



# Social Performance

ITC continued with its 'beyond compliance' efforts at ensuring a safe workplace, upholding best labour practices and human dignity, and demonstrating its 'consumer is king' philosophy.

As a responsible corporate citizen, ITC has made remarkable contributions to the social sector. The Company is engaged in poverty alleviation initiatives in some of the most underdeveloped parts of the country. The thrust of the Company's social sector investments, christened 'Mission Sunehra Kal', is on: (a) web-enablement of the Indian farmer, (b) natural resource management, which includes wasteland, watershed, and agricultural development, (c) sustainable livelihoods, comprising genetic improvement in livestock and economic empowerment of women, and d) community development, with a focus on primary education, health and sanitation.

ITC's social development projects are spread over the states of Andhra Pradesh, Karnataka, Tamil Nadu, Kerala, Madhya Pradesh, Uttar Pradesh, Rajasthan, West Bengal and Bihar.

# Labour Practices and Decent Work Environment Management Approach

**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 underlines 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 Human Resources and EHS staff 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.

## Employment

ITC is one of the most valuable corporations in India and provides direct employment opportunities to over 20,000 employees. ITC encourages full time direct employment. It also provides indirect employment across the value chain to nearly 5 million people, whose livelihoods are substantially linked to their association with ITC. Indirect employment covers the supply and distribution network, agri-sourcing, social and farm forestry, e-Choupals, women's empowerment and micro-enterprises, and livestock development.

The employment base is primarily in India and spread across the country. Though some of the businesses are in the agriculture and tourism domains, direct manpower numbers do not fluctuate significantly, except in the Leaf Tobacco business where about 2,300 employees are engaged on a seasonal basis.

The newer businesses, and the growth of the traditional businesses, have facilitated a significant increase in net employment, reflecting the sustainable nature of ITC's businesses and its contribution to social and economic capital. It should also be noted that manpower costs have increased from Rs. 377 crores in 2003-04 to Rs. 546 crores in 2005-06, an increase of over 45% over a period of 2 years, showing ITC's commitment to attracting and retaining talent and paying its people a competitive remuneration. All employees are paid salaries which are significantly higher than the statutory minimum wages.

The market for talent is extremely competitive in India. There

is a huge mismatch between demand and supply of talent across levels. In spite of these challenges, attrition amongst the unskilled, semi-skilled and skilled categories was less than 5% per annum (excluding Hotels) and 11% including Hotels. Amongst management staff, including frontline staff in retail, hotels and FMCG businesses, the attrition was about 13%. Over 25% of this attrition was amongst employees who had put in less than 2 years of service, and the primary reason for the same was market demand. Attrition amongst middle and senior management was not significant, reflecting the solidity of the work culture and leadership capability. Employee turnover did not impact business growth and profitability as reflected in an increase of about 28% in Net Turnover and 22% in PBT in 2005-06 as compared with 2004-05.

	2004-05	2005-06
Total number of employees	15692	20362
Total number of unionised employees	10605	13657

## Trade Union Membership

Of the 20,362 employees, 13,657 belong to the unionised cadre. The remaining are frontline staff, supervisory staff, management staff, lady confidential secretaries and administrative assistants. The Company permits freedom of association and does not discourage or discriminate against employees who are members of trade unions. The Company follows a policy of dealing with recognised unions and has a robust collective bargaining process through which it discusses and negotiates monetary and non-monetary aspects of employment impacting unionised employees. All management staff, lady confidential secretaries, and others who are not part of the unionised cadre have their terms and conditions of service governed by Company policies and individual contracts of employment, which are reviewed periodically and mutually agreed.

## Consultation and Notice for Significant Changes

ITC's core values support an employee engagement process that aligns its employees with a shared vision and purpose in the belief that every individual brings a different perspective and capability to the team. ITC thus harnesses the creative potential of all its employees by promoting a culture of partnership to unleash relevant synergies amongst different groups of employees.

