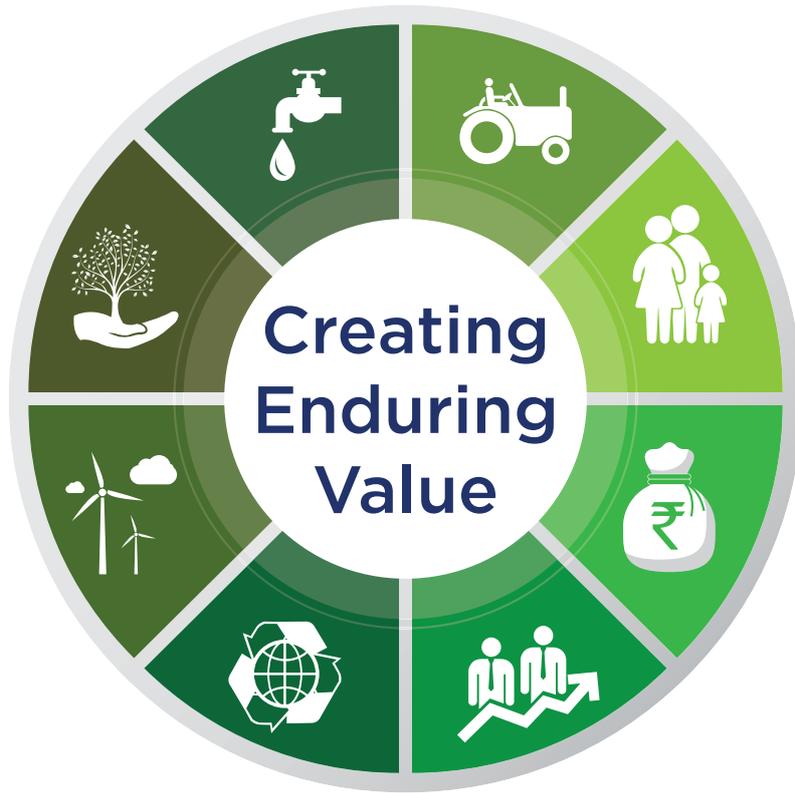




Enduring Value

INTEGRATED REPORT 2017-18



ITC at a Glance

US \$50 Billion

Market Capitalisation



US \$10 Billion

Gross Sales Value



6 million

Retail Outlets serviced



6 million

Sustainable Livelihoods created



26000+

Employees



ITC's Contribution to the Central and State Governments represents about

80% of Value-Added



43%

of total Energy Consumed at ITC from Renewable Sources



200+

Units



13

Businesses of Tomorrow



25

FMCG mother brands



100+

Hotels in 70 locations



ITC: Creating Enduring Value by Putting India First

80% of Value-Added accrues to the Exchequer and Public Financial Institutions



Agriculture

- ITC e-Choupal: Empowering 4 million Farmers
- Market Linkages
- Enhancing Productivity, Crop Quality, Price Realisation
- Successful pilots on Doubling Farmer Incomes



Manufacturing

- Contributing to Make in India Vision
- Investments in 20 state-of-the-art Integrated Consumer Manufacturing & Logistics facilities
- Supporting Local Entrepreneurship



Services

- Contributing to India's Tourism landscape with over 100 Hotels in 4 brands
- Iconic ITC Hotels pioneering Responsible Luxury



Sustainable Agriculture and Livelihood

- Large-scale watershed development
- Extensive afforestation projects
- Climate smart practices
- 49 Public-Private-People partnerships with State Governments
- NITI Aayog & ITC join hands to support 25 Aspirational Districts





Game Changing R&D

- Globally benchmarked ITC Life Sciences & Technology Centre
- Nearly 350 world-class scientists
- Over 700 patents filed



Businesses of Tomorrow

- 13 Vibrant Businesses
 - ◆ FMCG
 - ◆ Agri Business
 - ◆ Paper, Paperboards & Packaging
 - ◆ Hotels
- Market leader in several businesses



World-Class Indian Brands

- 25 new mother brands
- Brands that create, capture & retain value in India
- Several brands in Top 1 or 2 in their own category in India



Global Exemplar in Sustainability

- Created 6 million Sustainable livelihoods
- Carbon Positive – 13 years
- Water Positive – 16 years
- Solid Waste Recycling Positive – 11 years
- 43% of total energy from renewable sources
- 23 Platinum certified green buildings
- Till date
 - Greened – 6,83,000 acres generating 124 million person days of employment
 - Watershed coverage area – 8,74,000 acres
 - Primary Education – 5,60,000 children
 - Women empowered – 61,000
 - Vocational Training – 55,000 people
 - Household Toilets – 31,000





ITC: Creating Enduring Value

As a Company deeply rooted in India's soil, ITC is inspired by its vision to serve larger national priorities. ITC's pursuit of global competitiveness in economic value creation, whilst simultaneously creating larger societal value, has spurred innovation in business models that synergises the building of economic, environmental and social capital as a unified strategy. This commitment to create enduring value by delivering superior performance across all dimensions of the triple bottom line is enshrined in its credo of "Putting India First" – an abiding philosophy that seeks to put Country before Corporation and the Institution before the Individual.

Over the last two decades, ITC has pursued robust strategies to create vibrant businesses that have enabled the Company to be an engine of growth for the economy. Its business portfolio has been carefully crafted to match internal competencies with

the opportunities of an emerging market. Investments in technology, innovation and R&D have been focussed towards achieving international competitiveness in the Company's multiple drivers of growth. A wide array of enterprise strengths has been assiduously developed over decades to drive future growth. The quest to attain competitiveness in each of its businesses has been built around business models that simultaneously replenish environmental resources even as they create large-scale sustainable livelihoods. This has been ITC's model of 'Responsible Competitiveness' – a socio-economic construct that underpinned its objective to be future-ready whilst ensuring that growth is sustainable and inclusive.

Strong values of Trusteeship, Transparency and Integrity have shaped ITC's Corporate Governance philosophy. A unique three-



As a Company deeply rooted in India's soil, ITC is inspired by its vision to serve larger national priorities.

tier governance structure has enabled the Company to harness synergy of its diversity yet retain focus on each of its businesses. A principle of distributed leadership has unleashed ITC's world-class talent giving them the opportunity to be 'proneurs' – professional entrepreneurs – who are sharply focussed on the task of creating growing and sustained value for the Company's stakeholders. Today, ITC is the leading FMCG marketer in India, a pre-eminent hotel chain and a globally acclaimed icon in green hoteliering, the clear market leader in the Indian Paperboard and Packaging industry, its Agri Business a pioneering trailblazer in farmer and rural empowerment and overall a global exemplar in sustainable business practices.

This is ITC's first Integrated Report and attempts to present a range of financial and non-financial disclosures to inform its stakeholders how different 'capitals' are being synergised in a symphony of strategic and operational activities to enable the creation of enduring value. The financial information has been taken from the standalone financial statements, which have been audited by independent auditors, Deloitte Haskins & Sells. The non-financial information presented in this Integrated Report, also appear in the Sustainability Report, which has been independently assured by M/s Ernst & Young LLP. More details can be found at www.itcportal.com.



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Company Profile

A Valuable Indian Company

ITC is one of India's leading private sector companies with a strong presence across all three sectors of the Indian economy – Agriculture, Manufacturing and Services – which has enhanced its capacity to make a meaningful contribution to the national economy. The Company's businesses span Fast Moving Consumer Goods [Branded Packaged Foods, Cigarettes, Personal Care Products, Education & Stationery Products, Lifestyle Apparel, Incense Sticks (Agarbattis) and Safety Matches], Agri Business, Paperboards, Paper and Packaging

and Hotels. With a Gross Sales Value (net of rebates/discounts)* of over ₹67,000 crore (~ US \$10 Billion) and a market capitalisation of ₹3,30,000 crore (~ US \$50 Billion), the Company is acknowledged as one of India's most valuable business corporations. ITC continues to be among the top 3 in India in terms of contribution to the Exchequer. Almost 80% of the incremental Value-Added of the Company accrues to the Central & State Governments, including the share of dividends paid and retained earnings attributable to Government owned institutions. Please refer to Report and Accounts 2018 for further details.

ITC Businesses

FMCG



Hotels



Paper & Packaging



Agri Business



*Gross Sales Value includes GST, GST Compensation Cess, Service Tax, VAT, Luxury Tax etc., as applicable.



ITC: Contributing to Agriculture, Manufacturing & Services

In Agriculture, ITC’s engagements with farmers across the country, driven by its celebrated e-Choupal programme, aims to provide critical market linkages, enhance crop productivity, quality and price realisation, enable sustainable agriculture besides creating common rural assets. These interventions, which have empowered over 4 million farmers, have helped raise farm incomes, improving the quality of life of the rural population, transforming village ecosystems. Pilot programmes are now underway to contribute to the Hon’ble Prime Minister’s vision of ‘Doubling Farmer Incomes’, and an intervention in the State of Uttar Pradesh has already witnessed 28,000 plus farmers reaching this achievement. Please refer to the ‘Report of the Board of Directors & Management Discussion and Analysis’ section of the Report and Accounts 2018 for further details.

In Manufacturing, supported by substantial investments in state-of-the-art technology, ITC has created excellent manufacturing facilities across the length and breadth of the country for its FMCG, Paperboards,

Packaging and Printing Businesses. Further contributing to the Make in India vision, ITC is investing in 20 Integrated Consumer Manufacturing & Logistics facilities for its FMCG Businesses, which promise to lend significant competitive edge to the businesses in the future.

In the Services sector, ITC Hotels is a trailblazer in green hoteliering. It is acknowledged worldwide for its iconic properties, its fine art of hospitality, its signature cuisine and its service excellence.

