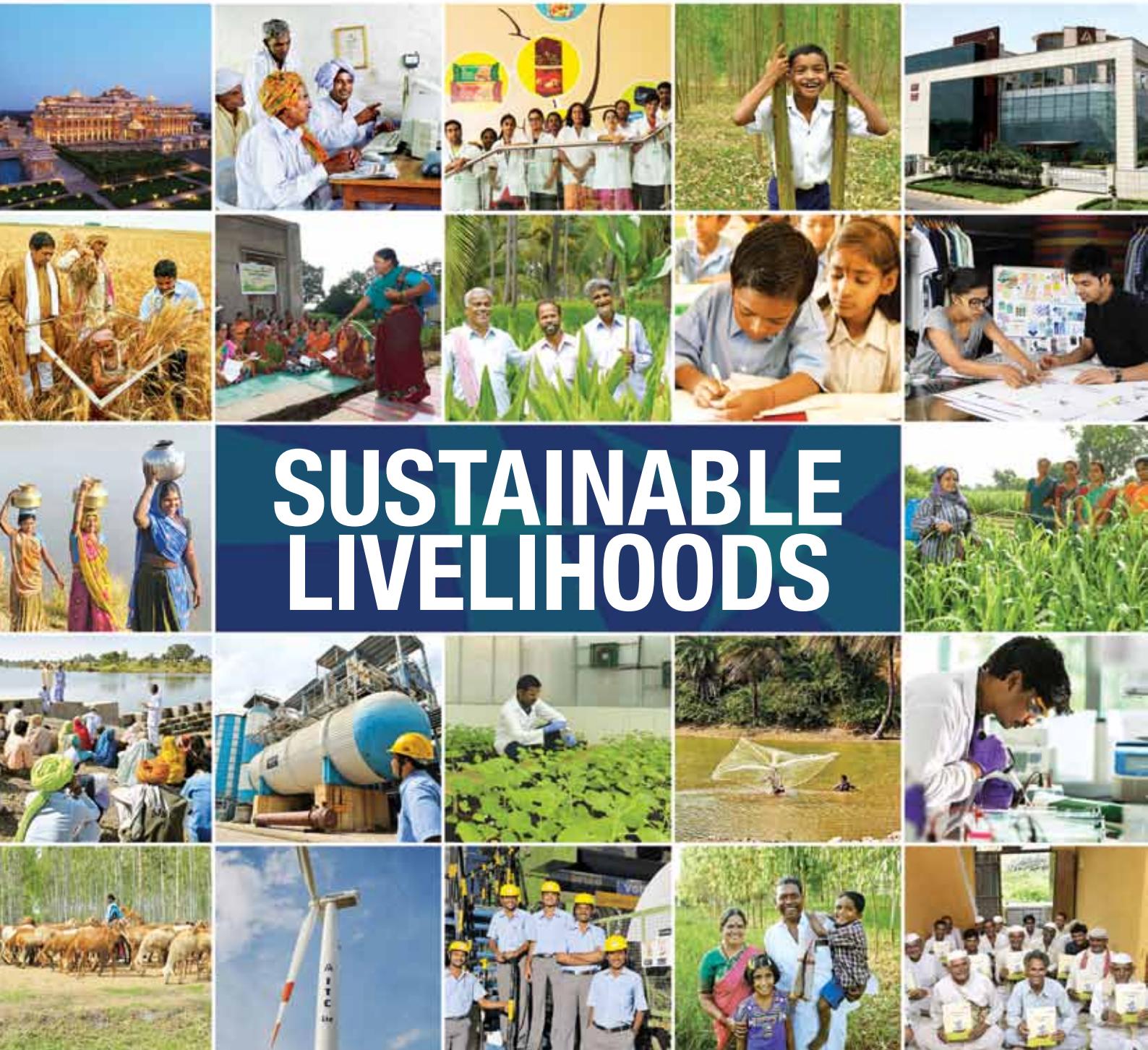


SUSTAINABILITY REPORT 2016

ITC LIMITED



FOR ALL OUR TOMORROWS

GRI - G4 COMPLIANT: IN ACCORDANCE - COMPREHENSIVE



ITC's Sustainability Report can be downloaded
from ITC's corporate website, www.itcportal.com



ITC's Sustainability app can be downloaded from
<http://www.itcportal.com/app/itc-apps.aspx>



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ITC Limited is a GRI Gold Community member
and supports GRI's mission to provide widely used
standards on sustainability reporting.

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Triple Bottom Line Performance

ITC: Creating 6 Million Sustainable Livelihoods



Economic

- ITC has created multiple drivers of growth by developing a portfolio of world-class Indian businesses
- Diversified multi-business conglomerate spanning FMCG, Hotels, Paperboards & Packaging, Agri Business and Information Technology
- Vibrant portfolio of world-class Indian brands
- Market capitalisation: \$44 billion
- Turnover: Nearly \$8 billion
- ITC Group provides direct employment to more than 32,000 people

- Over the last twenty years:
 - Revenue has grown tenfold
 - Profit Before Tax has grown 33 times
 - Total Shareholder Returns has grown at a compound annual rate of 23.3%

Environment

- Carbon Positive:
11 consecutive years
- Water Positive:
14 years in a row
- Solid Waste Recycling Positive:
For the last 9 years
- Soil & Moisture conservation covering nearly 2,70,000 hectares
ITC's Watershed Development Programme is designed to assist farmers in identified moisture-stressed areas.
- Increasing Renewable Energy Portfolio
Over 47% (last year – 43%) of ITC's total energy requirements was met from carbon neutral sources such as biomass, wind and solar.
- Greenest Luxury Hotel Chain
All ITC's premium luxury Hotels are LEED® Platinum certified.
- Over 2,25,000 hectares greened under ITC's Social and Farm Forestry Programme



■ Well-being Out of Waste (WOW)

The ‘Well-being Out of Waste’ initiative currently extends to 400 municipal wards of Hyderabad, Chennai, Bengaluru, Coimbatore and several towns of Telangana. It inculcates the habit of source segregation and recycling.

Social

■ ITC’s Social Investments Programme is spread over 26 states covering 166 districts

■ Primary Education Initiative: Benefitting 4,70,000 children

During 2015-16, 45,823 children were covered under this initiative comprising ‘Read India Plus’ programme and 176 Supplementary Learning Centres to mainstream out-of-school children into regular schools. Till June 2016, the total number of children benefitted is nearly 4,70,000.

■ ITC e-Choupal: Empowering 4 million farmers

ITC’s globally acknowledged e-Choupal initiative is the world’s largest rural digital infrastructure benefitting over 4 million farmers.

■ Over 50,000 sustainable livelihoods for rural women

The Programme aims at economic mainstreaming of rural women including the ultra-poor by enabling them to earn independent incomes. These women were gainfully employed either through micro-

enterprises or assisted with loans to pursue income generating activities.

■ Animal husbandry services for over 13,00,000 milch animals

The Programme for genetic improvement of cattle through artificial insemination to produce high-yielding crossbred progenies is implemented through 238 Cattle Development Centres covering over 10,000 villages.

■ Afforestation Programme generates over 100 million person-days of employment

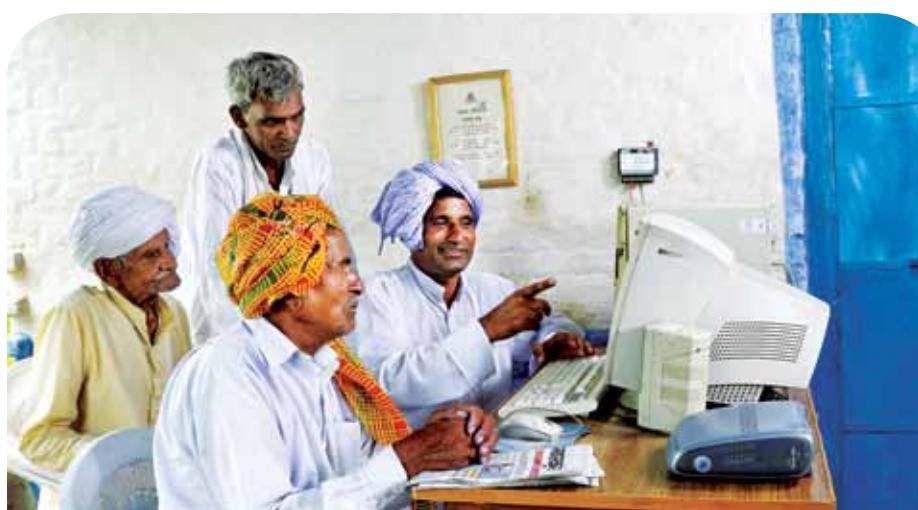
■ ITC’s Biodiversity Programme now covers nearly 4,000 hectares

The objective is to protect native flora and fauna and providing other ecosystem services.

■ ITC’s Vocational Training Programme - Training nearly 34,000 youth

This Programme played an active role in building and upgrading skills of marginalised youth to better meet the emerging needs of the job market.

Figures in this section are as on June 2016. Figures in the rest of the Report pertain to the Financial year 2015-16.



Chairman's Statement

It gives me immense pleasure
to present the 13th Sustainability Report of ITC.

This Report, as in earlier years, is a proactive disclosure of the Company's Triple Bottom Line performance and is third-party assured. Once again, the Report conforms to the highest "In Accordance – Comprehensive" level of reporting prescribed in the G4 guidelines of the Global Reporting Initiative (GRI).

I am also happy to reaffirm ITC's commitment to the principles of the United Nation's Global Compact. The Company's large-scale sustainability programmes are in alignment with the Intended Nationally Determined Contribution (INDC) commitments made by India to the United Nations Framework Convention on Climate Change. The Company's social investment initiatives also make a meaningful contribution towards meeting the objectives set in the UN Sustainable Development Goals.

A New Chapter in Global Sustainability

In many ways, the year gone by marked the beginning of a new chapter in global sustainability. Led by the United Nations, the world adopted the Sustainable Development Goals, a bold new global agenda for ending poverty, fighting inequality and preserving the environment. In April this year, 175 nations converged in Paris to sign the historic UN Climate Agreement, pledging stringent measures to save the Earth from the disastrous consequences of global warming. While the agreement gave rise to new hopes for the planet and future generations, it was also clear that the world was in a race against time. A race to create sustainable livelihoods of an unprecedented scale before millions of jobless youth became a source of global social unrest. A race also to replenish the environment before its degradation chokes future progress and makes the Earth a barren planet.



The UN has warned that the world would need to create at least 600 million jobs over the next decade. This would be critical to providing livelihood opportunities to new entrants as well as to those who have lost their jobs due to the impact of the recent economic crises. In addition, almost a billion people would need to be moved out of abject poverty. Therefore, the challenge today is not only to achieve higher rates of growth in a fragile global economy but to ensure that such growth is equitable and can also create livelihood opportunities. This is indeed a tall task.

Compounding the social challenges is the alarming pace of environmental degradation and global warming. 2016 is slated to be the hottest year in the history of the planet. Extreme and erratic weather events like heat waves, intense storms, rising sea levels, successive cycles of droughts and floods, catastrophic loss of bio-diversity and top soil erosion have triggered widespread devastation. In India, a double whammy of heat waves and droughts have claimed thousands of lives in recent times. Experts have repeatedly warned that human influence is damaging the environment at a rate much faster than it can ever recover.

**Once again,
the Report has
achieved the
highest “In
Accordance –
Comprehensive”
level of reporting
prescribed in the
G4 guidelines
of the Global
Reporting
Initiative**

India's socio-economic context mirrors these global challenges. Undoubtedly, the country has made remarkable progress, poised as it is to become the world's third largest economy in PPP terms by 2030. However, the scale and complexity of its sustainability challenges are daunting. Nearly 300 million people, who live in multi-dimensional poverty, still need critical support to live a life of dignity. What is of extreme concern is the fact that more than 10 million youth, who join the workforce annually, are unable to find gainful employment.





There is today growing realisation worldwide that such unemployed youth are extremely vulnerable, prone to be radicalised and drawn into criminal and violent activity. Unstable societies cannot foster sustainable economic growth. They negate society's advancements and mire the world in conflict and uncertainty.

Going forward, India will face larger challenges to ensure food, nutrition, water, energy, education and health security for the 1.5 billion people who are likely to inhabit the country by 2030. Already, environmental resources are under huge stress given the fact that with 17% of the world's population, the country has only 2.4% of world's land, 4% of global water resources and 1% of forest resources. The need to replenish our environmental resources on a colossal scale has never been more critical and urgent.

The Role of Business

Any sustainable solution to such monumental challenges requires the concerted efforts of all sections of society — government, business and members of the civil society. Businesses can indeed play a very meaningful role. With their diverse managerial capability, superior innovative capacity and entrepreneurial vitality, corporates can bring about transformational change in society through productive utilisation of scarce societal resources. The entrepreneurial capability that businesses employ to create winning products and services can be channelled to create larger societal value, enabling a multiplier contribution to sustainable and inclusive growth.

I believe that these transformative energies of business can be unleashed when corporates redefine their value proposition by focusing on a larger purpose to contribute to societal value creation rather than shareholder value alone. It is this belief that helped ITC shape its Vision & Strategy in building a sustainable enterprise of tomorrow.

ITC's Sustainability Vision & Strategy

Two decades ago when I assumed office as Chairman, we articulated a superordinate Vision to transform the Company into a vibrant engine of growth for the Indian economy by not only repositioning the organisation for extreme competitiveness but also by making societal value creation a core purpose of business. We embarked on a mission to create an exemplary Indian enterprise that would live by its credo of putting Country before Corporation and Institution before the Individual.

This mission to serve larger national priorities spurred innovative strategies that orchestrated a symphony of efforts to address some of the most challenging issues facing Indian society — widespread poverty and income inequities on the one hand; and environmental degradation and the impact of climate change on the other. Leveraging the Company's enterprise strengths and its large presence in rural communities, ITC has over the years designed and implemented large-scale programmes to replenish and enrich the environment, create sustainable livelihoods, empower local communities and address the challenges of climate change. These programmes are encapsulated in the various chapters of this Report.

It is a matter of great satisfaction for all our stakeholders that the Company is today acknowledged as an exemplar in Triple Bottom Line performance. The choice of sustainable strategy and practices have enabled the Company's businesses and value-chains to generate sustainable livelihoods for around 6 million people. ITC is today the only Company in the

ITC has over the years designed and implemented large-scale programmes to replenish and enrich the environment, create sustainable livelihoods, empower local communities and address the challenges of climate change



world of comparable dimensions to be carbon positive for 11 years, water positive for 14 years and solid waste recycling positive for the last 9 years.

Integrated Approach to Sustainability

Embedding sustainability in the Company's DNA requires an integrated approach to ensure impactful outcomes. The abiding Vision to serve a larger national purpose continues to provide the inspiration for every thought and action. Innovative strategies have leveraged the Company's core capabilities to address critical societal challenges identified through extensive stakeholder engagement. As a result of these ground-up efforts, effective programmes have been designed and implemented in close collaboration with local communities ensuring more meaningful outcomes.

Poverty and environmental degradation are inextricably linked, requiring comprehensive interventions that are also adaptive to the local environment and context. Often, such societal challenges are addressed in isolation or in silos leading to sub-optimal solutions. ITC's efforts to align national priorities, needs of local communities and high-impact initiatives result in more sustainable and scalable solutions. This mosaic of comprehensive solutions includes the globally acknowledged ITC e-Choupal initiative, large scale afforestation and watershed programmes, animal husbandry and livestock development initiatives, primary education, vocational training, women's empowerment as well as health and sanitation programmes. These together make a meaningful contribution to improving the quality of life of people in rural India whilst also enriching the natural resource base.

In addition, as an environment steward, ITC strives to lower its carbon footprint at all its operations through Greenhouse Gas Reduction programmes, efforts in renewable energy, construction of green buildings and interventions to reduce specific energy and water consumption.

A comprehensive set of Board-approved Sustainability Policies has been adopted to guide pro-active action for superior Triple Bottom Line performance. ITC has also adopted a comprehensive CSR policy, outlining programmes, projects and activities that the Company plans to undertake to create a significant positive impact on identified stakeholders. A Board Committee on CSR and Sustainability has been in place for several years now to review, monitor and provide strategic direction to the Company's sustainability efforts. In addition, the Corporate Management Committee of ITC is supported by a Sustainability Compliance Review Committee for regular monitoring of initiatives and evaluating compliance with the Sustainability Policies of the Company.

To bring sustainability issues to centre-stage and rally industry to embrace the larger cause of societal value creation, ITC has joined hands with the Confederation of Indian Industry to establish the CII-ITC Centre of Excellence for Sustainable Development as a focal point for thought leadership, building capacity, raising awareness, information dissemination and recognising exemplars in sustainability.

Creating Sustainable Livelihoods

ITC's Social Investments Programme is aimed at economic empowerment of the most disadvantaged sections of society, especially in rural India, through grassroots capacity building. The Company has adopted a 360 degree approach to enrich rural eco-systems,

Embedding sustainability in the Company's DNA requires an integrated approach to ensure impactful outcomes. The abiding Vision to serve a larger national purpose continues to provide the inspiration for every thought and action. Innovative strategies have leveraged the Company's core capabilities to address critical societal challenges identified through extensive stakeholder engagement



putting in place long-term drivers that progressively contribute to the national priorities of employment generation and inclusive growth.

To secure livelihoods for the stakeholder communities not just for today but also for the future, ITC's Social Investments Programme follows a two-pronged approach. On the one hand, it seeks to make today's dominant sources of income sustainable by empowering rural communities to conserve and augment their social and environmental capital in order to secure agri production systems and thereby their current sources of livelihood. On the other hand, it aims at creating capabilities for income generation and employment for the future by helping the communities put in place the necessary socio-economic infrastructure to equip them to take advantage of emerging economic opportunities.

ITC also considers the Union and State Governments to be important stakeholders as they play a vital role in helping amplify the scale of the Social Investments interventions through public-private people partnerships. Currently, the footprint of ITC's Social Investments Programme is spread across 26 states covering 166 districts.

Environmental Stewardship

In line with the Company's vision to pursue a low carbon strategy, ITC has adopted several initiatives to address the adverse impacts of climate change. Its large-scale afforestation interventions, climate-smart agriculture initiatives and watershed development programmes are complemented by the Company's efforts to continuously enhance energy efficiency and conservation in its units as well as invest in cleaner and renewable energy sources. These initiatives support the INDC commitments made by India to the UN.

A testimony to ITC's commitment to reducing dependence on fossil fuels is the fact that today, over 47% of the Company's total energy requirements is met from renewable energy sources such as biomass, wind and solar. ITC plans to scale this up to at least 50% by 2020. ITC also continues to focus on water stewardship and has started implementing a long-term strategy for water security for all stakeholders at identified high water stress areas.

ITC has pioneered the movement for 'green buildings' in India. Several of ITC's properties are LEED® (Leadership in Energy and Environmental Design) certified. All its premium luxury hotels have earned the LEED® Platinum certification, making ITC Hotels the "greenest luxury hotel chain" in the world. The ITC Grand Chola is the world's largest LEED® Platinum certified green hotel. The ITC Green Centre in Gurgaon is the highest rated green building in the world. The ITC Sankhya Data Centre in Bengaluru is the first such facility in the world to receive LEED® Platinum certification. Several of ITC's factories are LEED® certified as well.

The Company's Solid Waste Management programme – christened 'WOW - Well-being out of Waste' has provided effective solutions in several cities of South India, enjoying the support of over 5 million citizens, 5,00,000 school children, 350 corporates, more than 1,000 commercial establishments and around 200 industrial plants. This programme addresses the growing concern of post-consumer waste management.

Towards a New Paradigm of Responsible Competitiveness

As a Company deeply rooted in the country's soil, ITC has aligned its sustainability initiatives to contribute to nation building and a secure future. The daunting challenges of social inequities and environmental degradation require growth that needs to go far beyond economic wealth creation alone, to embrace a much larger model of societal value creation.

Over 47% of the Company's total energy requirements is met from renewable energy sources. ITC has pioneered the movement for 'green buildings' in India. Several of ITC's properties are LEED® (Leadership in Energy and Environmental Design) certified



Undoubtedly, high growth rates are necessary, but that by itself may not be sufficient to ensure social equity or environmental replenishment. A new paradigm of growth is therefore called for - an integrated approach that builds extreme competitiveness whilst at the same time ensuring that the environment is nourished and not plundered, dignity of labour is preserved and sustainable livelihoods are created along the entire value-chain. I call this paradigm of growth "Responsible Competitiveness", which to my mind creates the winning enterprises of the future.

It is my belief that enduring and responsible competitiveness of a Nation is strengthened by its ownership of intellectual capital that creates, captures and retains larger value for the country. Ownership of intellectual property is manifest in brands that serve as a perpetual source of value for the enterprise as well as the country they belong to. It is for this reason that ITC has invested in creating world-class Indian brands, several of which are market leaders in their categories. These brands also anchor sustainable value-chains that empower some of the weakest in rural India. In addition, ITC has significantly enriched and enlarged its R&D capabilities with the establishment of the ITC Life Sciences and Technology Centre in Bengaluru. This Centre is driving the Company's agenda of creating intellectual capital for the nation with nearly 350 world-class scientists. In a short span of time, over 480 patent applications have been filed. This effort is expected to accelerate in the coming years. The Company is also investing in physical infrastructure assets to contribute to the country's competitive capacity. Currently, 65 projects are under implementation or in an advanced stage of planning. These together enlarge ITC's capacity to contribute to national priorities and create sustainable livelihoods and environmental enrichment on a much larger scale.

This journey has indeed been fulfilling, and the scale achieved immensely encouraging, though we recognise that there are miles to go. Yet, our success emboldens us to say that collectively, business and industry can indeed bring transformational change by pursuing a path towards Responsible Competitiveness. A paradigm shift will take place only when consumers, investors and civil society make an enlightened choice in favour of products and services by sustainable companies. This will unleash strong market drivers to support corporates that innovate to deliver larger sustainable and inclusive value. Preferential government policy and incentives in favour of such companies will lend even further support to multiply the efforts of such sustainability champions.

It is with great pleasure that I dedicate this Report to our stakeholders, who have supported and encouraged us in this eventful journey. Indeed, these efforts would be worthwhile and fulfilling, if we bequeath a better and secure world for the generations to come.

Y C Deveshwar
Chairman, ITC Limited

ITC Life Sciences and Technology Centre is driving the Company's agenda of creating intellectual capital for the nation with nearly 350 world-class scientists. In a short span of time, over 480 patent applications have been filed

Organisational Profile





ITC's Businesses



FMCG



Hotels



Paperboards,
Paper & Packaging



Agri Business



Information
Technology





Creating Enduring Value

ITC Limited is one of India's most valuable and admired corporations. Inspired by an abiding vision to sub-serve larger national priorities, ITC has pursued innovative strategies to synergise the creation of long-term shareholder value with the continuous enhancement of societal and environmental capital.



