

Human Rights Management Approach

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

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

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

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

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

Human Rights Consideration in Significant Investments

ITC 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 in all its operations. It does not condone human rights abuses and endeavours to create and nurture a working environment where human rights are respected without prejudice.

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.

Compliance during 2005-06: During the year 2005-06, a significant portion of ITC's total capex cash flow of Rs.758 crores was incurred on machinery and technology. These were sourced from reputed and globally benchmarked suppliers/vendors who follow internationally accepted norms and standards on Human Rights. Over Rs 50 crores was incurred on various renovation projects in hotels of ITC where suppliers/service providers are required to follow all human rights practices as mandated by ITC.

All large contracts given by ITC, for the construction of hotels, factories, and significant upgrades, include environment, health, safety and human rights' clauses covering decent workplace and 'beyond compliance' labour practices.

All large construction and installation projects – the ITC hotel in Bangalore and the ITC composite factory project in Uttaranchal during 2005-06 – were managed and supervised by ITC managers, who ensured proper implementation of Human Rights compliance. Corporate Internal Audit and Corporate EHS departments audit all major projects in ITC and also check for compliance.

ITC managers are positioned at all significant 'outsourced' manufacturing facilities (cigarettes, apparels and packaged foods) to ensure high standards of product quality and adherence to ITC's guidelines on EHS and labour practices. All such units were covered under the relevant labour and factory Acts, which, inter alia, provide for the necessary EHS and labour practices standards. Government officials routinely inspect these units to verify implementation.

The Company is currently formulating detailed guidelines for the phased implementation of this policy to ensure that all agreements, contracts or purchase orders arising out of new investments will incorporate Human Rights clauses. These will seek confirmation that at the time of contracting and thereafter, neither the organisation nor any of its service providers will utilise child labour, any form of forced labour and provide a healthy and safe workplace free from discrimination. It will also ensure that a detailed assessment of the implementation of policies on health and safety, Human Rights and the environment will be taken up prior to the selection of service providers for all significant and strategic investments.

Human Rights Consideration Across the Supply Chain

ITC provides products and services of superior quality and value by sourcing technologies, equipment and inputs from reputed international and Indian manufacturers and vendors. ITC ensures that common values, relating to Human Rights performance, are shared across the entire supply chain because ITC is committed to the importance of a socially responsible and an accountable 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.

Compliance during 2005-06: As a large and multi-product enterprise whose products are benchmarked nationally

and internationally, ITC's main supply chains can be grouped into three distinct categories:

- ITC's major businesses are vertically integrated across several Divisions. A substantial part of the supply chain is therefore internal through strategic backward linkages. Common values relating to Human Rights performance are shared across this supply chain.
- The agriculture sector is a major supplier of inputs for its agri-based businesses. Agricultural commodities are procured entirely from state controlled trading platforms and the open market.
- Only a small proportion of ITC's business consists of supply chains comprising Indian manufacturers and local service providers. The execution of ITC's Human Rights policies is obligatory for all such service providers operating within ITC's establishments. The HR managers of the units

concerned ensure compliance of these policies. ITC managers are positioned at significant outsourced manufacturing sites to ensure that these service providers follow Company mandated policies.

During the year under consideration, the total number of service providers was 2,638 of which 802 operated within the Company's premises and 1,836 worked off-site. All contracts, both on and off site, included important clauses on Human Rights, environment, health and safety. No contracts were cancelled during the year as a result of non-compliance with ITC's Human Rights clauses.

The Company is currently preparing a detailed set of guidelines for phased implementation of this policy over the next 3-5 years to ensure that all agreements, contracts or purchase orders will seek confirmation that the service providers will not utilise child labour, any form of forced labour, and provide a healthy and safe workplace free from discrimination at the



time of contracting and thereafter. It will also ensure that a detailed assessment of the implementation of these policies will be taken up prior to the selection of major service providers.

Prevention of Discrimination at the Work Place

ITC acknowledges 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.

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.

Compliance during 2005-06: Compliance with the policy is evident from the transparent system of recruitment and the practice of exit interviews, which are undertaken by a manager not directly connected with the employee.

During 2005-06 no incident of discrimination in any of the ITC units was reported.

Freedom of Association

ITC's culture is characterised by collaborative relationships and high employee engagement that relies on building partnerships and interdependence. Adhering to these principles has helped build, sustain and strengthen employee engagement in the organisation.

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,

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.

Compliance during 2005-06: For unionised employees, compliance is ensured through a robust grievance handling procedure and the presence of a union that brings violations to the notice of the unit HR Head. During 2005-06 no incident of violation of freedom of association was reported either to the concerned units or statutory authorities. Within ITC's operations, there is no area where the right to exercise freedom of association and collective bargaining is at risk.

Prohibition of Child and Forced Labour

The foundation of ITC's 'No Child or Forced Labour policy' is based on the Company's commitment to find practical, meaningful and culturally appropriate responses to support the elimination of such labour practices. It thus endorses the need for appropriate initiatives to progressively eliminate these abuses.

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.

Compliance during 2005-06: During 2005-06 no incidents of child or forced labour were reported either to the concerned units or statutory authorities.