World-Class Indian Brands

ITC believes that it is of paramount importance to build and nurture world-class Indian brands, which help create, capture and retain larger value for the Indian economy, in addition to generating sustainable livelihoods. A successful brand is a badge of honour for the country and a sustained source of wealth creation.

Within a relatively short span of time, ITC has established 25 mother brands in the new FMCG space, many of which are market leaders today in their respective segments. This vibrant portfolio of brands accounts for an annual consumer spend of nearly ₹16,000 crores and have been built organically by the Company over a relatively short period of



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ITC FMCG Business



time - a feat unparalleled in the Indian FMCG industry. In terms of annual consumer spend, 'Aashirvaad' is today over ₹4,000 crores; 'Sunfeast' over ₹3,500 crores; 'Bingo!' over ₹2,000 crores; 'Classmate' & 'YiPPee!' are over ₹1,000 crores each and 'Vivel', 'Mangaldeep' & 'Candyman' are over ₹500 crores each. These world-class Indian brands support the competitiveness of domestic value chains of which they are a part, ensuring creation and retention of value within the country, besides preventing flow of royalty payments to firms overseas. With world-class quality, innovation in processes, investments in cutting-edge technology, ITC has maintained its leadership position in its traditional business of cigarettes.

ITC's new FMCG brands have achieved impressive market standing in a relatively short span of time. Today, Aashirvaad is No. 1 in Branded Atta, Bingo! is No. 1 in Bridges segment of Snack Foods (No. 2 overall), Sunfeast is No. 1 in the Premium Cream Biscuits segment, Classmate is No. 1 in Notebooks, Fiana is No. 2 in Shower Gels, YiPPee! is No. 2 in Noodles, Engage is No. 2 in Deodorants and Mangaldeep is No. 2 in Agarbattis (No. 1 in Dhoop segment).

Enterprise Strengths Creating Enduring Value

The competitiveness of ITC's diverse businesses relies on the strong foundations

of institutional capacities — deep consumer insights, differentiated product development, extensive rural linkages and agri-sourcing network, globally benchmarked manufacturing infrastructure, cutting-edge Research & Development, effective brand-building capability, efficient trade marketing and distribution network and human resources with diverse skills and capabilities. ITC's ability to leverage internal synergies residing across its diverse businesses lends it a unique source of competitive advantage to its products and services.

Global Exemplar in Sustainability

ITC is a global exemplar in 'Triple Bottom Line' performance and is the only enterprise in the world to be 'water positive' (for 16 years), 'carbon positive' (for 13 years), and 'solid waste recycling positive' (for 11 years). The focus on creating unique business models that generate substantial livelihoods across value chains has led to the Company's Businesses supporting six million sustainable livelihoods, many of whom belong to the weakest in society.

Over 43% of the total energy requirement of ITC is met from renewable sources. ITC has pioneered the green building movement in India, establishing 23 Platinum certified green buildings. All its premium luxury hotels have the unique distinction of being LEED® Platinum certified.



ITC's new FMCG brands have achieved impressive market standing in a relatively short span of time.

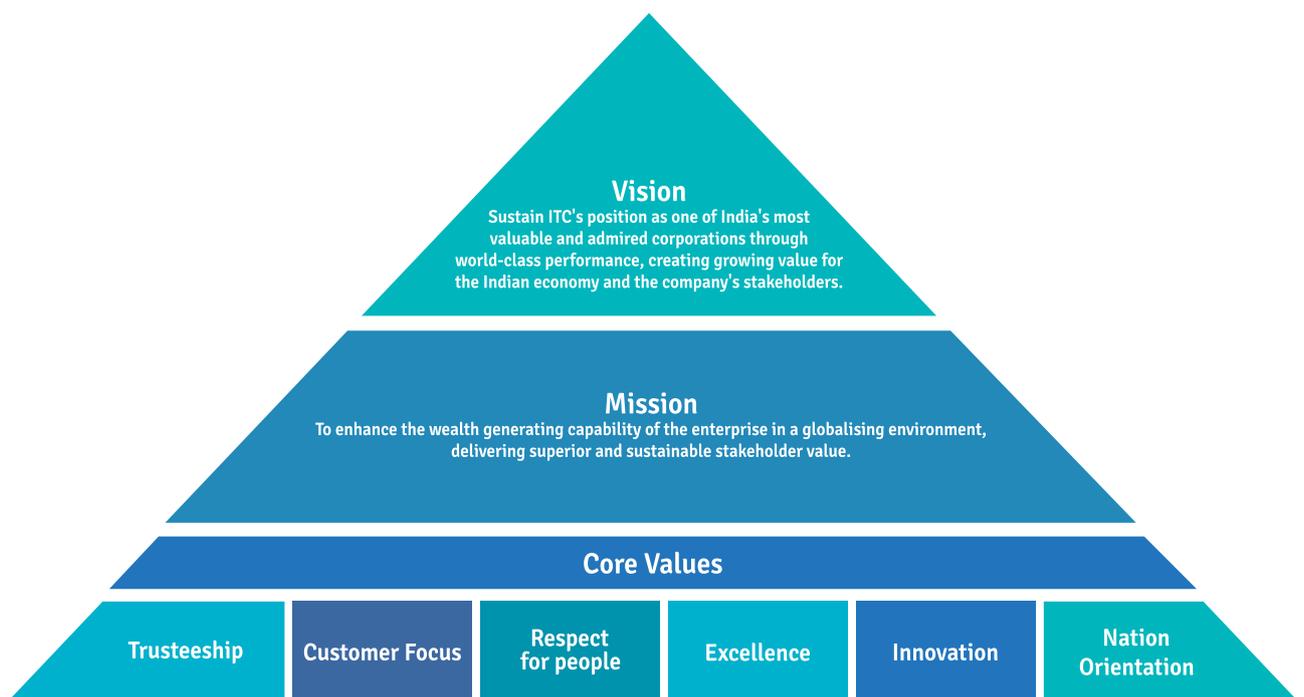




ITC: Vision, Mission and Core Values

Despite the diversity of ITC’s Businesses, the common thread that binds and inspires is its deep commitment to serve national priorities. The Company’s values are premised on the philosophy of Trusteeship that define every thought and action.

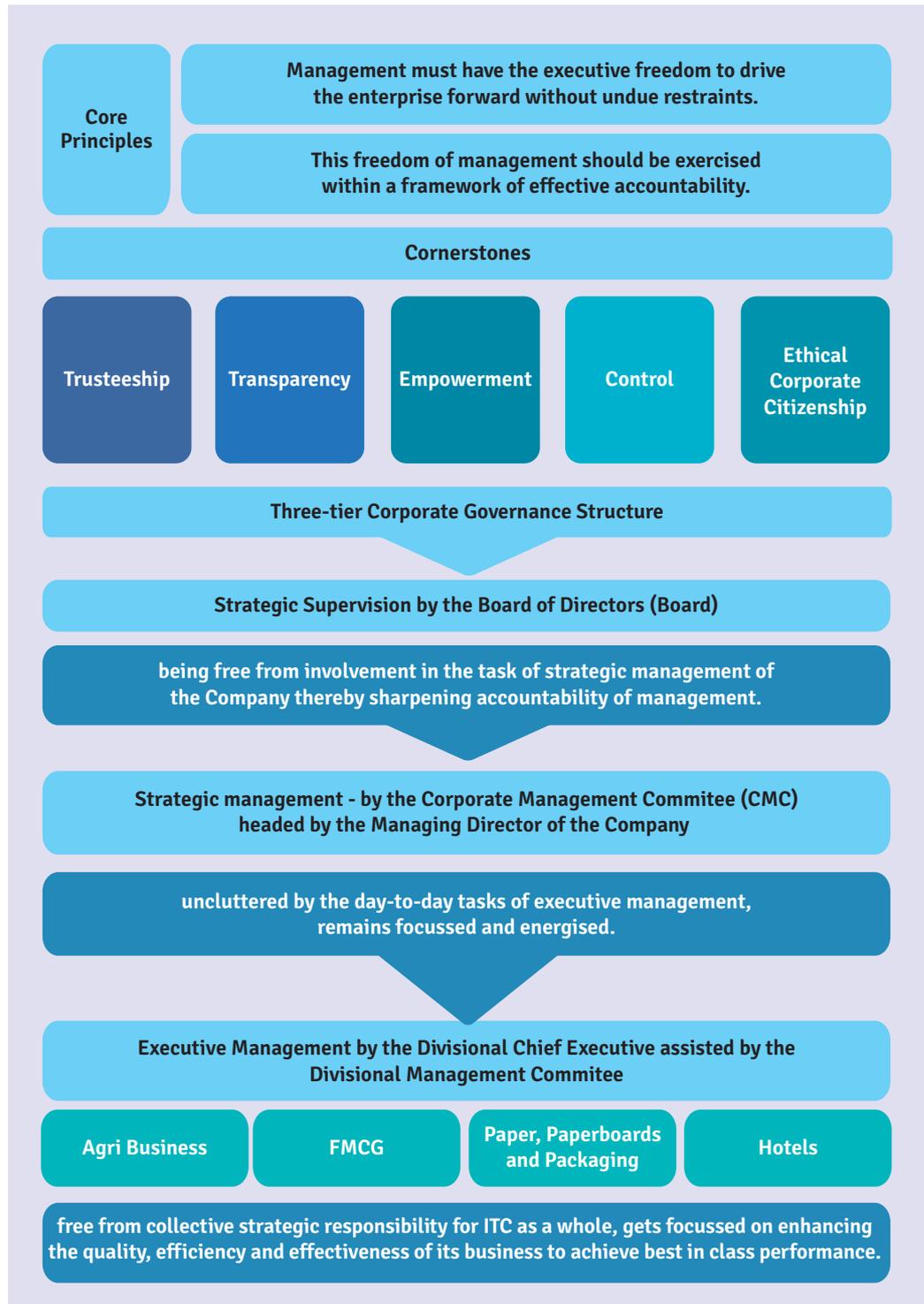
It is ITC’s belief that sustainable and enduring value can be created by making societal value creation an integral part of business strategy. Each sinew of the organisation has been developed and nurtured towards achieving the goal of inclusive growth and sustainable wealth creation.