Creating Multiple Drivers of Growth

With a turnover of nearly \$8 billion and a market capitalisation of \$40 billion, ITC's aspiration to create enduring value for the Nation and its stakeholders is manifest in its robust and diversified portfolio of traditional and greenfield businesses. The competitiveness of ITC's diverse Businesses rest on the strong foundations of institutional strengths derived from its deep consumer insights, cutting-edge Research & Development, differentiated product development capacity, brand-building capability, world-class manufacturing infrastructure, extensive rural linkages, efficient trade marketing and distribution network and dedicated human resources. ITC's ability to leverage internal synergies residing across its diverse Businesses lends a unique source of competitive advantage to its products and services. Today, ITC is the country's leading FMCG marketer, the clear market leader in the Indian Paperboard and Packaging industry, a globally acknowledged pioneer in farmer empowerment through its wide-reaching Agri Business, the second largest Hotel Chain in India and a trailblazer in 'green hoteliering'. ITC Infotech, a wholly-owned subsidiary is a specialised global full service provider, led by Business and Technology Consulting. This portfolio of rapidly growing Businesses considerably enhances ITC's capacity to generate growing value for the country.

Creating World-Class Brands that Capture Value for India

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 it belongs to, and a sustained source of wealth creation. Leveraging the Company's core competencies, institutional strengths and internal synergies, the new FMCG Businesses comprising Branded Packaged Foods, Personal Care Products, Lifestyle Retailing, Education & Stationery Products and Matches and Agarbattis have gained significant market standing over the years. Within a relatively short span of time, ITC has established vital brands, many of which are today market leaders in their segments, or have garnered a significant share of consumer franchise. ITC's bouquet of brands includes 'Aashirvaad', 'Aashirvaad Svasti', 'Sunfeast Dark Fantasy', 'Sunfeast Dream Cream', 'Sunfeast Delishus', 'Sunfeast Mom's Magic', 'Sunfeast Yumfills', 'Sunfeast Bounce', 'Bingo!', 'Yumitos', 'YiPPee!', 'Candyman', 'mint-o', 'B Natural', 'GumOn' and 'Kitchens of India' in the Branded Packaged Foods space; 'Classmate' and 'Paperkraft' in Education & Stationery products market; 'Essenza Di Wills', 'Fiama Di Wills', 'Engage', 'Savlon', 'Shower to Shower', 'Vivel' and 'Superia' in the Personal Care products segment; 'Wills Lifestyle' and 'John Players' in the Lifestyle Retailing Business; 'Mangaldeep' in Agarbattis and 'Aim' in Matches, amongst others.



Building Natural and Social Capital

ITC's vision of sustainable and inclusive growth has led to the adoption of a Triple Bottom Line approach that simultaneously builds economic, social and environmental capital. Its Social Investment Programmes, including Social Forestry, Soil & Moisture Conservation, Sustainable Agriculture, Livestock Development, Biodiversity, Women Empowerment, Education, Skilling & Vocational Training and Health & Sanitation, have had a transformational impact on rural India. These Programmes strive to empower stakeholder communities to conserve, manage and augment their natural resources, create sustainable on and off-farm livelihood sources and improve social infrastructure in rural areas. Through its Businesses and associated value chains, ITC has supported the generation of around 6 million livelihoods, touching the lives of many living at the margins in rural India. In line with its commitment to environmental goals, ITC has constantly strived to reduce the impact of its Businesses, processes, products and services and create a positive footprint. ITC has adopted a low-carbon growth strategy through reduction in specific energy consumption and enhancing use of renewable energy sources. At the same time it seeks to enlarge its positive footprint through increased carbon sequestration by expanding forestry projects in wastelands. Over 47% of the total energy requirement of the Company is today met from renewable sources, a testimony to its commitment to a low carbon growth path. This is indeed a remarkable performance, given the large manufacturing base of the Company. ITC also endeavours to reduce specific water consumption and augment rainwater harvesting activities both on site and off site at watershed catchment areas, as well as minimise waste generation, maximise reuse & recycling and use external post-consumer waste as raw material in its units.



Achievements

ITC has received national and global recognition for its multi-faceted achievements. It has been ranked as 'India's Most Admired Company' in a survey conducted by Fortune India magazine and Hay Group. ITC has also been rated as the world's 8th largest 'sustainable value creator' among consumer goods companies globally, according to a report by the Boston Consulting Group (BCG). As a testimony to its exemplary Triple Bottom Line performance, ITC has also been presented the World Business and Development Award at the historic Rio+20 UN Summit for its Social and Farm Forestry initiative. ITC Chairman Mr Y C Deveshwar has been ranked the 7th Best Performing CEO in the world by the Harvard Business Review in its January-February edition of 2013. Mr Deveshwar has also been conferred the Padma Bhushan, one of the country's highest civilian honours, for his leadership in transforming ITC into an organisation with a deep commitment to national priorities of sustainable and inclusive growth.



FOR ALL OUR TOMORROWS

ITC's Businesses

Fast Moving Consumer Goods

ITC straddles a range of Businesses within the FMCG segment, including Branded Packaged Foods, Personal Care Products, Cigarettes, Lifestyle Retailing, Education and Stationery Products, and Safety Matches and Incense Sticks (Agarbattis). Keeping pace with the rapid growth of the FMCG industry in India, ITC has significantly scaled up its presence in this segment.



Branded Packaged Foods

ITC's Branded Packaged Foods Business is one of the fastest growing foods businesses in India. A spread of delectable offerings in Staples, Snacks & Meals, Confections and Beverages is available under the popular brands - 'Aashirvaad', 'Sunfeast', 'Bingo!', 'YiPPee!', 'Kitchens of India', 'mint-o', 'B Natural', 'Candyman' and 'GumOn'. In line with the Company's strategic objective of being the leader in the premium segment, ITC Foods offers an array of top-end products like 'Aashirvaad Select', 'Aashirvaad Atta with Multigrains' and 'Aashirvaad Atta with Methi', 'Aashirvaad Superior MP'; 'Aashirvaad Svasti' ghee; 'ITC Master Chef' spices; 'Sunfeast Dark Fantasy Choco Fills' and 'Sunfeast Dark Fantasy Choco Meltz'; 'Sunfeast Delishus Nuts & Raisins' and 'Sunfeast Delishus Nut Biscotti' biscuits; and 'Yumfills Whoopie Pie'. During the year, the Business launched the 'Sunfeast Delishus Gourmet cookies - Chocolate Chip made with Ghana Cocoa', 'Sunfeast Farmlite Oats with Chocolate' and 'Sunfeast Marie Light Rich Taste'. The portfolio also includes the health biscuit, 'Sunfeast Farmlite' in two variants (Almonds and Raisins), and a range of cookies, 'Sunfeast Mom's Magic' (Rich Butter and Cashew & Almonds). ITC also forayed into the Dairy category with the launch of 'Aashirvaad Svasti' – Pure Cow Ghee in select markets. The Business recently launched a range of blended spices in select markets under the 'ITC Master Chef' brand. In Beverages, the 'B Natural' range of juices garnered impressive consumer traction in a relatively short span of time.





FOR ALL OUR TOMORROWS



Personal Care Products

Specially crafted for Indian preferences, ITC's personal care products portfolio offers a range of internationally benchmarked grooming and personal wash products. Anchored on extensive consumer and market research based product development, ITC's personal care brands 'Essenza Di Wills', 'Fiamma Di Wills', 'Engage', 'Savlon', 'Shower to Shower', 'Vivel', 'Cell Renew' and 'Superia' offer products with relevant, differentiated benefits to the discerning consumer. During the year, the Business launched several differentiated product offerings in the Soaps, Shower Gel, Skin Care and Deodorant categories under the 'Fiamma Di Wills', 'Vivel', 'Engage' and 'Superia' brands, besides establishing presence in the Health & Hygiene category leveraging the recently acquired 'Savlon' and 'Shower to Shower' brands. The Company entered the fast-growing Hand Wash category with the introduction of Savlon Hand Wash in three variants. Other launches include 'Fiamma Di Wills Double Moisturiser Bathing Bar', 'Vivel Neem', 'Superia Silk Cherry' bar soaps and a regimen of skin care products such as 'Makeup Cleanser', 'Clarifying Skin Toner' and 'Night Cream' under the 'Vivel Cell Renew' brand. The Engage range of deodorants gained further momentum during the year and strengthened its No.2 position in the category. The portfolio was fortified during the year with the addition of 'Engage Perfume Sprays' in two variants each for men and women.

Cigarettes

ITC reinforced its leadership position in the cigarette industry by leveraging its comprehensive product portfolio and world-class execution capabilities.

Lifestyle Retailing

ITC's Lifestyle Retailing Business continues to grow its market standing by investing in brand building, enhancing product vitality and supply chain capabilities; expanding its retail footprint across the country. Synonymous with Fashion and Elegance, the Wills Lifestyle range of apparels offers a premium lifestyle wardrobe for Indian men and women at over 100 exclusive



WILLS LIFESTYLE

specialty stores in 50 cities, 350 outlets in leading departmental stores and multi-brand outlets and 6 exclusive boutiques across ITC Hotels. With its high fashion imagery, rich product mix and delightful shopping experience, the brand offers a tempting choice of 'Wills Classic' formal wear, 'Wills Sport' relaxed wear, 'Wills Clublife' evening wear and 'Wills Signature' designer wear. During the year, the premium imagery of the 'Wills Classic' range was sharpened with the introduction of a finely crafted range of offerings under the 'Luxuria' and 'Regalia' collection and natural-fibre products such as linens under the 'Ecostyle' collection.

'John Players', which has emerged as a leading brand in the 'Youth fashion' segment, embodies the essence of the Indian youth that is free-spirited, playful and fashionable. The brand presents smart formals, trendy casuals and edgy denims incorporating an exciting mix of colours, patterns, styling and fits. John Players is present pan-India with over 400 flagship stores and 1200 outlets in leading departmental stores and multi-brand outlets.

Education and Stationery Products

ITC's Education and Stationery Products Business offers consumers a wide range of differentiated products under the brands 'Classmate', 'Classmate Pulse', 'Paperkraft' and 'Saathi'. A clear market leader in the student notebooks segment, Classmate's portfolio also includes writing instruments (pens & pencils) and scholastic products (mathematical drawing instruments, scales, erasers & sharpeners). 'Colour Crew', a sub brand of Classmate, offers an exciting range of superior quality student art materials which includes nontoxic oil pastels, plastic crayons, wax crayons and sketch pens.

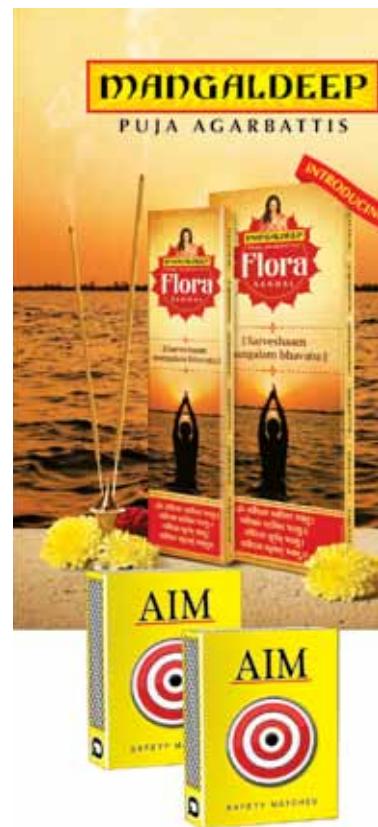
Saathi, a value brand of notebooks, is targeted at smaller markets. The Paperkraft brand is the leading provider of premium executive & office paper stationery, including notebook ranges of Green Impression and Signature Series as well as an assortment of premium pens. The Business recently launched several differentiated offerings under the 'Classmate', 'Classmate Pulse', 'Paperkraft' and 'Saathi' brands, including products in innovative formats like Paperkraft notebooks with unique covers and Classmate Octane pens. Offering the greenest range of stationery products, supported by a green wood fibre value chain that creates large-scale livelihoods in rural India, Classmate and Paperkraft notebooks are an embodiment of the environmental capital built by ITC in its paper business.

Safety Matches and Incense Sticks (Agarbattis)

ITC's 'Mangaldeep' brand, offering a range of well-crafted products, is one the fastest growing agarbatti brands in the country. ITC also enjoys leadership position in the 'Dhoop' segment.

While the Agarbatti industry in India primarily continues to import raw materials, resulting in loss of livelihood opportunities for women and tribals in rural areas, ITC has implemented several measures, including facilitating the mechanisation of agarbatti manufacturing at vendor locations and backward integration by vendors into raw batti manufacturing using indigenous inputs, to enhance the competitiveness of the domestic industry.

ITC is also the leader in the Safety Matches category with 'Aim' being the largest selling brand in the industry.





FOR ALL OUR TOMORROWS



Hotels

With more than 100 hotels in over 70 destinations in the country, ITC Hotels has redefined the fine art of hospitality. ITC's hotel group operates under 4 brands: ITC Hotel at the luxury end, 'WelcomHotel' in the upper-upscale segment, Fortune Hotels in the upscale & mid-market segment and 'WelcomHeritage' in the heritage & leisure segment. Embodying ITC Hotels' credo of 'Responsible Luxury', all ITC luxury hotels are an archetype of the culture and ethos of the region they are located in, offering unique indigenous experiences, internationally acclaimed cuisines and spa, with globally benchmarked standards in accommodation, environment and guest safety. With a LEED® Platinum rating for all its luxury hotels, ITC Hotels is the 'Greenest Luxury Hotel Chain in the World'.



Paperboards, Paper & Packaging

Paperboards and Specialty Papers Business

ITC's Paperboards and Specialty Papers Business is the leader in Product Range, Market Reach, Environmental Performance and in Value-Added Paperboards in India. The Business is also a leader in the sale of eco-labelled products, volumes of which doubled during the year. Providing internationally competitive quality and cost, the Business caters to a wide spectrum of packaging, graphic, communication, writing, printing and specialty paper requirements. The Business established the country's first Elemental Chlorine Free fibre line with Ozone bleaching technology and is fully compliant with world-class environmental standards. It is also the first paper business in the country to be invited to be a member of the Global Forest & Trade Network (GFTN) of the World Wide Fund for Nature (WWF). Committed to developing a sustainable raw material base, ITC's pulpwood is largely sourced from renewable plantations under its Social and Farm Forestry programmes, which provide sustainable livelihood opportunities to tribals and marginal farmers.



Packaging and Printing Business

The Packaging and Printing Business provides contemporary and superior packaging solutions through its state-of-the-art technology and processes. With multi-locational manufacturing facilities in Chennai, Munger and Haridwar and a robust technology platform, the Business offers a diversified & value-added product range in packaging for cartons, flexibles and tobacco and caters to a wide range of customers in domestic and export markets. The Business supplies value-added packaging to ITC's various FMCG Businesses. Its plant in Chennai is India's greenest packaging facility. Backed by expertise in design, innovative product development and cutting edge technology, the Business has won several World Star awards for packaging excellence. The Business has also received appreciation and recognition from its customers for partnering and enhancing value through creative packaging solutions.





Agri Business

ITC is one of India's largest integrated Agri Business enterprises with significant presence across every node of the agri value chain. The leadership position of ITC's Agri Business is anchored in its strong and enduring partnerships with farmers across the country, which has revolutionised the agricultural sector in rural India.

ITC Agri Business is one of the leading domestic players and exporters of numerous agricultural commodities. It works with farmers to improve the productivity and quality of various crops and sources the finest of Grains, Oil Seeds, Pulses and a range of value-added agri products such as Processed Fruits, Coffee and Shrimps across multiple geographies in India. Backed by decades of expertise, the Business deploys customised infrastructure and technology to supply these products to discerning customers in India and over 60 markets worldwide.



ITC Agri Business' unique strength is the extensive backward linkages it has established with the farmers. The pioneering ITCe-Choupal initiative is a powerful example of a development model that delivers large-scale societal value by co-creating rural markets with local communities. A unique click-and-mortar channel, it facilitates the two-way flow of goods and services in and out of villages, transforming them into vibrant economic institutions. The initiative serves more than 4 million farmers in over 35,000 villages through a network of 6,100 Internet Kiosks spread across 10 states,



making ITC e-Choupal the largest digital infrastructure in rural India.

ITC's spices business endeavours to provide food safe spices through quality differentiation across the value chain and leverage export opportunities in the US, EU and other South-East Asian countries. The Business has developed robust crop development programmes in chilli and cumin designed to 'produce the buy' on Integrated Crop Engagement practices coupled with IT driven traceability systems. The world-class processing unit in Guntur is certified to the highest level of global food safety standards under the British Retail Consortium Food certification regime while the analytical laboratory is certified to the ISO 17025 standard. The chilli sourcing and production value chain of the Business is Rainforest Alliance certified and continues to be leveraged for business growth.



Information Technology

ITC Infotech is a specialised global full service provider, led by Business and Technology Consulting. The company is focused on creating value through Domain, Data, Digital, Design and Differentiated Delivery for Supply Chain based Industries (CPG, Retail, Manufacturing, Hi-Tech) and Services Industries (Banking, Financial Services and Insurance, Airline, Hospitality), as a flexible, trusted and sustainable partner. It is engaged with over 250 global clients, based across 35 countries. The company has set up offices in 18 countries and established 10 global development centres. Leading companies have placed their trust in ITC Infotech; the company's top 10 clients have been with ITC Infotech for over 10 years, a testament to ITC Infotech's commitment to delivering enhanced business value. ITC Infotech won the 2015 European Outsourcing Award in the category "Value Creation in Outsourcing" in European Outsourcing and featured a "Major Contender" in the Everest Group IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2015. It also continued to be present in the Leader's Category for the 2016 Global Outsourcing 100 by the International Association of Outsourcing Professionals.





Supply Chain

Management Approach

ITC's vision to serve larger national purposes is intended to be realised by embedding sustainability in its core business models. Innovative strategies have therefore been designed and implemented to create sustainable value chains linked to its businesses. Dependent as the organisation is, on agricultural resources, these value chains encompass small and marginal farmers, who constitute some of the most disadvantaged sections of Indian society. ITC recognises that with an expanding and diversified portfolio of businesses, the actualisation of its vision of sustainable development has to necessarily take into account the environmental and social impact within the supply chain. This will ensure competitiveness through a balance between creation of long-term social & environmental value and the economic viability of the businesses.

To formalise the sustainable procurement process, ITC has put in place Board approved Policies which address the issues of labour practices, human rights, bribery, corruption and occupational health, safety & environment in the supply chain. These policies, meant for Third Party Manufacturers (TPM), service providers including transporters, suppliers of agricultural & non-agricultural materials and capital goods, franchisees, dealers and distributors collectively referred to as supply chain partners, define the structure around which efforts are directed for continually improving the sustainability performance along the supply chain. A 'Code of Conduct for Vendors and Service providers' details out specific requirements related to the aspects addressed in the policies and through acceptance of this code by supply chain partners, ITC seeks their commitment to comply with applicable laws, respect human rights and contribute to environmental conservation.

Each ITC Business has its own road map for phase-wise implementation of the



sustainability policies and inclusion of its supply chain components within their overall sustainability management system in a progressive manner. Progress of implementation of these road maps is reviewed by the Sustainability Compliance Review Committee.

As evident from the representation below of the generic material flow for ITC Businesses, the supply chains of most of ITC's Businesses are vertically integrated. Farmers are the key suppliers for the majority of our Businesses as they are dependent on agri commodities, and therefore constitute a vital part of ITC's supply chain. Accordingly the Company has focused on enhancing the sustainability of its agri supply chain, details of which are mentioned in the section that follows.

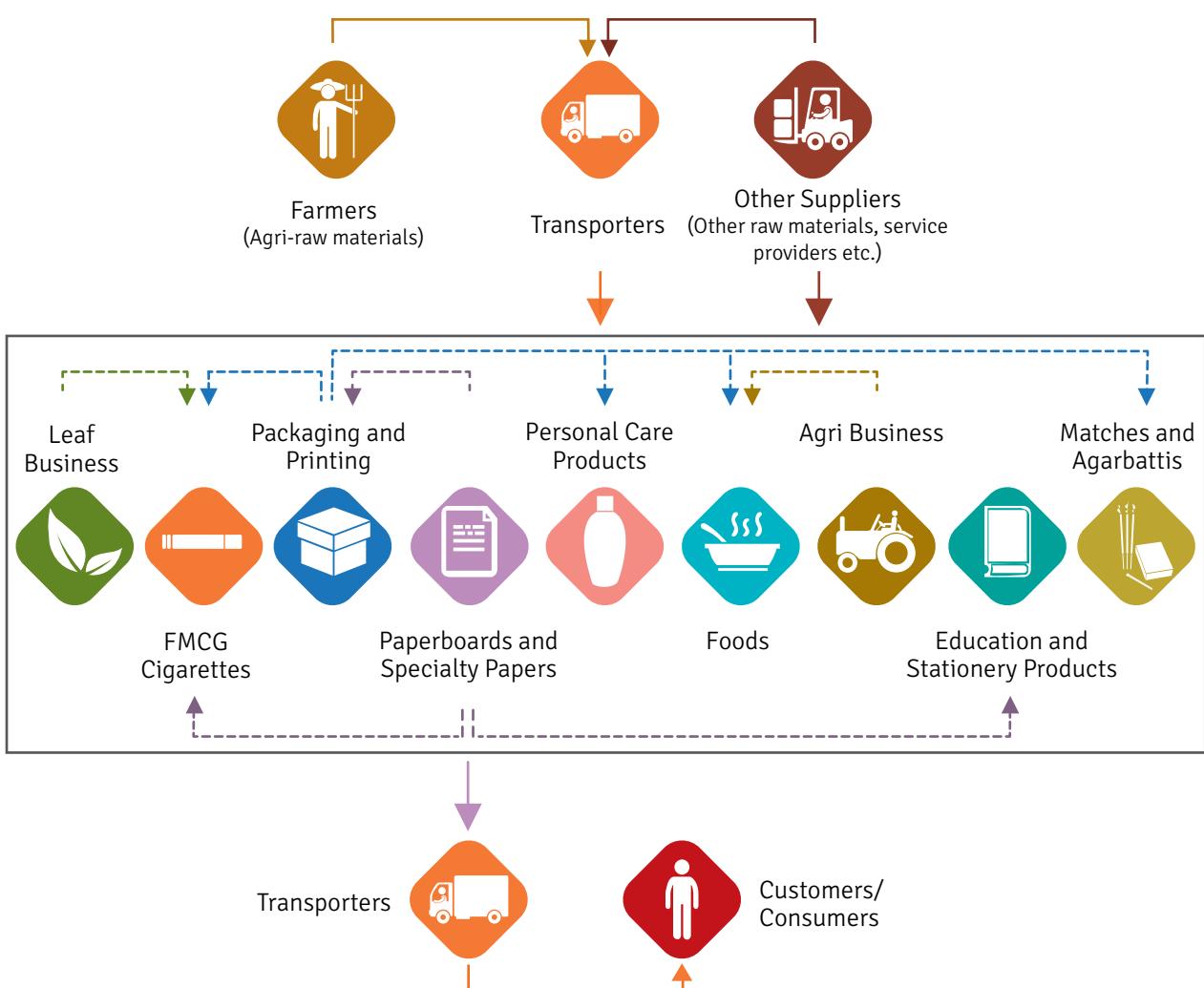
Sustainability in the Agri Supply Chain

Agri commodities

ITC's Agri Business operations span the entire spectrum of activities starting from agri-services/crop development to risk management, including sourcing, processing, supply chain, multi-modal logistics, stock management and customer service. The solutions offered are a combination of all or some of these interventions. The solutions also offer the customers the flexibility in terms of quantity, product form, timing, as well as packaging for delivery of the agri commodities.

