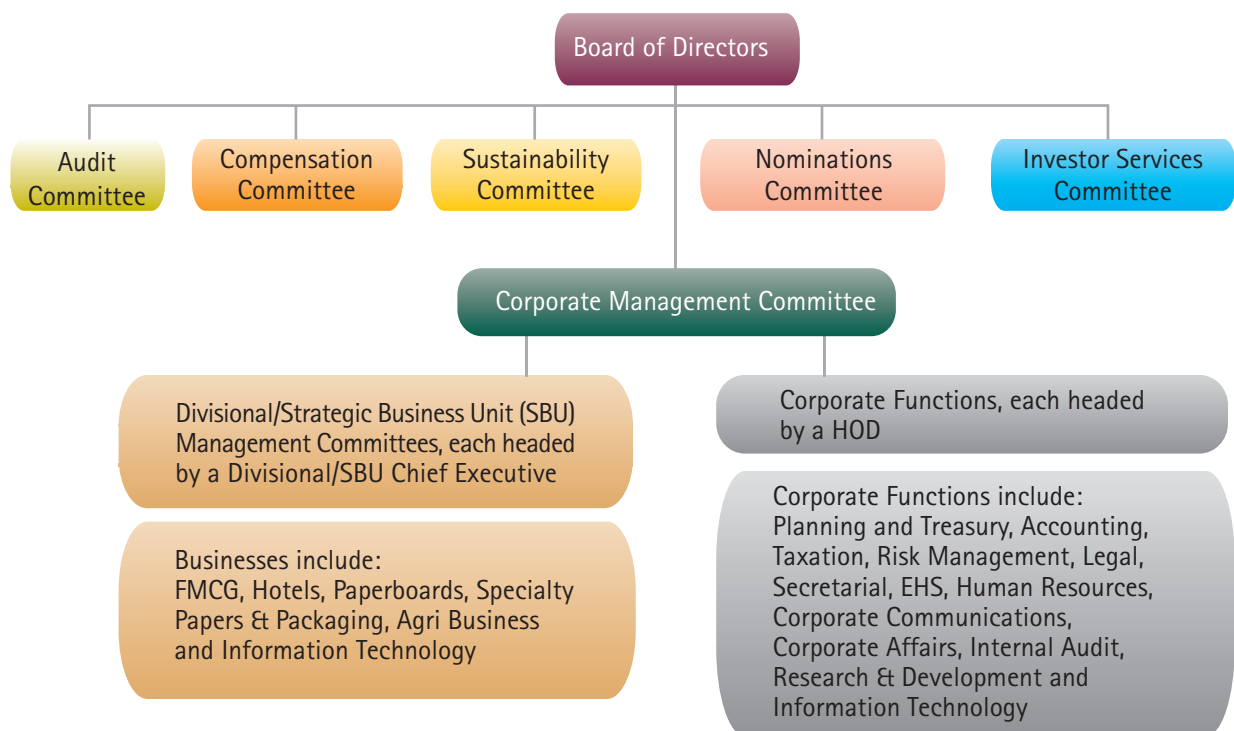
Strategic supervision – by the Board of Directors

Strategic management – by the Corporate Management Committee (CMC)

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 are articulated and available on the Company's corporate website.

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 3 Executive and 10 Non-Executive Directors (including 8 Independent Directors) as on March 31, 2009.

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



Performance of the highest governance body

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

Compensation for members of highest governance body

Remuneration of the Chairman and 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. 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. Their remuneration is based, inter alia, on Company performance and regulatory provisions and is payable on a uniform basis to reinforce the principle of collective responsibility. Non-Executive Directors are also entitled to sitting fees for attending meetings of the Board and Committees thereof, the limits for which are approved by the shareholders.

Avoidance of conflicts of interest

In terms of the ITC Code of Conduct, Directors, senior management and employees must avoid situations in which their personal 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, prohibits insider trading by Directors and employees while in possession of unpublished price sensitive information in relation to the Company.

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. The Corporate Risk Management Cell works with the businesses to identify and establish the respective risk profiles. The risk profiles include both strategic risks and operational risks.
- ▣ A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed.
- ▣ Appropriate structures have been put in place to proactively monitor and manage the inherent risks in businesses with unique/relatively high risk profiles.
- ▣ A strong and independent Internal Audit function at the Corporate level carries out risk-focused audits across all businesses, enabling identification of areas where risk management processes may need to be improved. 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.
- ▣ At the business level, Divisional Auditors continuously verify compliance with laid down policies and procedures, mitigate risks in financial reporting through

regular transaction audits 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 strategic planning and performance management ensures realisation of business objectives based on effective strategy implementation. Businesses confirm periodically that all relevant business risks have been identified, assessed, evaluated and appropriate mitigation systems implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with the Company's businesses. The senior management of the Company 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 and ensuring effective implementation. EHS Performance of all Units/Factories/Hotels is audited, at least once annually, 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 Corporate Management Committee 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.

ITC's Corporate Governance Policy lays 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.

Stakeholder Engagement

We continue to improve our systems to identify, prioritise and address the needs and concerns of all our stakeholders, across all businesses and units as well as at the corporate level.

Shareholders

As trustees of shareholders, we believe it is our responsibility to protect and enhance their wealth.



Their primary expectations remain centred on 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 with uninterrupted dividend and issue of bonus shares from time to time.

Our Chairman addresses and provides clarifications to shareholders at least once a 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, corporates or foreign investors.

Our corporate website www.itcportal.com provides comprehensive information and an exclusive section on

'Shareholder Value' serves to inform and service shareholders; an exclusive e-mail ID has also been provided to the shareholders for direct interaction.

Customers

Understanding customers and addressing their needs and aspirations through strong long term customer relationships, continues to be the prime focus of all our business strategies. We continue to delight the customer through improvement in product quality, value added services, on time delivery and cost competitiveness.

Various innovative approaches such as market surveys, personal contacts/visits, events, customer satisfaction surveys, joint development & improvement projects, key account management, dealer feedbacks, etc were deployed to understand customer needs and preferences.

Robust Quality Assurance systems supported with process innovations, lean management, six sigma and TPM enable us to meet customer expectations.

We continue to invest significantly in R&D to develop newer products/variants. Supply chain management with emphasis on IT and infrastructure development ensures availability of our world-class products and services.

Employees

We continued to progress our strategic agenda of remaining globally competitive and creating engines for sustainable growth by nurturing quality talent and blending proven skills and capabilities drawn from different parts of the ITC Group. Each business focuses on engaging with employees through communication meetings, workplace interactions, mentoring & suggestion schemes, employees/manager surveys and talent recognition programmes.

We have strived to attract and retain the talent workforce through various initiatives that focus on providing personal development & growth, a work culture that ensures high levels of performance, world-class learning and a conducive work environment.

We have further strengthened the organisational vitality and competitiveness through various efforts including:

- ❑ Developing agility and creativity to speedily embrace change.
- ❑ Developing leaders from a pool of talented, passionate and diverse individuals.
- ❑ Creating an environment where employees are inspired, engaged and aligned with the Company's Vision, Mission and Core Values.

Farmers

Since ITC's principle raw materials are agri-based, farmers have always been an integral and important part of our value chain. A large part of our R&D efforts is dedicated to providing expertise & support to improve agri-quality & productivity. We partner with farmers in ensuring for them better price realization, assured markets and improved productivity.

Further details are provided elsewhere in this Report.

Suppliers

We believe that suppliers are our partners in progress and are critical to ITC's value chain. All our businesses have ensured improvement in vendor capabilities through regular formal & informal interactions, reviews & audits, sharing of best practices, joint product development, capacity building, vendors surveys & feedbacks. Our Managers directly supervise many important outsourced manufacturing sites, which result in improved vendor competitiveness.

Government

We continue to maintain 'beyond compliance' status by adopting international best practices. We comply with all applicable economic, environmental and social regulations. We proactively interact with Government/Regulatory Authorities in various fora on issues relating to regulatory and public policy framework.

Community

All our businesses/units regularly interact with communities surrounding their operations. Social interventions are planned and implemented on the basis of the feedback from these interactions and various 'need assessment' surveys carried out by competent agencies. These unique initiatives are detailed in the 'Social Performance' section of this Report.





ITC'S TRIPLE BOTTOM LINE ECONOMIC PERFORMANCE



RS 4003

Creating Robust Drivers of Growth

We delivered another year of steady performance despite very difficult trading conditions, characterised by extremely volatile financial, commodity and consumer markets. Aggressive cost management measures were pursued across all businesses to enhance cost competitiveness and cushion the impact of the economic slowdown.

Gross Turnover for the year grew by 8.4% to Rs. 23144 crores. Net Turnover at Rs.15388 crores grew by 10.3%. Pre-tax profit increased by 5.6% to Rs. 4826 crores, while Post-tax profit at Rs. 3264 crores registered a growth of 4.6%. Earnings Per Share for the year stood at Rs. 8.66. Cash flows from Operations touched an all time high of Rs. 4706 crores.

Economic Performance

Key Economic Indicators	(Rs Crores)		
	2007	2008	2009
Gross Turnover	19300	21356	23144
Net Turnover	12164	13948	15388
Exports	1926	1695	1762
Contribution to Government/Exchequer	8455	10768	11233
Cost of Bought out Goods and Services	7578	8810	9639
Employee Wages & Salaries	630	733	891
Payments to Providers of Capital - Interest and Dividend	1170	1324	1415
Retained Profits	1335	1577	1634
Community Investments	64	57	61

* Detailed Financial performance available at www.itcportal.com

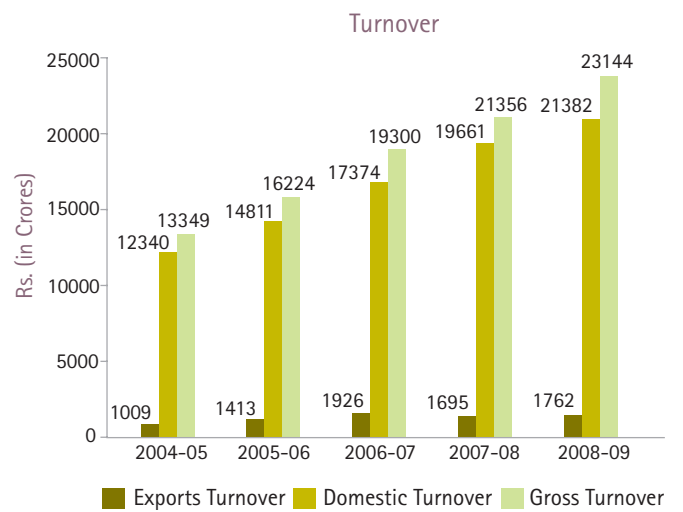
ITC has progressively grown over the years and is one of India's foremost creators of wealth in the private sector. Given its unique business models, corporate strategies, governance philosophy of trusteeship, the economic value created by it has benefited all stakeholders. This is manifested in the creation of world-class products and services

with superior quality for our customers, increasing contribution to the national exchequer, contribution to the livelihoods of over 26,000 people through direct employment and supporting the livelihoods of over 5 million people through our businesses and social initiatives.




Economic Performance: Aligning Stakeholders

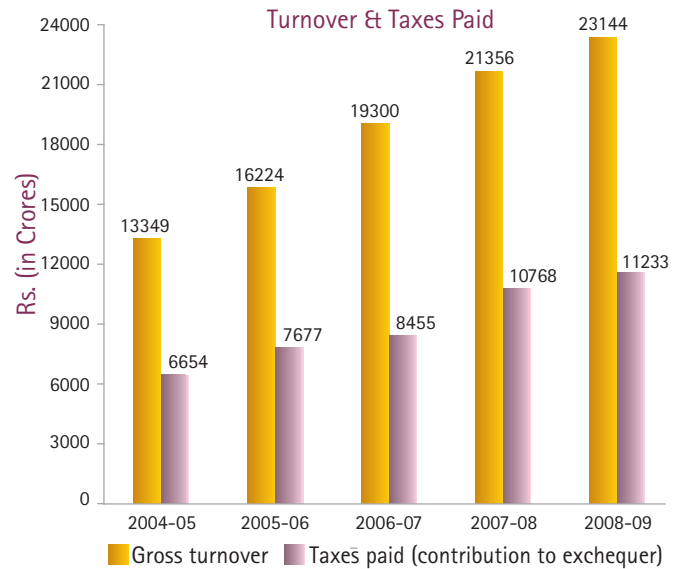
A. Putting Customers First

The Company's relentless efforts to create value through international quality products, significant investments in technology and product development, strong portfolio of brands and focused marketing and distribution, have contributed to building consumer trust in our products and services which is clearly reflected in our increasing sales volumes across all businesses. Our constant endeavour to engage with the customer has driven innovation in creating differentiated and superior value.



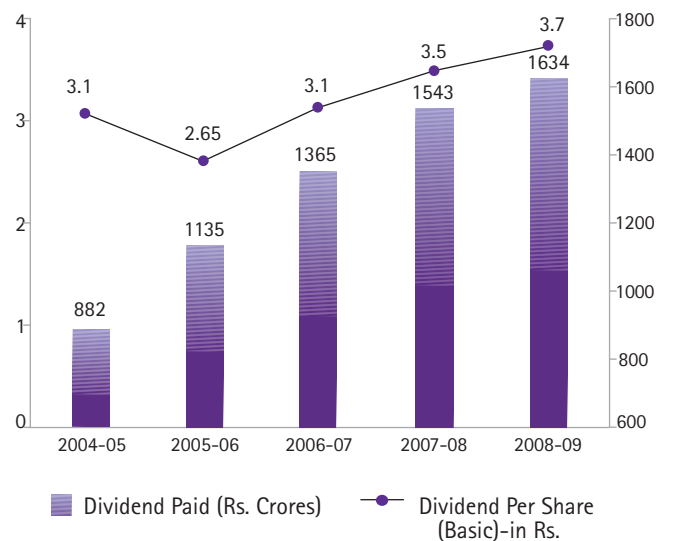
B. Contributions to the Government/ National Exchequer

-  Contribution to the exchequer- 74% of Value Added.
-  Direct Taxes- the highest tax payer in Eastern India and amongst the top taxpayers in the country.
-  Excise payments- 7% of the country's total collection.