Corporate Governance

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 vast quantum of societal resources, ITC believes that the governance process should ensure that businesses are managed in a manner that meets stakeholders' aspirations and societal expectations.

ITC believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the Company, and simultaneously create a mechanism of checks and balances which ensures that the decision making powers vested in the executive management is used with care and responsibility. From this definition and core principles of Corporate Governance emerge the cornerstones of ITC's governance philosophy, namely trusteeship,

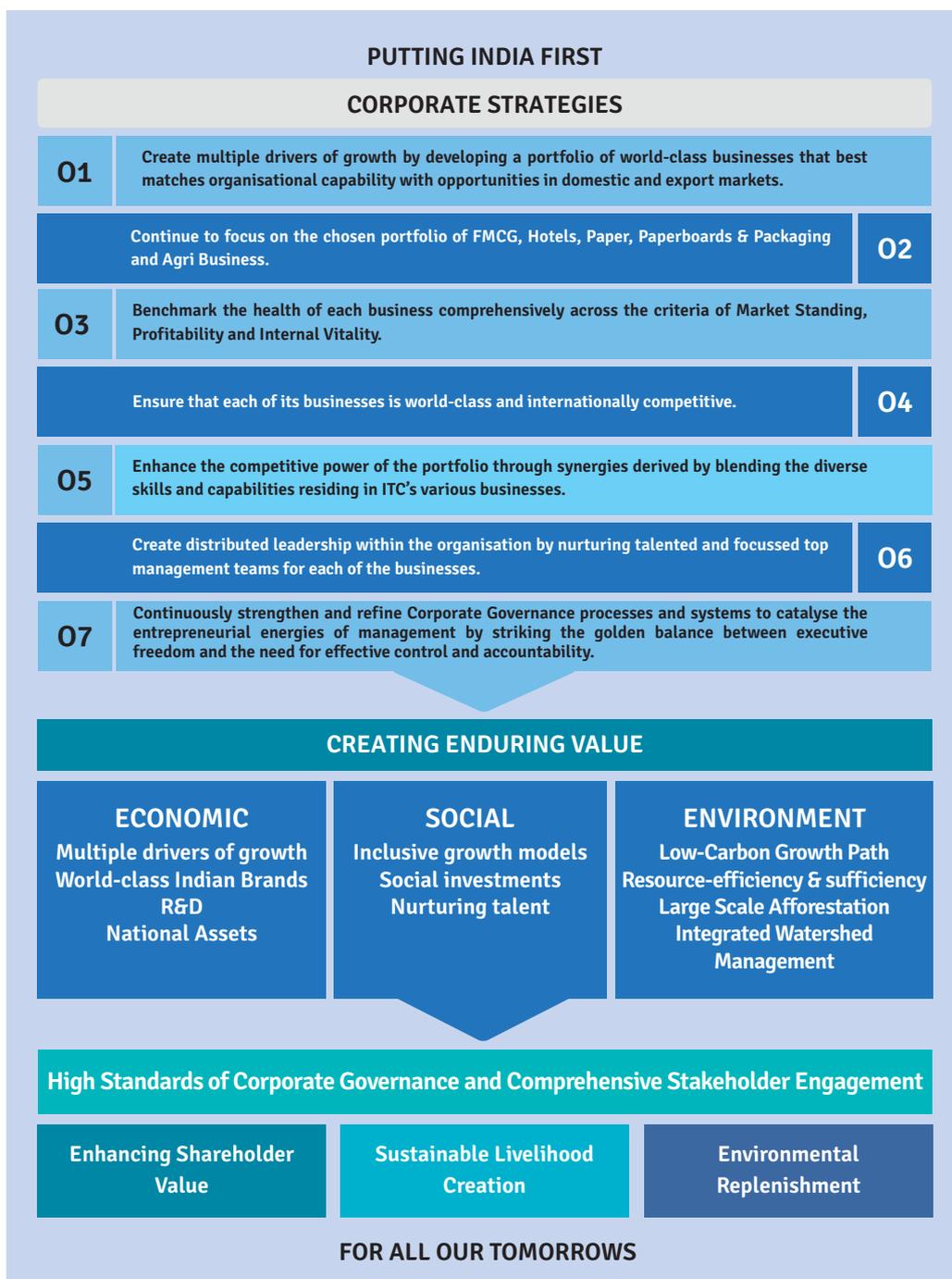


transparency, ethical corporate citizenship, empowerment, control and accountability.

This unique model allows ITC to focus as well as harness diversity through distributed leadership. The Governance framework that sets out the structure, policies and practices of governance within the organisation is available on the Company’s corporate website www.itcportal.com. Roles of various entities forming part of the governance architecture have been covered in the ‘Report on Corporate Governance’ section of the Report and Accounts 2018.

Strategy and Approach

ITC’s vision to create larger societal value is premised on its ‘Triple Bottom Line approach’, and is supported by robust corporate strategies and a rich organisational culture founded on its core values of trusteeship and respect for people. It is our belief that businesses can bring about transformational change by pursuing innovative business models that synergise the creation of sustainable livelihoods and the preservation of natural capital whilst enhancing shareholder value.





Business Model and the Resource Capitals

As one of India's leading companies spanning multiple businesses, ITC's business models are created for long-term sustenance and built on best-in-class infrastructure. They are focussed on creating value for the nation and its stakeholders, based on principles of sustainable competitive advantage.

Synergy between different businesses gives ITC long-term competitive advantage. For instance, ITC's FMCG Businesses rely on the institutional strength of the Company's traditional businesses and Agri Business to achieve rapid scale-up of operations at competitive costs, which have aided the businesses in their quest for leadership. In addition, large-scale distributed infrastructure creation using best-in-class manufacturing and digital technologies, aided by deep consumer insights derived from smart data analytics, are being put in place to ensure that ITC's Businesses sustain and strengthen their competitive superiority.

Business Model

ITC's 'Triple Bottom Line' approach seeks to bring about transformational change through a business model that synergises the creation of sustainable livelihoods and the preservation of natural capital while enhancing shareholder value. The Company's corporate governance, strategy and robust risk management system underpin the business model on which ITC

continues to grow and create enduring value.

Capitals Financial Capital

ITC's 'Triple Bottom Line' approach to creating larger 'stakeholder value', as opposed to merely ensuring uni-dimensional 'shareholder value' is the driving force that defines the Company's vision and its growth path into the future. At the enterprise level, the Company's goals include:- (a) strengthening ITC's position as one of India's most valuable corporations (b) achieving leadership position in each of the business segments within a reasonable time frame (c) achieving a Return on Capital Employed (ROCE) in excess of the Company's cost of capital, at all times.

The Company delivered a resilient performance during the year which was a particularly challenging one due to a slowdown in consumption, steep escalation in tax incidence on cigarettes under the Goods and Services Tax (GST) regime, subdued demand conditions in the FMCG industry and supply chain disruptions caused during the transition to GST. Gross Sales Value (net of rebates/discounts) for the year stood at ₹67,081.92 crores as against ₹64,174.17 crores in 2017, driven mainly by the Branded Packaged Foods, Personal Care Products



and the Education and Stationery Products Businesses offset by decline in Agri Business revenue due to lower export opportunities. Including Exceptional items, Profit Before Tax at ₹16,851.70 crores and Profit After Tax at ₹11,223.25 crores registered growth of 8.7% and 10.0% respectively during the year. Total Comprehensive Income for the year stood at ₹11,605.59 crores (previous year ₹10,277.90 crores). Earnings Per Share

for the year stood at ₹9.22 (previous year ₹8.43). Cash generated from operations aggregated ₹18,370.42 crores, compared to ₹15,214.98 crores in the previous year (Please refer to the 'Report of the Board of Directors & Management Discussion and Analysis' section of the Report and Accounts 2018 for further details).

Key Inputs	₹ Crores
Shareholders' Funds	51,400
Capital expenditure in the last 5 years	13,458
Revenue expenditure for the year 2018	30,021
Key Outputs	₹ Crores
Gross sales value	67,082
Profit after tax	11,223
Earnings per share (₹)	9.22
Value-added (to the exchequer, employees and providers of financial capital)	46,296
Contribution to exchequer	33,791

Key Financial Capital Outcomes:

- The Company has created multiple drivers of growth by developing a portfolio of world-class businesses across all sectors of the national economy spanning agriculture, manufacturing and services; placing the Company amongst the foremost in the country in terms of efficiency of servicing financial capital
- Over the last five years, Value-Added by the Company, i.e. the value created by the economic activities of the Company and its employees, aggregated over ₹2,00,000 crores of which nearly ₹1,50,000 crores accrued to the Exchequer
- Including the share of dividends paid and retained earnings attributable to government owned institutions, the Company's contribution to the Central and State Governments represents about 80% of its Value-Added during the year
- The Company remains amongst the Top 3 Indian corporates in the private sector in terms of Contribution to Exchequer
- Over the last 22 years, net revenue and post-tax profit have recorded an impressive compound annual growth of 13.3% and 18.6% respectively. Total Shareholder Returns, measured in terms of increase in market capitalisation and dividends, have grown at a compound rate of 22.4% per annum during this period, placing the Company amongst the foremost in the country in terms of efficiency of servicing financial capital

Manufactured Capital

Manufactured Capital supports the Company in enhancing efficiencies throughout the manufacturing supply chain while catering to the dynamic needs of the consumers. ITC has over the years invested significantly in creating best-in-class infrastructure, including manufacturing facilities, logistics hubs, office complexes and hotels. International best practices and standards on occupational health and safety are incorporated in the design stage for all infrastructure created by ITC. Necessary investments have also been made to minimise water and carbon footprints, which has ensured that ITC has remained carbon and water positive over the last 13 and 16 years

respectively despite a manifold increase in manufacturing capacity and number of new hotels constructed.