A simplified representation of the material flow in ITC's Businesses is given below:

ITC Businesses



*The above diagram includes material flows only and does not include the service industries of Lifestyle Retailing, Hotels and ITC Infotech

→ : Indicates Material flow within ITC



These solutions provide a competitive edge to customers whilst ensuring product integrity and on-time fulfilment, but also create and capture better value for other partners, especially farmers.

ITC's Agri Business has been continuously investing in strengthening capability through multiple sourcing models, customised and identity preserved supply chain infrastructure and network, processing and warehousing tie-ups, technology enabled systems and processes and people capabilities. A hub and spoke model has been built along with the necessary physical infrastructure that has enabled multi-level aggregation and disintermediation where necessary. The Business also works closely with farmers to develop identified geographies for specific varieties and for certified and organic crops, and promote adoption of sustainable agricultural practices. This unique approach to creating and enhancing value in the agri-supply chain has thus empowered millions of farmers.

These investments coupled with deep understanding of agriculture, the reach of the e-Choupal network and the ecosystem of partners provide the opportunity to offer a wide range of reliable and consistent solutions that are efficient and effective along the entire supply chain.

During the financial year, the Business sourced over 20 lakh tonnes of agri-commodities (Wheat, Soya, Coffee, Potato, Fruits, Maize, Rice and Shrimps) from over 20 states to service a range of customers in India and across several countries, including leading brand owners and bulk processors.

Leaf Tobacco

The ITC's Leaf Tobacco Business has a long-standing commitment to sustainability that's focused on helping the Indian farmers produce more, enhance profitability and thereby improve livelihoods. A major differentiating factor that provides ITC a cutting edge over the competition is our focused crop development initiatives and extension services. Working closely with the farming fraternity, ITC has constantly transferred technology from the lab to the land with appropriate crop solutions. Enabled by a team of agronomists, agriculture experts, engineers and development managers, the sustainability initiative has helped in substantially improving the quality table of the Indian tobacco basket.

ITC has been engaged in enhancing rural livelihoods through focused efforts by

supporting villages to become economically, ecologically and socially sustainable. The objective is to drive smart & sustainable development in villages by empowering Indian farmers through deployment of Good Agricultural Practices and agricultural technologies which improves farm productivity, product quality, reduces cost of cultivation while protecting the natural resources.

The interventions are focused towards deployment of high yielding varieties, promotion of intact root seedling production systems for lower mortality, dissemination of information and best practices on drip irrigation and micro sprinklers for improved yield and lower water consumption, energy conservation initiatives to reduce fuel consumption, introduction of integrated pest management initiatives and customised crop advisory solutions. This ensures surplus income generation in villages, thereby driving faster development in other areas like health, sanitation and education.

The efforts undertaken by the Division to make tobacco production economically, ecologically and socially sustainable, are recognised and considered to be the benchmark in leaf tobacco industry in India and the same is verified periodically as part of Sustainable Tobacco Programme (STP) audit conducted by AB Sustain, an independent third party reviewer. The verification which ensures best practices in tobacco farming and processing is conducted on behalf of key global customers, covering all aspects of the tobacco leaf value chain.

Various initiatives pertaining to soil conservation, viz., promoting use of organic amendments and techniques on soil fertility management aimed at reducing chemical fertiliser use are propagated. Towards sustainable fuel management, a three-pronged approach (energy conservation – introduction of fuel efficient technologies, self-sustenance through energy plantations and custody of fuel consumption) has been implemented in tobacco farm value chain. Energy conservation measures such as Barn Roof Insulation, Turbo Ventilators etc. proven to reduce about 30% of energy requirement during curing are being deployed on a large scale in the states of Andhra Pradesh and Karnataka. Trials are in progress for development of fuel efficient technologies in tobacco curing.

With an objective of developing a self-sustaining model for sourcing fuel wood, ITC has developed energy plantations covering more than 10,000 hectares in 2015-16.

Each ITC Business has its own road map for phase-wise implementation of the sustainability policies and inclusion of its supply chain components within their overall sustainability management system



These plantations are expected to offset the total fuel requirements for tobacco curing in our operating regions. Also, farmers are encouraged to use alternate fuels for curing such as coffee husk, biomass briquettes etc.

Going forward, we believe that our approach of creating sustainable rural livelihoods ensures surplus income generation to the farming community, which in turn will minimise vulnerability of the community and drive overall village development.

For further details about our relationship with the agri-supply chain, please refer to ‘Social Investments – Mission Sunehra Kal’ section in this Report.

efficiencies and consequent reduction in transportation costs/GHG emissions/energy use. ITC will continue to work in this direction, in line with its Policy on Life-cycle Sustainability, to identify the opportunities for improvement in the value chain and take appropriate measures for optimisation.

In line with its commitment to extend the Triple Bottom Line philosophy along our supply chain, ITC, as a preliminary step in 2013-14, started including the Notebooks manufacturers of ESPB which contributes to around 88% of the total business of ESPB, within the reporting boundary. The material aspects of these exclusive Third Party Manufacturers (TPMs) are included in this Report. During the year, specific guidelines covering safety and environmental aspects have been prepared for TPMs of Notebooks and training programmes organised for enabling them to carry out safety inspections/audits of their facilities to ensure safe operations. On similar lines, guidelines were drafted for TPMs of Agarbatti and Matches, to bring awareness on various environmental and safety risks associated with their operations, which will help them in mitigating such risks. In addition, the 2-wheeler rider’s safety programme has been extended to train our wholesale distributors’ personnel in order to create awareness on safe road travel. Going forward, ITC will continue to support its supply chain members in these aspects.

In 2013-14, ATC Limited, an associate company had been brought within the reporting boundary, where support had been extended in implementing systems and processes to improve the sustainability performance of its manufacturing operations. Further, 2 TPMs of the Cigarettes Business have also been included in the reporting boundary and necessary knowledge support is being provided in specific areas like energy and water conservation, material utilisation, etc.

Since ITC is vertically integrated to a large extent, it provides unique opportunities for establishing synergy and thereby minimising environmental impacts

Sustainability in the Value Chain

Since ITC is vertically integrated to a large extent, it provides unique opportunities for establishing synergy and thereby minimising environmental impacts through optimum utilisation of raw materials, reuse/recycling of wastes and optimum logistics. As explained earlier, agri-commodities being the key raw materials for most of ITC’s Businesses, they are accorded prime focus in the overall supply chain. ITC’s interventions in this domain along with community development initiatives have not only supported sustainable agricultural practices but also contributed to sustainable livelihood creation for farmers. Thus, material sustainability issues specific to environment have been taken care of to a large extent.

Further, in line with the overall strategy to embed principles of sustainability into the various stages of product or service life-cycle, ITC initiated life cycle assessments (LCA) of its products & services in 2010 with an objective to evaluate the impacts and identify areas for improvement in the value chain. So far, LCAs have been carried out for selected product categories from Paperboards & Specialty Papers, Packaging & Printing, Lifestyle Retailing and Personal Care Products Businesses which have helped in identifying broad areas for improvements within as well as beyond ITC’s boundary. These assessments have been followed up with detailed studies which in turn have provided concrete solutions towards more efficient packaging designs, loading

The Road Ahead

ITC will continue to work along with the supply chain partners in line with its policies to enhance their understanding and performance on sustainability aspects and including their performance in the reporting boundary.



Certifications, Honours and Awards



Major Awards 2015-16

- ITC Chairman Mr Y C Deveshwar was ranked 2nd among the Most Valuable CEOs of India by Businessworld. He was also conferred the ‘Economic Times Smart Green Leader Lifetime Achievement Award’.
- ITC’s Sankhya Data Centre, Bengaluru became the first data centre in the world to get LEED® Platinum Certification from the US Green Building Council.
- ITC Grand Bharat, Gurgaon was ranked Best in Asia and 4th in the world at the Condé Nast Traveller Readers’ Choice Awards, 2015.
- ITC won the Legal Era Award for the ‘Best Compliance In-House Legal Team of the Year’.
- ITC bagged four National Awards from the Public Relations Society of India.
- ITC’s production units at Bengaluru, Kolkata and Saharanpur received the ‘Future Ready Factory’ Platinum Awards at the India Manufacturing Excellence Awards (IMEA) instituted by Frost & Sullivan and The Economic

Times. The Pune factory was the Winner in the ‘Information Technology Leadership’ category.

- ITC’s Paperboards Unit in Kovai became the first such unit to receive the CII GreenCo Platinum Rating.
- ITC’s Personal Care factory in Manpura got a ‘Gold rating’ from the Indian Green Building Council in the Green Factory category.
- The ITC factory in Munger received the 1st prize at the FICCI Water Awards (Industrial Water Use Efficiency category) 2014-15.
- ITC’s Agri Business won 2 Gold awards for Best Exporter of Green Coffee and for exports to Europe from the India Coffee Trust.
- Wills Lifestyle was conferred the “Super Brand” status for 2015.
- ITC’s Packaging and Printing Unit at Haridwar won the National Safety Council of India (NSCI) Safety Awards 2015, Shreshtha Suraksha Puraskar, in the manufacturing sector for the second consecutive year.
- ITC’s factory in Bengaluru and ITC Maurya, New Delhi were conferred the ‘Concentrating Solar Technology and Solar Cooker Excellence Award-2016’ by the Union Ministry of Power, Coal and New and Renewable Energy.
- ITC’s Paperboards Unit in Bollaram received the ‘Best Management Award for the Year 2016’ from the Labour Department, Government of Telangana.
- ITC has won the Training & Development Leadership Award in the ‘Training



Program for Change Management' category, organised by the World HRD Congress.

- ITC's Kolkata factory was conferred the Indian Chamber of Commerce (ICC) Environment Excellence Award 2015 for demonstration of excellence in Environmental Management Systems.
- ITC Grand Bharat features in Robb Report's 'Best of the Best' luxury list. It is the only hotel from India to feature in the list.
- ITC Green Centre, Manesar has been awarded the First Prize in State-Level Energy Conservation for the year 2013-14 under BEE star-rated buildings for the promotion of construction of BEE star-rated buildings.
- ITC factory in Saharanpur was awarded the National Award from the Employers' Federation of India for strong commitment to employee relations.
- ITC Rajputana was awarded the Rajasthan Energy Conservation Award - 2015 in the category of Buildings (Hotels).
- ITC's Packaging and Printing Unit in Tiruvottiyur has been conferred the 'Excellent Energy Efficient Unit' award at the 16th CII National Award for Excellence in Energy Management 2015.
- ITC's Packaging and Printing Factory in Haridwar was conferred the 5S Excellence Award 2015 (runner up) for the Northern Region by CII.
- ITC's Packaging and Printing factory at Haridwar was conferred the 'National Safety Award' by the Directorate General, Factory Advice Service and Labour Institutes (DGFASLI), Ministry of Labour & Employment, Government of India.
- The Karnataka Green Leaf Threshing (KGLT) Unit at Mysuru was conferred the Prashamsha Suraksha Puraskara by the National Safety Council (NSC), Karnataka chapter.
- ITC Paperboards Unit in Bhadrachalam has bagged the 'Excellent Energy Efficient Unit' award at the 16th National Award for Excellence in Energy Management 2015, organised by the Confederation of Indian Industry (CII).
- ITC Windsor has been awarded the National Tourism Award for the Best Eco Friendly Hotel 2013-14 by The Ministry of Tourism, Government of India.
- ITC Factory, Bengaluru has been conferred the Unnatha Suraksha Puraskara by the National Safety Council (NSC), Karnataka chapter.
- ITC Factory, Kolkata was conferred the Safety Innovation Award 2015 at the National Safety Convention 2015 organised by The Institution of Engineers (India).
- ITC Paperboards Unit in Kovai has bagged the 'Excellent Energy Unit' award at the 16th National Award for Excellence in Energy Management 2015, organised by the Confederation of Indian Industry (CII).
- The Bengaluru factory was conferred the 'Excellent Energy Efficient Unit' award at 16th National Award for Excellence in Energy Management 2015 by the Confederation of Indian Industry (CII).
- The Chirala unit of ABD-ILTD has received the Best Management Award-2014 in the large-scale industry category from the Andhra Pradesh Labour Department in recognition of its exemplary employee relation practices and implementation of Labour Welfare measures.

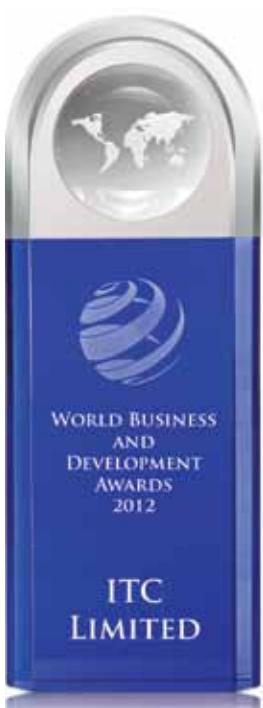
Major Awards over the Years

- ITC was ranked as 'India's Most Admired Company' in a survey conducted by Fortune India magazine and Hay Group (2014).
- Chairman Mr Y C Deveshwar was conferred the Padma Bhushan by the Government of India (2011).
- Harvard Business Review ranked ITC Chairman Mr Y C Deveshwar as the 7th Best Performing CEO in the World in its January-February 2013 edition.





- Chairman Mr Y C Deveshwar was conferred the Global Leadership Award by the US India Business Council of the US Chamber of Commerce (2010).
- ITC Chairman Mr Y C Deveshwar was conferred the Business Leader of the Year Award by the All India Management Association (AIMA).
- ITC's Chief Financial Officer, Mr Rajiv Tandon, was ranked the 'Best Overall CFO' at the 'Business Today-Yes Bank Best CFO Awards 2013'. He was also declared the winner in the category of 'Sustained Wealth Creation (large companies)'.
- ITC was presented the World Business and Development Award at the historic Rio+20 UN Summit for its Social and Farm Forestry initiative.
- ITC has been presented the AIM Asian CSR Award by the Asian Forum on Corporate Social Responsibility (AFCSR), in recognition of its contribution to the creation of sustainable livelihoods and fostering economic growth in rural communities in India.
- ITC won the prestigious 12th Businessworld FICCI CSR Award in the Large Enterprise category. The award recognises the most socially responsible Indian corporates in CSR.
- The FICCI Outstanding Vision Corporate Triple Impact Award, presented by the then Prime Minister, Dr Manmohan Singh (2008).
- The FICCI Award for Outstanding Achievement in Rural and Community Development, presented by the then Finance Minister, Shri Pranab Mukherjee (2010).
- Chairman Mr Y C Deveshwar received the Business Person of the Year Award from UK Trade & Investment (2006).
- Chairman Mr Y C Deveshwar was awarded the SAM/SPG Sustainability Leadership Award in Zurich (2007).
- The National Award for Excellence in Corporate Governance from the Institute of Company Secretaries of India (2007).
- ITC was ranked 2nd among top Indian companies in the first of its kind Standard & Poor Environmental, Social and Corporate Governance ratings (2008).
- ITC ranked 2nd among top companies in India and 7th in Asia in the first of its kind Asian Sustainability Rating released by CSR Asia (2010).
- ITC became the first Indian Company to gain Membership with WWF-GFTN for Responsible Forestry (2010).
- ITC was ranked the world's 6th largest sustainable value creator among consumer goods companies according to a Report by Boston Consulting Group (2010).
- ITC won the top UNIDO Award at the International Conference on Sharing Innovative Agri Business Solutions at Cairo (2008).
- ITC was conferred the Corporate Social Responsibility Crown Award for Water Practices from UNESCO and Water Digest (2008).
- The Asian CSR Award for Environmental Excellence, given by the Asian Institute of Management (2007).
- ITC was the 1st Indian Company and 2nd in the world to win the Development Gateway Award for its trail-blazing e-Choupal initiative (2005).
- Inaugural World Business Award by UNDP for ITC's e-Choupal initiative (2004).
- ITC e-Choupal won the Stockholm Challenge Award (2006).
- ITC was rated amongst Asia-Pacific's 50 biggest listed companies in 'Asia Fab 50' by Forbes (2010).
- All ITC's super premium luxury hotels accorded LEED® Platinum certification, making ITC Hotels the 'Greenest Luxury Hotel Chain in the World' (2011).
- ITC's Paperboards and Specialty Papers Units at Bhadrachalam, Bollaram, Kovai and Tribeni are FSC Chain of Custody certified (2011).
- ITC's Unit in Bhadrachalam has been awarded the Forest Stewardship Council Forest Management (FSC-FM) certification by the SmartWood Programme of the Rainforest Alliance (2011).





EHS Certifications

- **ISO 14001: Environment Management System**

All manufacturing units (except newly commissioned unit of Foods Business in Munger), ITC Life Sciences & Technology Centre at Bengaluru, ITC Gardenia, ITC Grand Central, ITC Grand Chola, ITC Kakatiya, ITC Maurya, ITC Mughal, ITC Maratha, ITC Rajputana, ITC Sonar, ITC Windsor, My Fortune Bengaluru, WelcomHotel Sheraton New Delhi, ITC Green Centre Gurgaon.

- **OHSAS 18001: Occupational Health & Safety Management Systems**

All manufacturing Units of ITC (except newly commissioned unit of Foods Business in Munger).

- **SA 8000: Social Accountability**

Leaf processing plants at Chirala, Anaparti and Mysuru, Cigarettes factories at Kolkata and Munger, Packaging and Printing Units at Munger, Tiruvottiyur and Haridwar and ITC Infotech, Bengaluru.

- **Food Safety: ISO 22000/HACCP Food Safety Management System**

ITC Gardenia, ITC Grand Central, ITC Grand Chola, ITC Kakatiya, ITC Maurya, ITC Mughal, ITC Maratha, ITC Rajputana, ITC Sonar, ITC Windsor, My Fortune Chennai, WelcomHotel New Delhi, and Units of Foods Business in Haridwar, Pune and Malur.

- **LEED® Platinum Rating by US Green Building Council (Existing Building category)/Indian Green Building Council (New Construction category)**

ITC Maurya, ITC Windsor, ITC Maratha, ITC Grand Central, ITC Mughal, ITC Sonar, ITC Kakatiya, ITC Rajputana, ITC Gardenia, ITC Grand Chola, My Fortune Bengaluru, ITC Grand Bharat and ITC Green Centre Gurgaon.

- **LEED® Platinum Rating by Indian Green Building Council – Green Factory Building**

ITC's Units at Saharanpur, Bengaluru, Munger and Pune.

- **LEED® Platinum rating (core & shell) by Indian Green Building Council and LEED® Platinum rating (commercial interiors) by US Green Building Council**

ITC Green Centre at Manesar.

- **Green Rating for Integrated Habitat Assessment (GRIHA) by The Energy and Resources Institute (TERI) and Ministry of New & Renewable Energy (MNRE), Government of India**

5 star rating for ITC Grand Chola.

- **LEED® Gold rating by Indian Green Building Council – Green Factory Building**

Packaging and Printing Unit at Haridwar, Leaf Processing Plant at Mysore and Personal Care Products Unit at Manpura.

- **BEE 5 Star rating by the Bureau of Energy Efficiency, Government of India**

ITC Green Centre at Manesar.

- **FOREST STEWARDSHIP COUNCIL™ - Chain of Custody And Controlled Wood by Rainforest Alliance**

Paperboards and Specialty Paper Units at Bhadrachalam, Tribeni, Kovai and Bollaram, Packaging and Printing Unit at Tiruvottiyur.

- **BCR/ IOP Certification as per BRC Global Standard for Packaging and Packaging Materials**

Grade "AA" for Paperboards and Specialty Papers Unit at Bollaram and Grade "A" for Packaging and Printing Units at Tiruvottiyur and Haridwar.





Stakeholder Engagement, Risks & Opportunities and Materiality Analysis

Stakeholder Engagement

In line with the Company's Board approved policy on stakeholder engagement, ITC has a structured framework to engage with stakeholders and address their key concerns. The framework is based upon established long-term relationships with key stakeholders such as shareholders, farmers, customers, suppliers, employees, local communities, regulatory bodies and the media. With the firm belief that stakeholder engagement is an integral part of enriching and enduring partnerships, ITC has institutionalised these processes grounded on transparency and accountability.

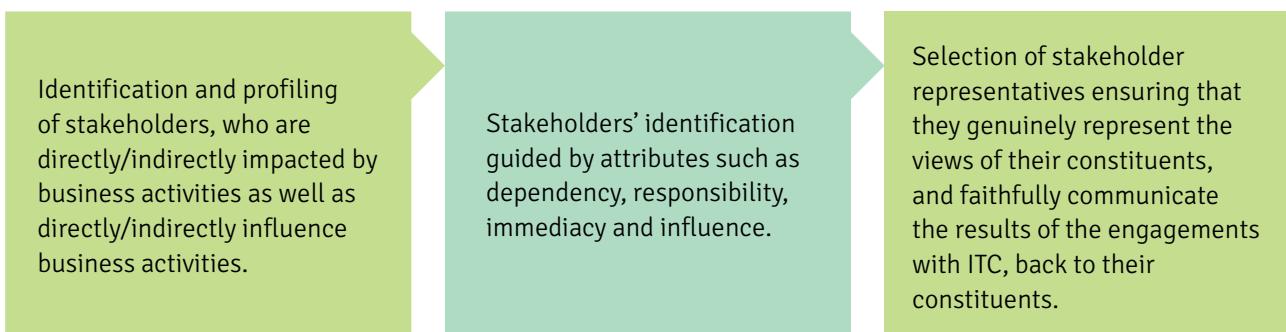
ITC's Process of Stakeholder Engagement





Details of each of the above mentioned steps are elaborated below.