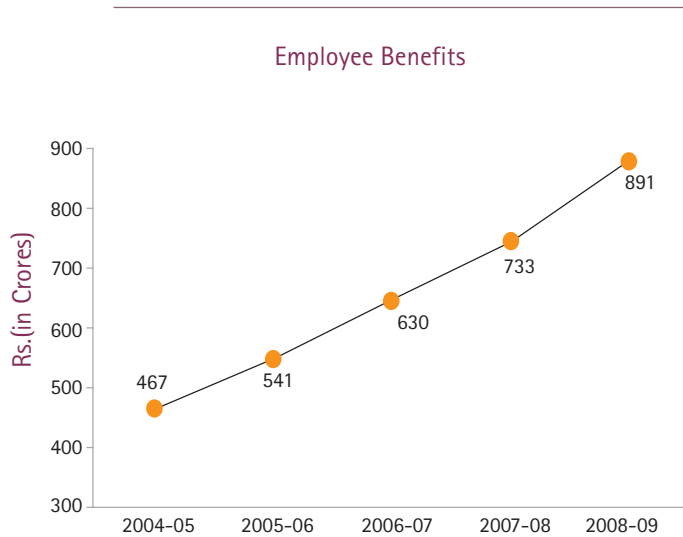


C. Rewarding Shareholders

-  Growth in Shareholder Returns - 24% (compounded annual average 2003-04 to 2008-09).
-  ITC is among the foremost in India in terms of efficiency of servicing financial capital and 4th amongst listed private sector companies in terms of market capitalisation as at March 31, 2009.



D. Engaging Talent

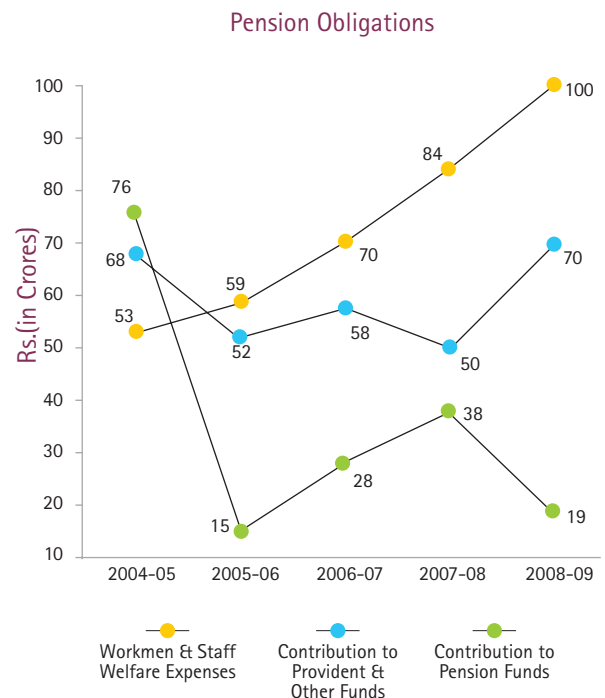


- Attracting and nurturing quality talent supported by significant investments in learning and development, a culture of care and concern and systems and processes that encourage engagement and involvement.
- Creating a responsive, stakeholder-centric and market-focused culture that enhances organisational capability and vitality.



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.
- There are different pension plans and obligations and these plans cover over 18,000 employees. These plans are fully funded in accordance with annual actuarial valuation. The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified. The funds are consistently sustained to meet requisite superannuation commitments.



Local Hiring & Senior Management

We recruit quality talent from premier campuses across the country through an objective and robust selection process. New employees are assigned to various businesses of the Company and are 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 on the availability of requisite skills.

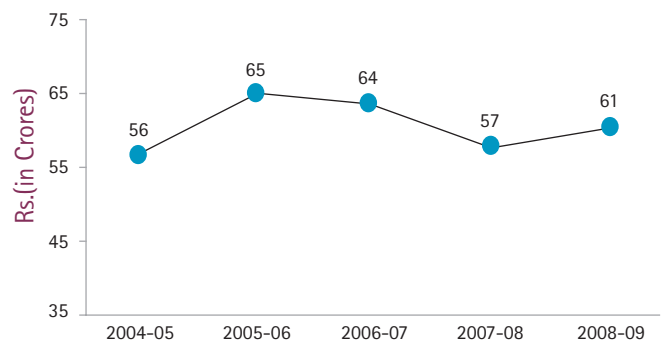


E. Citizen First



✍ ITC endeavours to create shareholder value while making a substantial contribution to society (Details of our Social contribution are provided in the Social Performance section of this Report).

Community Investments



Local 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. Over 87% of our raw materials are local/agri based.



Financial Assistance from Government

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



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.

1. ITC Sangeet Research Academy



With the gradual decline of royal patronage that historically sustained India's vast musical traditions, the rich heritage of Indian Classical music, whose origins can be traced back to more than 2,000 years, seemed in danger of being irrevocably lost. To preserve this priceless cultural legacy, nurture its growth and build its future, ITC set up the Sangeet Research Academy in December 1987. A public charitable trust, the Academy's farsighted endeavour was three-fold: to establish a modern 'Gurukul' to revive India's traditional 'Guru-Shishya Parampara'; to buttress the oral tradition of Indian Classical Music with modern research and technology, and to promote and propagate Indian Classical music.

Inspired by the irresistible call of ITC's vision, several illustrious musicians have come to teach at the Academy. Its eminent Gurus have not only nurtured the traditional 'Guru-Shishya Parampara', but also groomed many of today's leading musicians.

In its three decades of existence, the ITC Sangeet Research Academy (ITC-SRA) has exemplified how ancient musical traditions can be enshrined for generations to come. Sangeet Sammelans have charged the classical music scenario with a new vibrancy, the Academy's documentation and analysis of oral traditions have added value to music education, and scientific research has proved that art and science can harmoniously co-exist.

For music lovers, ITC-SRA is an institution. For ITC, it is a corporate tribute to the great tradition of Indian Classical music.

For details of this unique institution please visit www.itcsra.org



2. CII-ITC Centre of Excellence for Sustainable Development

A co-creation of the Confederation of Indian Industry and ITC, the Centre of Excellence established on January 18, 2006, is a unique institution that continuously endeavours to encourage corporates to embrace sustainability by creating awareness, promoting thought leadership and building capacity amongst Indian enterprises in the quest for Sustainable Development. The Centre recognises and honours excellence in corporate sustainability performance.

The Centre provides a wide range of services and organises a large number of events and programmes, in order to meet these objectives.

Some of the prominent activities of the Centre include:

CII-ITC Sustainability Awards 2008

These unique awards, instituted to identify and recognise Indian businesses for their exemplary Triple Bottom Line (economic, social and environmental) performance, were given away this year by Dr. Montek Singh Ahluwalia, Deputy Chairman of India's Planning Commission. The awards endeavour to promote role models in Indian industry and are also a knowledge imparting tool to motivate superior sustainable performance.

Business Leaders' Programme

This four-day program 'Strategies and Leadership for Creating Sustainable Organisations' was organised by the Centre for the 2nd time to train senior business executives in Sustainability Strategy. It was conducted in association with Cornell University, The Johnson School, Centre for Sustainable Global Enterprise and was led by Prof. Stuart Hart, Samuel C. Johnson Chair in Sustainable Global Enterprise.

Over 25 senior managers (Vice Presidents, GMs., etc) from various businesses & NGOs, participated in this programme.



3rd Sustainability Summit Asia 2008

The CII-ITC Centre of Excellence in association with Development Alternatives, held its 3rd annual summit in December 2008. The Summit with the overall theme of 'Competitiveness Redefined' deliberated on how sustainability challenges provide opportunities to innovate sustainable solutions and build competitiveness.

The focus themes of the Summit were: Innovation, Climate Change, South Regional Cooperation, CSM in Indian Companies, Corporate Governance, BoP and Green Construction.

The summit was inaugurated by Mr. Somnath Chatterjee, erstwhile Hon'ble Speaker, Lok Sabha. Over 400 representatives mainly from Industry attended the Summit.

For further details please visit
www.sustainabledevelopment.in

3. Other Infrastructure Initiatives

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

ITC'S TRIPLE BOTTOM LINE ENVIRONMENTAL PERFORMANCE





Climate Change and Sustainable Competitiveness

Role of Industry

The world today is confronted with an impending catastrophe related to the phenomenon of global warming and climate change. They would bring in new challenges that would significantly change the context of competitiveness for business and industry. It would be imperative for businesses to adopt strategies that are aimed at creating a low carbon regime through innovations in technologies, products and services.

We continue to progress the following decisive strategies to enhance our competitiveness and support national & international efforts in mitigating the adverse impacts of climate change.

- 🌿 Identify 'climate change' risks in various ITC businesses and implement mitigation/adaptation measures.
- 🌿 Improve competitive advantage through innovations in products, technologies and leveraging opportunities offered by CDM projects.
- 🌿 Minimise ITC's GHG emissions through:
 - ✿ Achieving minimum specific energy consumption in each business.
 - ✿ Maximising our renewable energy portfolio.
- 🌿 Enlarge our Carbon Positive footprint.

STRATEGY 1 - CLIMATE CHANGE: RISK MANAGEMENT

In line with the issues addressed in the 4th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), the Indian Government's National Action Plan for Climate Change and other national and international reports on climate change as well as our own internal studies, we 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.



Climate Change and Agriculture:

A very significant proportion of our raw materials are agri based. The impact of climate change on India's rain fed agricultural sector is quite complex, especially the adverse effect on soil, biodiversity and ecological regimes. Our R&D specialists are collaborating with expert study groups and examining agricultural productivity/adaptation issues related to climate change. Our water conservation, watershed development and rainwater harvesting projects contribute significantly in improving the sustainability of our agri-related businesses.

Coastal Vulnerability:

ITC has two large manufacturing units and a hotel in the coastal areas. Preliminary studies have already been completed to evaluate the implications of climate change and implement necessary measures to minimise the risks.

Minimising Carbon Intensity:

Our businesses continue their endeavour to achieve significant reductions in energy consumption and minimise their carbon footprint in different product lines, thereby aligning businesses to emerging statutes and consumer preferences.

STRATEGY 2 - NEW PRODUCTS, TECHNOLOGIES & CDM PROJECTS:

Environment Friendly, World-Class Paper and Paperboards:

ITC pioneered the manufacture of Elemental Chlorine Free (ECF) pulp, paper & paperboards in India. It has moved further ahead with the implementation of 'Ozone bleaching' technology, giving the Company yet another 'first in India', much ahead of regulations, thereby reinforcing its commitment to a better environment. These unique initiatives together with a world-class new pulp mill & a new paper machine established this year enable ITC to expand its offerings of 'internationally benchmarked', 'environment friendly' paper & paperboard products.



The Company has provided its discerning customers, the choice of partnering its efforts to create a positive environmental footprint by offering the 'GREENEST' paper & paperboard products from the 'Greenest' paper mill in India (All About Paper – the lifecycle of the Indian Pulp and Paper Industry – Green Rating Project by the Centre for Science & Environment, 2004) which sources nearly all its wood requirement from 'sustainable plantations' in the catchment area of the mill.

ITC's Paperboards and Specialty Papers business, a pioneer in ECF technology, and the only producer of ozone-bleached pulp in India is now a member of WWF GFTN (World Wildlife Fund – Global Forestry & Trade Network), since July 1, 2009.

GFTN is a WWF initiative to eliminate illegal logging and improve the management of valuable and threatened forests, while encouraging sustainable forest management practices and minimising the forest footprint of industries trading in or procuring forest goods.

ITC's Paperboards business now seeks to progressively achieve FSC (Forest Stewardship Council) certification for various forestry initiatives and paper & paperboard products.

These initiatives will not only provide environment assurance to our customers who exercise their preference for environmentally responsible products, but also strengthen ITC's green credentials in an emerging carbon sensitive economy.



Eco-friendly Paperkraft Premium Business Paper

Leveraging its pioneering environment friendly technology, ITC has now crafted the greenest premium business paper – Paperkraft Premium Business Paper for home and office use. The first of its kind in India, Paperkraft Business Paper offers consumers a superior value proposition by being the whitest and brightest copier & printer paper manufactured in India. A proprietary chemical treatment has enabled it to become a stronger paper with longer archival life.

Paperkraft promises superior functionality to consumers delivered through an environmentally responsible product, thus, offering them a simple way to join the Green Movement and make a Green Impression.



US Secretary of State, Hillary Clinton Visits ITC Green Centre Calls it: 'A Monument to the Future' :

US Secretary of State Hillary Clinton chose the LEED Platinum rated ITC Green Centre to announce a vision for Indo-US collaboration on climate change. Secretary Clinton, after a tour of ITC's green building, said that, 'The ITC Green Centre is a monument to the future. This Centre is a model of environmental stewardship and economic development, which provides inspiration as we approach the Copenhagen discussions.'

The ITC Green Centre is one of the world's first largest green buildings to receive the top-most Platinum rating from the US Green Building Council for Leadership in Energy and Environmental Design (LEED). The building, which has utilised innovation, cutting edge technology and design integration to achieve new benchmarks in energy efficiency and water conservation, is a manifestation of ITC's leadership in Sustainability Practices.



CDM Projects:

ITC businesses have already registered 8 CDM projects, with the CDM-EB (Clean Development Mechanisms - Executive Board), set up by UNFCCC (United Nations Framework Convention on Climate Change) under the Kyoto Protocol. Significant progress has been achieved on many other projects including 2 Wind Power projects and a 'Green' boiler, which is now under installation.

CDM projects & related activities have helped ITC businesses achieve significant reductions in energy costs and CO₂ footprint & has generated revenues from the sale of CERs (Certified Emission Reductions).

ITC Sonar - The Only Hotel in the World to Earn Carbon Credits - UNEP

A recent UNEP (United Nations Environment Programme) report on 'Sustainable Buildings & Construction Initiative' states that:

'Only six of the more than 3000 projects in CDM pipeline are related to energy efficiency in buildings (as of May 2008). In addition, within the six projects, only one is today generating certified emission reduction credits (CERs).'

'The only project in building sector that is currently producing CERs is the ITC Sonar Hotel in India.'

'The ITC Sonar Hotel in Kolkata has successfully employed energy saving performance indicators and management measures to establish an energy saving culture.'



UNFCCC Registers ITC's Unique Social Forestry CDM Project

The CDM-EB of the UNFCCC has confirmed the registration of ITC's unique large-scale social forestry project - a first of its kind in India and globally the only Afforestation/Reforestation project with retrospective credits of 57792 CERs.

This project involving 3070.19 hectares of private degraded wastelands owned by tribals and rural poor, contributes significantly to the livelihoods of tribals and marginal farmers in 193 villages in the Khammam district of Andhra Pradesh. Apart from sequestering significant amount of CO₂, the forestry initiative provides sustainable source of raw material for ITC's Paperboards mill, conserves in-situ moisture, prevents topsoil erosion and improves soil fertility.

The net revenue from the sale of CERs, after completion of the verification process will provide additional benefits to the poor tribals and encourage Indian and International agricultural CDM projects.



STRATEGY 3 - MINIMISING ITC'S CARBON FOOTPRINT:

ITC businesses continued to make concerted efforts in energy conservation and adopt renewable sources of energy to reduce the carbon intensity of ITC's growing portfolio of products & services.