For FMCG products, the strategy of locating integrated consumer goods manufacturing and logistics (ICML) facilities near to the market has helped optimise logistic costs besides providing the opportunity to tailor make products, depending on local preferences. Upgradation of on-line, real time quality assurance systems and induction of state-of-the-art technology for several product and packaging types were carried out during the year. These manufacturing facilities, together with those of our Paperboards & Specialty Papers and Packaging businesses use very high levels

of automation and technology, to ensure quality and efficiency of the highest levels and contribute significantly to the 'Make in India' mission of the Government of India. The Bleached Chemical Thermo Mechanical Pulp mill (BCTMP) at the Bhadrachalam unit stabilised during the year with progressive improvement in capacity utilisation leading to reduced dependence on imported pulp and cost savings. The investments of printing business in rigid boxes and flexo corrugated packaging have consolidated its position as a 'one-stop shop for packaging solutions'. The Agri Business continued to make investments in the Green Leaf Threshing plants (GLT) at Anaparti, Chirala and Mysuru towards delivering world-class quality and upgrading processing technology.

In line with its philosophy of manufacturing excellence, the Company has commenced

several initiatives towards capability enhancement in the arena of Advanced Analytics, Artificial Intelligence, Virtual Assist and Augmented Reality to bring about a digital transformation in the manufacturing process, such as overall equipment efficiency, energy management, maintenance, downtime analysis, quality and traceability.

ITC Hotels' have played a very large role in redefining the global image of India's tourism infrastructure by creating iconic properties that not only provide internationally acclaimed levels of luxury and comfort, but have done so through green platinum rated buildings that pioneered the entire concept of 'Responsible Luxury'. A well-established system of tracking environmental and safety performance standards at the highest levels ensure that asset quality is preserved to deliver expected service levels.

Key Inputs

- Over 200 owned and entrepreneur owned third party manufacturing units providing world-class products
- Over 100 owned and managed hotels
- India's largest and greenest paper and paperboard manufacturing facility
- Over 10 million sq. ft. warehousing space
- Investing in 20 integrated consumer goods manufacturing and logistics facilities for its FMCG Businesses
- Diverse manufacturing and sourcing footprints
- Total Asset Value - ₹62,381 crores

Key Outputs

- Within top 3 in most major categories
- Present in 40+ FMCG categories
- Formidable distribution network covering over one lakh markets and over six million retail outlets (directly and indirectly) across various trade channels
- 23 Platinum certified green buildings

Key Manufactured Capital Outcomes:

- Creating, capturing and retaining value in India through world-class Indian brands
- Superior competitiveness with internationally benchmarked energy, water consumption and efficiency indices across its product categories delivering world-class products to consumers
- Among top 3 in most major categories
- Pioneered 'Responsible Luxury' in the hospitality sector
- Integrated consumer goods manufacturing and logistics facilities enhancing competitiveness and reducing carbon footprint

Intellectual Capital

Over the years, ITC has developed deep institutional knowledge of agricultural practices governing the crops that serve as raw material for its businesses. Coupled with this knowledge is the relationship that has been nurtured with farmers, that today translates into a source of competitive advantage.

In consumer facing businesses such as FMCG, the ability to discern preferences, craft appropriate solutions, provide them at competitive prices while consistently meeting quality and safety standards, is achieved through well-established processes that are not easily replicable. The Paperboards, Paper and Packaging businesses which cater to business clients, support their competitive strength through constant innovation by providing greenest and best in class solutions. Similarly, ITC Hotels owes its leadership position in the hospitality industry to its ability to create resource efficient iconic infrastructure that provides the highest levels of luxury together with exquisite international and local cuisine. All these are supported by a strong research and development team and

state-of-the-art research facilities that are dedicated to cater to the evolving needs of our discerning consumers through products and services fulfilling quality, nutrition and sensory requirements.

Recognising that trademarks manifest in successful brands, create value in perpetuity to the Company and also anchor competitive value chains, ITC has created a vibrant architecture of brands to delight its consumers. These brands retain value within India compared to foreign owned brands which imply an outflow of precious foreign exchange resources as royalty. ITC's innovations use insights and technologies to deliver brand-led benefits which meet the latest trends and respond to the local needs, resulting in better results. The significance of intellectual capital at ITC is reflected through continued product and process innovations.

Significant investments have been made to create superior intellectual capital through a world-class comprehensive research and testing facility at the ITC Life Sciences & Technology Centre (conforming to ISO/IEC 17025 and has been certified by National Accreditation Board for Testing and Calibration).

Key Inputs

- Research & Development spend during the year- ₹130 crores
- Nearly 350 world-class scientists
- 3,400 + NABL certified lab procedures
- Life Sciences & Technology Centre spread over 3.42 lakh sq. ft.

Key Outputs

- 25 Mother Brands
- 756 patent applications
- Innovative and differentiated products
- Higher yielding planting stock increasing farm income and securing supply chain

Key Outcome:

The approach of the Company has led to offering of products and solutions that consistently deliver value to consumers and maintain Company's competitive edge. As a result, the Company has nurtured vibrant portfolio of its brands representing an annual consumer spend of nearly ₹16,000 crores in aggregate and have been built organically by the Company over a relatively short period of time.



Natural Capital

ITC's Businesses are significantly dependent on agricultural produce and therefore on stability and sustenance of natural cycles and resilience of the farmer communities. While climate change due to the anthropogenic disruption of the carbon cycle, demands the adoption of a low carbon growth path, the issue of water security also assumes great urgency given India's water stress and the dependency on the monsoons. Accordingly, ITC has focussed efforts over the last decade in these areas which has resulted not only in the decoupling of energy consumption from revenue growth, but also an overall increase in carbon sequestration over the last 13 years. Even with the continuing investment in new manufacturing facilities and hotels, over 43% of ITC's total energy demand is met from renewable sources with several factories and hotels meeting over 90% of their electrical energy requirements from solar or wind based power plants. Similarly, the rain water harvesting potential created has been consistently more than ITC's net fresh water consumption over the last 16 years and several business units located in high

water stress areas are working towards water security for all stakeholders within the local catchment area, guided by the principles of the Alliance for Water Stewardship.

ITC has also invested extensively in disseminating climate smart agricultural practices amongst farmer groups across different regions within the country. These practices focus on low input agriculture that emphasise soil water and nutrient enhancement.

Waste management is another area offering tremendous opportunities in the efforts towards conservation of natural resources. This decade old initiative by ITC on source segregation between dry and wet waste, reaches out to over 7.7 million citizens ensuring that 50,196 tons of municipal waste gets recycled and becomes resources, instead of ending up in landfills. ITC is working towards utilising this knowledge and experience to help meet its Extended Producer Responsibilities on post-consumer plastic in a sustainable manner by creating viable business models that will serve as building blocks in transiting to a circular economy.

Even with the continuing investment in new manufacturing facilities and hotels, over 43% of ITC's total energy demand is met from renewable sources.

Key Inputs

- 22,030 TJ of energy consumed, out of which 9,555 TJ is from renewable sources
- 9.23 million m³ of freshwater consumption
- Over 115 million sapling planted

Key Outputs

- 43% renewable energy share
- 5,458 kt CO₂ sequestered from afforestation programme
- Over 33 million m³ of rainwater harvesting potential created till date
- 84% of the sites reporting over 99% of the waste getting recycled

Key Natural Capital Outcomes:

While the Company's pioneering work in empowering rural India is a global exemplar, it has also spearheaded several initiatives to achieve new benchmarks in environmental excellence. Recognising the need of addressing the critical area of climate change, the Company aims at building climate resilient business models. These include continuous improvement in energy efficiency, enhancing the renewable energy portfolio, integrating green attributes into the built environment, better efficiency in material utilisation, maximising water use efficiencies and rain water harvesting, maximising reuse and recycling of waste and utilising post-consumer waste as raw material.

ITC is the only company of comparable dimensions in the world to be carbon positive for 13 years, water positive for 16 years and solid waste recycling positive for 11 years.



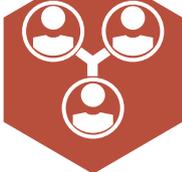
Human Capital

ITC believes that its people strengthen the organisation and make it exceptional, both in driving world-class performance and in enhancing its reputational capital. ITC’s overall Talent Management strategy is purpose driven - focussed on attracting, engaging and retaining talent that provide leadership and business relevant capabilities thereby strengthening its Human Capital.

Guided by the mandate of Distributed Leadership and tailored people policies and initiatives, ITC’s Talent Proposition is based on **‘Building Winning Businesses. Building Business Leaders. Creating Value for India’**. Building a high quality team which creates winning businesses requires ITC to focus on attracting the right talent for the organisation. One of the biggest Talent Management agenda for ITC is therefore building an attractive talent brand which is considered aspirational by the people. This is achieved through its integrated approach to talent management in which emphasis is placed on performance, development and engagement of all the employees built on the underlying belief of care and concern. While the integrated approach ensures fulfilment of its talent management promise, ITC also places adequate focus on communication

of this talent management promise and engagement with its potential sources of recruitment. ITC’s campus engagement initiative “Interrobang” is a testimony to this approach. ITC’s social media strategy is being implemented through its social media forums such as Hub ‘N’ Scope where communication and engagement with talent is an ongoing feature. These efforts have been recognised through various accolades. ITC ranked amongst the top 10 companies that MBA students in India want to work with, according to an employer branding survey conducted by Universum Global.