**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.

**Compliance during 2005-06:** During 2005-06, nine long-term agreements (LTAs) were signed with the elected representatives of employees across different businesses. These LTAs covered

major changes in operations, practices and technology and changes in compensation that were mutually agreed upon between the Company and the Unions. For all LTAs, management proposals included operational changes being envisaged and were submitted to the Unions well before bi-partite discussions were initiated. Apart from LTAs, joint minutes are signed to deal with issues that arise in the interim and, in all such cases, management proposals were presented to the Unions at joint meetings, which formed the basis for the bi-partite discussions that followed. The final joint minutes that were signed contained explicit references to the manner in which the consensus positions were reached.

## Occupational Health & Safety

The Indian Factories Act of 1948 with its numerous amendments, and the Factory Rules in the States, encompass almost all the requirements of recording and notifying occupational accidents and diseases in the factories. Indian statutes on this subject are in line with requirements of the International Labour Organisation (ILO).

### EHS Committees

All ITC factories, hotels and large offices have Environment, Occupational Health and Safety Committees, consisting of an equal number of representatives from unionised employees and management.

The Central and Departmental EHS Committees help improve employee involvement at all levels and foster a culture of 'Safety' at the work place. The Unit Head or a very senior executive heads the Central Committee. Departmental EHS Committees are established in units with either more than 250 employees or with 'hazardous' operations. The committees, which meet at least once every three months, discuss EHS issues and review measures taken to improve EHS performance.

### Towards Zero Accident

ITC EHS guidelines go well beyond the provisions of applicable Indian statutes and the implementation of these guidelines, at every ITC Unit, is audited by the Corporate EHS Department, at least once a year. In case of any accident or injury, the manager of the department concerned and the Unit EHS manager document all relevant information – person(s) involved, time of occurrence, the extent of injury or damage to any property or environment.

All incidents (accidents without injury, property or environmental damage), accidents including first aid injuries, serious accidents, dangerous occurrences and fires are recorded and investigated by trained managers (including the Unit EHS Manager) to

identify the root cause and recommend measures to prevent recurrence. The findings and recommendations are discussed at the Safety Committee meetings and circulated to all Departmental Heads/Chiefs to take necessary preventive measures.

All serious accidents are also reported to the Divisional and Corporate Management Committees.

In any accident where the injured person is unable to resume duty within 48 hours, the report in the prescribed format is sent to the Inspector of Factories. In case of any fatal accident, a report is sent to relevant authorities within 12-24 hours of the accident, as required by the respective State Rules. All ITC units continued efforts to achieve the Company's 'Zero Accident' goal. ITC units achieved 56 % reduction in 'Lost Time Accidents' in 2005-06 compared to the previous year (A 'Lost Time Accident' means that the injured employee has not returned to work the next morning).

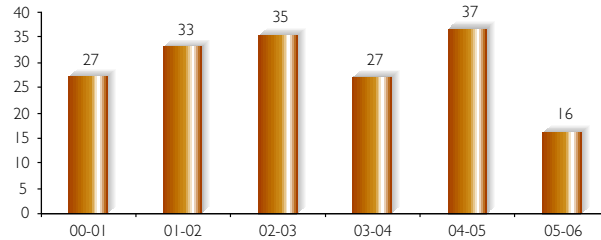
This was made possible through the involvement of all employees and service providers and by implementing sound strategies, comprehensive guidelines and international best practices. Training and awareness programmes played a critical role as did safety measures like fully interlocked machine guarding, comprehensive fire safety management systems and protection measures, first class electrical systems, coupled with audits, proactive risk management and OHSAS 18001 certified management systems.