In 2008-09 significant growth in all ITC businesses together with the installation of the new pulp mill at Bhadrachalam (which has significantly reduced the import of pulp), commissioning of a new paper machine (thereby significantly enlarging the proportion of paper in the product mix – paper requiring almost 3 times the pulp needed to manufacture the same amount of paperboards) and a large number of project activities have resulted in total energy consumption of 19284 Terra Joules by ITC's businesses (nearly 30% more than 14820 TJ in 07-08).

However, enhanced use of black liquor in the new pulp mill and installation of 9 grid connected wind power turbines to generate 14.1MW of electricity have helped us in containing CO₂ emissions to within 16% over the previous year.

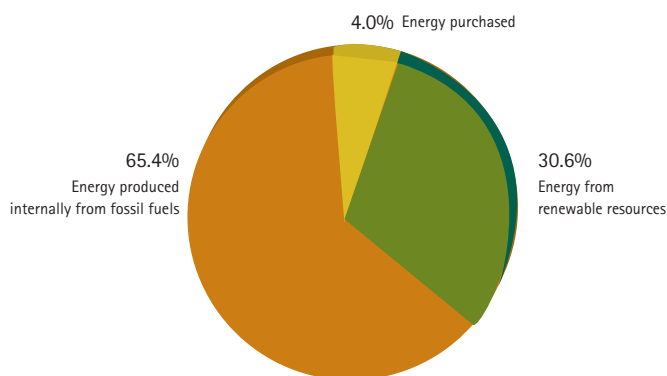
Additional 4 wind power turbines (6 MW) and a 'Green' boiler (biomass-fired), now under installation will further reduce ITC's GHG emissions from our Paperboards, Hotels and Packaging business.

Our Cigarettes business, in 2008-09, reduced specific energy consumption from 5.97 to 5.77 GJ/million cigarettes (equivalent). Bengaluru, Kolkata and Saharanpur Cigarette factories achieved 9.2%, 2.4% and 2.1% savings in specific energy respectively – very significant achievements in units that are already very energy efficient. (British American Tobacco has reported specific energy consumption of 12.08 GJ/million cigarettes equivalent – Sustainability Report 2008. The Environment, Health & Safety Report, 2007 of Japan Tobacco International has reported specific energy consumption of 6.195 GJ/million cigarettes).

The other ITC units that have achieved significant reductions in specific energy consumption during the year include Surya Nepal's Simra Cigarette unit (14.2%), Packaging & Printing unit at Munger (7.6%), Paper Mill at Tribeni (2.9%) ITC Hotel Maurya (6.3%), ITC Windsor (4.1%) and Sheraton Hotel Chola (6.1%).

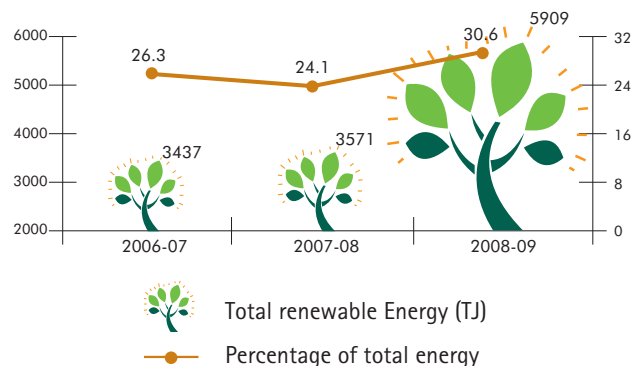
For details on our significant energy conservation initiatives during 2008-09, please visit www.itcportal.com

Sources of Energy in ITC



We source only 4.0 % of energy from external sources

Renewable Energy



30.6% of the total energy consumed is generated from renewable resources (as defined by IPCC).

Renewable energy resources in ITC comprise:

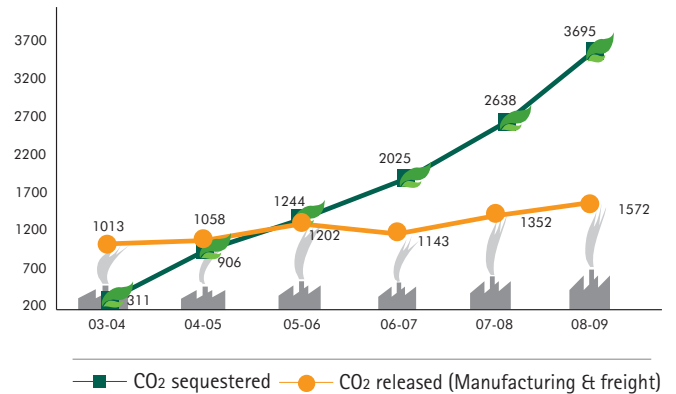
- Black liquor waste from pulping process in Bhadrachalam Paperboards unit.
- Locally sourced chip/sawdust and de-oiled bran as boiler fuel in Kovai.
- Wind Energy farms for Packaging & Printing Business and ITC Hotel Kakatiya.
- Solar thermal systems for preheating boiler feed water and canteen hot water in a number of our units.

STRATEGY 4 - ENLARGE OUR CARBON POSITIVE FOOTPRINT:

We continued to enhance our social and farm forestry initiatives and added nearly 9975 hectares of plantations during 2008-09.

The total social and farm forestry plantations as at March 31, 2009, covered an area of over 90,000 hectares.

Apart from providing sustainable source of raw materials for our Paperboards business and providing over 40 million person days of employment to marginal sections of society, these plantations sequestered 3695 kilotonnes of CO₂, thereby consolidating our 'Carbon Positive' status – now for the 4th year in a row.



ITC: A CARBON POSITIVE CORPORATION
4th YEAR IN A ROW



Responsible Management of Water Resources

Water will remain a very serious sustainability concern globally. India in particular faces a turbulent water future. With over 16% of the global population having access to less than 4% of global fresh water resources, water scarcity in India is likely to worsen over the years. Efficient water management will therefore be one of the key imperatives for sustainable growth.

Bhadrachalam and Kovai Paper and Paperboards mills use river water (83.6% of ITC's total fresh water usage) from the adjacent rivers while other units of ITC meet their requirements from ground water (14.8%) and municipal sources (1.6%).

All ITC businesses practice the following sustainability strategies with regard to this precious resource:

- 🍃 Strategy 1: Water conservation (through audits, benchmarking and use of best practices) to achieve the lowest specific water consumption (water per unit of production).
- 🍃 Strategy 2: Zero Wastewater Discharge: treating and recycling all wastewater.
- 🍃 Strategy 3: Enhancing our 'Water Positive' footprint through Rainwater Harvesting.

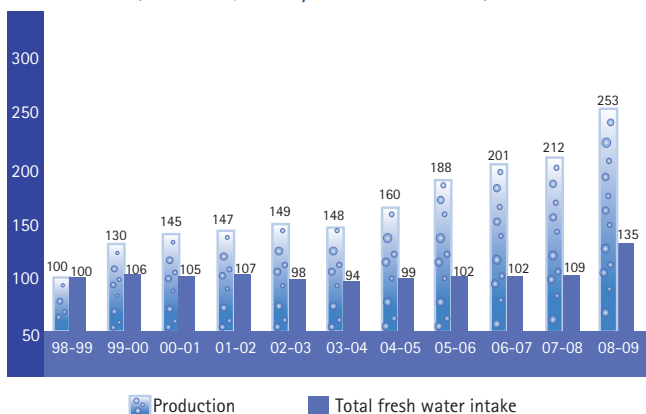
STRATEGY 1: Water Conservation to Achieve the Lowest Specific Water Consumption

Total fresh water intake by ITC businesses at 32.7 Million Kilotres (MKL) in 2008-09 was approximately 19% higher than the previous year due to significant growth in all ITC businesses together with installation of the new pulp mill at Bhadrachalam (which has significantly reduced importation of pulp), commissioning of a new paper machine (thereby significantly enlarging the proportion of paper in the product mix - paper requiring almost 3 times the pulp needed to manufacture the same amount of paperboards) and the implementation of a large number of project activities.

Our Bhadrachalam unit, the largest integrated paper and paperboards mill in India, accounts for 79.7% of the total fresh water intake in ITC. Although production in this unit has increased by nearly two and a half times since 1998-99, the mill's intake of fresh water till last year had been contained and remained largely the same as in 1998-99.

In our Tribeni mill, where large quantities of water is required for manufacture of specialty papers, significant water conservation initiatives have been implemented to achieve a reduction of 54% of specific fresh water intake since 1998-99.

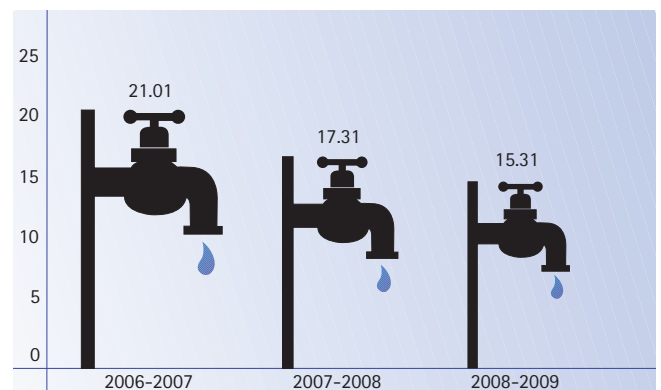
Production versus freshwater intake of Bhadrachalam unit (1998-99, base year taken as 100)



Water conservation measures, in Kovai unit, since acquisition of the mill in 2004 has led to over 27% reduction in specific fresh water intake.

Other ITC businesses also made concerted efforts to minimise specific fresh water consumption through initiatives that included water audits, deployment of best practices and adoption of state-of-the-art technologies along with greater employee participation.

Specific fresh water intake - Kovai unit (KL/Tonne)



Our Cigarette business further improved specific water intake from 4.92 KL in 07-08 to 4.17 KL per million cigarettes (equivalent)- an improvement of 15.3%. This compares well with the specific water consumption of 4.73 KL per million cigarettes (equivalent) reported by British American Tobacco- British American Tobacco Sustainability Report 2008.

Other business units with exemplary performance in reducing specific water intake this year include the Packaging & Printing unit at Munger (22.4%), Leaf Processing unit at Chirala (9.6%), SNPL's Simra Cigarette unit (16.3%), ITC Hotels Maurya (3.8%), Windsor (12.7%) and Sheraton Hotels Chola (6.1%), Rajputana(16.8%) and New Delhi(10.6%).

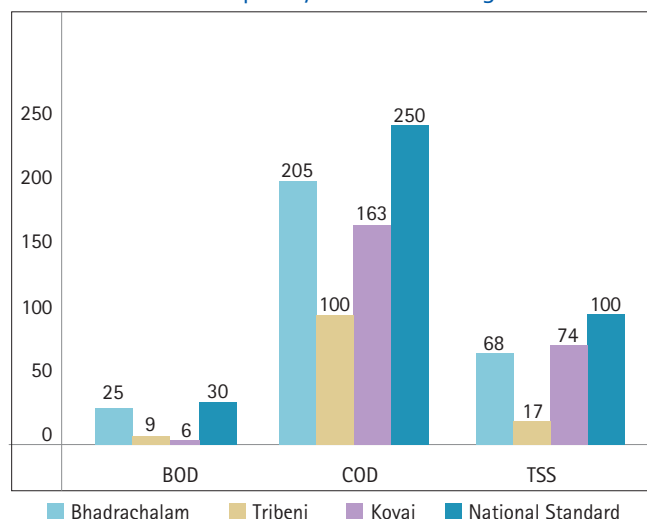
STRATEGY 2: Zero Wastewater Discharge: Treating and Recycling Wastewater

Closing the water loop in a factory/hotel not only minimises fresh water usage, but also prevents pollution of the environment including that of fresh water sources. Significant endeavour has been made to recycle the entire treated wastewater through use in flushing toilets, cooling towers, gardening, etc.

Our Cigarette factories at Bengaluru, Saharanpur, Leaf plants at Anaparti and Chirala, Packaging & Printing unit at Tiruvottiyur, Research Centres at Bengaluru and Rajahmundry, Paperboards unit at Bollaram, ITC Green Centre at Gurgaon, Hotels ITC Sonar and Sheraton Rajputana reused/recycled their entire treated effluent.

Three Paper & Paperboards mills, alone, generate 97.8 % of the total effluents in ITC. All the effluent parameters in these mills (as shown in the graph) & other ITC units are significantly better than the prescribed standards.

Effluents' quality: Annual Average



All figures in mg/l and rounded off to the nearest digit

BOD-Biochemical Oxygen Demand; COD-Chemical Oxygen Demand; TSS- Total Suspended Solids

OZONE BLEACHING

Bhadrachalam unit, this year, has introduced a cutting edge, high consistency Ozone delignification process named Ze Trac.

Ze Trac Ozone being a stronger oxidant than Chlorine requires smaller reaction systems and apart from being eco-friendly (it does not produce undesirable by-products, such as AOX), results in improved brightness, pulp strength and cost efficiency.

Bhadrachalam pioneered Elemental Chlorine Free (ECF) technology in India, in 2002. Successful implementation of Ozone Bleaching, the first in India and second in Asia, demonstrates ITC's commitment to enlarging its positive environmental footprint and achieving higher levels of Triple Bottom Line performance. The adoption of such contemporary, eco-friendly technologies have yielded encouraging results which include:

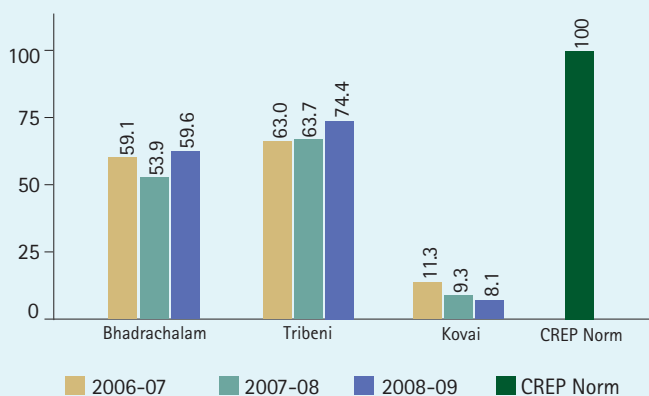
- Lower operating costs
- Nearly 50% reduction in Specific Chlorine dioxide consumption
- Enhanced pulp quality
- Very significant reduction in Adsorbable Organic Halides in the effluents

Voluntary Charter on Corporate Responsibility for Environmental Protection - Ministry of Environment and Forests & Central Pollution Control Board

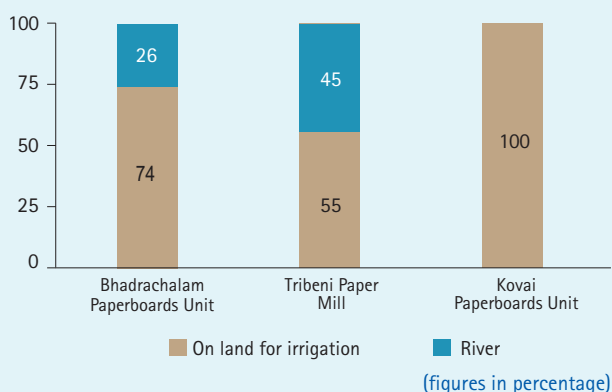
The Ministry of Environment & Forests of the Government of India and the Central Pollution Control Board have issued a voluntary charter on Corporate Responsibility for Environmental Protection for seventeen industry sectors in India which identifies measures to be adopted to effectively combat pollution. Our performance vis-à-vis each of the requirements for the large Pulp & Paper mills is stated below:

1. Wastewater discharge to be less than 100 KL/tonne of paper

Wastewater Discharge in ITC PSPD units (KL/Tonne)



2. Utilisation of treated effluent for irrigation wherever possible



While the Kovai unit utilises its entire treated effluent for irrigation, Bhadrachalam and Tribeni units are also progressing rapidly towards achieving this milestone.