Capturing the ‘employee voice’ is a critical component in ensuring employee well-being according to ITC. All Units conduct periodic employee engagement surveys wherein employees share their views about the workplace. Results of the employee engagement survey, ‘Engage-2018’, revealed that 92% of ITC employees were proud to work for ITC – a score which is among the highest globally. Engagement of the employees is also achieved through placing high focus on providing growth and development opportunities. Accordingly, ITC places a high priority in enhancing the learning and development processes of their employees to create empowered experiences at the workplace. Through concentrated



ITC’s Talent Proposition is based on **‘Building Winning Businesses. Building Business Leaders. Creating Value for India’**.

efforts towards enabling capability and talent development, ITC focuses on career conversations, skill building and leadership development. In ITC unique opportunity to create products and categories right from scratch is provided which resembles a culture of start-ups and has enabled the development of professional entrepreneurs –proneurs who will power the growth of ITC going forward.

ITC’s integrated approach to talent management has ensured a high level of retention of employees with the overall attrition percentage being around 6%. This ensures building a robust leadership pipeline from within. The Company also believes that a safe and healthy work environment is a basic requirement for ensuring employee well-being and that best practices in occupational health and safety enhances the Company’s overall performance.

Key Inputs

- Direct employment to more than 26,000 people
- Employee benefits expenditure for the year - ₹2,487 crores

Key Outputs

- Engaged Employees - 92% of the employees are proud to work for ITC
- Capable Employees - more than 83,600 person - days of formal training
- Employee Relations - 5 Settlements signed
- 81% of the sites with no reportable accidents

Key Human Capital Outcomes:

ITC’s integrated approach towards human capital, as detailed above, has resulted in creating an inclusive & safe workplace; building business leaders of tomorrow and in turn retaining ITC’s position as an ‘Employer of Choice’.

Social and Relationship Capital

ITC believes that sustainability embedded in business processes delivers significant stakeholder value through innovative development models that, along with financial capital, simultaneously create positive social and environmental footprints. This approach is actualised through the Company’s commitment to multi-stakeholder partnerships, comprising communities, research institutions, Government bodies and NGOs, to ensure that the initiatives remain contemporary, achieve scale and empower communities to achieve lasting sustainable outcomes.

ITC’s Social Investments Programme (SIP) aims to transform the lives of even the most marginalised amongst its stakeholder groups to live a life of dignity. Extensive needs assessment surveys have shown

that the core challenge for our stakeholder groups is that of securing livelihoods today and tomorrow. To address this issue, ITC has adopted a “Two Horizon Approach” - Horizon 1 to build resilience and reduce risks in the current portfolio of economic activities and Horizon 2 to create healthy, educated and skilled communities capable of competing in the job markets of tomorrow.

Horizon 1: Sustainable Livelihoods Today

- **Social Forestry:** To enhance wealth creation opportunities for small and marginal farmers by providing commercially viable land-use options based on tree-based farming.
- **Sustainable Agriculture:** To strengthen agri-production regimes and de-risk farming operations, especially from erratic weather events, by knowledge empowerment through e-Choupals and Climate Smart Agriculture practices.



ITC’s Social Investments Programme aims to transform the lives of even the most marginalised amongst its stakeholder groups to live a life of dignity.



- **Water Security:** To promote stable production regimes in both agriculture and manufacturing catchments of the Company through landscape level development of water resources and driving water-use efficiencies amongst all stakeholders.
- **Animal Husbandry Services:** To de-risk rural households from primary dependence on agriculture by increasing productivity of milch animals as a first step to dairy emerging as a commercially viable livelihood option.
- **Women’s Economic Empowerment:** To mainstream women, especially from poor households, into the centre of social and economic decision-making through enterprise promotion and financial inclusion.

Horizon 2: Sustainable Livelihoods Tomorrow

- **Primary Education:** To provide a level playing field for children from poor families by improving learning outcomes, mainstreaming of Out of School children and providing a more responsive learning environment through ‘child friendly schools’.
- **Vocational Training:** To provide market linked skills for formal employment of youth, especially from marginalised communities.
- **Sanitation:** To promote hygienic habitats through prevention of Open Defecation and reduction in incidence of water borne diseases.
- **Solid Waste Management:** To ensure minimal waste to landfill through scientific management of solid waste by local communities.

Key Inputs

- ₹291 crores spent on CSR
- Over 10,600 crores spend on indigenous procurement of raw materials, stores and supplies
- Knowledge empowerment of even small and marginal farmers through a network of 6,100 village internet kiosks - e-Choupals - to improve their competitiveness and capacity to manage risk
- Capacity building of 1,338 grassroots institutions, with a total membership of 26,204 to enable long-term sustainability of the projects
- Enduring multi-stakeholder partnerships with state governments, NGOs and technical & research organisations, both national and global, to achieve scale and ensure best practices

Key Outputs

For 2017-18

- Social Investment Programme over 25 States/Union Territories covering 188 districts
- E-Choupal services reach out to more than 4 million farmers in over 35,000 villages across 10 states
- 63,402 acres greened through social & farm forestry
- 98,180 acres brought under watershed development
- 4.15 lakhs acres covered under sustainable agriculture practices
- 2.02 lakhs Artificial Inseminations under the animal husbandry services
- 10,600 livelihoods created of which 10,200 were Ultra Poor Women
- 46,891 children covered under primary education
- 7,494 Individual household toilets constructed
- 20.23 lakhs households covered under Solid Waste Management
- 13,119 students enrolled for vocational training

Key Social and Relationship Capital Outcomes:

i) Inclusive growth and social value creation and

ii) Prosperity to farmers through:

- **Water stewardship:** On-going interventions to ensure that 21 of 36 core agri clusters, which are in “semi-critical” to “over exploited” zones, move to “safe” category by 2030
- **Social Forestry:** Earnings from sale of pulpwood alone per hectare by farmers was ₹1.27 lakhs in a crop cycle
- **Sustainable Agriculture:** Increase in net returns to farmers was 21%, 50% and 20% for wheat, paddy and soya respectively against baselines
- **Sanitation:** 73% of project villages declared Open Defecation Free
- **Solid Waste Management:** Waste to landfill was at 17% in projects handling total waste
- **Vocational Training:** 37% of the youth who were skilled belonged to Scheduled Castes/Scheduled Tribes (SC/ST) and 70% of total youth skilled were placed in formal employment



Synergies between Businesses

ITC has built a robust portfolio of businesses leveraging synergies from the Company's enterprise strengths, in the process building and reinforcing capabilities encompassing deep consumer insight, cutting-edge Research & Development, intimate rural linkages, superior agri-sourcing, world-class manufacturing, brand building skills, culinary insights, innovative consumer packaging, digital technology and an effective trade marketing, distribution and logistics network. Today, ITC has an impressive presence in all the 3 sectors of the economy, namely, agriculture, industry

and services, providing unique sources of competitive advantage by harnessing the diversity resident in different businesses. All this has enlarged the Company's capacity to contribute to national priorities and create sustainable livelihoods on a much larger scale.

The Foods Business of ITC, for example, is able to derive unique competitive advantages from the agri-sourcing strengths of e-Choupal, the culinary expertise of ITC's hotel chefs, packaging innovations from the packaging business, the knowledge of brand

building and customer insights from FMCG Businesses and the reach of the Company's extensive Trade Marketing and Distribution network. This has enabled the Foods Business to craft unique offerings that are aligned to the consumer's emerging tastes and preferences.

An example of synergy of superior agri-sourcing and culinary expertise of hotel chefs is manifest in the remarkable success that has been witnessed in the leadership of Aashirvaad atta. Its strong emotional bond with consumers is a direct result of the specially crafted unique blends of identity preserved wheat customised to meet regional preferences. Such synergy also lends competitiveness to the Company's differentiated offerings including 'Sunbean' brand of premium coffee. The expertise of ITC Hotels' chefs, the knowledge of coffee garnered over 25 years of global trading by ITC's Agri Business and the skill of the Company's master-blenders have led to the

co-creation of such world-class coffee for true connoisseurs. ITC has also launched the ITC Master Chef Super Safe prawns which leverage ITC's 45-year legacy in exporting to the most exacting markets of the world with stringent quality standards.

ITC's stationery brand, Classmate, is yet another unique example of leveraging synergies between the Company's businesses. ITC's large-scale Afforestation Programme which provides marginal and tribal households with a commercially viable land use option for their low productivity lands by assisting them to convert these into pulpwood plantations has enabled the Company to offer the greenest paper and paperboards products, as seen in ITC's stationery brands such as Classmate and Paperkraft. These plantations also provide a source of wood pulp to ITC's Paperboards and Specialty Papers Business. The large-scale Afforestation Programme has covered over 6,80,000 acres and has created about 124 million person days of employment.