Identification of Key Stakeholders



Consultation with Key Stakeholders and Identification of Key Concerns

Stakeholder	Consultation Mechanism	Key Issues
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 interventions with institutional investors 	<ul style="list-style-type: none"> Continued profitability and growth of the organisation Transparent and effective communications Investor servicing Sound corporate governance mechanisms
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 	<ul style="list-style-type: none"> Regulatory compliance Sound corporate governance mechanisms Tax revenues Resource efficiency Transparency in disclosures Livelihood generation
Customers	<ul style="list-style-type: none"> Market surveys Personal contacts/visits Personalised lifestyle privilege programme Customer satisfaction surveys Key account management 	<ul style="list-style-type: none"> Fair and competitive pricing Product/service quality and safety Product/service availability Transparent communication Adequate information on products Timely delivery of product/service Maintenance of privacy/confidentiality
Employees	<ul style="list-style-type: none"> Induction programmes/training workshops Individual performance appraisal Employee engagement survey Grievance handling processes Trade union meetings 	<ul style="list-style-type: none"> Caring and empowering work environment Personal development and growth Employee safety Grievance resolution Competitive compensation



Stakeholder	Consultation Mechanism	Key Issues
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) • Participatory rural appraisals to identify needs and challenges 	<ul style="list-style-type: none"> • Inputs on agricultural best practices • Know-how on improvement of productivity and profitability • Easy, affordable and reliable access to inputs such as quality seeds, fertilisers, pesticides • Capacity development for further investment • Sustainable & accelerated growth in livelihoods and farm incomes • Regeneration and replenishment of common property resources like water, village commons, biomass and biodiversity • Consistent increase in income generation
Supply Chain Partners	<ul style="list-style-type: none"> • Manufacturers' meets • Vendor meets • Pre-agreement negotiations • Agreements for all procurement activities 	<ul style="list-style-type: none"> • Knowledge and infrastructure support • Regular communication and updates on business plans • Inclusion of local medium and small scale enterprises in vendor base • Competency development of local vendors • Stability/tenure of relationship • Ordering and payment routines • Purchasing prices • Changes or cancellation of orders
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 • Public hearings during greenfield/expansion projects • Assessment of direct and indirect impacts of ITC's social investments on communities 	<ul style="list-style-type: none"> • Community development programmes based on local communities' needs • Strengthening of livelihood opportunities • Improvement of social infrastructure for hygienic and healthy living environment • Dignity of life through economic & social empowerment
Media	<ul style="list-style-type: none"> • One-on-one Media interactions • Press conferences/Press releases • Advertisements/Promotions • Interviews with Senior Managers 	<ul style="list-style-type: none"> • Transparent and accurate disclosure to stakeholders • Responsible Corporate Citizenship • Corporate Reputation
Civil Society	<ul style="list-style-type: none"> • Partnership in implementation of CSR Programmes under Mission Sunehra Kal • Discussions on community issues with Civil Society Organisations 	<ul style="list-style-type: none"> • Financial support for community development programmes • Managerial support • Environmental pollution prevention • Safe products and services • Responsible Corporate Citizenship



Prioritisation and Addressal of Key Concerns

The sensitivity of an issue to a stakeholder and to ITC, in terms of high/medium/low importance forms the basis of the materiality analysis which in turn leads to identification of material aspects, definition of management approach and specific action plans for addressal.

Please refer to the Materiality Analysis section for further details on ITC's response to key stakeholders' concerns.

Insights into Local Community Needs

Since ITC's holistic development approach demands an intensive and deep level of engagement, it was necessary to identify and delineate core areas in the catchments of our Agri Businesses and factories. Based on parameters relevant to businesses and development indicators, current project areas were divided into core and non-core villages and clusters. Based on above filters, a total of 103 core clusters were demarcated comprising 902 villages/wards in 35 districts, which would form the nucleus of social investments in the coming five years.

The most powerful dynamic driving ITC's Social Investment Programme is the fact that each one is anchored in direct community participation and rooted in choices made and shaped by them. The identification and demarcation of core project areas was therefore followed by an exhaustive stakeholder engagement process to elicit their felt needs and aspirations to gauge the extent to which the current set of interventions were valued by the communities and evaluate if any course correction was required.

A total of 483 Participatory Rural Appraisals (PRA) were conducted covering more than half of the total core villages/habitations. Since PRAs are public meetings where the voices of marginalised communities and groups may not be heard, care was taken that separate PRAs were conducted with women and SC/ST households.

The table gives an overview of the topmost priorities identified by our stakeholder communities from across all geographies. An aggregation such as this obviously flattens variations between regions and social groups. But it nevertheless is indicative of some of the foremost concerns troubling households in our core catchment areas.

It is interesting to note that even though a large proportion of households in the core areas are from rural regions, only two of the top ten requirements relate to agriculture (highlighted in green). The balance eight reflect a strong desire to lead a better quality of life today (shown in brown) or aspirations for their children (indicated in blue). While people aspire for an improvement in the quality of life today, they are equally concerned that their children grow into a healthy, educated and skilled resource with the capabilities to compete in the employment markets of tomorrow. With respect to implications for ITC, it is worth noting that barring public infrastructure works, our projects currently cover 6 of the 10 needs listed above.

The most powerful dynamic driving ITC's Social Investment Programme is the fact that each one is anchored in direct community participation and rooted in choices made and shaped by them

Stakeholders' Priorities	Rank
Drinking Water	1
Internal Roads	2
Employment	3
Toilets/Sanitation	4
Drainage Facilities	5
School Infrastructure	6
Waste Management	7
Water Resources Development	8
Street Lights	9
Cattle Development	10



Risks and Opportunities: Sustainability Challenges

Sustainability Risk Portfolio

As a diversified enterprise, ITC continues to focus on a system-based approach to business risk management. The Corporate Risk Management Cell, through focused interactions with Businesses, facilitates the identification and prioritisation of strategic and operational risks, development of appropriate mitigation strategies and conducts periodic reviews of the progress on the management of identified risks. The annual planning exercise requires all Businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. The senior management of the Company also periodically review the risk management framework to keep it contemporary and relevant so as to effectively address the emerging challenges in a dynamic business environment.

Based on the ongoing risk assessments at Businesses level and aggregated at the organisation level, ITC has classified its sustainability challenges into two broad categories – those that are influenced by global events, and challenges that are unique to India.

As a diversified enterprise, ITC continues to focus on a system-based approach to business risk management

Global Challenges

According to the World Economic Forum (WEF) Report on Global Risks 2016, large-scale migration, extreme weather events, climate change, interstate conflict with regional consequences, water crises and volatility in energy prices are amongst the top risks that plague the world today.

Socio-Economic Risks

Some of these topmost risks that endanger the world today are short-term and arise as a direct outcome of human action, including interstate conflicts, collapse of states, governance deficits, large-scale terrorist attacks and migration. In 2015, Europe witnessed rising number of refugees and migrants seeking asylums in the European Union, from Middle East, Africa, South Asia and the Western Balkans, fleeing war and persecution, poverty and lack of employment in their home countries.

In addition to high refugee crisis, stability within the European Union is further threatened by stagnating economies and growth of far-right political parties. Other factors such as extreme energy price volatility will further aggravate these stresses.

In addition, the world today faces the growing concern of unemployment and underemployment contributing to rising socio-economic inequality. This is reflected in the fact that more than 45% of the global



household wealth is owned by less than 1% of the world's adult population¹.

Food crises is another challenge that threatens the world today. While enough food is available for everyone on the planet, still 795 million people go to bed hungry every day as it is estimated¹ that thirty to fifty percent of all food produced gets wasted due to inadequate storage and transportation facilities.

Environmental Risks

The list for long-term global risks is dominated by those related to physical and environmental issues such as climate change and water security. The world will not be able to meet the sustainable development challenges of the 21st century – human development, livable cities, food security and energy security – without improving management of water resources and ensuring reliable access to water. Population and economic growth have placed unprecedented pressures on water. As per a World Bank Report, with current practices the world will face a 40% shortfall between forecast demand and available supply of water by 2030. The potential for climate change to exacerbate water crisis with impacts including conflicts and forced migration has been highlighted in the WEF Global Risk Report 2016.

Global risks transcend borders and spheres of influence, which require all stakeholders to work together. The anticipated and real impacts for the above issues amongst

developed and developing countries are however vastly different, both in scale and scope. These differences are multi-layered and multi-faceted given the dimensions of the challenges and the socio-economic context in different countries. Countries like India while cognising for the larger global challenges, will have to shape their own sustainability agenda with focus on specific issues that have an immediate and direct impact on the Indian society at large.

The Indian Context

While India echoes many of the global challenges, issues like poverty, social inequities, unemployment, environmental degradation, water and food crises assume even more critical and multi-dimensional characteristics in India. Land pressure for instance, assumes greater significance in India which is home to 18% of the world's population, with only 2.3% of the world's land share.

Nexus of Social and Environmental Issues

India Inc. is faced with serious challenges due to water crisis. While agriculture accounts for around three quarters of all water used in India, rapid urbanisation and increasing demand from commercial and industrial users have placed undue stress on already fragile water resources. According to the World Resources Institute estimate², the national supply of water is expected to fall 50% below demand by 2030. Despite substantial rise in demand, India's water supply remains constrained owing to inefficient use of water,

¹ The Global Opportunities Network Report 2015

² Charting our water future, Water Resources group, 2009





overexploitation of ground water reserves without adequate recharge and variations in surface water availability because of erratic rainfall patterns.

Agriculture and allied activities remain the major source of livelihood for nearly half of the Indian population. The share of agriculture in employment was 48.9% of the workforce, while its share in the Gross Domestic Product (GDP) was 17.4% in 2014-15³.

However, deteriorating natural resource base, disconnected value chains, fragmented and small-size landholdings, weak infrastructure, inadequate knowledge and multiple intermediaries are main reasons for low income among the average farmers. Furthermore, around 55% of India's total sown area meets its requirements from rainwater alone. This assumes importance in the face of climate change related challenges of erratic rainfall leading to drought and floods. A majority of the farmers are hence trapped in a vicious cycle of low productivity. Therefore there is a need to address these challenges by ensuring farming population's sustainable access to water, knowledge and other necessary resources, whilst simultaneously improving the productivity resulting in better income realisation. The surplus workforce from the agriculture sector can be provided with adequate skill training to enable them to join the manufacturing sector strengthening the Government of India's "Make in India" campaign.

Climate Change

With the United Nations Climate Change Conference of Parties-21 held in Paris (December 2015), a change in the global climate change politics is round the corner. India has submitted its Intended Nationally Determined Contribution (INDC) to United Nations Framework Convention on Climate Change (UNFCCC) stating its aim to cut its greenhouse gas emissions per unit of gross domestic product by 33 to 35% by 2030 compared to 2005 levels. This in turn would imply specific targets for progressive reduction in GHG emissions intensity for the various industrial sectors of India. As sector specific targets would become a reality sooner or later, Indian industries need to revisit their individual GHG contribution with representative projection till 2030 and adopt a low carbon growth trajectory. In addition, Indian industry sector would also face the significant challenges due to price volatility in the global energy market, which may hamper investments into the renewable energy projects.

Social Infrastructure

As a growing economy, India has to deal with the problems of rapid and unplanned urbanisation. Increasing population, higher consumption levels and inadequate infrastructure are putting a severe strain on the ecology. A large amount of waste being generated today ends up in landfills, leading to serious concerns of public health and sanitation risks as well as large-scale

³ Source : Economic survey 2016-17



environmental degradation. Negative impacts of urbanisation are also manifest in the pollution of almost all Indian rivers that have been absorbing domestic and industrial sewage and agricultural wastes over the last few decades. Apart from posing a serious health problem to millions of people that continue to depend on polluted water from rivers, this also endangers the biodiversity dependent on it. It is therefore the need of the hour for the country to invest in basic infrastructure. This will further require enormous resources that can only be generated with a larger focus on livelihood creation and widening of the tax base.

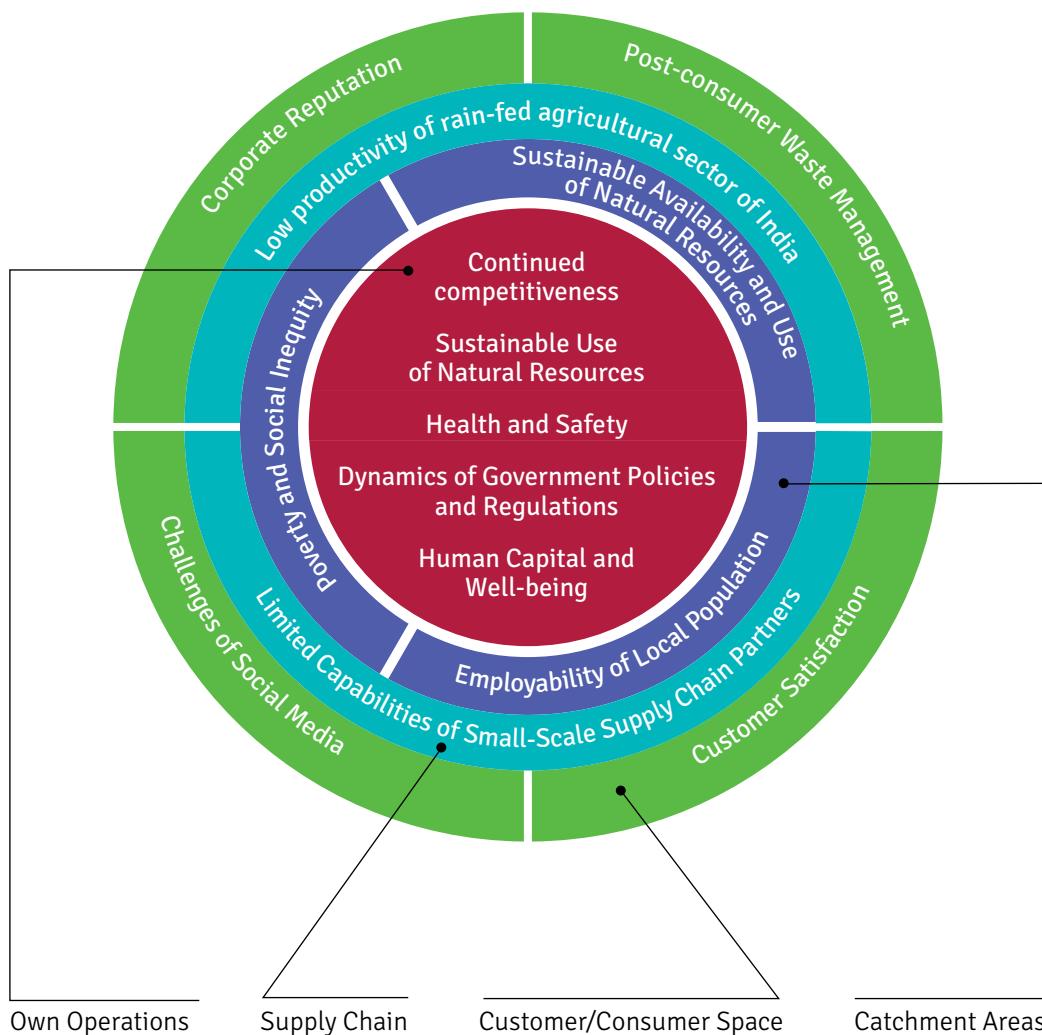
In the light of rapid urbanisation, road safety has also emerged to be a growing and alarming national concern. Over the years, the significant growth of vehicles on Indian roads has been the leading cause of accidents resulting in deaths, disabilities and hospitalisations with severe socio-economic costs across the country. According to a report by the Transport Research Wing of Ministry of Road Transport and Highways,

Government of India, during the year 2014, there were around 4.89 lakh road accidents with about 1.4 lakh fatalities and injuring more than 4.93 lakh persons in India. Such numbers strongly indicate not only the need for improving the emergency medical aid and road infrastructures, but also the need to spread mass awareness on behavioural safety.

ITC Context

ITC's operations and markets are India centric and the Company's world-class Indian brands ensure that larger value is created, captured and retained in the country for national development and growth. Therefore the organisation's sustainability is closely driven by the country's advantages and vulnerabilities. In line with the risks and opportunities that may impact India's economic, social and environmental sustainability, ITC has mapped the key challenges, risks and opportunities likely to impact its own long-term prospects and those of its stakeholders.

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Challenges	Risks and Opportunities
Own Operations	
Continued Competitiveness	<p>RISKS</p> <p>The Company's Cigarettes Business, the oldest in its business portfolio, is increasingly impacted by a high incidence of taxation and a discriminatory regulatory regime on the legal cigarette industry in India which have over the years led to a significant shift in tobacco consumption to lightly taxed or tax-evaded tobacco products like bidi, khaini, chewing tobacco, gutkha and illegal cigarettes.</p> <p>OPPORTUNITIES</p> <p>ITC's enterprise strengths such as deep consumer insight, cutting-edge Research & Development, strong rural linkages, superior agri-sourcing, world-class manufacturing, brand-building skills, culinary expertise, innovative consumer packaging, world-class human capital, digital technology and an effective trade marketing, distribution and logistics network and sustained investments in R&D, enable the Company to power its strategy of developing multiple drivers of growth through diverse Businesses. These enterprise strengths have helped in creating new FMCG Businesses, and fortified its traditional Businesses. Competencies developed have also lent support to its information technology business.</p>
Sustainable Use of Natural Resources	<p>RISKS</p> <p>Increased water scarcity may directly impact ITC's Paperboards and Specialty Papers Business which is relatively more water intensive in its operations compared to other ITC Businesses. With continuous decline in ground water and uneven supply of surface water, it may become even more challenging for businesses to meet their requirements. Disruptions in rainfall patterns will also impact water quality requiring additional treatment and costs before it can become usable. These challenges may bring about further regulatory pressure on water withdrawal.</p> <p>Challenges related to energy security due to volatile energy prices and inadequate infrastructure for capitalising on off-site renewable sources of energy in the country.</p> <p>Challenges related to achievement of target on energy efficiency improvement, increased electricity consumption from non-fossil fuel based energy resources that may arise owing to sectoral GHG emission reduction targets set aligned with Government of India's commitment under INDC to UNFCCC.</p> <p>OPPORTUNITIES</p> <p>As part of its long-term strategy for water security at localised watershed level for the operating units and other stakeholders, ITC has already conducted comprehensive studies at selected sites and work initiated to address the identified water-related risks. Going forward with the learning from these detailed studies, ITC intends to consider and incorporate the aspects of water security for its upcoming projects right from the design stage and operating units in water-stressed areas.</p> <p>These risks provide an immediate stimuli to focus on energy conservation and maximising contribution from renewable energy sources. This should provide long-term advantages in terms of both reduced costs as well as reliability of support. ITC would also enjoy first mover advantage by developing internal systems and processes to operate in such a natural resource constrained environment.</p> <p>ITC's responsible water stewardship initiatives such as Integrated Watershed Development Programme will help towards meeting the water security needs of all stakeholders at the watershed level. ITC has also collaborated with external experts for development of appropriate interventions.</p> <p>ITC has already adopted a low carbon growth path with goal set for 50% renewable energy share by 2020 as part of overall energy security strategy. While investments will continue to be made in renewable energy assets based on techno-commercial feasibility, focus is given on reducing the overall energy demand. This will not only reduce the carbon emissions but also help in cutting down the overall energy cost.</p>
Health and Safety	<p>RISKS</p> <p>While ITC is progressing steadily towards its target of zero accidents of employees within its premises, ITC cognises that accidents while traveling to and from the workplace are on the rise in India, given the steady proliferation of 2 wheelers, the poor conditions of roads and inadequate infrastructure.</p> <p>OPPORTUNITIES</p> <p>Safe work environment is critical in boosting employee morale and productivity. Apart from best-in-class infrastructure, ITC's opportunity lies in its robust systems that have been developed over the years to ensure safety of employees within ITC premises as well as outside premises. ITC employees can also act as ambassadors for safety and play an individual role in creating awareness on this vital aspect.</p>



Challenges	Risks and Opportunities
Health and Safety	<p>Creating a culture of safety through appropriate behavioural interventions.</p> <p>ITC has well established systems and processes to ensure that its products and services are delivered in compliance with national or international standards as relevant. For agri-products sourced under Agri Business division, stringent process control and quality inspection norms have been established to ensure utmost product safety. Manufacturing locations for branded packaged foods, including third party manufacturing units, are Hazard Analysis and Critical Control Point (HACCP)/ISO 22000 certified, ensuring that products use the best quality ingredients and utilise the highest quality processes. In service sectors such as hospitality, these strengths have permitted ITC to leverage the market to its advantage.</p> <p>The well-established e-Choupal network coupled with the “Choupal Pradarshan Khet” programme facilitate small and marginal farmers in accessing customised knowledge on scientific farm practices, soil testing, balanced fertilisation, foundation seeds and seed treatment, water, weed, pest and post-harvest crops management and supply of quality inputs like drought resistant seeds to improve farm competencies.</p>
Dynamics of Government Policies and Regulation	<p>RISKS</p> <p>Regulatory framework such as the Forward Contracts (Regulation) Act and the Agricultural Produce Market Committee (APMC) Act were framed at a point of time in the past to curb excessive speculation in agri commodities and to allow farmers efficient access to the market without the exploitation of intermediaries. But such regulations today limit flexibility for farmers and deprive them of full value of their produce. In addition, regulations like the Essential Commodities Act (ECA), which impose stock limits and restrict movements from time to time, create uncertainty in business viability for organisations like ITC with significant dependence on agri raw material. This acts as a huge deterrent to long-term investments required to build infrastructure like climate-controlled storages and transport facilities to prevent wastage.</p> <p>The Cigarette industry had to contend with a steep increase in Excise Duty for 4 years in succession along with discriminatory and punitive increases in Value Added Tax (VAT) rates by some States. Recently, the Government has issued notification increasing the size of graphic health warnings from 40% of the surface area on one side of the cigarette package to 85% of the surface area of both sides of the package. Such measures, including the tax increases and excessive regulatory regime provide a large arbitrage to tax-evaded and contraband suppliers. As a result, the share of legal cigarettes has reduced from 21% in the 80s to 11% today, while at the same time illegal and contraband cigarettes have proliferated exponentially, making India one of the largest markets for contraband products. These policies have led to a significant shift in tobacco consumption to lightly taxed or tax-evaded tobacco products like bidi, khaini, chewing tobacco, gutkha and illegal cigarettes, which presently constitute over 89% of total tobacco consumption in the country.</p> <p>OPPORTUNITIES</p> <p>ITC engages with industry associations, organisations and other appropriate forums in line with its Policy of Responsible Advocacy. This is aimed to help the formulation of a balanced and pragmatic policy framework that addresses the concerns of the industry.</p> <p>ITC has created strong Indian brands in the cigarettes segment, in the absence of which, the domestic market would have been more vulnerable to the onslaught of smuggled and tax-evaded cigarettes. Raising the awareness of policy makers and civil society on the menace of illegal and contraband cigarettes, which impact both revenue and livelihoods of farmers, would help in enhancing enforcement as well as stemming the rapid increase of the illegal industry. This will lead to eliminating losses to the exchequer as a result of tax-evaded cigarettes, and help in ensuring that livelihoods of farmers and others in the value chain are not lost.</p>