3. Discharge of Adsorbable Organic Halides (AOX) to be 1.0 Kg/tonne by 2008

AOX levels this year has been reduced to a mere 0.0074 Kg/tonne of production in our Bhadrachalam mill, the only unit in India to have implemented ECF & Ozone Bleaching technologies. AOX is not applicable to any other unit in ITC.

	AOX (Kg/Tonne)
Bhadrachalam Mill	0.0074
Indian Paper/Paperboards Mills*	0.46-0.8
European Paper Industries#	0.03
World Bank Standard**	0.2

* Average as per Comprehensive Industry Document for Large Scale Paper Mills, study conducted by Central Pulp & Paper Research Institute, 2007

Confederation of European Paper Industries- Sustainability Report 2007

** World Bank Guideline for New Paper Mills

Voluntary Charter on Corporate Responsibility for Environmental Protection – Ministry of Environment and Forests & Central Pollution Control Board



4. Installation of lime-kiln for recalcination of lime sludge by March 2007

Our Bhadrachalam unit, where this norm is applicable, has a lime-kiln in operation for more than seven years.

5. Odour Control by burning reduced sulphur emissions in the boiler/lime-kiln by 2007

Pulp manufacturing conventionally produces non-condensable gases (NCG) containing Total Reduced Sulfur (TRS), which include hydrogen sulfide, methyl mercaptan, dimethyl sulfide and di-methyl disulfide and can be a source of odour.

In the Bhadrachalam mill, the newly installed Super-batch digesters have considerably reduced generation and release of a number of these gases. In addition a number of Low Volume High Concentration gases present in the plant areas are collected through an extensive piping system & led to lime-kilns for incineration.

6. Effluent Colour removal

The Indian Paper Manufacturers Association has engaged the Central Pulp & Paper Research Institute to suggest measures for colour removal from effluents.

Bhadrachalam unit, however, has adopted 'Moving Bed Biofilm Reactor' technology for effluent treatment, which has led to significant reduction in the effluent colour.

STRATEGY 3: Enhancing A Positive Footprint: Through Rainwater Harvesting

We continued to develop additional rainwater harvesting potential within our own units, as well as through watershed development projects in socially relevant areas.

The watershed projects as on March 31, 2009, covered nearly 44,000 hectares of land and sustained our 'Water Positive' status for the 7th year in a row.

Todate, the total rainwater harvesting potential created by us is nearly two and a half times the net water consumption by all our operations (The amount of actual rainwater harvested is dependent on the actual rainfall and the pattern of rainfall).

Water balance at ITC	02-03	03-04	04-05	05-06	06-07	07-08	08-09
Fresh Water Intake	24.1	22.48	24.98	25.58	25.79	27.46	32.72
Treated effluents discharged	14.64	14.04	19.55	20.96	19.58	18.92	24.52
Net water consumption	9.49	8.44	5.43	4.62	6.21	8.54	8.2
RWH potential created within ITC units	0.24	0.39	0.34	0.61	0.47	0.42	0.5
RWH potential created through watershed projects (till 31.3.09)	12.5	15.67	16.52	18.99	23.12	25.42	19.43
Total RWH potential created (till 31.3.09)	12.74	16.06	16.86	19.60	23.59	25.84	19.93*

All figures in Million KL

* In 2008-09 lower 'RWH potential' figures account for silt deposits in various watershed structures. The adjustments are based on actual sample measurements & the extent of silt deposit depends on the age & location of a structure.



ITC: A WATER POSITIVE CORPORATION
7th YEAR IN A ROW



Another Positive Environmental Footprint

Solid waste management is a major global environmental challenge specially faced by urban and semi-urban locations.

Significant proportions of solid wastes, even in large and medium cities/towns in India, are disposed by land filling/dumping. Most dumping sites are a serious health hazard to people living in the neighbourhood and are liable to contaminate ground water.

All ITC businesses practice the following strategies for management of solid waste.

✌ Strategy 1 - 100% Recycling: All ITC units/businesses, apart from minimising waste generation, are mandated to recycle 100% of waste generated by their operations. Waste recycling provides solutions for saving natural resources and energy. It also reduces costs and environmental pollution. Recycling also prevents wastes from reaching landfills and in fact creates significant employment opportunities.

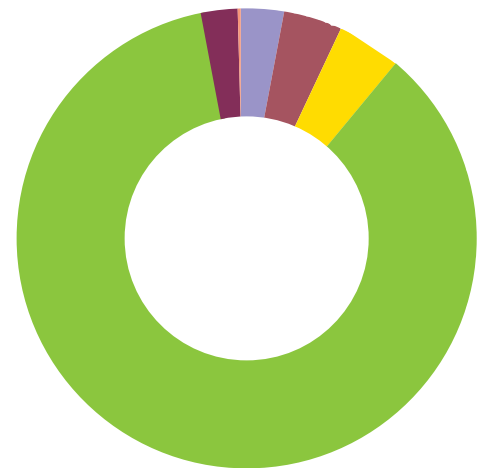
✌ Strategy 2 - Creating a Positive Footprint: Wastepaper is a key input in the manufacture of recycled paperboards. Our Paperboards & Specialty Papers business, a leader in the Paperboards segment has commenced a strategic initiative for wastepaper recycling designated 'WOW' (Wealth Out of Waste). This intervention has established an efficient collection and recycling chain, targeting larger sources of aggregation such as schools, offices and residential colonies. Apart from contributing to a cleaner environment, WOW is an important source of cost competitiveness for the industry.

Classification & Disposal:

4.4 % of total solid wastes*, in ITC are categorised as hazardous wastes in accordance with the Indian statutes. Over 99%, of such hazardous wastes is recycled, as shown below:

Hazardous Waste item	Quantity (tonnes)	Disposal
Sludge from effluent treatment plant	20,867	Recycled to form trays, paperboards, etc. by third parties
Empty containers of hazardous chemicals	294	Decontaminated and returned to original suppliers
Used oil	191	Given to authorised recyclers
Used batteries	35	Returned to original suppliers
Spent solvents/waste ink/ink sludge	52	Recycled
	38	Incinerated
Biomedical waste	1.7	Incinerated/ Autoclaved

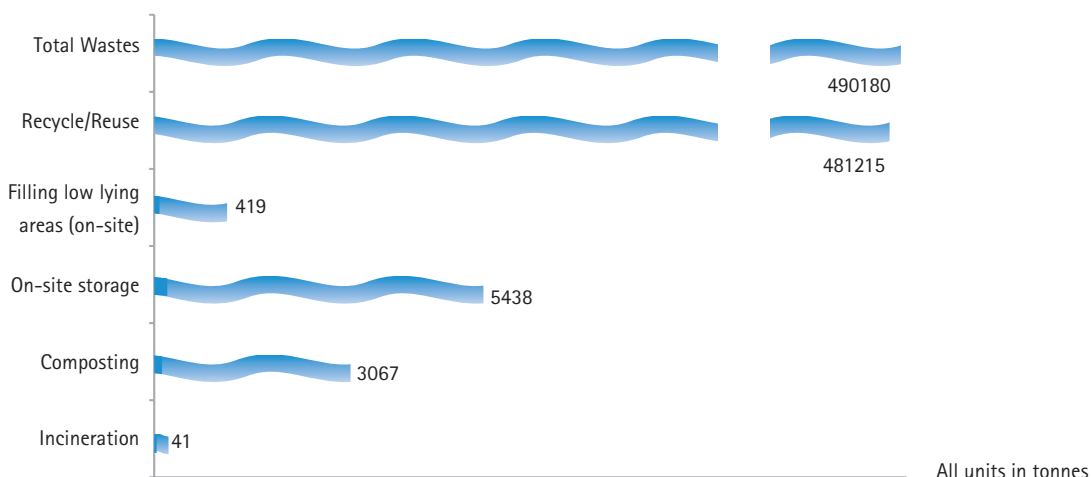
Breakup of solid waste generated by ITC businesses



All figures are in Percentage

Waste Destination

The graph below summarises the final destinations of total solid wastes*:



* Includes used oil, spent solvents/waste ink/ink sludge.

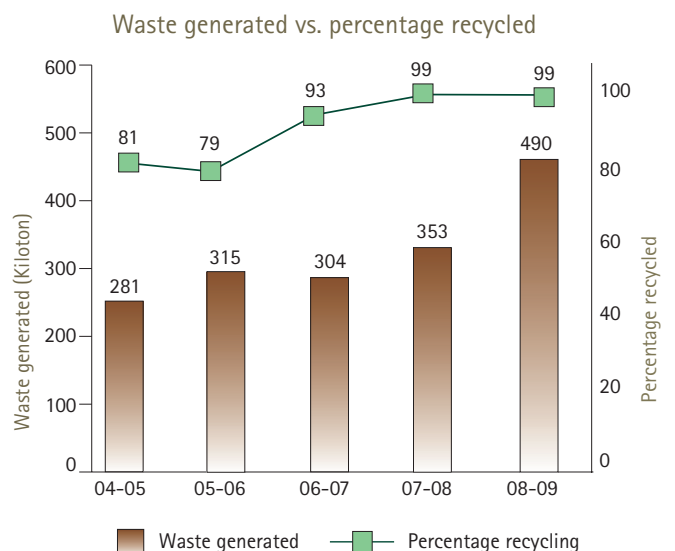
STRATEGY 1: Towards 100% Recycling



ITC's businesses continued to witness significant growth this year. The Paperboards & Specialty Papers business which generates the largest amount of wastes in ITC, grew by nearly 15% and implemented a large number of major projects, where commissioning and initial trials resulted in generation of substantial quantity of wastes. Despite an increase of 38.8% in waste generation, we were able to recycle 99% of all solid wastes generated.

The entire fly ash generated by our units was used for brick making, road/embankment construction and as raw material in cement factories.

Cigarette factories at Bengaluru, Saharanpur, Munger and Kolkata, Leaf Threshing units at Chirala and Anaparti, Specialty Paper unit at Tribeni, the Green Centre at Gurgaon, Surya Nepal Cigarette factory at Simra and ITC Hotels Maurya, Maratha, Grand Central, Sonar, Windsor, Mughal, Kakatiya, Sheraton Chola and Rajputana recycled nearly 100% of all solid wastes generated in these units this year.



STRATEGY 2: Creating a Positive Footprint

Our Kovai paperboards unit, continued to use post-consumer wastepaper for its entire production of paperboards. Our Bhadrachalam unit utilised 40,194 tonnes of post consumer waste paper as raw material.

Waste Recycling Footprint

* Waste Footprint = Waste Recycled/Waste generated

	Unit	06-07	07-08	08-09
Total Waste	Tonnes	303,913	352,970	490,180
Recycled	Tonnes	282,924	349,256	484,287
Recycled	%	93.1	98.9	98.8
Unrecycled	Tonnes	20,995	3,706	5,893
Outside waste used as raw material	Tonnes	167,913	163,245	125,337
Waste recycling footprint	%	148%	145%	124%

Wealth Out-of Waste (WOW)

ITC's WOW initiative is not only creating awareness among the public about the advantages of the 'Reduce-Reuse-Recycle' process, protecting the environment, improving civic amenities, public health and hygiene and generating employment, but also generating cost-effective raw material for the paper, plastics, metal and glass industries.

The WOW initiative has now been extended to Hyderabad, Bengaluru, Chennai, Khammam District in Andhra Pradesh and Kovai District in Tamil Nadu. What started in a small way with households has now spread to schools, government offices, Corporates and other institutions.



To emphasise the importance of source segregation, ITC provides special bags to accumulate dry waste like paper, plastic and metals and arranges periodic collection through outsourced agencies. The waste paper is used by ITC for manufacture of paperboards and the other materials are sold to the recycling industries. Segregated dry waste can save almost 40% of municipal garbage handling costs, which can be utilised to improve civic amenities.

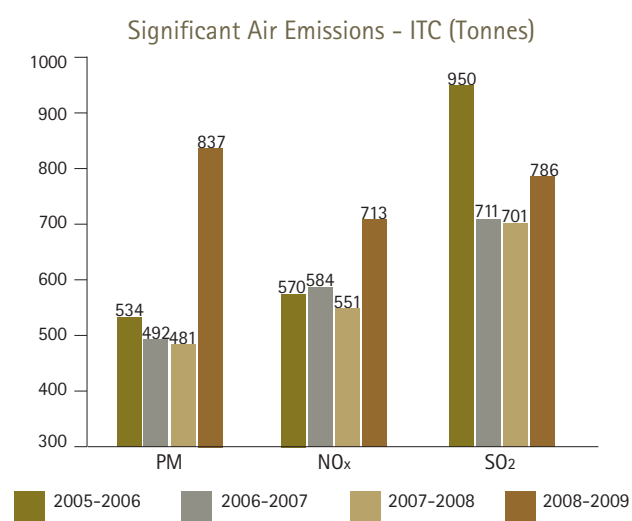
In 2008-09 the total waste paper collected by ITC through this initiative was 6000 tonnes, an increase of 12 times over the previous year.

ITC: SOLID WASTE RECYCLING POSITIVE

Significant Air Emissions

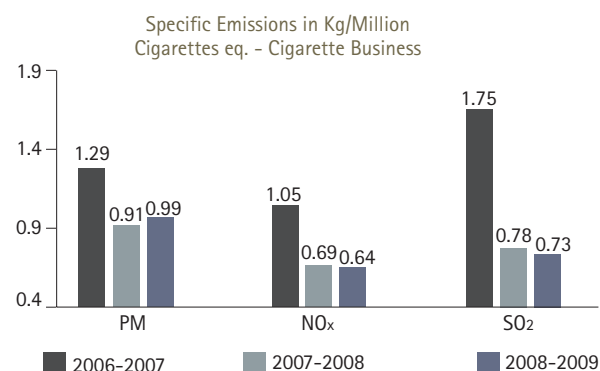
We made continuous improvements in this area and ensured that emission levels not only comply with statutory norms but also achieve international benchmarks. This was achieved through adoption of cleaner technology/fuel and state-of-the-art pollution control equipment such as bagfilters/scrubber.