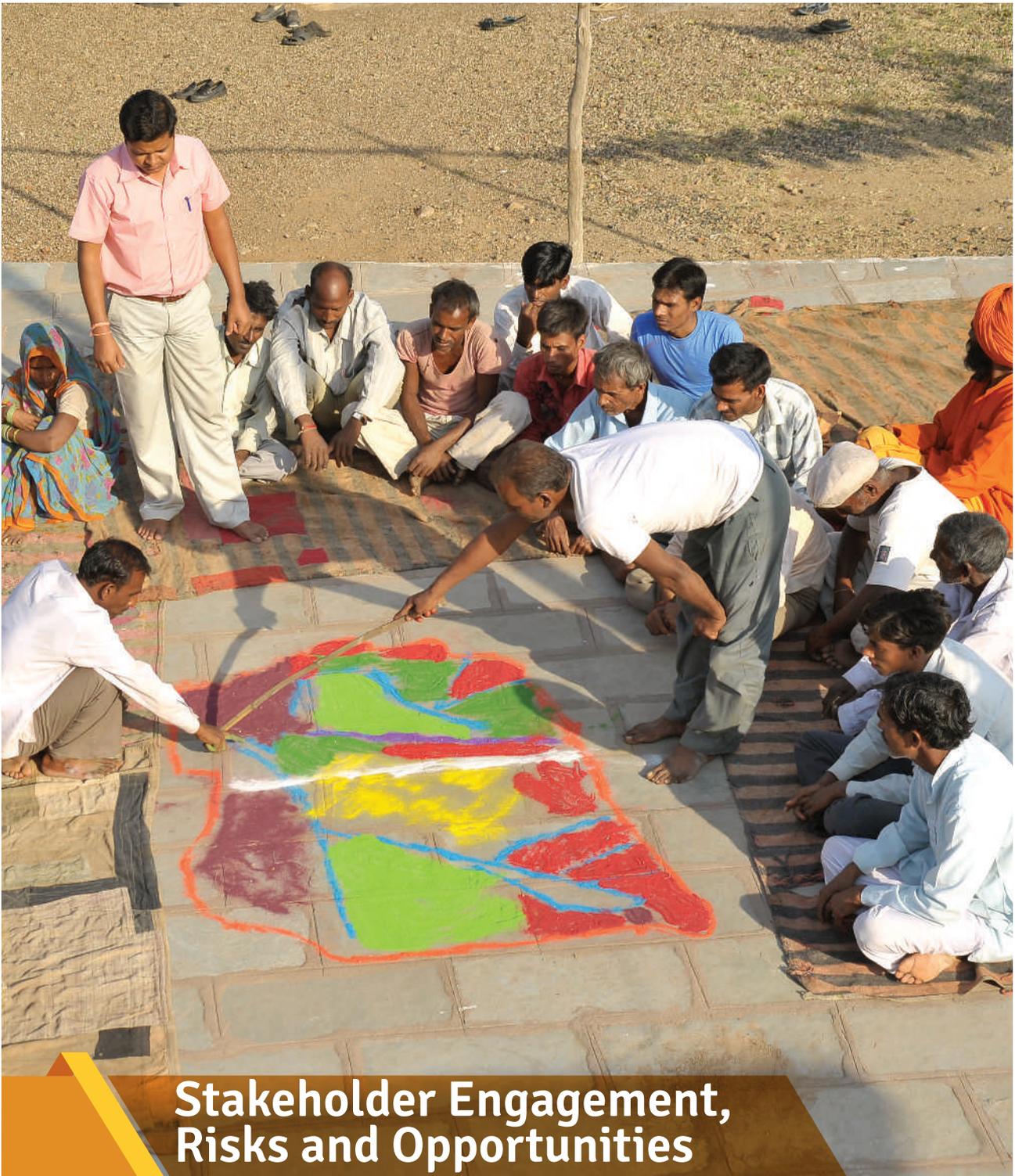
Enterprise-led Innovation

ITC believes that innovation is the elixir of growth in a competitive business environment. ITC has over the years pursued a 360-degree approach to encourage and enable innovation in the Company. As a first step, recognising the challenge of managing a multi-business conglomerate, an innovative strategy of organisation was crafted. A three-tier governance structure was formed with the Board of Directors entrusted with strategic supervision, a Corporate Management Committee with the responsibility of strategic management of the Company and divisional management committees for executive management of each business. Based on the principles of distributed leadership, it not only enabled focus in each business but also created a structure to derive synergistic value from its diverse businesses. ITC also crafted innovative business models to deliver larger societal value. Enterprise-led innovations such as the ITC e-Choupal, Agro Forestry, Responsible Luxury, etc. have led to the creation of sustainable livelihoods and natural resource enrichment.

At ITC, a robust Innovation engine is at work 24X7 which is helping create a bouquet of distinct, superior and first of its kind products. Innovation is fostered not only in products and services but also in processes, technologies as well as in communication.

Superior and differentiated value propositions earn the right to receive both necessary resources and management support thereby creating new growth avenues for the Company. ITC has invested in a globally benchmarked ITC Life Sciences and Technology Centre with over 350 scientists and over 700 patents being filed within a short span of time. The Biosciences R&D team at the Centre, apart from other multi-disciplinary teams, designs and develops several long-term research platforms culminating in the evolution of multi-generation product concepts for the Branded Packaged Foods and Personal Care Products Businesses. Multiple value propositions have been identified in the area of functional foods, which are being progressed to products of the future with strong scientifically validated claims via clinical trials. Similar advances have been made in the area of skin care and hair care. Such innovation in both products, and service offerings are spurred by R&D keeping in mind the sensory and genetic make-up of Indian consumers. Similarly, ITC's garnered insights into the diverse needs of the Indian consumers have helped it to create products with superior and differentiated value proposition, enabling it to progress rapidly across its different businesses.





Stakeholder Engagement, Risks and Opportunities

Stakeholder Engagement Framework

ITC consistently engages with its stakeholders and is cognisant of their expectations from ITC businesses in its pursuit towards value

creation. ITC believes that every stakeholder's point of view is important, and to that end, ITC has engagement mechanisms in place to willingly listen and discuss issues that are of interest to its stakeholders².

²For detailed issues of each category of stakeholders, refer to the Stakeholder Engagement section of the Sustainability Report of ITC

Stakeholder	Consultation Mechanism
Providers of Financial Capital	<ul style="list-style-type: none"> • Annual General Meeting • Exclusive section in Corporate Website on ‘Shareholder Value’ which serves to inform and service shareholders • An exclusive e-mail id: isc@itc.in for direct interaction with shareholders • Regular interactions with institutional investors
Government and Regulatory Authorities	<ul style="list-style-type: none"> • Representations on policy issues through industry associations and other bodies • Participation in policy advocacy discussions at various forums
Customers	<ul style="list-style-type: none"> • Market surveys • Personal contacts/visits • Personalised lifestyle privilege programme • Customer satisfaction surveys • Key account management • Digital and social media feedback
Employees	<ul style="list-style-type: none"> • Induction programmes/training workshops • Individual performance appraisal • Employee engagement survey • Grievance handling processes • Trade union meetings
Farmers	<ul style="list-style-type: none"> • Regular formal/informal talks • Farmer training programmes and workshops • Agreements for all procurement activities • e-Choupal and Choupal Pradarshan Khets (demonstration farms)
Supply Chain Partners	<ul style="list-style-type: none"> • Manufacturers’ meets • Vendor meets • Pre-agreement negotiations • Agreements for all procurement activities
Media	<ul style="list-style-type: none"> • One-on-one Media interactions • Press conferences/Press releases • Advertisements/Promotions • Interviews with Leadership
Civil Society	<ul style="list-style-type: none"> • Partnership in implementation of CSR Programmes - Mission Sunehra Kal • Stakeholder engagement workshops
Local Communities	<ul style="list-style-type: none"> • Community needs assessment activities undertaken in collaboration with independent parties/Civil Society Organisations • Formation and regular meetings of village institutions • Assessment of direct and indirect impacts of ITC’s social investments on communities



Risk Management Framework

ITC is a diversified enterprise that continues to focus on a system based approach to business risk management³. Management of risk has always been an integral part of the Company's 'Strategy of Organisation' and straddles its planning, execution and reporting processes and systems.

The Company's Risk Management Framework, comprising of adequate governance structures, policies and procedures, ensure that risks are effectively identified, prioritised, monitored

and addressed in the short, medium and long term. These robust risk management systems help the Company in realising its business objectives and in continued value creation for all its stakeholders. The risks and their corresponding responses, which have been illustrated in the section below, have evolved from an understanding of the material issues of the stakeholders identified in course of the engagement of the Company with its stakeholders.

³Detailed information on the risk management framework can be found under the head 'Risk Management' in the 'Report of the Board of Directors & Management Discussion and Analysis' section of the Report and Accounts 2018.

Elements of Risk Management Framework	
Corporate Governance Policy	Approved by the Board, these policies lay down the roles and responsibilities of the various entities in relation to risk management, covering a range of responsibilities – from strategic to operational. These role definitions, inter alia, provide the foundation for appropriate risk management procedures, their effective implementation across the Company and independent monitoring and reporting by Internal Audit.
Risk Management Policy	
Risk Management Committee	Constituted by the Board, it monitors and reviews the strategic risk management plans of the Company as a whole and provides necessary directions on the same.
Corporate Risk Management Cell	Through focussed interactions with businesses, facilitates the identification and prioritisation of strategic and operational risks and the development of appropriate mitigation strategies and conducts periodic reviews of the progress on the management of identified risks.
Policies and Procedures	A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed.
Monitoring Structure	Appropriate structures are in place to proactively monitor and manage the inherent risks in businesses with unique/relatively high risk profiles.
Internal Audit Function	Risk focussed audits carried out across all businesses, enabling identification of areas where risk management processes may need to be strengthened.
Audit Committee	The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls.
Audit Compliance Review Committee	Closely monitors the internal control environment within the Company including implementation of the action plans emerging out of the internal audit findings.
Divisional Auditors	Continuously verify compliance at the business level with laid down policies and procedures and help plug control gaps by assisting operating management in the formulation of control procedures for new areas of operation.
Comprehensive Framework	Robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives based on effective strategy implementation. The annual planning exercise requires all business to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountabilities. Business are required to confirm periodically that all relevant risks have been identified, assessed, evaluated and that appropriate mitigation systems have been implemented.