Challenges	Risks and Opportunities
Human Capital and Well-being	<p>RISKS</p> <p>ITC operates in a diversified, ever-changing, highly competitive global landscape. This necessitates the development of a strong, customer responsive world-class human capital base. The challenge of meeting the growing needs of an organisation with the requisite skills co-exists with the challenge of attracting and retaining the best talents given the multitude of options available to skilled professionals. There is also a need to nurture harmonious employee relations to enable smooth functioning and productivity enhancement to be able to support the organisation's growth and progress.</p> <p>OPPORTUNITIES</p> <p>In order to sustain growth and to continue to deliver value for stakeholders, it is necessary for organisations to recognise human capital as a critical resource base. The over 100-year-old brand value of ITC provides an opportunity to attract talent from premier institutions. Retention of such a talent pool is in turn facilitated through a talent management strategy focused upon building a high quality 'future-ready' pool of managers, specialists and business leaders, supported by significant investments in learning and development and backed by a culture of care and concern.</p>
Catchment Areas	
Sustainable Availability and Use of Natural Resources	<p>RISKS</p> <p>Rapid growth in population and unplanned urbanisation has led to consumption of natural resources at a rate far higher than the Earth's capacity to regenerate. Sustainable availability of resources for industrial use as well as domestic consumption could therefore be a risk in the catchment areas of ITC.</p> <p>OPPORTUNITIES</p> <p>ITC's deep rooted stakeholder centric approach and understanding of interdependence of social and environmental aspects have enabled ITC to be a pioneer in identifying sustainability issues beyond the horizon and taking necessary actions. This is manifested in integrated watershed development as well as afforestation programmes undertaken by ITC more than a decade ago for ensuring augmentation of natural resources and enable higher productivity, create a green cover and restore soil health.</p>
Employability of Local Population	<p>RISKS</p> <p>Lack of proper education and inadequate availability of requisite skills in local population, especially from disadvantaged sections of society in the catchment areas is a challenge faced by most of ITC's manufacturing units. This points to the compelling need to create a large pool of skilled human resources from among the local populace.</p> <p>OPPORTUNITIES</p> <p>ITC's deep engagement with rural communities, which has been enhanced by the co-creation of economic opportunities, has helped in forging strong relationships. This provides an opportunity to enhance gainful livelihoods of local population.</p> <p>ITC's partnership with local Industrial Training Institutes and agencies that impart vocational training on skills related to sales & distribution, hospitality, construction and technology acts as an opportunity to enhance the employability of youth from disadvantaged sections of society in the catchment areas of ITC operations.</p>
Poverty and Social Inequity	<p>RISKS</p> <p>Nearly 700 million people living in rural India, with low adaptive capacities, have a direct and symbiotic dependence on climate sensitive sectors (agriculture, forest and fisheries) and natural resources (water, biodiversity, mangroves, coastal zones and grasslands) for their subsistence and livelihood. The limited options of alternative off-farm employment, combined with endemic poverty, continue to imperil the livelihood of millions of small and marginal farmers with fragmented landholdings, mainly in rain-fed agriculture regions, where the production regime is inherently fragile and getting more so due to a number of factors.</p> <p>OPPORTUNITIES</p> <p>ITC's innovative development models based upon the foundation of its deep rooted stakeholder centric approach, provide the opportunity of simultaneous generation of sustainable livelihood as well as creation of positive environmental footprint. Such models unleash strong drivers for achieving development with social equity. The Company's approach to develop the competitiveness of value chains of which it is a part, enables the creation of long-term drivers that address the problem of social inequities.</p>



Challenges	Risks and Opportunities
Supply Chain	
Low productivity of rain-fed agricultural sector of India	<p>RISKS</p> <p>ITC operates across the agri value chain of 19 crops and is present in 17 states with substantial investments in resource intensive models that entail heavy capital infrastructure. Since around 55% of India's total sown area meets its requirements from rainwater alone, climate change generated environmental challenges aggravate the risks of low productivity of the agricultural sector of India, in turn impacting sustainability of agri based businesses.</p> <p>Low productivity risks are compounded by absence of focused incentivisation of precision farming, micro-irrigation, watershed development and power-efficient farm mechanisation.</p> <p>There are inadequacies in the policy framework required to boost the provision of rural infrastructure so that wastage can be eliminated and farmers can receive better returns.</p> <p>Furthermore, absence of crop and weather insurance reduces the risk-taking capability of the small-scale farmers for investment in infrastructure improvement.</p> <p>OPPORTUNITIES</p> <p>Owing to long standing presence in the agri-commodities market of the country, ITC has created a rich knowledge pool of agri-based interventions in terms of infrastructure, connectivity, price discovery, market access and farm productivity. ITC's close connect with the grassroots level and effective dissemination of critical information provide opportunities for ITC to address the challenges in its agri-value chain.</p>
Limited Capabilities of Small Scale Supply Chain Partners	<p>RISKS</p> <p>ITC's supply chain comprises of a large number of small-scale partners many of whom operate under limiting circumstances in terms of their ability to invest in efficient technologies and their necessity to rely on labour intensive practices.</p> <p>OPPORTUNITIES</p> <p>ITC's long presence in the Indian market has helped in understanding the pulse, strengths, weaknesses and concerns of its supply chain partners, especially the rural population. This in turn has helped in forging strong relationships with supply chain partners and in capacity building of these partners for overcoming their own limitations and maximising value.</p>
Customer/Consumer Space	
Post-consumer Waste Management	<p>RISKS</p> <p>Average per capita waste generation of India is lower than that of OECD countries or even other Asian countries. However, the Indian industry is facing increasing pressure on packaging waste, which highlights the need for more effective solid waste management.</p> <p>Inadequate solid waste management systems result in a large amount of wastes being generated today to end up in landfills. Heaps of unattended waste, foraged by cattle and rag-pickers alike, have become a common sight both in urban and rural areas of the country.</p> <p>New regulations in this area are not only putting additional pressure on industry to work out alternate product packaging options but also demanding to develop adequate waste management system based on Extended Producer Responsibility.</p> <p>OPPORTUNITIES</p> <p>ITC's deep rooted stakeholder centric approach and understanding of interdependence of social and environmental aspects have enabled ITC to be a pioneer in identifying sustainability issues beyond the horizon and taking necessary actions. This is reflected in the fact that fibre for the Kovai Unit of Paperboards and Specialty Papers Business of ITC is sourced from recycled waste. Given ITC's century-old significant presence in the country and its close connect with the grassroots level change makers, ITC has the opportunity to propagate waste segregation at source at all levels of society and to facilitate effective collection mechanism whilst generating livelihood for rag-pickers.</p> <p>ITC has already initiated collaborations with government, municipal corporations, NGOs, communities and other stakeholders to tackle the issue of plastic packaging waste. ITC is devising a multi-pronged approach not only to ensure waste segregation at source and improve the reuse/recycle rate by raising mass-level awareness and incentivising informal sector to collect all types of plastic packaging, but also to enhance the economic value of plastic waste through engaging with regulatory authorities and industry institutions.</p>



Challenges	Risks and Opportunities
Corporate Reputation	<p>RISKS</p> <p>Inadequate information or misrepresentation, especially in the media, can impact corporate reputation.</p> <p>Adverse coverage or feedback on ITC's Brands and Businesses can impact brand salience in the minds of the consumer/customer.</p> <p>OPPORTUNITIES</p> <p>ITC's structured media engagement plan comprises an array of activities including press releases/statements, media interviews by top management, media coverage of important corporate and business milestones and regular presentations to senior media editors. In addition, presentations are also made to key stakeholders backed by publications on various issues. These provide an opportunity to the senior management team to effectively engage with stakeholders on issues relating to ITC's products, services, initiatives and business practices.</p>
Social Media	<p>RISKS</p> <p>The explosion of Social Media channels like Facebook, Instagram and Twitter, which allow individuals to form virtual communities of common interest and link up with people across the globe to share news, views, visuals and videos, is posing a new challenge to organisations. Being unregulated, social media allows instant dissemination of information globally without any mechanism to verify or authenticate the flow of information. This creates the possibility of spreading misinformation that can impact consumer behaviour as well as corporate reputation.</p> <p>OPPORTUNITIES</p> <p>ITC has created its own presence in social media leveraging publicly available web applications as well as creating dedicated branded web applications to disseminate information about the organisation and its brands in the digital space.</p> <p>ITC's corporate Twitter handle, @itccorpcom provides an opportunity to engage in the social media space. In addition, ITC has created customised apps for mobile phones to provide superior and transparent access to information to its stakeholders. ITC's Facebook page for engagement with potential employees, Hub and Scope, is an example of the Social Media interaction. Several ITC brands like Bingo!, Yippee!, Wills Lifestyle and Engage have a social media presence to constantly interact with their respective target audiences.</p>
Customer Satisfaction	<p>RISKS</p> <p>Customer feedback is one of the vital inputs for any organisation to modify or update the product/service in order to better address the requirements and sentiments of its customers. Growing options for customers, increased customer awareness on quality, health and safety, consumers' expectation on continual innovation and aggressively low price offer from competition, are some of the key challenges encountered by businesses today in achieving and maintaining high levels of customer satisfaction.</p> <p>OPPORTUNITIES</p> <p>A regular customer feedback system forms an integral part of ITC's Businesses where there is direct interface with customers. In the case of FMCG products, consumers are provided several communication channels like e-mail, telephone number, website address and feedback forms to enable them to contact the relevant Business. Processes are laid down to ensure that consumers are provided with responses on their feedback in a timely manner. Customer feedback for B2B businesses like Agri Business and Packaging & Printing, is obtained through different activities e.g. pre-season engagement with customers (in case of Agri Business), client visits and engagement of the Divisional Management Committees with major customers. In the Information Technology Business, the Customer Service Satisfaction Survey is an annual check on the robustness of the engagement, culminating in a Customer Experience Index. For Hotels Business, WOW ratio – a Guest Satisfaction Index is continuously monitored and used for benchmarking and performance improvement.</p>



Materiality Analysis

ITC's Materiality matrix enabled the design of the content of this Report so as to provide a reasonable and balanced picture of the organisation's Triple Bottom Line impacts and its performance. ITC's materiality analysis is based upon the following three pronged approach:

Identification of material aspects	<ul style="list-style-type: none"> • Relevance of GRI G4 defined aspects in terms of boundary of impacts • Cognition of Sector Specific Issues • Evaluation of relevance to stakeholders
Prioritisation	<ul style="list-style-type: none"> • Analysis of high, medium or low importance of a particular aspect based on stakeholder engagement • Evaluation of the stakeholder's perception of ITC's impact with respect to that material aspect • Significance of a material aspect to a particular ITC business based on ITC's Corporate Strategies, policies, risks and opportunities for the business • Corporate level aggregation of material aspects by Corporate EHS
Validation	<ul style="list-style-type: none"> • Review by various Corporate Functions • Final review and approval by Sustainability Compliance Review Committee on the material aspects





Materiality Matrix

**Increasing significance of ITC's Economic, Environmental and Social Impacts**

● Economic ▲ Environmental ◆ Social ■ Environmental & Social

The matrix above depicts the material aspects based on their influence and significance on stakeholders' perception and ITC's impacts. The categorisation under low, medium & high demonstrates the relative importance of aspects and does not necessarily depict that a particular aspect rated as 'low' has low impact or relevance.



Disclosure on Material Aspects

Sl. No.	Material Aspects	Details Available in Sections
1	Economic Performance	<ul style="list-style-type: none"> • Economic Performance
2	Sustainable Livelihoods	<ul style="list-style-type: none"> • Economic Performance • ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth
3	Climate Change	<ul style="list-style-type: none"> • Energy • Air Emissions
4	Sustainable Management of Natural Resources	<ul style="list-style-type: none"> • Energy • Water Management • Waste Management • Raw Materials
5	Product Packaging & Labelling	<ul style="list-style-type: none"> • Product Responsibility • Waste Management
6	Transportation	<ul style="list-style-type: none"> • Energy • Air Emissions
7	Sustainable Forest Management	<ul style="list-style-type: none"> • Raw Materials • Biodiversity
8	Sustainable Supply Chain	<ul style="list-style-type: none"> • Supply Chain
9	Statutory Compliance	<ul style="list-style-type: none"> • Product Responsibility
10	Learning and Development	<ul style="list-style-type: none"> • Labour Practices & Decent Work and Human Rights
11	Employee Engagement	<ul style="list-style-type: none"> • Labour Practices & Decent Work and Human Rights
12	Human Rights	<ul style="list-style-type: none"> • Labour Practices & Decent Work and Human Rights
13	Local Community Development	<ul style="list-style-type: none"> • Economic Performance • ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth
14	Anti-corruption	<ul style="list-style-type: none"> • Governance Structure
15	Public Policy Advocacy	<ul style="list-style-type: none"> • Responsible Advocacy
16	Health and Safety	<ul style="list-style-type: none"> • Occupational Health and Safety • Product Responsibility
17	Marketing Communication	<ul style="list-style-type: none"> • Product Responsibility
18	Customer Privacy	<ul style="list-style-type: none"> • Product Responsibility



Report Profile Scope & Boundary

The 13th Sustainability Report of the Company, headquartered at Virginia House, 37 J.L. Nehru Road, Kolkata, 700 071 (India), covers the sustainability performance for the period April 1, 2015 to March 31, 2016. ITC reports its performance on an annual basis and the last Sustainability Report was published in June 2015.

The contact point for any clarifications on the Report or for requesting additional copies of this Report is the Corporate Communications Department at the above address or e-mail: enduringvalue@itc.in.

The reporting principles and methodology are in accordance with the “Comprehensive” option of the fourth generation Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and the Reporting Principles, Standard Disclosures and Implementation Manual of GRI-G4 Reporting Guidelines have been followed. The relevant aspects/indicators from GRI-G4 Food Sector supplement have also been

considered while reporting on the Foods Business performance.

This Report highlights those Triple Bottom Line dimensions that either indicate the organisation’s material economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders.

ITC’s Businesses/Units continue to proactively engage with key stakeholders, who either have a major interest or are significantly affected by the Company’s operations, products or services. The details on stakeholder engagement are covered elsewhere in the Report.

In line with ITC’s Policy on Responsible Sourcing, the Company continues its efforts to influence sustainability practices along the value chain with the intent to progressively cover all significant supply chain partners. In the current year, ITC has incorporated the performance of 20 exclusive



Third Party Manufacturers (TPMs) catering to the Notebooks segment of Education and Stationery Products Business and 2 TPMs of Cigarettes Business and ATC Limited, an associate company of ITC.

The economic performance reported here is excerpted from the Company's Report & Accounts (R&A) 2016, audited by independent External Auditors - M/s Deloitte Haskins & Sells.

The data in the environment & social sections of the Report is based on actual performance of the various businesses, factories, hotels and large offices of the Company, TPMs and subsidiary companies as detailed in the reporting boundary. An Integrated Sustainability Data Management System established in the Company to collect, collate and analyse environmental and social data, along with strong internal controls, support overall integrity and credibility of the disclosures in the Report.

In order to obtain an objective and impartial assurance on the Report, ITC has obtained independent third party assurance for all its Sustainability Reports since it started reporting in 2004. In the current year, authenticity of the data and systems disclosed in the Sustainability Report 2016

and conformance with 'in accordance'- comprehensive requirements of the GRI-G4 guidelines has been provided by M/s Ernst & Young (EY), an independent third party assurance provider. They have provided the assurance engagement as per the International Standard for Assurance Engagements (ISAE) 3000 at a 'reasonable level', the statement of which forms a part of this Report. The assurance statement by M/s EY covers the summary of the work performed, the manner in which the assurance engagement has been conducted, the extent to which ITC has applied GRI-G4 Guidelines and the conclusions on the Report.

Reporting Boundary

ITC Head Office: Kolkata (West Bengal)

Trade Marketing and Distribution (TM&D)

TM&D Headquarters: Kolkata (West Bengal)

District Offices: Kolkata (West Bengal)
Mumbai (Maharashtra)

Warehouses: Ambernath (Maharashtra),
Hyderabad (Telangana)
and Malur (Karnataka)





FMCG

Cigarettes Business

Divisional Headquarters: Kolkata (West Bengal)

Units at:

Kolkata (West Bengal), Bengaluru (Karnataka), Munger (Bihar), Saharanpur (Uttar Pradesh) and Pune (Maharashtra)

Third party manufacturers – 2 nos.

FMCG - Others

Foods Business

Divisional Headquarters: Bengaluru (Karnataka)

Units at:

Haridwar (Uttarakhand), Pune (Maharashtra), Malur (Karnataka) and Munger (Bihar)

Personal Care Products Business

Divisional Headquarters: Kolkata (West Bengal)

Units at:

Haridwar (Uttarakhand) and Manpura (Himachal Pradesh)

Education and Stationery Products Business

Divisional Headquarters: Chennai (Tamil Nadu)

Third Party Manufacturers of Notebooks – 20 nos.

Matches and Agarbatti Business

Divisional Headquarters: Chennai (Tamil Nadu)

Hotels

Divisional Headquarters: ITC Green Centre, Gurgaon (Haryana)

Hotels:

ITC Maurya (New Delhi)

ITC Maratha (Mumbai)

ITC Grand Central (Mumbai)

ITC Sonar (Kolkata)

ITC Mughal (Agra)

ITC Grand Bharat (Gurgaon)

ITC Windsor (Bengaluru)

ITC Gardenia (Bengaluru)

ITC Rajputana (Jaipur)

ITC Grand Chola (Chennai)

My Fortune, Chennai

My Fortune, Bengaluru

WelcomHotel Sheraton, New Delhi



Leaf Tobacco Business

Divisional Headquarters: Guntur (Andhra Pradesh)

Units at:

Anaparti (Andhra Pradesh), Chirala (Andhra Pradesh), Mysuru (Karnataka) and Research Centre, Rajahmundry (Andhra Pradesh)

Agri Business

Divisional Headquarters: Hyderabad (Telangana)

Paperboards and Specialty Papers Business

Divisional Headquarters: Hyderabad (Telangana)

Units at:

Tribeni (West Bengal), Bhadrachalam (Telangana), Bollaram (Telangana) and Kovai (Tamil Nadu)

Packaging and Printing Business

Divisional Headquarters: Chennai (Tamil Nadu)

Units at:

Munger (Bihar), Tiruvottiyur (Tamil Nadu) and Haridwar (Uttarakhand)

Lifestyle Retailing Business and Others

Lifestyle Retailing Business Headquarters: ITC Green Centre, Manesar (Haryana), ITC Life Sciences & Technology Centre, Bengaluru (Karnataka) and Central Projects Organisation, Bengaluru (Karnataka)

Subsidiaries

ITC Infotech India Limited

Units at:

Bengaluru (Karnataka), Kolkata (West Bengal), Pune (Maharashtra) and Thiruvananthapuram (Kerala)

Technico Agri Sciences Limited

Units at: Chandigarh and Manpura (Himachal Pradesh)

Srinivasa Resorts Limited

Hotel: ITC Kakatiya, Hyderabad (Telangana)

Bay Islands Hotels Limited

Hotel: Fortune Bay Islands Resort, Port Blair

Landbase India Limited

Hotel: Classic Golf & Country Club, Gurgaon

Associates

ATC Limited

Unit at Hosur (Tamil Nadu)





The following subsidiaries included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2016.

Names of Subsidiaries	Remarks
Fortune Park Hotels Limited	*
Surya Nepal Private Limited	*
MRR Trading & Investment Company Limited (a 100% subsidiary of ITC Investments & Holdings Limited)	@
Russell Credit Limited	@
Greenacre Holdings Limited (a 100% subsidiary of Russell Credit Limited)	@
Wimco Limited	*
Prag Agro Farm Limited	*
Pavan Poplar Limited	*
Technico Pty Limited	*
Technico Technologies Inc. (a 100% subsidiary of Technico Pty Limited)	*
Technico Asia Holdings Pty Limited (a 100% subsidiary of Technico Pty Limited)	*
Technico Horticultural (Kunming) Co. Limited (a 100% subsidiary of Technico Asia Holdings Pty Limited)	*
ITC Infotech Limited (a 100% subsidiary of ITC Infotech India Limited)	*
ITC Infotech (USA), Inc. (a 100% subsidiary of ITC Infotech India Limited)	*
Pyxis Solutions, LLC. (a 100% subsidiary of ITC Infotech (USA), Inc.)	*
Gold Flake Corporation Limited	@
King Maker Marketing, Inc.	@
WelcomHotels Lanka (Private) Limited	*
ITC Investments and Holdings Limited	@
North East Nutrients Private Limited	*



The following Jointly controlled entities (incorporated Joint Ventures) included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2016:

Names of Joint Ventures	Remarks
Maharaja Heritage Resorts Limited	#
Espirit Hotels Private Limited	#
Logix Developers Private Limited	#
ITC Essentra Limited (a joint venture of Gold Flake Corporation Limited)	#

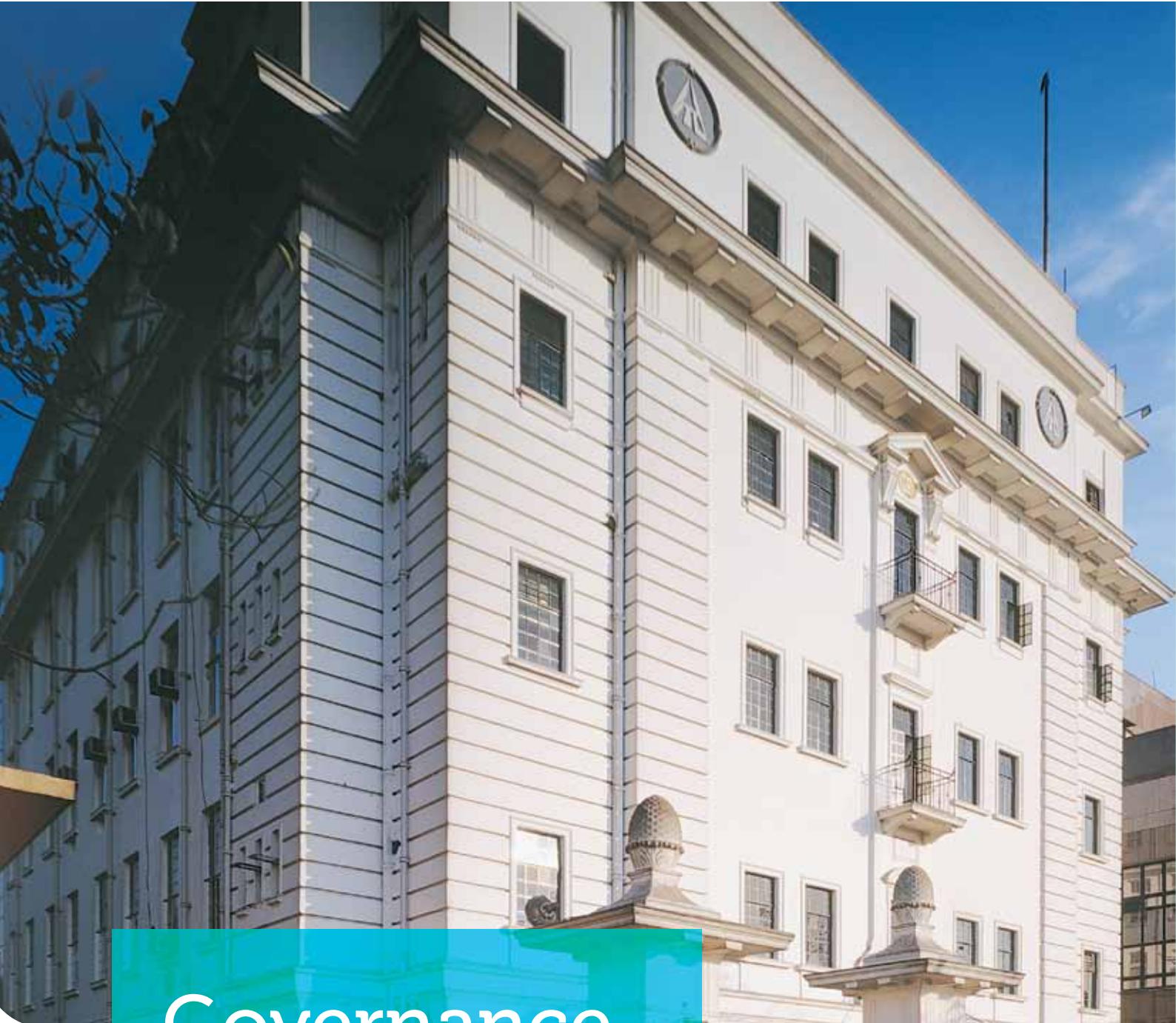
The following Group's Associates included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2016:

Name	Remarks
Gujarat Hotels Limited	#
International Travel House Limited	#
Russell Investments Limited	@
Divya Management Limited	@
Antrang Finance Limited	@

* ITC is currently in the process of defining the system for inclusion of these entities in the Sustainability Reporting boundary. Going forward, the performance of these entities against identified material aspects will be reported in a progressive manner.