All our units monitor significant air emission parameters such as Particulate Matter (PM), Nitrogen Oxides (NO_x) and Sulphur Dioxide (SO₂) on a regular basis.



The increase in total emissions in 2008-09 is mainly due to significant growth in all ITC businesses together with installation of the new pulp mill, at Bhadrachalam, commissioning of a new paper machine (thereby significantly enlarging the proportion of paper in the product mix - paper requiring almost 3 times the pulp needed to manufacture the same amount of paperboards) and a large number of project activities.

However, all units made significant efforts to reduce specific emission levels. The Cigarette business has achieved significant reduction in specific PM, NO_x and SO₂ emissions in the last three years.



The leaf threshing business reduced the specific Particulates emissions from 0.62 kg to 0.50 kg per tonne of leaf processed (a reduction of 19.3%). The specific NO_x and SO₂ emissions have also been brought down by 37.7% and 56.6% respectively from the previous year.

Specific emission (Kg/tonne)	2007-08	2008-09	Percentage improvement
NO _x	1.14	0.71	37.7
SO ₂	1.29	0.56	56.6

Our Bhadrachalam unit, the largest integrated Paper/Paperboard unit in India, accounts for a significant portion of these emissions.

In 2008-09, the specific NO_x emission levels from the unit was better than the standards stipulated even in European countries.

NO _x (kg/tonne)			
	2006-07	2007-08	2008-09
Bhadrachalam	0.67	0.43	0.69
Standards -			
Sweden	1.2 - 2.4		
EU	1.0 - 1.8		
EU-BAT*	1.0 - 1.5		
Reported Values			
CEPI **	0.82		

SO ₂ (kg/tonne)			
	2006-07	2007-08	2008-09
Bhadrachalam	0.65	0.5	0.84
Standards -			
Sweden	0.5-1.4		
EU	0.1-0.5		
EU-BAT*	0.2-0.4		
Reported Values			
CEPI **	0.36		

Source - Comprehensive Industry Document for Large Scale Pulp & Paper Mills, study done by CPPRI, published by CPCB, 2007

*EU-BAT: EU Norm Best Available technology

**CEPI: Confederation of European Paper Industries, Sustainability Report 2007

Particulate Matter emissions from Bhadrachalam were 1.75 kg/BDMT (Bone-Dry Metric Tonne) in 2008-09, whereas large-scale Indian mills typically emit 3.8 kg/BDMT - 'All About Paper - The life cycle of Indian Pulp and Paper Industry', Green Rating project by The Centre for Science & Environment, 2004.

In addition to the above parameters, Bhadrachalam Unit also monitors Hydrogen Sulphide. The average measured value for the year 2008-09 was 3.41 mg/ Nm³, almost a third of the regulatory norm of 10 mg/Nm³.

Ozone Depleting Substances (ODS)

In line with the guidelines of the Montreal Protocol 1987 which regulates/bans the use of ozone depleting substances internationally, the Government of India formulated ODS (ozone depleting substances) Rules in 2000. These rules specify the time frame and technology options for India to phase out ODS.

The salient features of ITC's Guidelines on ODS phase out are -

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

Corporate EHS audits each unit, annually, to ensure compliance.

In 2008-09, the total consumption of ODS by all our units was 163 Kg of CFC-11 (equivalent).

Responsible Management of Chemicals, Oils and Fuels

All our units manage chemicals, oils and fuels in an environmentally responsible manner. While designing storage facilities, best practices on leakage/spillage prevention are considered such as adequate dyke walls, impervious flooring, leak detection system and requirements

under Material Safety Data Sheets (MSDS) for hazardous chemicals. Standard operating procedures on handling & storage, leak detection & spill control and preventive maintenance have been instituted to avoid spills or leakage. These measures are inspected on a regular basis to ensure robustness of the systems.

The Paperboards & Specialty Papers units, which are major users of hazardous substances among our businesses, have adopted best practices to eliminate/reduce hazardous chemicals. We also continuously examine the feasibility of substituting these hazardous chemicals with less or non-hazardous materials.

There was no major spill of any chemicals, oils, fuels or hazardous wastes in any of our units.

Biodiversity

None of our units/operations is located in a biodiversity sensitive zone. All the new/expansion projects have been undertaken after detailed Environmental Impact Assessments (EIA) and stakeholder consultations. Environmental Management Plans developed in the EIA studies are implemented as part of the projects.

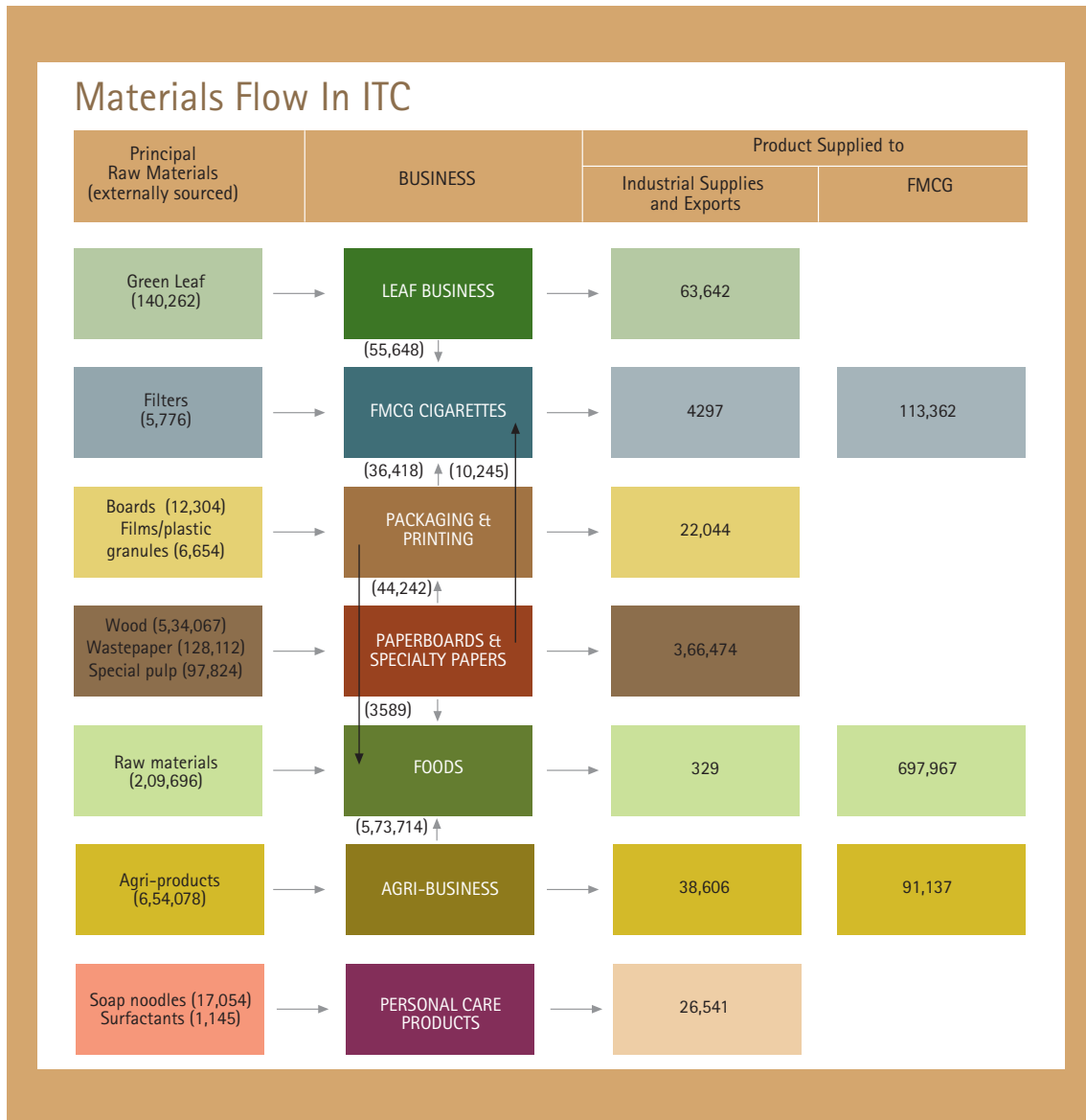
Beyond Compliance

All our Units remain committed to benchmarking against international standards and to the implementation of state-of-the-art processes and technologies.

Environment, Occupational Health & Safety management systems in our units conform to international standards namely ISO 14001/OHSAS 18001/HACCP etc. and are certified by accredited 3rd Party agencies.

Corporate EHS experts audit every unit at least once each year to ensure compliance to statutory norms and Corporate EHS requirements.

MATERIAL SUSTAINABILITY IN ITC BUSINESSES



1. All figures in tonnes
2. The diagram shows only principal raw materials, that are over 5% of the total raw materials in respective businesses

ITC's initiatives in large-scale social and farm forestry plantations greening over 90,000 hectares, watershed projects irrigating nearly 44,000 hectares of dryland, empowerment of farmers in 40,000 villages create rural sustainable livelihoods. These interventions along with technology upgradation, extensive R&D and waste minimisation through product and process improvements

help us in improving raw material sustainability in our multiple businesses.

Synergies in our businesses through vertical and horizontal integration, create significant opportunities for minimising our environmental footprint through better material utilisation, waste recycling and optimising logistics and transportation.

ENVIRONMENTAL FOOTPRINT OF OUR PRODUCTS:

ITC products can be broadly classified into the following categories:

1. **FMCG products:** Cigarettes, foods, personal care products, stationery, etc. – All strategies aimed at minimising environmental impacts are implemented during the product design stage.
2. **Industrial Supplies and Exports:** Paper, Paperboards, Packaging; Leaf tobacco, etc – We expect the user industries to take adequate measures to minimise the environmental impact from these supplies.
3. **Services: Hotels** – The environmental impact from our hotels has already been accounted for in the relevant sections of this Report.

SUSTAINABLE SOURCING OF WOOD FIBRE

ITC's Paperboards Mill at Bhadrachalam manufactured over 360,908 tonnes of paperboards in 2008-09, using 5,32,254 tonnes of pulpwood, apart from waste paper and some special pulp. This pulpwood is sourced largely from renewable plantations in agricultural lands and private wastelands owned by farmers, and does not deplete natural forests.

ITC invested significantly in Research & Development, over many years, to create clonal saplings of Eucalyptus, Subabul and Casurina, which are largely disease-resistant, grow faster with reduced growing cycles, and have higher survival rates. These were then provided to small farmers for planting in private wastelands. These clones, popularly known as 'Bhadrachalam clones', have been developed following a traditional breeding route and are not genetically modified. ITC also provides a comprehensive package of plantation management practices under the Tree Improvement Programme to facilitate growers.

The pulpwood species of Eucalyptus, Subabul and Casuarina are exotics and are not sourced from high value conservation forests. The Government of Andhra Pradesh has declared Eucalyptus, Subabul and Casuarina as agricultural produce.

The forestry initiatives have brought with it a multiplicity of additional benefits apart from conserving natural forest resources. These include the creation of a green cover for carbon sequestration, conserving in-situ moisture, groundwater recharge, reduction in topsoil losses and increase in soil fertility. More importantly, it has provided 40 million mandays of employment to tribals and marginal farmers, many of whom are among the most disadvantaged.

Over 98.70% of the Bhadrachalam mill's total wood requirement in 2008-09 came from plantations under the agro-forestry initiatives. Around 6240 tonnes of bamboo was sourced from authorised open markets. A small portion amounting to 4263.13 tonnes of wood (0.53%) was sourced from private farmlands. The mill also utilised 40,194 tonnes of waste paper.

The Bhadrachalam Paper & Paperboards mill is ISO 9001-2000 certified, ensures traceability of all the wood used in the manufacturing process and does not buy wood-based raw materials from unidentified sources.

ITC'S TRIPLE BOTTOM LINE SOCIAL PERFORMANCE





Labour Practices and Decent Work

Our human resource management systems and processes aim to create a responsive, customer-centric and market-focused culture that enhances organisational capability and vitality. Our unique employee value proposition backed by strong corporate equity enabled sustained engagement in challenging times.

During 2008-09 our full-time direct employees numbered over 26,200 of which nearly 2,100 employees in the Leaf Tobacco business were engaged on a seasonal basis due to the very nature of the business.

The different value chains related to our businesses 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 & farm forestry, e-Choupals, women's empowerment & micro-enterprises and livestock development.

Over 12,600 of our direct employees are members of various unions. Employees were aligned and involved in the implementation of significant investments in technology and process improvements aimed at enhancing productivity, quality and delivery effectiveness. The harmonious relations at all operating units is a reflection of the Company's approach to employee engagement focusing on a collaborative approach and mutuality of interests.

Our remuneration philosophy recognises performance and meritocracy, whilst being competitive and sustainable. This is reflected in the total employee cost of Rs 891 crores during 2008-09, which represents a 18% compounded annual growth over the last 3 years.

The unique value proposition and the integrated approach to managing human resources anchored on ITC's Group Philosophy and ITC's HR Philosophy enabled attraction, retention and motivation of employees. The attrition was 12% across levels and about 3% at senior management level.

Learning and development was given significant focus during the year, with over 78,000 person-days of formal training. In addition, substantial investments were also made on on-the-job learning supported by inputs from superiors and other colleagues.

Occupational Health & Safety

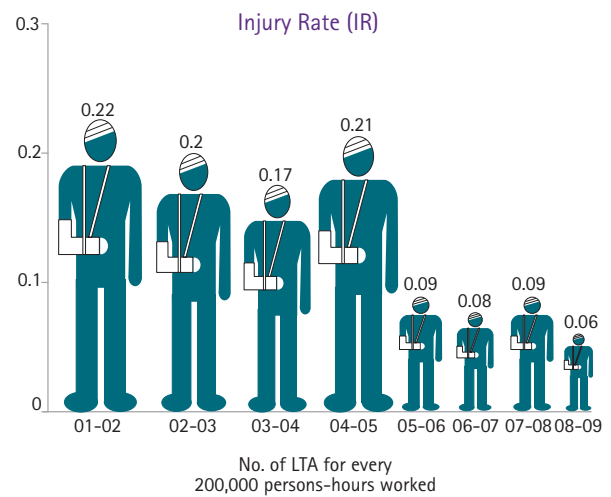
All units in ITC have established EHS management systems with designated responsibilities, competent resources, best-in-class infrastructure, state-of-the-art fire detection & protection systems and the latest electrical equipment, etc. to achieve benchmarked performance in safety.