	Risk/Challenge	Response
Regulatory	<p>Punitive and discriminatory taxation & regulatory policies impacting the legal Cigarette industry in India</p> <p>Sub-optimisation of revenue potential of the tobacco sector due to shift in consumption to lightly taxed / tax-evaded tobacco products.</p> <p>Fillip to illegal cigarette trade in India due to attractive arbitrage opportunities; significant loss of revenue to the exchequer.</p> <p>Subdued demand for Indian tobacco due to pressure on legal cigarette industry volumes; adverse impact on farmer earnings and livelihoods dependent on tobacco value chain.</p>	<ul style="list-style-type: none"> ➤ Engagement with industry bodies to pursue policy for reasonable, pragmatic and evidence based regulation and taxation policies that balance the health, employment and economic imperatives of the country. Also highlighting the growing threat of illegal and smuggled cigarettes. ➤ The Company has embarked upon a strategy that creates multiple drivers of growth by developing a portfolio of world-class businesses that best matches organisational capabilities with opportunities in the domestic and international markets.

	Risk/Challenge	Response
Operational	<p>Increasing complexity of operations in the context of a highly diversified business portfolio</p>	<p>⇒ ITC’s Strategy of Organisation and 3-tier governance structure ensure that:</p> <ul style="list-style-type: none"> - Strategic supervision (on behalf of the shareholders), being free from involvement in the task of strategic management of the Company, can be conducted by the Board with objectivity, thereby sharpening accountability of management; - Strategic management of the Company, uncluttered by the day-to-day tasks of executive management, remains focussed and energised; and - Executive management of the divisional business and shared services free from collective strategic responsibilities for ITC as a whole, gets focussed on enhancing the quality, efficiency and effectiveness of its business/shared services to achieve best-in-class performance <p>By segregating strategic supervision from strategic and executive management, the governance framework facilitates in striking the right balance between freedom of management and accountability to shareholders.</p> <p>The governance structure also enables each business to focus on its operating segments while harnessing the diversity of Company’s portfolio of businesses to create unique sources of competitive advantage.</p> <p>⇒ Driving synergistic growth and enhancing the competitive power of the portfolio by blending the diverse skills and capabilities residing in various businesses of the Company.</p> <p>⇒ Focussing on efficient supply chain management and backward integration.</p> <p>⇒ Fostering a culture of innovation and focussing on R&D leveraging the capabilities of ITC Life Sciences and Technology Centre and best-in-class product development processes.</p>

	Risk/Challenge	Response
Operational	Attracting and retaining the best talents given the multitude of options available to skilled professionals.	<ul style="list-style-type: none"> ➤ Continuously strengthening and leveraging the Company’s talent brand – ‘Building Winning Businesses. Building Business Leaders. Creating Value for India.’ Backed by strong corporate equity to attract and retain high quality talent. ➤ Creating a shared mindset across the organisation to ensure that employees are inspired, engaged and aligned to the Company’s Mission, Vision, Values and Strategic Agenda.
	Harmonious employee relations to enable smooth functioning and productivity enhancement.	<ul style="list-style-type: none"> ➤ Building a talent pipeline across levels through world-class training and development interventions. Nurturing specialism to meet the growing and diverse talent requirements. ➤ Benchmarking compensation package at each level to reference groups; aligning compensation structure with performance at the Company, Business and Individual levels including adequate weightage to variable pay component. ➤ Leveraging the ‘Good Employee Relations’ approach in ensuring responsive manufacturing, flexible work systems and, at the same time, maintaining a cost and environment conscious ecosystem in all units.
	<p>Water and energy scarcity can adversely affect production</p> <p>Low-productivity of rain-fed agriculture due to climate change induced rainfall disturbances can adversely affect the Agri Business.</p>	<ul style="list-style-type: none"> ➤ Ethos of making a contribution to the nation’s environmental capital embedded in business strategy. The Company is a global exemplar in sustainable business practices and has been ‘water positive’ for 16 years, ‘carbon positive’ for 13 years, and ‘solid waste recycling positive’ for 11 years. ➤ Continuing to focus on energy conservation initiatives and enhancing the share of renewable energy in the Company’s total energy requirement. ➤ Comprehensive CSR programme focussing on social forestry, soil and moisture conservation, biodiversity conservation, sustainable agriculture, livestock development, women empowerment, education, skilling & vocational training, health & sanitation, solid waste management. ➤ Operationalising Reduce-Reuse-Recycle model of waste management. ➤ Contingency planning in supply chain.

	Risk/Challenge	Response
Strategic	<p>Corporate reputation</p> <p>Risk arising due to inadequate protection against malicious attacks, misinformation or misrepresentation, including those on social media, can impact corporate reputation.</p> <p>Adverse coverage or feedback on the Company’s brands/ businesses can impact customer loyalty/consumer franchise.</p>	<ul style="list-style-type: none"> ➤ Structured media engagement plan in place. ➤ Effective engagement and responsible advocacy with stakeholders on issues relating to ITC’s products, services, initiatives and business practices. ➤ Leveraging publicly available web applications and dedicated brand advocacy platforms to disseminate information about the organisation and its brands in the digital space.
Financial	<p>Adverse impact on Company’s operations and performance due to market risk, credit risk and liquidity risk.</p>	<ul style="list-style-type: none"> ➤ Robust risk management practices in place, governed by a combination of centrally issued policies and Divisional standard operating procedures. ➤ Centralisation of Treasury operations to focus on deployment of surplus liquidity and management of forex exposures within a well-defined risk management framework. ➤ Comprehensive framework in place to manage risks arising out of commodity sourcing and agri-commodity trading in place. This includes effective market monitoring systems, continuous tracking of net open positions & 'Value at Risk' against approved limits, use of futures contracts, backward integration, in-house manufacturing (e.g. pulp, print cylinders in packaging.) ➤ Independent and regular system-driven internal audits, supported by Project & IT audits and Risk Management cell. ➤ Large and diverse customer base ensures diversification of risk. ➤ Strong cash flow generation from operations; Company is virtually debt – free.



Opportunities for ITC's Value Creation Process

India remains the fastest growing major economy in the world and is expected to demonstrate a strong growth momentum in the years to come. As per median estimates, based on the Survey of Professional Forecasters conducted by RBI, GDP is likely to grow by 7.3% in 2018-19 on the back of improvement in the Net Exports position and normalisation of private consumption growth levels, partly aided by a favourable base effect. The green shoots of recovery in investments witnessed towards the end of the year especially in the infrastructure sector along with expectations of a normal monsoon augur well for the economy in the near term. Rising crude oil prices, revenue collections, external capital flows and rural demand recovery are the key areas of focus in 2018-19. The pace of GDP growth is expected to gather momentum in the medium-term on the back of favourable global economic tailwinds, pick-up in private investment and implementation of key policy reforms.

While India remains one of the fastest growing major economies in the world, the pace of economic growth in recent years has remained below the desired levels and the country's potential. Stagnation in the manufacturing sector needs to be reversed at

the earliest to enable creation of sustainable livelihoods and absorption of millions of Indians entering the job market every year.

The successful implementation of structural initiatives identified by the Government towards improving the ease of doing business in the country by enhancing transparency, speeding up the approvals process, resolving policy issues and fostering greater levels of value addition within the country would be crucial to boost the performance of the Indian economy and realise its true potential. Enhancing agricultural productivity and value addition to international standards while simultaneously improving market linkages remain critical for the growth of the Agricultural sector. In this context, it is pertinent to note that anywhere between 5% and 40% of food is wasted along the chain in India, depending on the inherent perishability of the crop and the season. India processes only 8% of its total food production as compared to 23% in China, 65% in USA and 78% in Philippines. A big thrust on India's Food Processing sector can lead to significant job creation, enhance rural incomes and help manage food inflation. Similarly, supportive policies in the area of agro-forestry would go a long way in creating



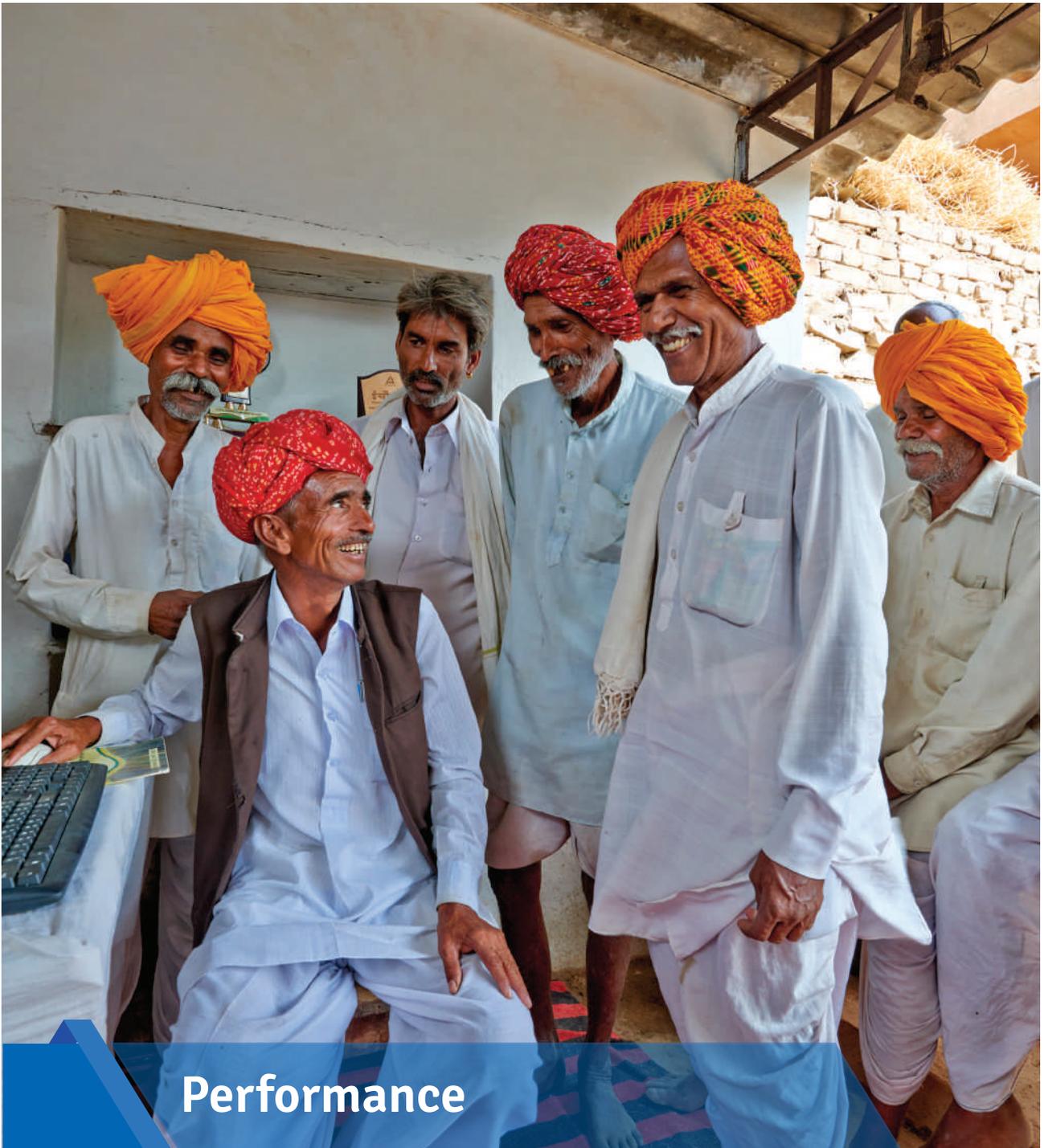
sustainable livelihoods while simultaneously augmenting the nation’s environmental capital.