These entities will be progressively included within the reporting boundary, as part of ITC's supply chain, based on identified material aspects.

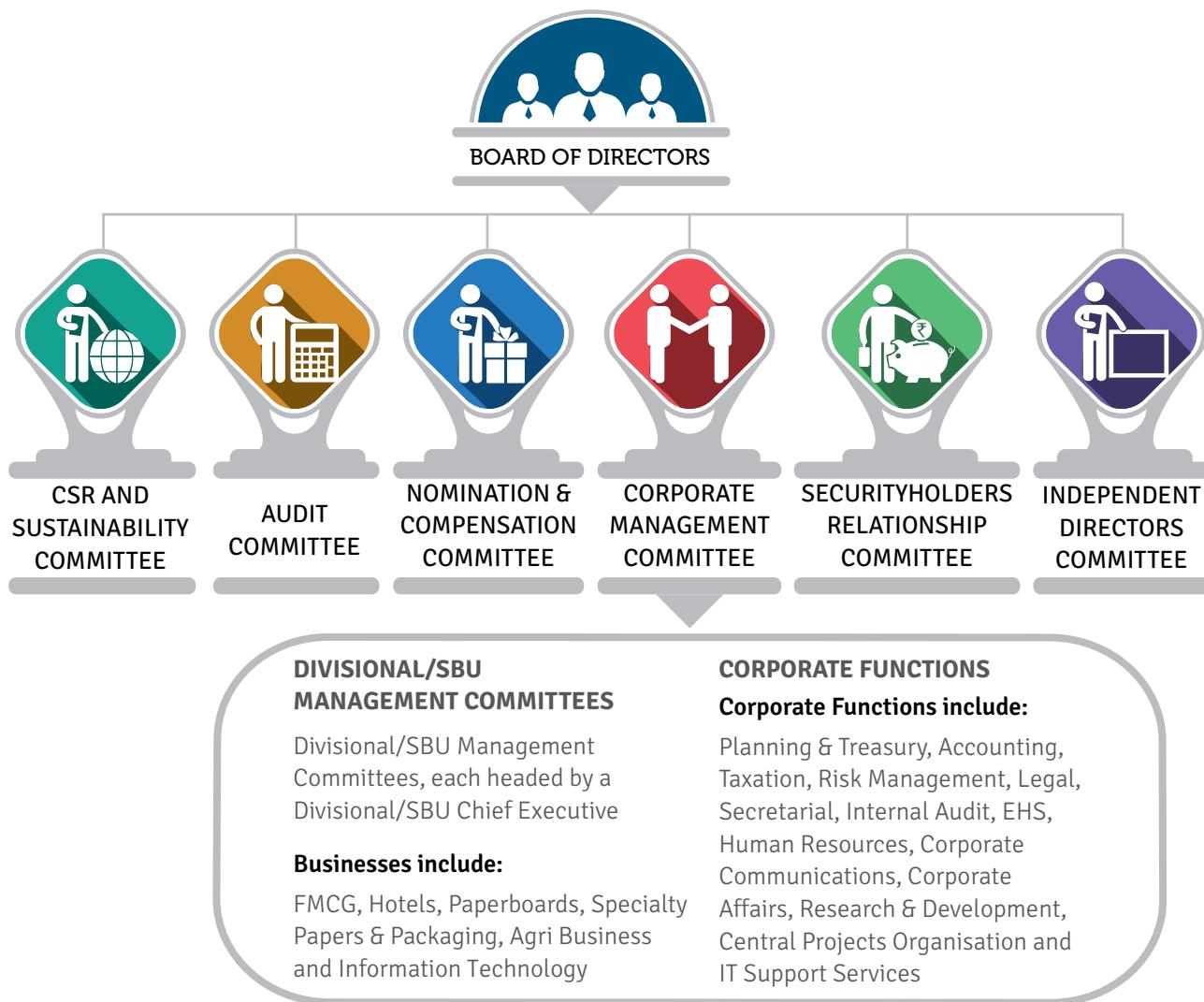
@ These entities primarily invest in financial market instruments and do not have any material sustainability impacts.



Governance Structure

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

Strategic supervision	by the Board of Directors (Board)
Strategic management	by the Corporate Management Committee (CMC)
Executive management	by the Divisional/Strategic Business Unit (SBU) Chief Executive assisted by the respective Divisional/SBU Management Committee



The role, powers and composition of the Board, Board Committees and CMC are available on the Company's corporate website.

Board Of Directors

The ITC Board is a balanced Board comprising Executive Directors and Non-Executive Directors, including Independent Directors.

and diversity of perspectives appropriate to the Company. The Articles of Association of the Company provide that the strength of the Board shall not be fewer than five nor more than eighteen.

Selection of Directors

The Nomination & Compensation Committee of the Board has approved the criteria for determining qualifications, positive attributes and independence of Directors as required under the Companies Act, 2013 and the Rules thereunder. The Governance Policy of the Company also, *inter alia*, requires that Non-Executive Directors, including Independent Directors, be drawn from amongst eminent professionals with experience in business/finance/law/public administration & enterprises. The Board Diversity Policy of the Company requires the Board to have balance of skills, experience

Directors are appointed/re-appointed with the approval of the Shareholders for a period of three to five years or a shorter duration, in accordance with retirement guidelines as determined by the Board from time to time. The initial appointment of Executive Directors is normally for a period of three years. All Directors, other than Independent Directors, are liable to retire by rotation unless otherwise approved by the Shareholders or provided under any statute.

The Independent Directors have confirmed that they meet the criteria of 'Independence' as stipulated under the statute.



Composition of the Board

The strength of the Board as on 31st March, 2016 was fifteen; the composition of the Board, including other Directorship/Committee membership of Directors was as follows:

Director	No. of other Directorship(s)	No. of Membership(s)/Chairmanship(s) of Audit Committee/Stakeholders Relationship Committee of other Indian public limited companies
Executive Directors		
Y. C. Deveshwar	6	Nil
N. Anand	7	Nil
S. Puri	3	Nil
R. Tandon	10	6 [including 5 as Chairman]
Non-Executive Directors – Independent Directors		
A. Baijal	6	3 [including 2 as Chairman]
S. Banerjee	Nil	Nil
A. Duggal	6	5 [including 1 as Chairman]
S. B. Mathur	10	6 [including 1 as Chairman]
P. B. Ramanujam	Nil	Nil
S. S. H. Rehman	Nil	Nil
M. Shankar	2	1
Non-Executive Directors – Others		
A. V. Girija Kumar	1	Nil
R. E. Lerwill	4	Nil
S. B. Mainak	2	Nil
K. Vaidyanath	Nil	Nil

Note: On demise of Mr. S. H. Khan, Independent Director, on 12th January, 2016, the Board of Directors appointed Ms. N. Rao as Additional Independent Director w.e.f. 8th April, 2016, subject to the approval of the Shareholders.

ITC's Governance Policy requires the Board to meet at least six times in a year. During the year, six meetings of the Board were held.

Board Committees

Currently, there are five Board Committees – the CSR and Sustainability Committee, the Audit Committee, the Nomination & Compensation Committee, the Securityholders Relationship Committee and the Independent Directors Committee.

CSR and Sustainability Committee

The CSR and Sustainability Committee presently comprises the Chairman of the Company and five Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Company is the Chairman of the Committee.



The CSR and Sustainability Committee, *inter alia*, reviews, monitors and provides strategic direction to the Company's CSR and sustainability practices towards fulfilling its Triple Bottom Line objectives. The Committee seeks to guide the Company in integrating its social and environmental objectives with its business strategies and assists in crafting unique models to support creation of sustainable livelihoods. The Committee formulates & monitors the CSR Policy and recommends to the Board the annual CSR Plan of the Company in terms of the statute. The Committee also reviews the Business Responsibility Report of the Company.

The CMC has constituted a Sustainability Compliance Review Committee, which presently comprises seven members - one CMC member and six senior members of management. The role of the Committee, *inter alia*, includes monitoring and evaluating compliance with the Sustainability Policies of the Company and placing a quarterly report thereon for review by the CMC.

Audit Committee

The Audit Committee presently comprises five Non-Executive Directors, four of whom are Independent Directors. The Chairman of the Committee is an Independent Director. The Executive Director & Chief Financial Officer, the Head of Internal Audit and the representative of the Statutory Auditors are Invitees to meetings of the Audit Committee. The Head of Internal Audit, who reports to the Audit Committee, is the Coordinator, and the Company Secretary is the Secretary to the Committee. The representatives of the Cost Auditors are invited to meetings of the Audit Committee whenever matters relating to cost audit are considered.

Nomination & Compensation Committee

The Nomination & Compensation Committee presently comprises four Non-Executive Directors, three of whom are Independent Directors, and the Chairman of the Company.

Securityholders Relationship Committee

The Securityholders Relationship Committee presently comprises four Directors. The

Chairman of the Committee is a Non-Executive Director.

Independent Directors Committee

The Independent Directors Committee comprises all Independent Directors of the Company.

Chair of the Highest Governance Body

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

ITC has a diversified business portfolio, which demands that the senior leadership has in-depth knowledge and understanding of the functioning of the Company, so as to enhance the value-generating capacity of the organisation and contribute significantly to stakeholders' aspirations and societal expectations. The Chief Executive Officer of the Company is therefore generally chosen from amongst the executive management of the Company. The current Chief Executive Officer of the Company is also the Chairman of the Board.

Avoidance of Conflict of Interest

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

The Directors and key managerial personnel are required to disclose to the Board whether they, directly or indirectly or on behalf of third parties, have material interest in any transaction or matter directly affecting the Company. Senior management is required to confirm on an annual basis that no material transaction

The CMC has constituted a Sustainability Compliance Review Committee. The role of the Committee includes monitoring and evaluating compliance with the Sustainability Policies of the Company and placing a quarterly report



has been entered into by them which could have potential conflict with the interests of the Company at large; such confirmations are placed before the Board. All transactions of the Company with related parties, or their subsequent modifications, are required to be approved by the Audit Committee. Further, transactions with related parties which are not in the ordinary course of business or not on arm's length basis would also require the approval of the Board or Shareholders, as applicable.

a manner that fulfils stakeholders' aspirations and societal expectations. In pursuit of this, the Directors of the Company are updated on changes/developments in the domestic/global corporate and industry scenario including those pertaining to statutes/legislations & economic environment and on matters affecting the Company, to enable them to take well informed and timely decisions. The Directors are also kept abreast on all business related matters, risk assessment & minimisation procedures, and new initiatives proposed by the Company.

The Company has a code of conduct for prevention of insider trading in the securities of the Company. The ITC Code of Conduct for Prevention of Insider Trading - 2015, *inter alia*, prohibits purchase or sale of securities of the Company by Directors and employees while in possession of unpublished price sensitive information in relation to the Company.

The Nomination & Compensation Committee has approved the Policy on Board evaluation, evaluation of Board Committees' functioning and individual Director evaluation. In keeping with ITC's belief that it is the collective effectiveness of the Board that impacts Company performance, the primary evaluation platform is that of collective performance of the Board as a whole. Board performance is assessed against the role and responsibilities of the Board as provided in the statute read with the Company's Governance Policy. The parameters for Board performance evaluation have been derived from the Board's core role of trusteeship to protect and enhance shareholder value as well as fulfil expectations of other stakeholders through strategic supervision of the Company. Evaluation of functioning of Board Committees is based on

**ITC's
remuneration
strategy is
market led,
leverages
performance
and takes into
account the
Company's
capacity to pay**

Performance of the Highest Governance Body

ITC believes that a Board, which is well informed/familiarised with the Company and its affairs, can contribute significantly to effectively discharge its role of trusteeship in



discussions amongst Committee members and shared by the respective Committee Chairman with the Board. Individual Directors are evaluated in the context of the role played by each Director as a member of the Board at its meetings, in assisting the Board in realising its role of strategic supervision of the functioning of the Company in pursuit of its purpose and goals. Visits to Company facilities are also organised for Directors.

The Board determines the remuneration of the Chairman and other Executive Directors, on the recommendation of the Nomination & Compensation Committee; remuneration of the Directors is subject to the approval of the shareholders. Such remuneration is linked to the performance of the Company in as much as the performance bonus of Executive Directors is based on various qualitative and quantitative performance criteria. Such criteria also include the Company's contribution with respect to sustainable development of the society/nation & social investments and sensitivity to environment.

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

Remuneration and Incentives

ITC's remuneration strategy is market led, leverages performance and takes into account the Company's capacity to pay. The remuneration package is competitive and is designed to attract and retain quality talent.

The ratio of remuneration of the highest paid employee to the median remuneration for the year 2015-16 was 435:1. The total remuneration of the highest paid employee has decreased by 2% and the median remuneration has increased by 1% in FY 2015-16.

Remuneration includes salary, performance bonus, allowances & other benefits/applicable perquisites except contribution to the approved Group Pension under the defined benefit scheme and Gratuity Funds and provisions for leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013. Stock Options have been granted to the Directors and Employees under the Employee Stock Option Schemes of the Company at 'market price' [within the meaning of the erstwhile SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999]. The Company has not incurred any expenditure for this purpose which can be ascribed to any Director or Employee.

ITC's Code of Conduct is anchored in three core principles - good corporate governance, good corporate citizenship and exemplary personal conduct in relation to the Company's business and reputation

Ethics and Integrity

ITC believes that every employee is a trustee of its stakeholders and must strictly adhere to a Code of Conduct and conduct himself/herself at all times in a professional and ethical manner. Integrity is a core value and forms the basis of the Company's organisation culture.

ITC's Code of Conduct, has been in place since 1996. The Code is anchored in three core principles - good corporate governance, good corporate citizenship and exemplary personal conduct in relation to the Company's business and reputation. The Code clearly spells out guidelines for employees on dealing with people in the organisation, ensuring a gender friendly workplace, relationships with suppliers and customers, legal compliance, health & safety, avoidance of conflict of interest, transparency and auditability in all their actions, protection of confidential information, leading by example etc.

The ITC Code of Conduct is displayed on the Company's corporate website and is shared with employees at the time of their induction into the Company. A system has also been put in place to get employees to read and sign-off ITC's Sustainability Policies and the ITC Code of Conduct. Any violation of the ITC Code of Conduct by an employee renders him/her liable for disciplinary action.



The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organisational capability with market opportunities

A Whistleblower Policy is in place and has been displayed on the Company's corporate website and has also been appropriately communicated to all employees.

Risk Management

As a diversified enterprise, ITC continues to focus on a system-based approach to business risk management. The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organisational capability with market opportunities, focusing on building distributed leadership and succession planning processes, nurturing specialism and enhancing organisational capabilities through timely developmental inputs. Accordingly, 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. Backed by strong internal control systems, the current Risk Management Framework consists of the following key elements:

- The Corporate Governance Policy and the Risk Management Policy approved by the Board, clearly lay down the roles and responsibilities of the various entities in relation to risk management covering a range of responsibilities, from the strategic to the operational. These role definitions, *inter alia*, provide the foundation for appropriate risk management procedures,

their effective implementation across ITC and independent monitoring and reporting by Internal Audit.

- The Risk Management Committee, constituted by the Board, monitors and reviews the strategic risk management plans of the Company as a whole and provides necessary directions on the same.
- The Corporate Risk Management Cell, through focused interactions with businesses, facilitates the identification and prioritisation of strategic and operational risks, development of appropriate mitigation strategies and conducts periodic reviews of the progress on the management of identified risks.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring that business risks are effectively addressed.
- Appropriate structures are in place to proactively monitor and manage the inherent risks in businesses with unique/ relatively high risk profiles.
- A strong and independent Internal Audit function at the Corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk management processes may need to be strengthened. The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal





controls. The Audit Compliance Review Committee closely monitors the internal control environment within ITC including implementation of the action plans emerging out of the internal audit findings.

- At the Business level, Divisional Auditors continuously verify compliance with laid down policies and procedures, and help plug control gaps by assisting operating management in the formulation of control procedures for new areas of operation.
- A 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 businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. Businesses are required to confirm periodically that all relevant risks have been identified, assessed, evaluated and that appropriate mitigation systems have been implemented.

During the year, the Risk Management Committee was updated on the status and effectiveness of the risk management plans. The Audit Committee was also updated on the effectiveness of ITC's risk management systems and policies.

ITC sources several commodities for use as inputs in its businesses and also engages

in agri-commodity trading as part of its Agribusiness. ITC has a comprehensive risk assessment framework and well laid out policy to manage the risks arising out of the inherent price volatility associated with such commodities. This includes robust mechanisms for monitoring market dynamics on an ongoing basis towards making informed sourcing decisions, continuous tracking of net open positions & 'value at risk' against approved limits, use of futures contracts to hedge commodity price risk as applicable, hedging associated foreign exchange risk through appropriate instruments, assessment of country risk and counter-party exposure for suitable mitigation plans. Additionally, ITC's strategy of backward integration in areas such as sourcing of agri-commodities e.g. wheat, potato, fruit pulp and leaf tobacco, in-house manufacturing of paperboards, paper and packaging (including pulp production and print cylinder making facilities) facilitates access to critical inputs at benchmark quality and competitive cost besides ensuring security of supplies. Further, each of ITC's businesses continuously focuses on product mix enrichment towards protecting margins and insulating operations from spikes in input prices.

The combination of policies and processes as outlined above adequately addresses the various risks associated with ITC's businesses.

A robust and comprehensive framework of strategic planning and performance management ensures realisation of business objectives based on effective strategy implementation

Economic Performance



Management Approach

Goals and Performance

Economic Performance





◆

ITC is one of India's most admired and valuable corporations and has consistently featured over the last twenty years, amongst the top 10 private sector companies in terms of market capitalisation and profits

◆





Disclosure of Management Approach (DMA)

Inspired by the opportunity to sub-serve larger national priorities, the Company redefined its vision to not only reposition the organisation for extreme competitiveness but also make societal value creation the bedrock of its corporate strategy. This superordinate vision spurred innovative strategies to address some of the most challenging societal issues including widespread poverty, unemployment and environmental degradation. The Company's sustainability strategy aims at creating significant value for the nation through superior 'Triple Bottom Line' performance that builds and enriches the country's economic, environmental and social capital. The sustainability strategy is premised on the belief that the transformational capacity of business can be very effectively leveraged to create significant societal value through a spirit of innovation and enterprise. These sustainability policies adopted by

the Company are aimed at strengthening the mechanisms of engagement with key stakeholders, identification of material sustainability issues and progressively monitoring and mitigating the impacts along the value chain of each Business, wherever relevant.

With Sustainability at the heart of the Company's corporate strategy, it aims to create growing value for the Indian society through its 'Triple Bottom Line' strategy that synergies creation of social and environmental capital with the generation of shareholder value.

Goals and Performance

At the enterprise level, the Company's goals include:

- Sustaining ITC's position as one of India's most valuable corporations.
- Achieving leadership in each of the business segments within a reasonable time frame.

- Achieving a Return on Capital Employed (ROCE) in excess of the Company's cost of capital, at all times.

Please refer to the 'Report of the Directors and Management Discussion and Analysis' section of the Report and Accounts 2016 (available on www.itcportal.com) for a detailed discussion on the Company's market standing in each of the business segments, as well as the business environment, opportunities, key challenges, etc. pertaining to each of the Company's Businesses.

Economic Performance

The global economy remained lacklustre in 2015 with growth slowing down to just 3.1% compared to 3.4% in 2014 (as per latest IMF estimates). This marks the slowest pace of expansion since the global financial crisis in 2009 and the fourth successive year that the global economy has grown at a rate lower than its long-term average of 3.6% p.a.

The Indian economy also witnessed another challenging year growing by 7.5% in real terms during the first nine months of 2015-16 representing a marginal improvement over 2014-15 (7.2%). However, there was a marked decline in Nominal GDP growth, which stood at 8.1% for the period April 2015 to December 2015 as compared to 11.4% for the corresponding period in the previous year. Other economic indicators also suggested tepid performance across consumption, private investments and exports which have contracted significantly against the backdrop of a soft global demand environment. The performance of the Industry sector also remained subdued as reflected by the Index of Industrial Production (IIP) which grew by just 2.6% during the period April 2015 to February 2016. This was reflected in the performance of capital markets as well, with the Sensex declining by 9% during the year (after rising 25% in FY15), reflecting the sluggish business environment, slower than expected progress on the reforms agenda and muted growth in corporate earnings.