**20 units did not have a single lost time accident and did not lose a single workday due to an accident.** These 20 units are: Cigarette factories at Munger, Saharanpur, Bangalore & Kolkata; the Research Centers

at Bangalore & Rajahmundry; Leaf Threshing plant at Anaparti, Packaging & Printing units at Tiruvottiyur & Munger, the Paperboards unit at Kovai; the Pilot Plant of the Lifestyle Retailing business at Gurgaon; ITC Welcomgroup Hotels Maurya, Mughal, Chola, Sonar Bangla, Grand Maratha, Grand Central, Rajputana, WelcomHotel New Delhi and Windsor.

'Lost Time Accidents' in ITC included one fatal accident at

Number of lost time accidents



### Chirala Factory Tops the World in Winning Swords of Honour

The Sword of Honour, one of the most prestigious International Health and Safety accolades, is awarded by the British Safety Council. Of the 40 Swords awarded each year, units outside the UK can win only 10. The winner of this 'Oscar of the Safety World', apart from maintaining the highest standards, must also have a proven record in the pursuit of excellence in Health and Safety.

Starting in 1994, ITC's Leaf Threshing plant at Chirala has won a staggering 11 Swords of Honour. The Chirala unit shares this ultimate honour with a French multinational engaged in offshore oil exploration.

The Chirala plant, located in a small coastal town in Andhra Pradesh, while competing with the best in the safety world, has tripled its production volumes during the period.

The unit, with a young workforce (50% of the employees are in their early 20s), is proud of its deep-rooted values inherited from the older generations and the dynamism and vitality of the younger generation.

This unique recognition for a unit reflects its commitment not only to the highest levels

of Safety and Occupational Health, but to Quality and Social Responsibility as well. It is not surprising that the unit was the first of its kind in the world to get ISO 14001 Environment Management Systems and SA 8000 Social Accountability certifications, apart from being certified to ISO 9001, IQRS level 7 and OHSAS 18001.



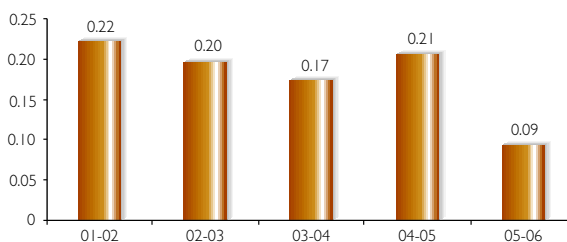
At the time of going to press, Chirala factory received its 12th Sword of Honour, making it the only unit in the world to have accomplished this unique feat

while leaning over a staircase railing in the coal crushing plant, lost balance and fell from a height. There were no witnesses to the accident and the body was recovered from the ground floor. All the railings were found to be in good condition and met the requirements of internationally accepted design codes. The accident was reported to the requisite regulatory bodies.

## Injury Rate (IR)

A measure of accidents in a company for every 2,00,000 employee-hours, showed an improvement of 57% in 2005-06 over the previous year.

Injury Rate (IR)



IR: Number of lost time accidents for every 2,00,000 employee-hours worked

## Lost Day Rate (LDR)

LDR is yet another measure of safety performance of a company, signifying the impact of occupational injuries and diseases. This is reflected in the time off work by the affected employees and is measured by the number of total days lost due to accidents for every 2,00,000 employee hours.

In 2005-06, the LDR for all ITC units amounted to 6.47 (excluding the fatal accident). Indian Standards (IS 3786-1983) consider each fatality equivalent to 6,000 man-days lost. The LDR (including the fatal accident) was 41.29.

Fire safety training in progress. ITC invested over 40,000 man-days in training employees to develop varied capabilities





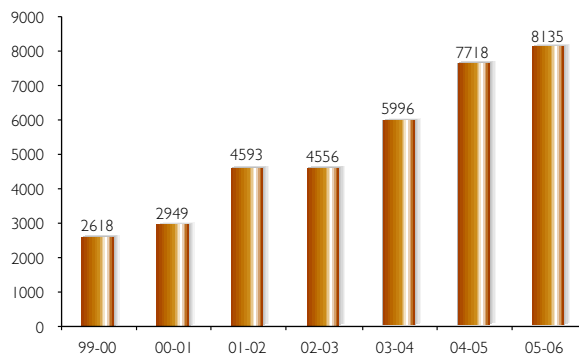
## Occupational Health

ITC believes that a healthy workforce is critical for the sustainable growth of an organisation.