ITC’s Businesses are positioned well to leverage the emerging growth prospects in the Indian market. To create the growth enablers of the future, ITC is building national assets in the manufacturing and tourism sector aligned with the Government’s Make in India Vision. The Company is investing in 20 world-class integrated consumer goods manufacturing and logistics facilities to deliver sustainable competitive advantage to ITC’s FMCG Businesses. Such facilities will further strengthen ITC’s leadership across the farm-to-fork value chain, enabling greater value realisation to the farmer, reduction

of wastage, and a year-round availability of high-quality products for the consumer through close-to-market distribution. Going forward, such facilities will be utilised to establish cost-effective regional cold-chains for farm produce, such as fresh, frozen and dehydrated fruits and vegetables. Several projects with an outlay of ₹25,000 crores are in various stages of implementation/ planning across the length and breadth of the country facilitating regional and national economic development. ITC’s Hotels Business, with its world-class properties, globally benchmarked levels of service excellence and customer centricity, is well positioned to sustain its leadership status in the industry.

To create the growth enablers of the future, ITC is building national assets in the manufacturing and tourism sector aligned with the Government’s Make in India Vision.





Performance

The 'Report of the Board of Directors & Management Discussion and Analysis' section of the Report and Accounts 2018 captures ITC's performance, external environment, business outlook and material aspects towards value creation for the year reported herein. The key performance indicators for the six resource capitals that underpin the 'Triple Bottom Line' value created by the Company is presented on the next page.

It is ITC's belief that businesses can bring about transformational change by pursuing innovative business models that synergise the creation of sustainable livelihoods and the preservation of natural capital with enhancing shareholder value. This 'Triple Bottom Line' approach to creating larger 'stakeholder value', as opposed to merely ensuring uni-dimensional 'shareholder value', is the driving force that defines the Company's sustainability vision and its growth path into the future.





Conclusion

ITC's vision to sustain its position as one of India's most valuable corporations through world-class performance, creating value for the Indian economy and the Company's stakeholders has been standing proof of its enduring commitment to delivering superior and sustainable stakeholder value, over the last twenty two years of its operations. The Company's existence was at the initial phase primarily devoted to the growth and consolidation of the Cigarettes and Leaf Tobacco businesses; its Packaging and Printing business contributed to strategic backward integration for the cigarettes business. The business diversification strategy, it has adopted at different times of its long journey has invariably targeted at creating value for the nation. It also has remained for long among the top three contributors to the Exchequer. Over the last five years, contribution to the Exchequer has increased to nearly 1.50 Lakh Crores. Over the last twenty two years, the net revenue and post-tax profit have recorded compound annual growth rate of 13.3% and 18.6% respectively. ITC has leveraged its enterprise strengths to create the businesses

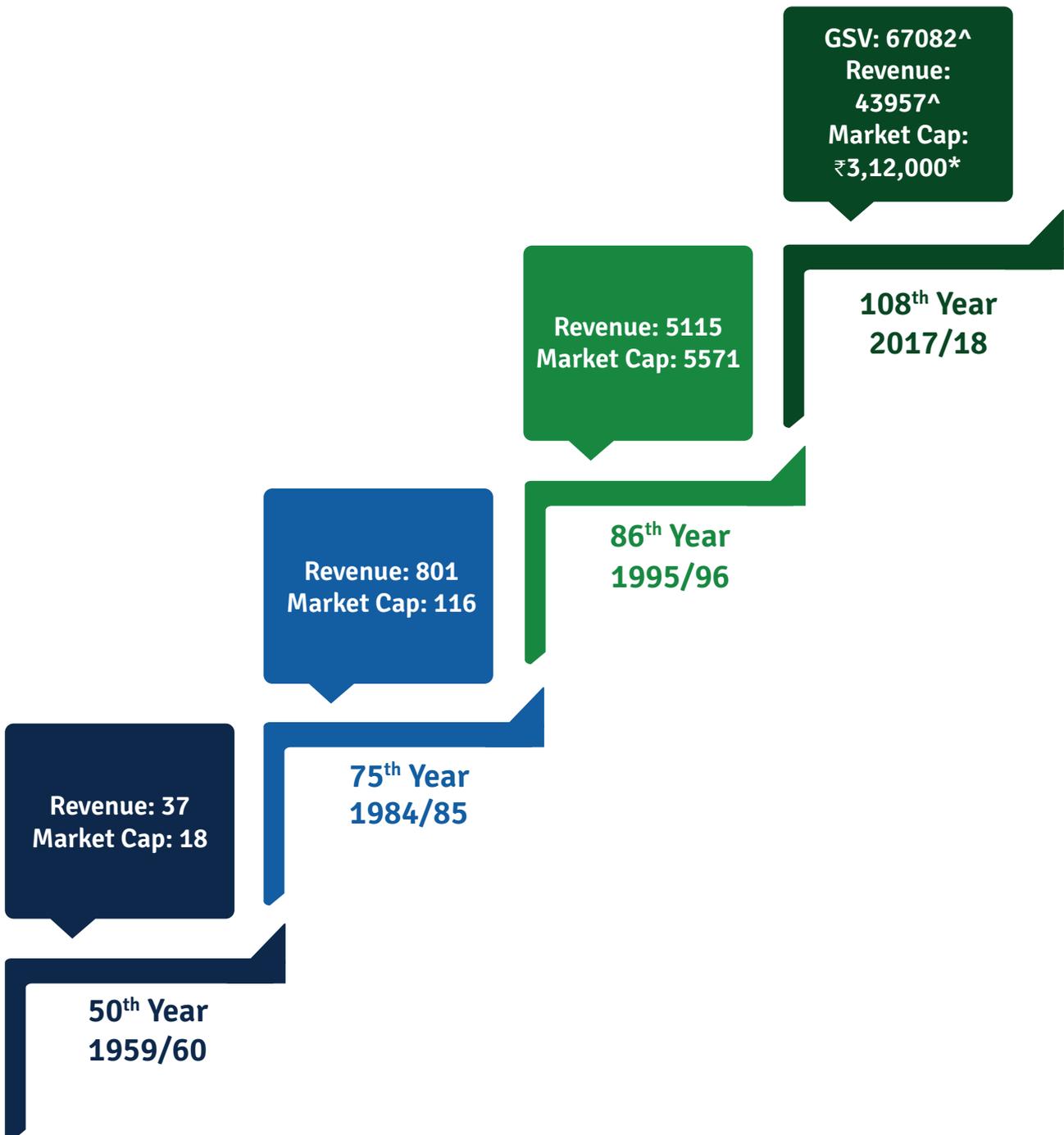
of tomorrow which have a growing presence across all three sectors of the economy – agriculture, manufacturing and services. The aspiration is to be India's No. 1 FMCG company and achieve a turnover of ₹1,00,000 crores from the new Consumer Goods Businesses by 2030.

Along-with key decisions taken on business diversification and portfolio expansion, ITC has lived by its credo of "Putting India First" through a super-ordinate vision articulated nearly two decades ago to make societal value creation the bedrock of its business strategy. The focus has been on spurring innovative strategies that would enable ITC make a growing contribution to building economic, environmental and social capital of the nation. While ITC has achieved significant milestones in its sustainability journey and the scale achieved is immensely encouraging, there are miles to go. ITC will continue to strive to create larger societal value through superior Triple Bottom Line performance. The Company is committed to make a meaningful contribution to create a secure and sustainable future for all its stakeholders and the nation.

ITC's Transformation Over The Years

Total Shareholder Returns CAGR: 22.4% over the last 22 years outperforming the Sensex which has grown at 10.9% (as on March 2018)

(₹ Cr.)



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

[^]FY18 Revenue not comparable a/c GST transition

^{*}@31.03.2018



Enduring Value

ITC Limited
Virginia House, 37 J.L. Nehru Road
Kolkata 700 071, India

[✉ enduringvalue@itc.in](mailto:enduringvalue@itc.in) [🌐 www.itcportal.com](http://www.itcportal.com) [🐦 @ITCCorpCom](https://twitter.com/ITCCorpCom)