Given the macro-economic scenario, the business landscape in the Company's

operating segments was rendered extremely challenging during the year in the wake of unprecedented pressure on the legal cigarette industry due to the cumulative impact of steep increase in taxation and regulatory pressures, sluggish demand and price deflationary conditions in the FMCG space, and start-up costs relating to new products/categories especially in the non-cigarette FMCG segment. The business environment in the Hotels industry also remained challenging with the overhang of excess room inventory exerting pressure on pricing apart from which the Business had to absorb the gestation costs of new properties. Agri exports from India were impacted during the year due to higher crop output and steeper currency depreciation in competing origins. The Paperboards, Paper and Packaging segment also had to contend with a weak demand and pricing environment.

Despite the challenging business environment as aforesigned, Gross Revenue for the year grew by 3.2% to ₹51,582.45 crores. Net Revenue at ₹36,475.27 crores grew by 1.1% primarily driven by a 7.7% growth in the non-cigarette FMCG segment and 6.2% growth in the Cigarettes segment. Excluding exports of agri commodities, Gross Revenue and Net Revenue for the year grew by 6.4%





and 5.5% respectively. Profit Before Tax registered a growth of 6.9% to ₹14,958.39 crores while Net Profit at ₹9,844.71 crores increased by 2.5%. Earnings Per Share for the year stood at ₹12.26 (previous year ₹12.05). Cash flows from Operations aggregated ₹14,079.07 crores compared to ₹13,534.65 crores in the previous year.

For the year ended 31st March, 2016, the Company has declared a Dividend of ₹8.50 per share (including a special dividend of ₹2.00) per Ordinary share of ₹1/- each (previous year ₹6.25 per share) and has also recommended issuance of 1 bonus share for every 2 existing ordinary shares held by Members on record date.

Direct Economic Impact

₹ Crores

Key Economic Indicators*	2011-12	2012-13	2013-14	2014-15	2015-16	CAGR
Gross Revenue	34872	41810	46713	49965	51582	10%
Net Revenue	24798	29606	32883	36083	36475	10%
Exports	2315	3474	4046	4511	3279	9%
Contribution to Government/Exchequer	18006	22343	25669	27546	30750	14%
Cost of Bought out Goods and Services	14255	17031	18391	19764	18955	7%
Employee Benefits Expense	1258	1387	1608	1780	1884	11%
Payments to Providers of Capital	5669	6800	7977	8645	8501	11%
- Interest and Dividend	3596	4235	4775	5067	6889	
- Retained Profits	2073	2565	3202	3578	1612	

* Detailed Financial Performance available at www.itcportal.com





Revenue and Profit Before Depreciation Interest and Tax (PBDIT)

₹ Crores

Year	2011-12	2012-13	2013-14	2014-15	2015-16	CAGR
Gross Revenue	34872	41810	46713	49965	51582	10%
PBDIT	9674	11566	13562	15017	16042	13%

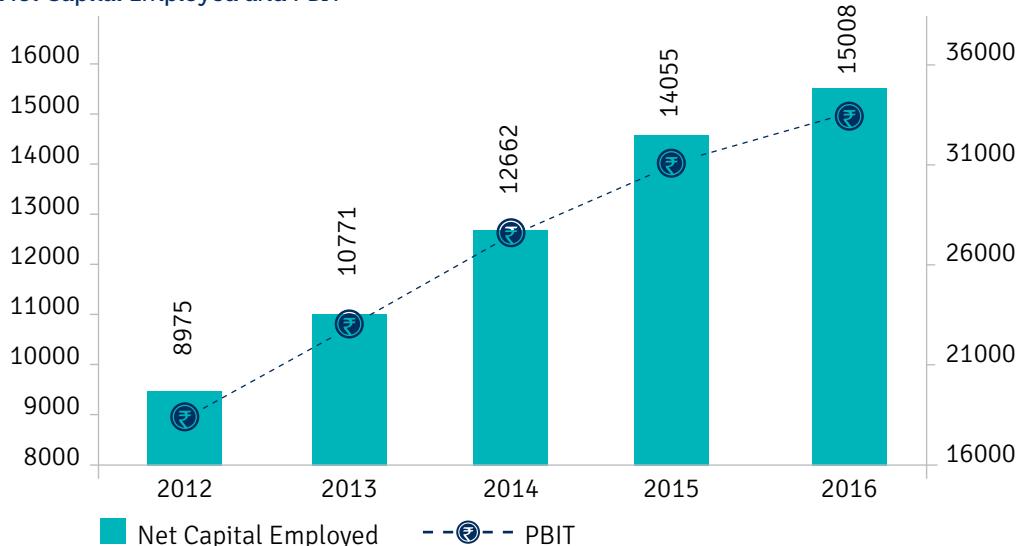
Total Assets and Returns

ITC's diversified portfolio of businesses, spanning FMCG, Paperboards & Packaging, Agri Business and Hotels enables it to have significant presence in all the three sectors of the economy, namely, agriculture, manufacturing and services, providing the Company the unique opportunity to contribute meaningfully to the growth and development of the country. Despite the extremely challenging business environment

during the year under review, ITC continued to make significant investments in the Indian economy across its business domains.

Hence, while the net capital employed has expanded at a compound rate of 15% over the previous five years to reach ₹34,807 crores as at 31st March, 2016, returns on net capital employed (Profit before interest and taxes) have increased during this period from ₹8,975 crores to ₹15,008 crores, a compound rate of 14%.

Net Capital Employed and PBIT





Market Capitalisation & Earnings Per Share

ITC is one of India's most admired and valuable corporations and has consistently featured over the last twenty years, amongst the top 10 private sector companies in terms of market capitalisation and profits. It is amongst the most influential stocks in the Indian equity market.

	1996	2010	2011	2012	2013	2014	2015	2016	CAGR
Market Capitalisation (` Crores)*	5571	100476	140408	177360	244245	280708	260864	263989	21%
Adjusted EPS (`)**	0.35	5.31	6.45	7.88	9.39	11.05	11.99	12.23	19%

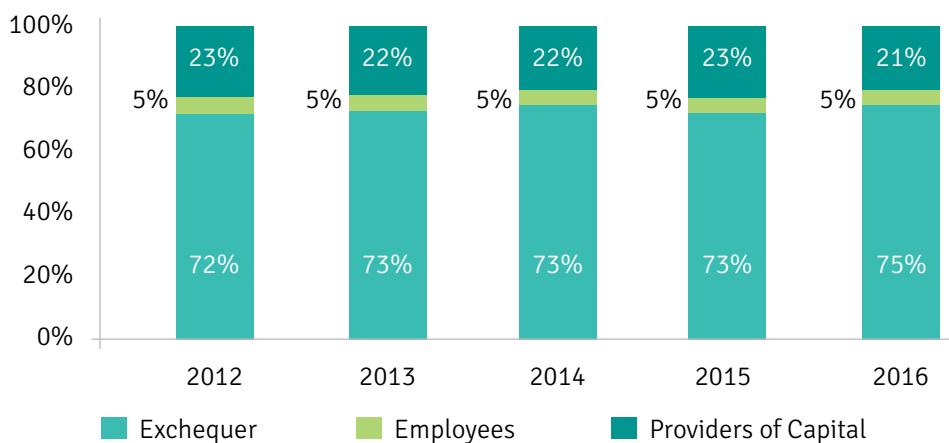
*Market Capitalisation based on year-end closing prices quoted on the Bombay Stock Exchange

**EPS adjusted for impact of Corporate Actions to facilitate like to like comparison

Analysis of Value Added

While profit growth moderated during the year especially in comparison with the Company's own track record, it is pertinent to note that Value-Added by the Company, i.e. the value created by the economic activities of the Company and its employees, grew by 8% over last year to ₹41,135 crores. The Company's Contribution to Exchequer during the year stood at ₹30,750 crores representing a growth of 12% over last year and stand at 75% of the total value addition made by the Company.

Distribution of Value Added



Contribution to the National Exchequer

The Company remains amongst the Top 3 Indian corporates in the private sector in terms of Contribution to Exchequer.

Contribution to Exchequer



Dividend Payout

For the year ended 31st March, 2016, the Company has declared a Dividend of ₹8.50 per share (including a special dividend of ₹2.00) per Ordinary share of ₹1/- each (previous year ₹6.25 per share).

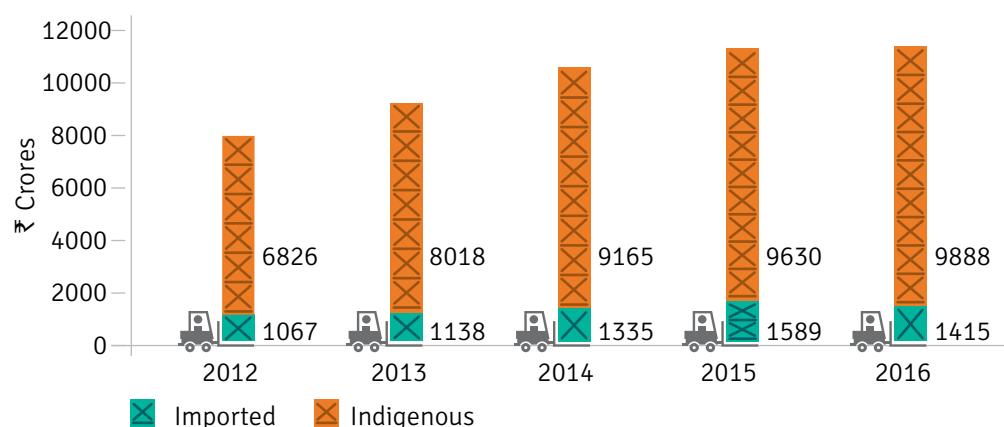
Dividend Paid (incl. Dividend Distribution Tax)



Local Based Suppliers

The Hon'ble Prime Minister's vision to build a dynamic, progressive and self-reliant India through impactful programmes such as Make in India, Skill India, Digital India and

Raw Materials, Stores & Spares Consumed





Swachh Bharat, resonates deeply with the Company's efforts to create a national institution of pride. About 86% of raw materials and stores & spares have been locally procured during the year.

The Company's suppliers, both local and international, constitute one of its important stakeholder groups. Supplier engagements are founded on a positive procurement culture supported by policies, processes and best practices to ensure that procurement activity is conducted in an open, transparent and non-discriminatory manner. In order to strengthen sustainable procurement processes, Policies on 'Responsible Sourcing' and 'Human Rights Consideration of Stakeholders beyond the Workplace' have been adopted to address issues of labour practices, human rights, bribery, corruption, occupational health, safety and environment.

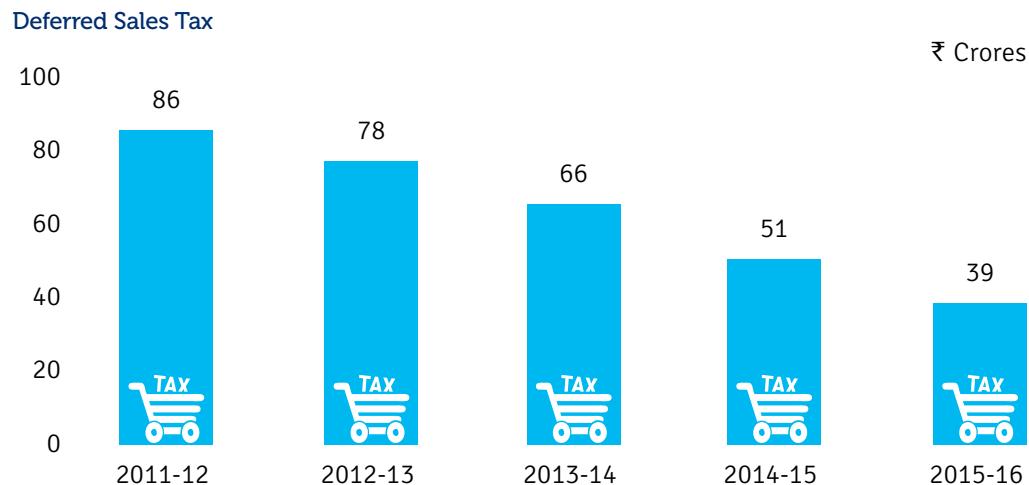
ITC's sustainability strategy aims at creating significant value for the nation through superior 'Triple Bottom Line' performance that builds and enriches the country's economic, environmental and social capital

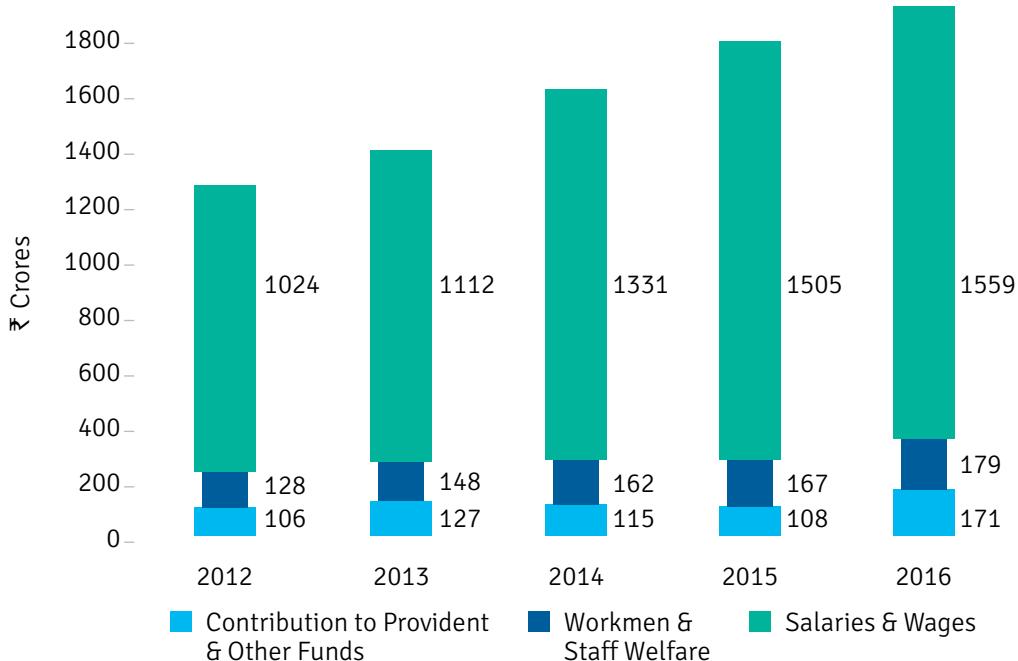
The Company actively encourages competency development among local vendors and its vendor base includes numerous medium

and small scale enterprises that are proximate to its manufacturing locations. Wherever appropriate, vendors are provided technical support and managerial inputs to enable them to move in tandem with the Company's business plans. With a view to widespread the 'Triple Bottom Line' strategy of the Company, vendors/service providers and large outsourced manufacturing facilities are encouraged to adopt management practices detailed under the international standards such as ISO 9001, ISO 14001, OHSAS 18001 etc.

Financial Assistance from Government

The Company had availed the incentives offered by the States of Andhra Pradesh and Tamil Nadu, by way of deferment of Sales Tax, which are repayable over a period ranging from 10 to 14 years. The outstanding amount of such assistance in the form of Deferred Sales Tax due to be repaid by the Paperboards and Specialty Papers Division (PSPD) is given below:





Engaging Talent, Local Hiring and Senior Management

Human Resource Management systems and processes in the Company are aimed at creating a responsive, market-focused, customer-centric culture and enhancing organisational vitality, so that each business is internationally competitive and equipped to seize emerging market opportunities. The Company believes that the robustness and adaptability of its Human Resource systems and processes are critical for an organisation to remain relevant and competitive in today's highly dynamic and rapidly evolving business landscape.

Towards this end, five capability platforms relevant to making businesses future-ready have been identified – Strategic, Value Chain, Leadership, Innovation and Human Resources Development. These platforms are also designed to strengthen organisational systems to facilitate speedy and competitively superior responses to market opportunities.

The Company is dedicated to nurturing sustainable Employee Relations and continues to leverage 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. ITC believes that its competitive capability to build future-ready businesses and create enduring value for stakeholders is enriched by

a dedicated and high-quality human resource pool. It has continuously invested in the human resource capital as seen above.

The Company has Policies on Human Rights applicable to its employees and its value chains. The Policies and their implementation are directed towards adherence to applicable laws and to uphold the spirit of human rights, as enshrined in existing international standards such as the Universal Declaration and the Fundamental Human Rights Conventions of the International Labour Organisation (ILO). The Company introduced systems to ensure sound implementation of ITC's Sustainability Policies specifically with respect to Human Rights and Decent Workplace. A system for employees to read and sign-off the Sustainability Policies including Policies on Human Rights and ITC's Code of Conduct was rolled out across Divisions. During the year, 8587 employees across the Company have been covered amounting to 94% of the managerial workforce.

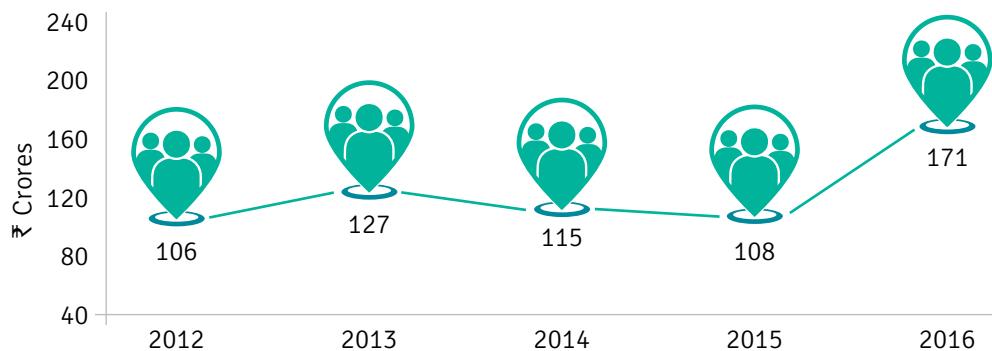
The employees are also entitled to retirement benefit schemes which include employee pension, provident fund and gratuity. All statutory payments, as applicable, e.g., Provident Fund and Family Pension contributions, are deposited with the Government in a timely manner.

The pension plans and other applicable employee benefits obligations are

ITC believes that its competitive capability to build future-ready businesses and create enduring value for stakeholders is enriched by a dedicated and high-quality human resource pool



Contribution to Provident & Other Funds



determined and funded in accordance with independent actuarial valuation. The assets of these trust funds are managed in accordance with the prescribed statutory pattern. The assets of the trust funds are well diversified and investments are made with the objective of protecting capital and optimising returns within acceptable risk parameters. The funds are consistently sustained to meet requisite superannuation commitments.

especially in rural India, through economic empowerment based on grassroots capacity building. Towards this end, the Company has adopted a comprehensive CSR policy outlining programmes, and plans to undertake projects and activities to create a significant positive impact on identified stakeholders. All these programmes fall within the purview of Schedule VII of the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The footprint of the Company's Social Investments Programme (SIP) projects is spread over 26 states covering 166 districts.

Corporate Social Responsibility

ITC's overarching aspiration to create significant and sustainable societal value is manifest in its Corporate Social Responsibility (CSR) initiatives that embrace the most disadvantaged sections of society,

The Company's stakeholders are confronted with multi-dimensional and inter-related issues, at the core of which is the challenge of securing

ITC's overarching aspiration to create significant and sustainable societal value is manifest in its CSR initiatives that embrace the most disadvantaged sections of society, especially in rural India



sustainable livelihoods. Accordingly, interventions under the Company's SIP are appropriately designed to build their capacities and promote sustainable livelihoods. The key elements of the Company's CSR interventions are to:

- Strengthen and empower Community Based Organisations for long-term sustainability of interventions.
- Ensure behaviour change through focus on demand generation for all interventions to ensure ownership, participation and contribution.
- Continue to strive for scale in the core operational geographies by leveraging government partnerships.

- Continue to work with key stakeholders with whom the Company has enduring partnerships comprising (a) rural communities in the Company's Agri Business operational areas and (b) communities residing in close proximity to the Company's production units. Within these groups, specially target poor and marginalised communities/groups to ensure inclusive development.
- Remain contemporary by accessing knowledge/technical know-how through collaborations.

Various CSR activities in which the Company has been engaged during the current year are listed below:

ITC's stakeholders are confronted with multi-dimensional and inter-related issues, at the core of which is the challenge of securing sustainable livelihoods

Areas listed under Schedule VII of the Companies Act, 2013	ITC's interventions (including through Trusts established by the Company)
(i) Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive healthcare and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Health & Sanitation, Drinking Water and Eradicating Poverty
(ii) Promoting education, including special education and employment enhancing vocation skills specially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Education, Vocational Training, Livestock Development and Generation of Livelihoods
(iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.	Women Empowerment
(iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of River Ganga.	Environmental Sustainability, Soil & Moisture Conservation and Wasteland Development
(v) Protection of national heritage, art and culture, including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts.	Protection of National Heritage, Art and Culture
(vi) Rural Development Projects.	Agri Development

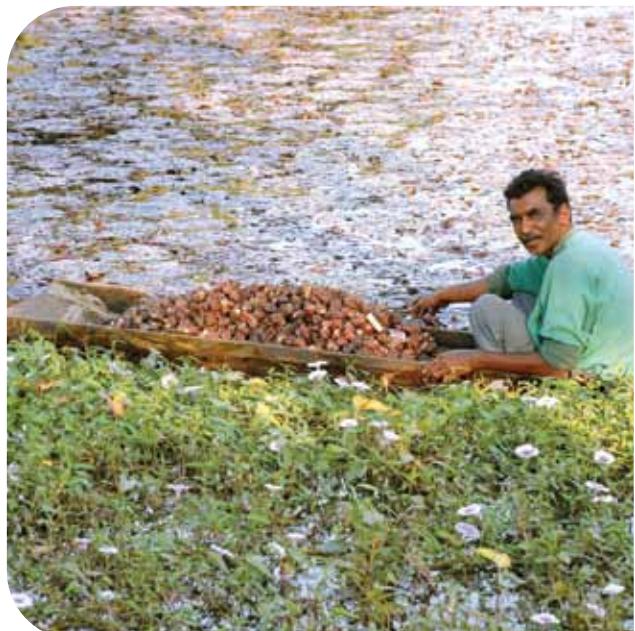
The expenditure incurred under Section 135 of the Companies Act, 2013 on CSR activities amounted to ₹247.50 crores (2015 - ₹214.06 crores).