Employee involvement through participation in suggestions schemes, holding EHS events and EHS Training have helped develop and maintain a safety culture across the organisation.

Our units also engage in proactive risk assessment techniques to identify potential hazards and implement risk control measures to eliminate/reduce risks.

Corporate EHS experts review new projects/expansion plans and conduct comprehensive audits before commissioning projects to ensure compliance.

Although the Indian Factories Act/Rules, which is aligned with the requirements of ILO, is comprehensive and encompasses all requirements for a safe and healthy work environment, we collaborated with National Safety Council of India to develop our own Corporate EHS Guidelines, which are far more stringent than the Indian legislation and include international standards and best practices.

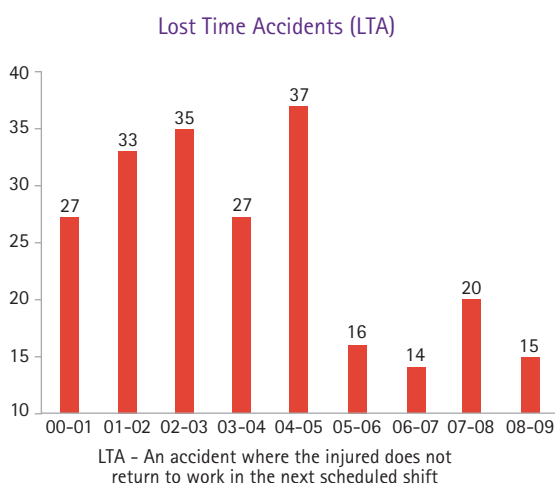


A comprehensive incidents/accidents reporting system has been established at every unit. All accidents and incidents are thoroughly investigated to identify the root cause and initiate corrective and preventive measures.

The findings and recommendations are discussed at the safety committee meetings and circulated to all Departments for implementation.

In 2008-09, our focus on providing a safe work environment yielded positive results with lost time accidents reduced by 25%, injury rate by a third, lost day rate by 11.4%.

Effective implementation of excellent safety standards resulted in zero fatality in 2008-09.



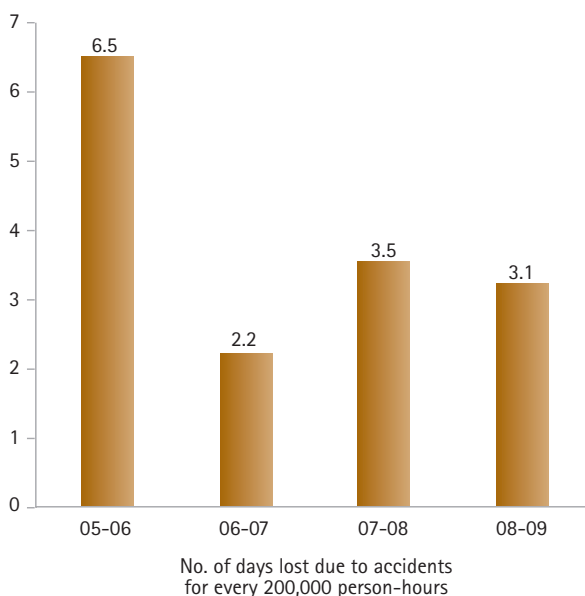


Zero Accident Units

Many of our units, through effective implementation of safety management systems and adoption of state-of-the-art technologies, remained free of lost-time accidents in 2008-09:

- ⊗ Cigarette factory, Munger
- ⊗ Cigarette factory, Saharanpur
- ⊗ Cigarette factory, Kolkata
- ⊗ Leaf Threshing unit, Chirala
- ⊗ Packaging & Printing unit, Munger
- ⊗ Paperboards unit, Bollaram
- ⊗ Paperboards unit, Kovai
- ⊗ Personal Care Products unit, Haridwar
- ⊗ Research Centre, Bengaluru
- ⊗ Research Centre, Rajahmundry
- ⊗ Lifestyle Retailing business's Master Facility at Gurgaon
- ⊗ ITC Infotech's Bengaluru Office Complex
- ⊗ Surya Nepal's Cigarette factory, Simra
- ⊗ ITC Green Centre, Gurgaon
- ⊗ ITC Head Quarters, Kolkata
- ⊗ ITC Maurya
- ⊗ ITC Mughal
- ⊗ ITC Maratha
- ⊗ ITC Grand Central
- ⊗ ITC Sonar
- ⊗ ITC Windsor
- ⊗ ITC Kakatiya
- ⊗ Sheraton Chola
- ⊗ Sheraton Rajputana
- ⊗ Sheraton New Delhi
- ⊗ Fortune Resort Bay Island Hotel, Port Blair

Lost Day Rate



Occupational Health

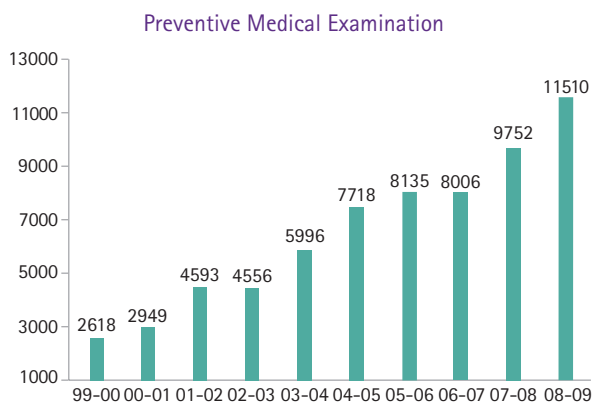
A healthy workforce is an important constituent of our sustainability strategy. Our units maintain a conducive work environment with excellent standards of hygiene, lighting, ventilation and effective controls on noise and dust.

All the units are equipped with first aid medical centers and adequate medical staff. In addition, 2% of employees in each unit are trained, by expert agencies, to provide first-aid.

In 2008-09, over 11,500 employees underwent preventive medical examinations, to identify early symptoms of any



occupational illness and to ensure appropriate action to eliminate health risks. No case of occupation-related illness was reported in 2008-09.



HIV/AIDS

We continued to make progress on our commitment to various programmes and actions in response to the HIV epidemic.

We conducted 102 awareness programmes involving 4700 employees within our units and nearly 320 members of communities surrounding our operations.

Human Rights: Significant Investments

During 2008-09, nearly 52 % of our total capex cash flow of Rs. 1700 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. 456 crores were invested on new factories, hotels, modernisation.

All large contracts in ITC, for the construction of hotels, factories and significant upgrades include environment, health, safety and human rights clauses covering decent place of work, and 'beyond compliance' labour practices. During 2008-09, all large projects, including the ITC hotel projects in Bengaluru and Chennai, new pulp mill & 6th Paper machine in Bhadrachalam and the housing colony in Bengaluru were specially managed and supervised by ITC managers, who also ensured proper 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.

Our approach to managing human rights in the following distinct categories is described below:

- 🔑 Our major businesses are vertically integrated across several Divisions that follow ITC policies.
- 🔑 We procure inputs for the Company's agri-based businesses entirely 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 ITC's guidelines on EHS and labour practices. Government officials also routinely inspect these units to ensure compliance of relevant labour and factory Acts, which, inter-alia, provide for the necessary EHS and labour practices standards.
- 🔑 The execution of ITC's Human Rights policies for all such service providers operating within our establishments is obligatory. During 2008-09, of the 3,682 service providers, 964 operated within the Company's premises. 88% percent of contracts on-site and 82% of contracts off-site included important clauses on Human Rights, Environment, Health and Safety.

Prevention of Discrimination at the Work Place

During 2008-09 no incident of discrimination in any of the ITC units was reported either internally or to statutory authorities.

Freedom of Association

During 2008-09 no incidents of violation of freedom of association were reported either to the concerned units or to statutory authorities. Within ITC's 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 Work Place

During 2008-09 no incident of child or forced labour was noticed/reported either to the concerned units or to 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.

ITC-Welcomgroup - Empowering differently-abled people

Our hotels have taken a positive step in this direction by employing people with disabilities (pwd). Based on their specific skills, over 134 pwd have been employed in diverse functions like housekeeping, teleworking, kitchen and entertainment, beauty parlour, banquets, doorman, reservation and engineering. A number of pwd have been employed through our supply chain. Several other restaurants and hotel chains have emulated our model.

Special badges for the visually impaired, whistles for the hearing-impaired employees to use in an

emergency; sign language classes for the staff to communicate with them are just a few examples of how ITC-Welcomgroup has created an environment of sensitive caring.

In recognition of its substantial contribution to the cause of promoting employment opportunities for people with disabilities over an extended period of time, ITC Windsor, Bengaluru, has received the NCPEDP-Shell Helen Keller Award 2007. ITC Welcomgroup as a chain received the NCPEDP-Shell Helen Keller Award in 2008.

Governance Bodies and Diversity

Our approach to 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. 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.

The Board of Directors at the apex, as trustees of shareholders and responsible for the strategic supervision of the Company, consists of 3 Executive Directors (including the Chairman) and 10 Non-Executive Directors. The Non-Executive Directors come 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 6 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.

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 implementations, including those relating to strengthening of the Company's risk management policies and systems.

Instances of fraud involving employees or business partners were cognized 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 participated in a large number of industry fora to help contribute to debates on public policy issues related to our businesses. ITC has provided assistance to establish industry 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 national and industry issues. 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, together with policy advocacy.

Compliance

All our businesses/divisions have systems and procedures to identify and comply with all relevant statutory requirements. There was no major non-compliance with laws or regulations by any of our businesses in 2008-09.



ITC's Commitment to Sustainable and Inclusive Growth

Augmenting the social capital of the nation

ITC is inspired by the opportunity to make a meaningful difference through the enlargement of its contribution to the national economy. The Company's Sustainability initiatives draw strength from its deep conviction that businesses can and must, contribute to a larger societal purpose by fashioning corporate strategies that simultaneously build economic, environmental and social capital for the nation. Over the years, ITC has crafted business models that innovatively converge business and societal goals to create value for both shareholders and society.

ITC's businesses and social sector investments generate livelihoods for over 5 million people, many of whom represent the weaker sections of rural India. Our pioneering initiatives to empower communities to conserve and manage their natural resources, create sustainable on and off-farm livelihoods, and improve social infrastructure, especially in areas where it impacts women and children, are aligned to national priorities and to the Millennium Development Goals (MDGs).

The Millennium Development Goals –'Call to Action' in 2007 looks at businesses to play a strategic role in promoting transformative and scaleable programmes to not only reduce poverty and hunger across the globe but to also ensure a sustainable future for generations to come.

Millennium Development Goal: Eradication of Poverty and Hunger through Sustainable Livelihoods

A. e-Choupal

The e-Choupal rural digital-physical infrastructure:



The e-Choupal network benefits more than 4 million farmers through 6,500 internet kiosks in 40,000 villages across 10 states.

Web-enablement of the Indian farmer through the e-Choupal digital infrastructure enables even small and marginal farmers, who are de-linked from the formal market, to access relevant knowledge and agricultural extension services. This enables real-time price discovery and improvement in farm productivity and quality, making them more competitive in the national and global markets.

B. Social and Farm Forestry Programme

ITC's Social and Farm Forestry programme emerged in response to its Paperboards Division's challenge to source cost-effective pulpwood from sustainable sources to enhance its competitiveness. Instead of taking the easier route of importing pulp, ITC innovatively leveraged its pulpwood requirements to provide sustainable livelihood opportunities to poor tribal and marginal farmers, by assisting them to convert their private wastelands into productive pulpwood plantations. To ensure the commercial viability of these plantations, ITC's R&D Centre at Bhadrachalam developed high-yielding, disease-resistant and site-specific clones. This programme has not only created a sustainable source of livelihood for a large number of disadvantaged sections of society but has also brought in a multiplicity of benefits by creating a large green cover that contributes significantly to groundwater recharge, soil conservation and carbon sequestration.

Social Forestry Programme	Cum to 2007-08	Performance 2008-09	Cum Todate
Coverage			
No. of Villages	406	48	454
No. of Beneficiaries	13,492	2,569	16,061
Economic Impact			
Plantation Area (Hectares)	11,969	2,392	14,360
Harvested Area (Hectares)	903	863	1,766
Income to Farmers (Rs. in Lakhs)	436	378	814
Village Development			
Fund (Rs in Lakhs)	67	11	78

ITC's social and farm forestry programmes cover a total area of over 90,000 hectares with 365 million saplings planted and has provided 40 million man days of employment to tribals and marginal farmers.

Millennium Development Goal: Eradication of Poverty and Hunger through Sustainable Livelihoods

C. Integrated Watershed Development Programme

Recognising the vital role that water plays in the rural economy, ITC promotes watershed projects in water-stressed areas, providing precious water resources for agriculture, rural communities and livestock. Based on a participatory approach, the programme facilitates building, reviving and maintaining water harvesting structures as well as management of water resources to reverse land degradation, provide critical irrigation and increase agricultural productivity.

The work under this initiative has spread from 5 projects in two states, to 26 projects in 7 states.

In addition to water user charges as a source of revenue, efforts were also made to link the Water User Groups to market-based activities with a view to enhance earnings. These included activities like agri-input sales, procurement of spices and raw material for organic fertilisers.



In another first of its kind agreement in the country, ITC signed a MoU with the Government of Maharashtra to implement NREGA in 2 blocks of Jalna district on an integrated watershed development basis covering 50 gram panchayats.

Activity	Unit	Cum to 2007-08	2008-09	Cum To date
Coverage				
Area Treated	Hectares	16,496	5,853	22,349
Critical Irrigation Area	Hectares	18,483	3,009	21,492
Total Watershed Area	Hectares	34,979	8,862	43,841
Command Area				
Minor Structures*	No	1,392	195	1,587
Major Structures*	No	786	162	948
Total Structures	No	2,178	357	2,535

* The difference in the number of minor and major structures as reported for 2007-08 is a result of reclassification of different kinds of structures. However, the total numbers remain the same

It is estimated that the project will generate 8 lakh mandays of employment per year. In the last 3 months of 2008-09, 43 villages were covered under this programme, with work worth Rs. 50.20 lakhs, covering 1,216 hectares, benefiting 1,139 households.

The Ranjangaon area in Pune district was under severe drought during this Kharif season. With virtually no rains in the project area, farmers and cattle were adversely affected. ITC's watershed development works became the only source of livelihood for more than 350 farmers who participated daily in the work and treated 281 hectares against a target of 130 hectares.

The total area covered is 43,841 hectares benefiting 45,000 households. This includes the provision of critical irrigation to about 21,942 hectares through 2535 water harvesting structures. There are 916 water user groups consisting of more than 27,000 members in 28 districts across 7 states.