Apart from maintaining an excellent workplace with high standards of hygiene, a strict control is exercised on noise and dust levels and the adequacy of other parameters like lighting, ventilation, etc. is ensured in accordance with national/international codes and best practices. The Company encourages a comprehensive preventive medical examination to ensure the well-being of all its employees. This helps in pre-empting occupational illness. 8,135 employees were medically examined in 2005-06 (5.4% more than in 2004-05).

In 2005-06, there was no occupation-related disease reported by any Unit of the Company.

Number of Persons Medically Examined



## Risk Control Programmes: HIV/AIDS

ITC is committed to providing a safe and healthy work environment to all its employees. Policy guidelines on HIV/AIDS are an endorsement of this commitment and, in particular, of the Company's commitment to specific programmes and actions in response to the HIV/AIDS pandemic. The Company's position is based on scientific and epidemiological evidence that people with HIV/AIDS do not pose a risk of transmission of the virus to co-workers by casual, non-sexual contact in the normal work setting.

**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.

**Compliance during 2005-06:** During the reporting period, various Units held 209 HIV/AIDS awareness camps and programmes both within the Units to cover the Company's employees and the communities around the Units. The total number of employees covered was 10,264 and the community members covered were 7,265. The workshops/programmes laid emphasis on preventive aspects and the treatment that is available. The importance of not ostracising those infected was also highlighted.

## Training and Education

ITC's Human Resource philosophy focuses on meritocracy and capability development. The Capability Development Agenda aims at strengthening the organisational capability required in pursuit of ITC's Mission, its Strategic Agenda, the Three Horizon Growth Strategy and Vision 2010. In line with this agenda, several customised training and development interventions were offered at Corporate and Divisional levels aimed at developing functional, behavioural, leadership and management capabilities. Ongoing core programmes were also redesigned to reflect the new capability requirements. The development approach had elements beyond training, with the objective of increasing knowledge of systems and procedures, providing opportunities for on-the-job learning, encouraging employee participation, etc.

The training matrix in the Company endeavours to provide a balance, with a strong functional bias in the early years, and

an emphasis on managerial and business skills in the mid and late career stages.

Training	Management	Unionised
No. of employees	6,705	13,657
Man-days of training provided	15,479	24,741
Average hours of training provided	18	14

The programmes include high-level international training events at key points. Training also seeks to continuously build awareness of other functions at every stage of the process.

During 2005-06, ITC invested over 40,000 man-days in training employees across categories. Apart from this, training was also provided to various employees of service providers at different locations. The Company, on an average, provided 2 person-days of training per employee in 2005-06.



## Diversity and Equal Opportunity

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. This is achieved by ensuring that a non-discrimination policy and practice is embedded across the Company in line with Corporate principles and benchmarked business practices.

## Governance Bodies and Diversity

ITC's approach to its human resource 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, union organisation or minority group.

The Board of Directors at the apex, as trustees of shareholders, is responsible for the strategic supervision of the Company. There are 9 Non-Executive Directors and 4 Executive Directors on the Board which is headed by the Chairman. An indicator of meritocracy is the appointment of the current Chairman as Director when he was only 37 years old. 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 4 members drawn from senior management. The 4 members from senior management represent diverse functions like Technical, R&D, Human Resources and Corporate Affairs.

The executive management of each business Division 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 totally focused on the management of its assigned business. About 60 senior managers across different age groups and functional specialisations are represented on the DMCs and SBUs.

## Equal Remuneration

ITC's compensation philosophy does not differentiate on gender, caste or age. It is linked to responsibility levels of the role that the incumbent is performing and based on performance.

As part of its compliance, ITC also ensures 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.