Millennium Development Goal: Eradication of Poverty and Hunger through Sustainable Livelihoods

D. Integrated Agriculture Development:

The programme promotes a combination of solutions for optimising water management and enhancing farm productivity. Farmers are motivated to form agri-business centres, enabling them to pool knowledge and resources, have access to quality inputs on time and improve productivity and quality.

Activity	Unit	Cum to 2007-08	2008-09	Cum Todate
Irrigation				
Group Irrigation	No	269	61	330
Sprinkler/Drip Irrigation	No	473	4	477
Demonstration Plots				
IPNM/Varietal Demo	No	2,685	898	3,583
Vermicomposting	No	9,673	322	9,995
Nadep/Supercomposting	No	3,033	228	3,261
Beneficiary households	No	16,953	1,751	18,704
Local Contributions	Rs. Lakh	147	28	175

Agriculture extension services were initiated to enhance land productivity through composting, higher yields per acre through varietal demonstrations and efficient management of water through group wells and sprinkler systems. A total of 20 Agri Business Centres in Guntur district (Andhra Pradesh) provided timely agri-inputs to its 1077 members.

To help farmers capture additional value from their holdings, ITC promoted crop diversification with good market linkages. Organic spices (chilli, cumin, mustard, turmeric and coriander) were promoted on 113 hectares during the year. Medicinal and aromatic plants (rosemary and mentha) were also promoted during the year, covering 46 hectares.



Millennium Development Goal: Eradication of Poverty and Hunger through Sustainable Livelihoods

E. Livestock Development Programme:

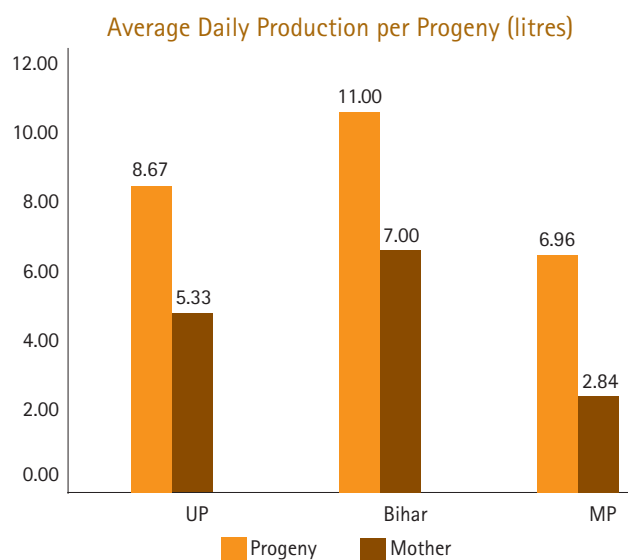
The programme assists small and landless farmers to upgrade livestock quality through cross-breeding by artificial insemination to boost milk productivity by a factor of 6 to 9 times, leading to a threshold increase in household incomes and thereby an improvement in their economic status.

Initiated in 2004-05 with only 23 Cattle Development Centres (CDCs), the programme has 121 CDCs covering 2,592 villages during 2008-09. These centres have performed 2.77 lakhs Artificial Inseminations.



The programme also provides integrated animal husbandry services that include pre and postnatal interventions. Vaccination and health services have been provided to more than 1.70 Lakh cattle.

The graph below clearly illustrates increase in milk yields and hence increase in incomes, which is the primary objective of this initiative. As compared to the mothers, the yields from the progenies was more than 50% in Uttar Pradesh and Bihar and nearly 150% in Madhya Pradesh.



Note: The graph is based on sample data collected covering 10% of progenies in each state.

Farmers benefiting from the breed improvement programme also get linked to formal milk marketing channels that fetch them the best price.

Activity	Cum to 2007-08	Performance 2008-09	Cum Todate
No. of CDCs	95	26	121
Breed Improvement			
No of AIs	174,710	102,344	277,054
No of Crossbred Heifers	35,455	21,005	56,460

Millennium Development Goal: Promote Gender Equality and Empower Women



ITC's initiatives provide sustainable economic opportunities to poor women in rural areas by assisting them to form self-help groups that enable them to build small savings and finance self employment and micro enterprises. The programme has demonstrated that extra incomes in the hands of women lead to positive changes in human development since it is largely spent on children's education, health and nutrition.

The total turnover of women-managed micro-enterprises during the year was Rs 61.14 lakhs, the bulk of which was accounted for by the sale of raw agarbattis and chikankari garments. The agarbatti rolling enterprises in Munger and Hardoi (Uttar Pradesh) registered a turnover of Rs 49 lakhs with total raw agarbatti production of 122 tonnes. The activity generated employment of 24,473 person days involving 698 rural women.

There are 1023 self help groups with 10,614 members. More than 22,600 women earn income as self-employed workers or as partners in micro enterprises.

Activity	Unit	Cum to 2007-08	2008-09	Cum to Date
Micro Credit Programme				
SHGs (cumulative)	No	972	1,023	1,023
Members (cumulative)	No	13,981	10,614	10,614
Savings (cum)	Rs. Lakhs	98	37	135
Livelihoods				
Self Employed	No	12,761	5,667	18,428
Micro enterprises	No employed	3,326	931	4,257
Credit				
Internal Loans	Rs. Lakhs	136	62	198
External Loans	Rs. Lakhs	231	69	300
Skills training	No of women	919	958	1,877

Millennium Development Goal: Achieve Universal Education

The programmes are aimed at increasing chances of employability either through imparting training in skills or better education.

The programme provides infrastructure support to Government-run primary schools and coaching through Supplementary Learning Centres to stem drop-outs and enable more children to complete school and move on to higher classes.

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. An innovative initiative of roaming laptop programme is also provided to the government schools in rural areas.

The programme reached over 183,457 children through various initiatives.

Activities	Unit	Cum to 2007-08	Performance 2008-09	Cum Todate
Supplementary learning centres				
Schools	No.	1,125	760	1885
Students	No.	99,786	83,671	183,457
School				
Infrastructure	No. of Gov. Schools	198	195	393
Libraries	No.	77	227	304
Roaming Laptop	No. of Schools	67	129	196
Text/Exercise books	No. of students	99,997	21,139	121,136



Illustrations of Transformation



ABHISHEK JAIN

Soya Farmer &
e-Choupal Sanchalak
Dahod Village, Raisen District,
Madhya Pradesh

Before ITC introduced us to e-Choupal, we were restricted to selling our produce in the local mandi. We had to go through middlemen and prices were low. ITC trained me to manage the Internet kiosk and I became the e-Choupal Sanchalak in my village. Today we are a community of e-farmers with access to daily prices of a variety of crops in India and abroad – this helps us to get the best price. We can also find out about many other important things – weather forecasts, the latest farming techniques, crop insurance, etc. e-Choupal has not only changed the quality of our lives but our entire outlook.



**SATYAVADI
LAXMINARAYANA**

Social Forestry Group Member
Nandigamapadu Village
Khammam District
Andhra Pradesh

Despite being a farmer for over 50 years, I have never been able to save much. I joined an ITC supported forestry group and my fortunes changed. My 4.6 acres of barren wasteland is now a flourishing pulpwood plantation.

My first harvest yielded enough to repay my loan, as well as purchase a motor pump and an acre of paddy land. I have also been able to put something away for the future – a fixed deposit and an LIC policy.

Illustrations of Transformation



MAHADEVJI GUJJAR
President,
Water User Association
Salawaliya Village
Bundi District, Rajasthan

“Our area gets little rainfall. We had only one pond and one check dam and could farm only a few months of the year. With ITC's help, we formed a Water User Association. Every family contributed 25 kgs of wheat and 4 days of labour.

Together we planned and built one more check dam and 3 new farm ponds which are now full of water after the monsoon. We are able to grow the Kharif crop through summer. We collect water cess from farmers to maintain the structures and to contribute to village development projects.”



RAMBETI
Sanchalika,
Chikankari Self-help Group
Bhatoura Village,
Hardoi District
Uttar Pradesh

“My friends convinced me to join their ITC supported self-help Chikankari group - Shilpika. We have been able to train under a master craftsman which has helped us to hone our skills and get better prices for our products. Today our group's annual earnings are Rs.70,000. Part of this goes into paying off loans; the rest is shared between group members.

The experience has been extremely rewarding for us all. It has motivated me to start another group - Kashida.”

Illustrations of Transformation



**GAVINI PRASANNA
KUMARI**

Student, Class 5
Vakavaripalem Village,
Prakasam District
Andhra Pradesh

I come from a family of agricultural labourers. To make ends meet, I often had to work in the fields along with my parents and could not attend school regularly. I was unable to keep up in class and did poorly in my exams, so I didn't feel like studying. Then the teachers at our village ITC Supplementary Learning Centre persuaded my parents to send me to evening coaching classes at the Centre. Today I study in Class 5 at the Mandal Parishad Upper Primary School. My average marks in all subjects has gone up to 80% from 40%. I am happy that my parents let me study and I want to complete my education. When I grow up, I want to become a teacher and take care of my parents.

My family was in a dilemma - I had completed college, but could not find a job in our village. I needed to find a viable source of income. I had our cow artificially inseminated at ITC's cattle development centre. We now have 3 crossbred cows which give us 30 litres of milk a day, bringing us a monthly income of Rs. 7,000 and most importantly, I do not have to leave my village and family.



SAILENDRA CHOWDHURY

Livestock Owner
Nawagarhi Village,
Munger District, Bihar



PREMCHAND SAINI

Farmer and Organic
Compost Producer
Kabirpur Village,
Saharanpur District
Uttar Pradesh

Like most other farmers, I depended on chemical fertilisers to boost productivity. I joined ITC's training programme and went on exposure visits, attended training camps - I even did residential training at G.B. Pant University and field training in Himachal Pradesh. Now I produce organic compost - both vermi and NADEP - which I sell and also use in my fields. The sale of worms has given me a useful additional income. Today, apart from growing the major Rabi and Kharif crops, I also grow mushrooms and strawberries from which I make much higher products. My experience has changed my outlook and I am now trying to motivate other farmers in my village to adopt these practices that will enable them to earn more as well as keep our land fertile in the long term.

A scientist in a white lab coat is working in a laboratory. He is looking down at a piece of equipment, possibly a pipette or a small vial. The background shows other laboratory equipment and a window with a view of the outdoors.

Product Responsibility

Customer Safety - Our Prime Concern

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

All products in our Cigarettes business are internationally benchmarked and are supported by comprehensive research and testing facilities at the ITC Research & Development Centre, where laboratories conform to ISO/IEC 17025 and are certified by NABL (National Accreditation Board for Testing and Calibration). The use of proprietary software facilitates regular monitoring and review of stringent product specifications and 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.

With the objective of preserving customer health and safety, the Foods business ensures adherence to highest standards of quality, safety and hygiene in manufacturing processes and in the supply chain.



The business operates predominantly on a model of outsourced manufacturing. The quality performance of each manufacturer is monitored on a daily basis. 35 out of 37 manufacturing locations have already been HACCP certified and the remaining locations are progressing fast towards achieving Certification.

All the products in our **Education & Stationery Products business** use approved non-hazardous materials e.g. ECF (Elemental Chlorine Free) paper, ink, dyes etc. Since the primary consumers of these products are children, stringent process quality control measures are in place to ensure safe products.

In our **Agarbatti business** IFRA (International Fragrance Resource Association, Geneva) approved chemicals are used in the fragrances for the manufacture of Mangaldeep Agarbattis. The laid down processes in manufacturing are designed to ensure product safety and consistency.

In our **Personal Care business** products have been created through extensive research and consumer engagement. The products have been developed in the state-of-the-art R&D centre in Bengaluru, by our team of highly skilled professionals over the last several years. The formulations use internationally recognised safe ingredients and are subjected to the highest standards of safety and performance. The manufacturing facilities adopt stringent

hygiene standards, benchmarked manufacturing practices and robust quality systems.

In our **Information Technology business** quality of the software is assured through well-defined QMS following SEI – CMM framework and certified by ISO 9001-2000 IT guidelines. We ensure the security of the software by using standard software packages from reputed specialist organisations. Effective access control and asset management mechanisms are certified under ISO 27001 frameworks.

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

Our **Paperboards & Specialty Papers business** is the pioneering manufacturer of elemental chlorine free (ECF) pulp in India, which ensures the levels of dioxins and furans in the pulp to be less than 1 PPT (Parts Per Trillion). The global migration test is conducted periodically on all food grade paper and paperboards for compliance with the US FDA standards and to adhere to prescribed limits for presence of heavy metals. All manufacturing ingredients are procured from reputed international suppliers and must conform to US FDA standards as well as BFR recommendation No. 36. We ensure that the components of food allergens listed in EC directive 2003/89/EC, US FDA food allergen labelling and consumer protection are not used in any of the virgin grade boards and papers.

The Bollaram unit, manufacturing food grade board for direct food contact, is 'third party' certified in accordance with BRC/IoP (British Retail Consortium/Institute of Packaging) standards. Pira, a renowned testing and consultancy firm, now certifies our 'Indobarr' and 'Cyber Propac' brands to be compliant with German BFR standards for food packaging.

In our **Safety Matches business**, all products conform to the specified standards as per BIS. In addition, all match sticks are specially treated to make them carborised to prevent the after glow, thereby enhancing consumer safety.

Our **Packaging & Printing business** uses only non-hazardous materials/films and paperboards from either our own Paperboards & Specialty Papers business or other approved suppliers. The Chennai unit is the first in India to achieve IQRS (International Quality Rating System) Level 8 (Certified by DNV) and the Munger unit is progressing towards IQRS Level 7.

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

In the **Leaf Tobacco business** the products are manufactured as per customer specifications. The customers in this business are large domestic and international Cigarette

Manufacturers and Tobacco Merchants. We ensure that the specifications are meticulously complied with. Hygiene and Infestation Management Systems to control infestation are in place.

Our Agri Extension Services are designed to ensure Seed Integrity, Pesticide Residue Level monitoring and Non Tobacco Related Matter (NTRM) elimination to promote Product Hygiene standards. Several additional measures to eliminate NTRM across the value chain were implemented during the year.

Both Anaparti and Chirala GLTs have been certified to ISO 9001, IQRS Level 7 and a large number of other certifications by accredited third party agencies.

With a view to provide the highest standards of customer satisfaction, health and safety in our **Lifestyle Retailing business**, prior to manufacture, inputs are tested for conformance in our in-house state-of-the-art R&D centre, accredited with NABL and certified to international standards.

Product Quality is monitored through an internal rating system (PQRS) along with an external AQL norm followed internationally for apparel.



Product Information & Labelling

All our products and services are legal and none of them is banned. Except tobacco products, none is a subject of stakeholder queries or public debate. As an organisation which upholds and makes extraordinary efforts to ensure legitimacy, transparency and good governance, ITC's business operations comply with every relevant law of the nation. Gradually increasing social pressure on tobacco often leads to public debates on its consumption. Stringent quality standards/systems are established to respond to queries/concerns and are known to all stakeholders.

Our **Cigarettes business** complies fully with Standards of Weights and Measures Act (Packaged Commodities Rules), Central Excise Act and COTPA [Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production Supply and Distribution) Act, 2003].

Our **Foods business** complies with all statutes including statutes on labelling 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.

Our **Education & Stationery Products and Agarbatti businesses** comply with the requirements of Standards of Weights and Measures Act (including the Packaged Commodity Rules) and have built-in systems to ensure compliance, including review before the launch of a new category.

Our **Information Technology business** provides various Manuals & Release notes with proper labelling of software & services rendered to the customers.

In our **Hotels business**, brochures, in-room literature and the websites are used to provide relevant information regarding Rooms and Food & Beverages.

Our **Personal Care Products business** complies fully with the Standards of Weights and Measures Act (Packaged Commodities Rules), Drugs & Cosmetic Act, Bureau of Indian Standards and the applicable Trade Marks Law.

Our **Paperboards & 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 specimen sheet. The label on each pack bears the product name, substance (gsm), size, weight & batch/reference number for effective traceability.

In our **Packaging & Printing business**, we barcode all packages. Internal quality procedures follow norms/specifications 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. Products sold through Choupal Saagars and Choupal Fresh are labelled as per statutory requirements.

In the **Leaf Tobacco business** all the products are labelled in accordance with customer specifications. Labels normally contain information about the Grade, Crop Year, Weight, Lot No., date and the location at which the product is packaged and in certain cases, the destination and details of the customer. The bar code label on the packed product ensures 'Product Traceability' in the tobacco supply chain from Farm to the Customer.

All products, in our **Lifestyle Retailing business** conform with the Standards of Weights and Measures Act. Additionally, we also provide product information including attributes and salient features like fabric, styling, finishing, wash-care and benefits.

Our **Safety Matches business** complies fully with the requirements of the Standards of Weights and Measures Act (Packaging Commodity Rules). In addition, information is provided on the packaging regarding the safe usage of the product.

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.

In our **Cigarettes business** we ensure that all laws related to marketing such as The Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act 2003 and any State Government laws on advertising/promotion are strictly followed and the compliance is monitored on a regular basis. We also have an internal code on marketing, that apart from incorporating all relevant laws, also includes all the requirements under The Advertising Standards Council of India's (ASCI) code of conduct. The internal code ensures that all communication follows relevant aspects of legislations and ASCI's Code. Review of this compliance is a continuous process for all marketing activities.

We do not sell any products that are banned in any part of the country. We have a dedicated consumer response cell to answer any queries on the product.

Our **Foods and Personal Care Products businesses** voluntarily follow the ASCI (Advertising Standards Council of India) Code for all marketing communications.



All communications in our **Education & Stationery Products business** in the form of Advertising, Promotion and Sponsorship adhere to voluntary and legal codes of conduct.

Our **Agarbatti business** voluntarily follows the ASCI (Advertising Standards Council of India) Code for all marketing communications.

In our **Hotel business** marketing communication is governed by Self Regulation and guided by Indian Society of Advertisers (ISA) Rules and guidelines.

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

Our **Lifestyle Retailing business** voluntarily follows the Advertising Standards Council of India's (ASCI) Code for Self-regulation in Advertising for all Marketing communications. Each product/campaign is vetted for compliance.

All Communication in our **Safety Matches business** in the form of Advertising and Promotional Material adheres to voluntary and legal codes of conduct.

Compliance concerning provision and use of product and services

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 2008-09.

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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 2009 (available on 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 2009 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).

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 and Performance - The Company has adopted 4 goals in the area of Environment -

- Performance Beyond Compliance
- 'Carbon Positive' Footprint

- 'Water Positive' Footprint
- 'Solid Waste Recycling Positive'

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 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 followup 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 -

- Bring atleast 50,000 hectares under soil and moisture conservation practices.
- Transform atleast 100,000 hectares of wastelands into productive and revenue-generating assets for the poor.
- Create atleast 25,000 women entrepreneurs with a sustainable source of supplementary incomes.
- Improve the genetic stock of atleast 500,000 cattle through artificial insemination practices.
- Provide supplementary education support services to at least 200,000 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 standard and 4 hotels have received ISO 22000 and HACCP certifications. 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 earlier in 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, social and environmental capital.

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

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

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

From this definition and core principles of Corporate Governance emerge the cornerstones of ITC's governance philosophy, namely, trusteeship, transparency, empowerment 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.

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

ITC Code of Conduct

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

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 noncompliance, 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.

IT E-waste Management

Objective

ITC's achievements across all three dimensions of the 'Triple Bottom Line' - economic, social and environmental is well known and recognized globally. Being a pioneer in environmentally sustainable operations (e.g Carbon and Water positive , solid waste recycling positive), we need to meet demanding standards of responsible waste management in all aspects of our operations.

With pervasive use of electrical and electronic equipments in our daily operations, disposal of obsolete equipments is increasingly posing a threat to our environment . There is therefore a need to handle such disposals - referred to as E-Waste - in a responsible manner in line with emerging global best practices and standards.

IT E-Waste is a subset of E-Waste and covers the following IT equipment:

IT E-Waste Policy

The lifecycle of all IT assets spanning from acquisition to disposal shall be managed in a manner which conforms to sound environmental norms as detailed in the IT E-Waste guidelines. This includes :

- Preferential dealing with IT vendors having sound E-Waste management processes
- Extending the useful life of IT assets to postpone/ minimize generation of E-Waste
- Responsible disposal processes conforming to regulatory requirements and best practices

For detailed E-Waste management guidelines, please visit www.itcportal.com

Sl no	Category	Items
1.	Computers	Server / Desktop computer (CPU, Monitor, Keyboard and Mouse), Laptop, Notebook, Dumb terminal, etc or similar items.
2.	Printer & Accessories	Printer, Scanner, Printer Cartridge, Toner, etc or similar items
3.	Network equipment	Routers, Switches, Patch panel, Modem, Converter, VSAT equipments, etc or similar items
4.	IT Accessories	TV Tuner box, Floppy, CD and DVD, Pen Drive, External Hard Disk, External CD/DVD writer, DAT Drive, Speaker, Laptop Battery, Hand Held device, VC equipment, Data Cartridge, etc or similar items
5.	Associated	Power cable, Data cable, UPS, Electrical items etc or similar items

MEMBERSHIPS & AFFILIATIONS



- Agricultural & Processed Foods Export Development Authority
- All India Food Processors Association
- All India Management Association
- All India Rice Exporters Association
- All India Spices 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
- Associated Chambers of Commerce U. P.
- Bangalore Chamber of Industry and Commerce
- Bangalore Management Association
- Bihar Chamber of Commerce
- Bihar Industries Association
- Bihar State Productivity Council
- Bombay Chamber of Commerce and Industry
- Bombay Management Association
- Bureau of Indian Standards
- Central Food Technology Research Institute
- Chemicals & Plastics Export Council of India
- Coal Consumers Association
- Cochin Chamber of Commerce & Industry
- Coffee Board
- Coffee Exporters Association
- Coimbatore Management Association
- Coimbatore Productivity Council
- Confederation of Indian Industry
- Eastern India Shippers Association
- Employer's Association of Northern India
- Federation of Andhra Pradesh Chambers of Commerce and Industry
- Federation of Biscuits Manufacturers Association of India
- Federation of Hotels & Restaurants Association of India
- Federation of Indian Export Organisations
- Federation of Indian Chambers of Commerce and Industry
- Federation of Industries and Commerce of North Eastern Region
- Federation of Jharkhand Chambers of Commerce & Industry
- Federation of Karnataka Chambers of Commerce & Industry
- Federation of Madhya Pradesh Chambers of Commerce & Industry
- Gujarat Chamber of Commerce
- Guwahati Management Association
- Hotel Association of India
- International Market Assessment India Limited
- Indian Association of Tour Operators
- Indian Chamber of Commerce
- Indian Chamber of Commerce and Industry, Coimbatore
- Indian Coffee Trade Association
- Indian Confectionery Manufacturers Association
- Indian Institute of Packaging
- Indian Merchants Chamber
- Indian Oil & Produce Exporters Association
- Indian Paper Manufacturers Association
- Indian Printing Packaging and Allied Machinery Manufacturers Association
- Indian Society of Advertising
- Indian Tobacco Association
- Indo American Chamber of Commerce
- Indo Australian Chamber of Commerce
- Indo German Chamber of Commerce
- Institute of Directors
- International Chamber of Commerce
- International Life Science Institute
- International Packaging Group
- 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 & Agriculture
- Marine Products Export Development Authority
- Multi Commodity Exchange of India Limited
- Nagpur Vidarbha Chamber of Commerce
- National Council of Applied Economic Research
- National Safety Council
- Pacific Asia Travel Association
- Paper Film and Foil Converters Association
- PHD Chamber of Commerce and Industry
- Protein Food and Nutrition Development Association of India
- Retailers Association of India
- Seafood Exporters' Association of India
- Snack Foods Association
- Solvent Extractors Association of India
- Soyabean Processors Association of India
- Spice Board
- Spices & Foodstuff Exporters Association of India
- Tamil Nadu Electricity Consumers Association
- The Bengal Chamber of Commerce & Industry
- The Central Organisation for Oil Industry and Trade
- The Utkal Chamber of Commerce & Industry
- The Visakhapatnam Chamber of Commerce & Industry
- Travel Agents Association of India
- West Bengal State Productivity Council
- Western UP Chamber of Commerce & Industry
- World Travel & Tourism Council India Initiative

Statement From Ernst & Young

Independent Assurance Statement

We, Ernst & Young Pvt Ltd. ('EY'), have been engaged by ITC Limited (the 'Company') to provide independent assurance to its Sustainability Report 2008-09, limited to the social and environmental information therein. The Report and its contents are the responsibility of the Company and this assurance statement is the responsibility of EY.

Assurance standard

Our assurance is in accordance with International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000), and our conclusions are for 'limited' assurance as set out in ISAE 3000.

Scope of assurance

In order to provide assurance, we selected 10 representative units from various businesses of the Company, and core G3 indicators as listed below, which are material to the Company's triple bottom line performance. The scope was limited to review and verification of data collection/measurement methodology and general review of the logic of inclusion/omission of necessary relevant information/data as provided below:

- Review of the Report for any major anomaly within the report and between the report and source data/information;
- Verification of the transcription of the data internally verified by the Company;
- Execution of an audit trail of selected claims and data streams to determine the level of accuracy in collection, transcription and aggregation processes followed;
- Review of the Company's plans, policies and practices, so as to be able to make comments on the completeness of reporting and the degree to which EY believes the report provides a fair and honest representation of the Company's business;

The 10 units selected for visits and verification are:

- ITD (Tobacco Division): (i) Munger, Bihar (ii) Bengaluru, Karnataka
- ILTD (Leaf Tobacco Division): Anaparty, Andhra Pradesh
- Packaging and Printing Business: (i) Munger, Bihar (ii) Haridwar, Uttarakhand.
- Paperboards and Specialty Papers Division: Bhadrachalam, Andhra Pradesh
- Hotels Division: (i) ITC Grand Central, Mumbai (ii) ITC Maratha, Mumbai.
- Foods Division: Haridwar, Uttarakhand
- Personal Care Products Business: Haridwar, Uttarakhand

The selected core G3 indicators from the environment and social reporting section which were verified are:

■ Environment

- a. Materials (EN1, EN2)
- b. Energy (EN3, EN4)
- c. CO2 Emissions (EN16)
- d. Water (EN8, EN21)
- e. Ozone depleting substances (EN19)
- f. Air Emissions (EN20)
- g. Solid Wastes (EN22)

■ Social

- h. Employment (LA1)
- i. Training (LA10)
- j. Occupational Health and Safety (LA7)
- k. Community development and Social & Farm Forestry initiatives (SO1)
- l. Product and Service Labelling (PR3)

Limitations of our engagement

The assurance scope excludes:

- Data and information outside the defined reporting period (1 April 2008 to 31 March 2009);
- The 'economic performance indicators' included in the Report taken from the Company's audited financial records.

Methodology of assurance

The nature and scope of our work was based on our professional judgment and we have performed all the procedures deemed necessary to provide a basis for our conclusions. Within the scope of our engagement, we requested evidence on a sample basis based on materiality criteria. The approach to the assurance exercise included interaction with key personnel of the Company to identify the processes in place to capture sustainability performance data and information as per GRI 2006 (GRI-G3) guidelines, followed by reviews of the processes for collecting, compiling, and reporting on these indicators at the corporate and operating unit levels.

The assurance was performed by our multidisciplinary team of professionals in the field of environment, health, safety and social matters, who visited the sample sites and the corporate office of the Company for reviewing and verifying the information.

Conclusion

Based on our scope of review and approach, nothing has come to our attention that causes us not to believe that the Report presents in a fairly balanced and complete manner the material aspects with regard to the Company's sustainability performance.

Other Observations

- The Company has used GRI G3 Guidelines and relevant protocols.
- The systems and procedures applied by the Company for collection, collation and interpretation of non-financial historical data on EHS and social performance parameters for inclusion in the Report are reliable.

Our responsibility in performing our assurance activities is to the management of the Company only, and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation.

Ernst & Young Private Limited

(Sudipta Das)
Partner

Kolkata, India
Dated: 11th September, 2009

Application Level

A+

Standard Disclosure

G3 Profile Disclosures

G3 Management Approach Disclosures

G3 Performance Indicators & Sectors Supplement Performance Indicators

Output

Output

Output

Reported on
1.1 - 1.2
2.1 - 2.10
3.1 - 3.13
4.1 - 4.17

Management Approach
disclosed for each
Indicator Category

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

Report Externally Assured by Ernst & Young

Because country must come before corporation



In partnership with rural communities, ITC supports over 5 million livelihoods in India.

- 6,500 e-Choupals installed to benefit 4 million farmers
- Over 90,000 hectares of wasteland greened, generating 40 million person days of employment
- 2,535 watershed development structures built to irrigate nearly 44,000 hectares of dry land
- Over 18,000 rural women, empowered to be entrepreneurs
- Supplementary education provided to over 1,83,000 children
- Integrated animal husbandry services provided to 2,77,000 milch animals



The only company in the world to achieve the 3 major global environmental distinctions of being **carbon positive**, **water positive** and **solid waste recycling positive**

For more information on our initiatives visit www.itcportal.com



Let's put India first

Web-enablement of the Indian farmer: e-Choupal • Natural resource management including wasteland, watershed and agricultural development • Sustainable livelihood creation through women's economic empowerment and genetic improvement of livestock • Community development with focus on primary rural education and health & sanitation