Environmental Performance





- Management Approach
- Energy
- Air Emissions
- Water Management
- Waste Management
- Raw Materials
- Biodiversity





Management Approach

According to the World Economic Forum (WEF) Report on Global Risks 2016, the evolving risk landscape indicates a wide range of environmental risks such as climate change, water crises, etc. The challenges related to environment and ecosystems especially due to climate change are complex, long-term and inter-related, especially in terms of its impact on water and availability of other natural resources.

In order to address these challenges, environmental best practices have been integrated into ITC's operations on the basis of which, the Company strives to maximise the efficiencies of natural resource usage across its Businesses. Furthermore, for continuous improvement on environmental performance, ITC's Businesses have set voluntary targets on key performance indicators such as specific energy reduction, specific

waste generation, etc. An organisation-wide integrated sustainability data management system supplemented by standard operating procedures for measurement and recording provides the platform to monitor the data of each business on resource utilisation and environmental impact vis-à-vis production.

In addition, ITC also constantly endeavours to create a positive environmental footprint. Large-scale Social and Farm Forestry, Integrated Watershed Development and Sustainable Agriculture Practices, among others, are a few examples of extensive initiatives in this direction.

ITC's Board approved Policies such as those on Environment, Health and Safety, Life-Cycle Sustainability of Products and Services and Responsible Sourcing, provide the necessary framework to address the direct impacts of the Company's own



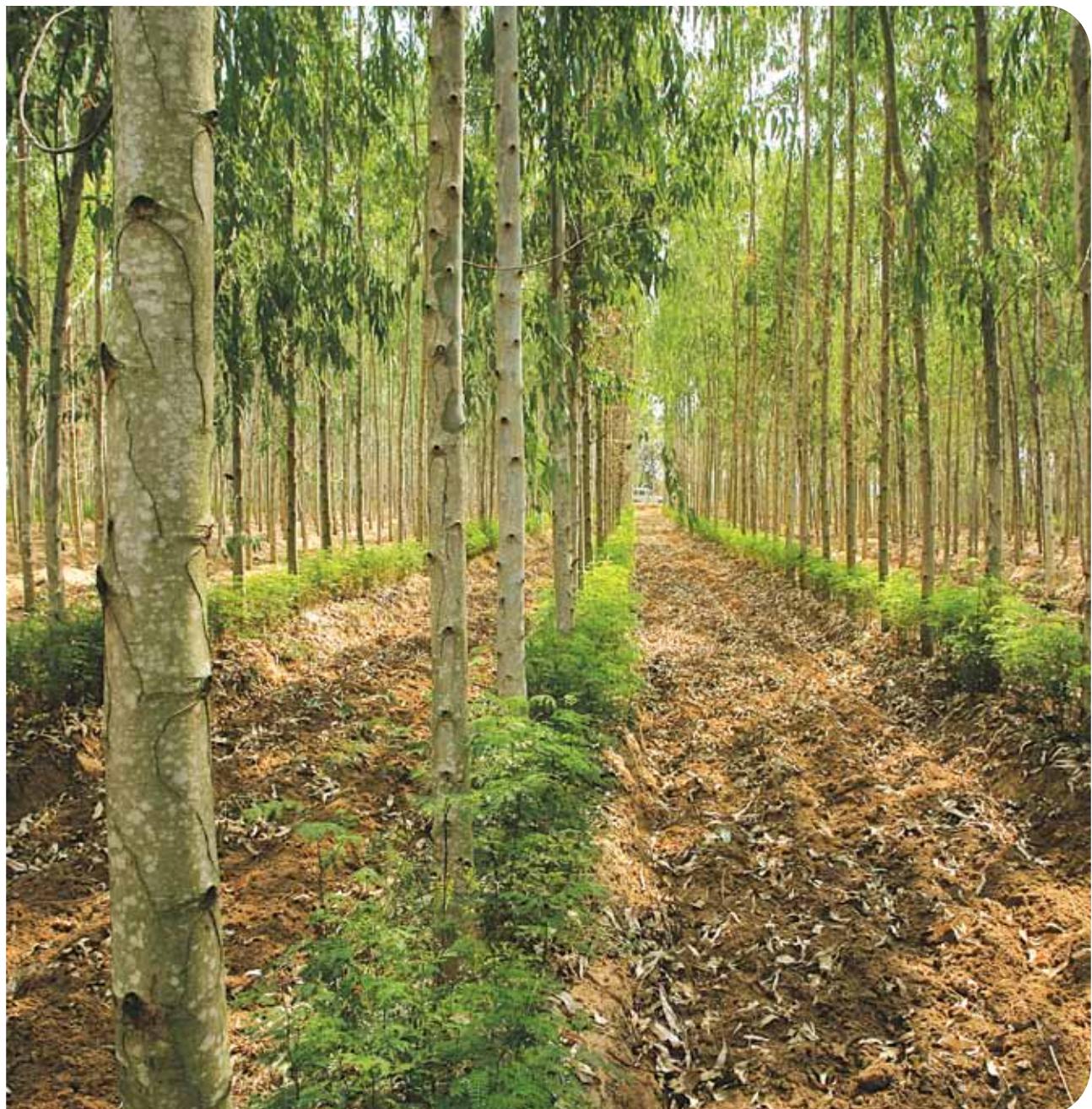
operations as well as progressively extend the efforts along the supply chain (Please refer to Policies available at www.itcportal.com). Businesses are progressing in the phase wise implementation of these policies as per a defined roadmap.

It is the overall responsibility of the Divisional/Strategic Business Unit (SBU) Chief Executives, to ensure implementation of relevant policies and standards on environmental performance through the members of the respective Management Committees, General Managers and Unit Heads. This also includes institution of various committees and designating specific responsibilities.

ITC's Corporate Environment, Health & Safety (CEHS) Department is responsible for reviewing and updating Corporate Standards, verifying compliance, providing guidance and support as required. Compliance and progress based upon the roadmap defined by each Business is regularly reviewed by the Sustainability Compliance Review Committee (SCRC) constituted by the Corporate Management Committee (CMC).

The following sections outline the challenges being faced by ITC on material environmental aspects within as well as outside the boundary of its operations, the strategy for addressing each of these challenges and performance for 2015-16.

Environmental best practices have been integrated into ITC's operations on the basis of which, the Company strives to maximise the efficiencies of natural resource usage across its Businesses





Management Approach

The world today is witnessing a shift in the global climate change politics and policies and a significant impact in global energy scenario is anticipated in near future due to 2015 United Nations Climate Change Conference of Parties held in Paris in December 2015. India has already submitted its Intended Nationally Determined Contributions (INDCs) to United Nations Framework Convention on Climate Change (UNFCCC) with the key aims of:

- Reducing the emissions intensity of Gross Domestic Product (GDP) by 33% to 35% by 2030 below 2005 levels.
- Increasing the share of non-fossil based energy resources to 40% of installed electric power capacity by 2030, with

help of transfer of technology and low cost international finance including from Green Climate Fund (GCF).

- Creating an additional (cumulative) carbon sink of 2.5–3 GtCO₂e through additional forest and tree cover by 2030.

In order to meet the commitments made under INDC to UNFCCC, India's post-2020 climate action plan is focused upon promotion of clean energy, enhancement of energy efficiency, development of less carbon intensive and resilient urban centres, promotion of waste to wealth, safe, smart and sustainable green transportation network, abatement of pollution and enhanced carbon sink through creation of forest and tree cover. All these in turn would imply targeted interventions from the various industrial sectors of India.

Apart from the impending stringencies in Perform, Achieve and Trade (PAT) and



Renewable Energy Certificate (REC) Mechanisms driven by the committed INDC of Government of India, the nationwide thrust for low-carbon economic growth is expected to lead to an increased carbon tax on select energy intensive industries and/or products in order to incentivise energy efficient production. Furthermore, energy security, energy equity i.e. the accessibility and affordability of energy supply across the population continue to be amongst the

biggest developmental challenges for India in the context of energy. Extreme volatility in energy prices, one of the top global risks as identified in World Economic Forum (WEF) Report on Global Risks 2016, will further aggravate stresses on developing economies.

Based on existing as well as the evolving energy scenario, ITC has mapped its challenges and has strategised its response as follows:

Challenges

- Volatility in energy prices.
- Existing regulatory requirements such as the Perform, Achieve and Trade (PAT) and Renewable Energy Certificate (REC) schemes.
- Future regulatory pressures in line with India's commitment under INDCs to UNFCCC.
- Investment risks involved in off-site renewable energy investments - weak infrastructure linkages, restrictions on inter-state wheeling/banking of electricity, open access etc.
- Increasing competition for biomass.
- Lack of viable alternatives for fossil fuel to meet thermal energy requirements.

- Reducing energy costs and footprints across the value chain of products and services which are beyond operational control.

ITC Strategy

- Adopting a low carbon growth path.
- Goal set for 50% renewable energy share by 2020.
- Energy conservation through audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service).
- Investment in renewable energy assets based on techno-commercial feasibility.
- Continuous monitoring and review of performance through an organisation-wide data management system.

- Life-cycle assessment based approach embedded in the design and development of products and services.
 - ◆ Accounting of energy footprint along the value chain and identification of opportunities for improvement.
 - ◆ Engagement with supply chain members for monitoring and improvement of energy performance.
 - ◆ Progressive inclusion of energy performance of supply chain partners within the sustainability reporting boundary.
 - ◆ Reduction of energy consumption in transportation of raw materials, finished goods and wastes.

ITC's Sustainability Policies providing framework for relevant actions

Policy on Environment, Health and Safety

Policy on Life-cycle Sustainability

Policy on Responsible Sourcing

Within Boundary

Beyond Boundary

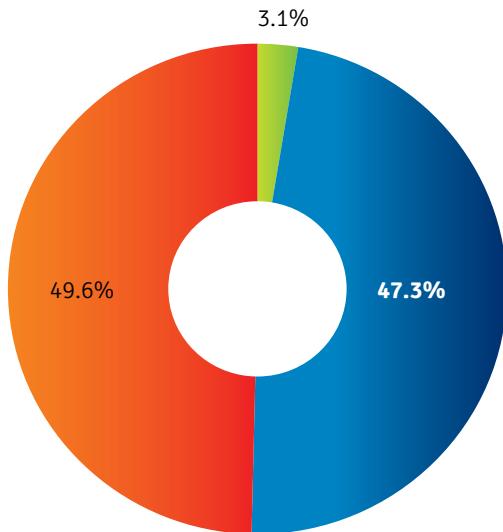


Reporting ITC's Performance

Energy Consumption within the Organisation

In 2015-16, ITC Units consumed 21,946 Terra Joules (TJ) of energy as compared to 21,777 TJ in 2014-15. This marginal increase of 0.8% in total energy consumption is directly attributable to significant growth in majority of ITC Businesses. Bhadrachalam Unit of Paperboards and Specialty Paper Business that accounts for over 77% of energy consumption in ITC, has recorded an increase of 2.1% in its production as compared to previous year. Similarly, Foods Business and Hotels Business Divisions that together contributes to 5.3% of ITC's energy consumption, have recorded an increase of 6.5% and 8.5% in their respective outputs.

Sources of 21,946 TJ of Energy in ITC in 2015-16



- Energy directly from Fossil Fuels
- Energy purchased from utilities
- Energy from Renewable Sources

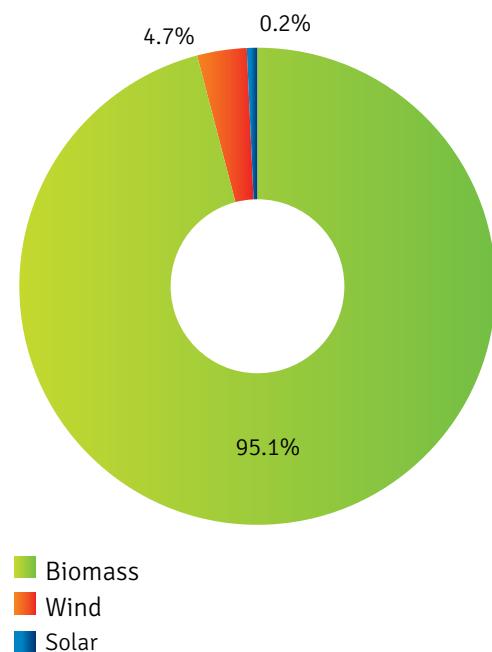
In addition, the reporting boundary in 2015-16 has also been expanded to include the following units that have caused an increase of 23 TJ (0.1%) in ITC's total energy consumption:

- Dairy unit at Munger
- District offices (Kolkata and Mumbai) and warehouses (Ambernath, Hyderabad and Malur) of Trade, Marketing & Distribution Function

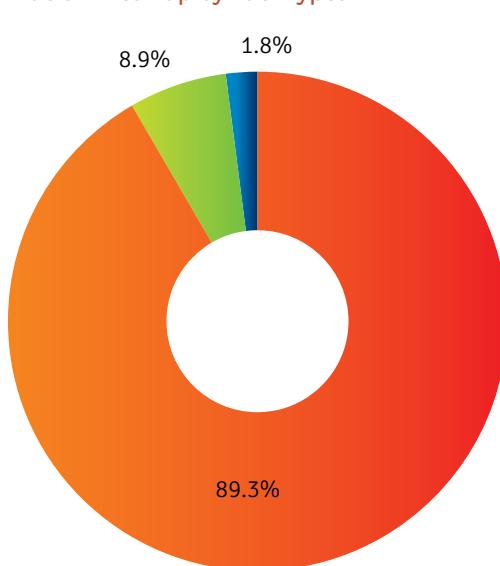
- Facilities of Technico Agri Sciences Ltd. (a subsidiary of ITC) at Chandigarh and Manpura

The concerted efforts on energy conservation implemented across several ITC units have helped in restricting the increase in ITC's total energy consumption to 0.8% only, despite considerable growth in most of ITC's Businesses and expansion of the reporting boundary as explained above.

Energy from Renewable Sources - Break up by Sources



Energy Directly from Fossil Fuels - Break up by Fuel Types



- Solid fuels
- Liquid fuels
- Gaseous fuels

Energy Consumption within ITC across Businesses

Businesses	Energy Consumption in TJ		% of ITC's Total Energy Consumption		% Renewable Energy Share	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Paperboards and Specialty Papers	19,503.95	19,580.02	89.6%	89.2%	44.9%	49.3%
Hotels	642.11	668.78	2.9%	3.0%	34.8%	33.4%
Foods	419.56	501.44	1.9%	2.3%	33.2%	33.6%
Leaf Tobacco	414.55	406.26	1.9%	1.9%	11.1%	23.9%
Cigarettes	362.69	320.45	1.7%	1.5%	26.8%	41.5%
Packaging and Printing	277.52	302.64	1.3%	1.4%	31.4%	22.2%
Personal Care Products	50.23	51.18	0.2%	0.2%	0.2%	0.1%
Others*	106.11	115.45	0.5%	0.5%	39.4%	36.4%

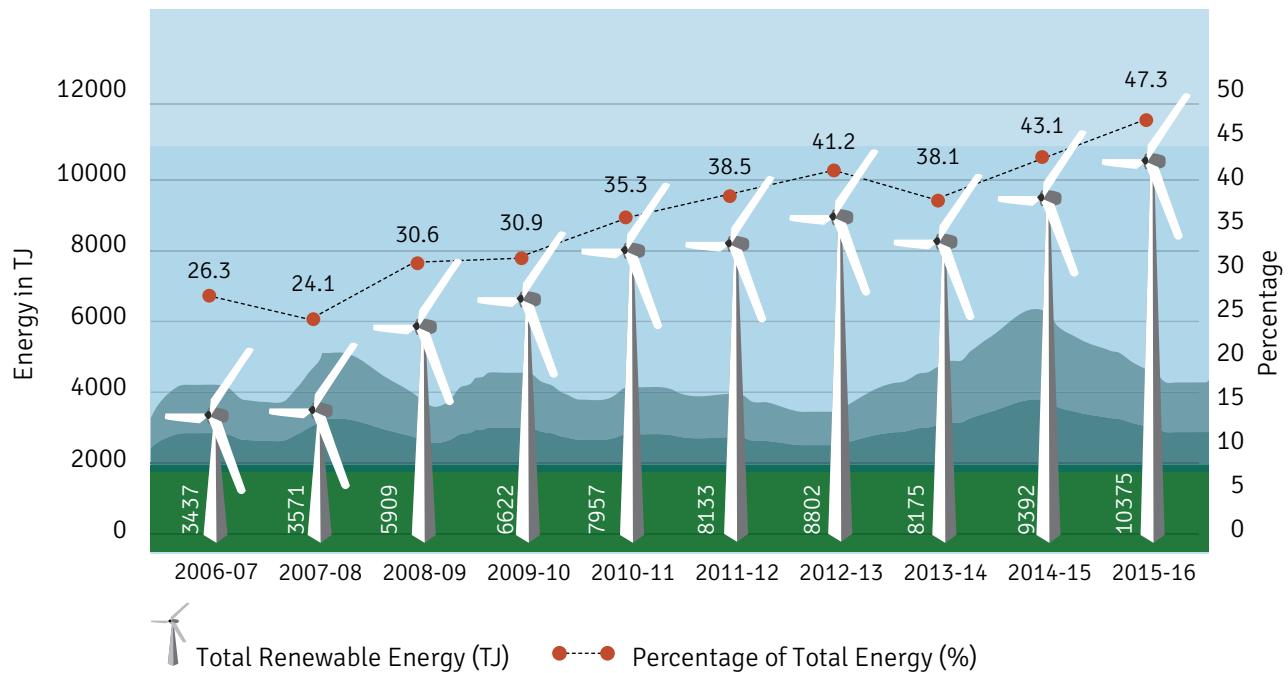
*Others include Agri Business, ITC Life Sciences & Technology Centre, ITC Infotech, Classic Golf Resort – a subsidiary unit in Gurgaon and large office complexes.

In 2015-16, additional units that have been added in 'Others' are district offices & warehouses of Trade Marketing & Distribution Function, facilities of Technico Agri Sciences Ltd. (a subsidiary of ITC) at Chandigarh and Manpura.





Renewable Energy Utilisation in ITC



Total Renewable Energy (TJ) ● Percentage of Total Energy (%)

Primary reasons for the increase in renewable energy utilisation from 9392 TJ in 2014-15 to 10375 TJ in 2015-16 are as follows:

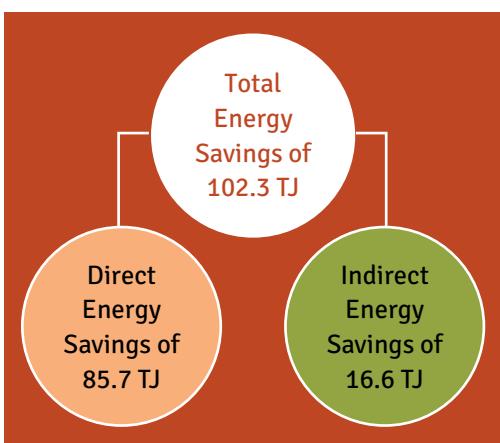
- The Paperboards Unit at Bhadrachalam utilised increased quantity of wood, and in turn produced more virgin pulp leading to reduced dependence on imported pulp. This in turn enhanced availability and utilisation of black liquor for steam generation and consequentially led to lesser coal consumption.
- Higher consumption of chip/saw dust, deoiled bran and charcoal at the Paperboards Unit in Kovai.
- Installation of additional solar energy based photovoltaic systems in Munger and Saharanpur Units of Cigarettes Business.
- Utilisation of electricity from wind for the entire year in Anaparti and Chirala Units of Leaf Tobacco Business, as compared to around 8 months during 2014-15.
- Increased utilisation of purchased steam generated from biomass in Pune Unit of Foods Business and Bengaluru Unit of Cigarettes Business.





Energy Savings within ITC

Substantial improvements in specific energy performance were achieved at many of the Units by a focused approach on energy conservation through rigorous third party audits and implementation of the viable recommendations, coupled with better capacity utilisation. As a result of implementation of energy conservation measures, a total saving of 102.3 TJ in energy consumption has been achieved in 2015-16.



The LEED® Platinum rating accorded to all of ITC's luxury hotels, making it the greenest luxury hotel chain in the world, implies a significant reduction in specific energy consumption with respect to conventionally designed hotels. ITC Hotels are not only energy efficient by design but also conserve fossil fuels – with several of ITC's hotels sourcing more than 50% of their electrical energy requirements from wind farms. In order to continually reduce our environmental footprint, green features are integrated in all new constructions and are

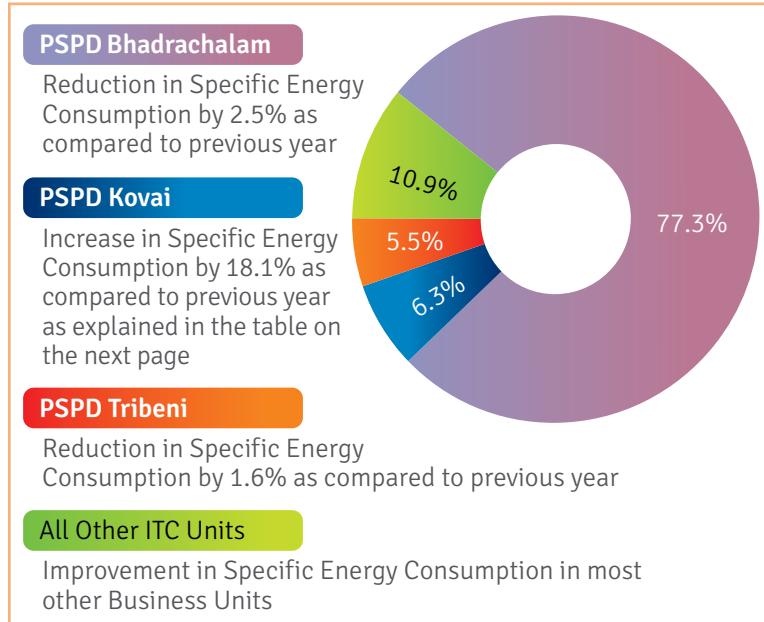
also being incorporated into existing hotels, manufacturing units, warehouses and office complexes during retrofits.

Targets and Performance

In order to continually improve on our energy performance, ITC Businesses have set voluntary specific energy reduction targets. Accordingly targets have been set at the Unit level for maintaining this performance.

Since the three Units (Bhadrachalam, Kovai and Tribeni) of Paperboards and Specialty Papers Division (PSPD) together account for 89% of ITC's total energy consumption, greater focus is directed towards the energy performance of each of these Units. The share of these Units in ITC's total energy consumption is shown below:

Unit-wise Contribution of Total Energy Consumption of ITC





Performance of these three Units of Paperboard and Specialty Papers Division against the targets are as follows:

Unit of Paperboards and Specialty Papers Division	Specific Energy Consumption			Comparison against target	Comparison against last year	Primary Factors
	Actual for 2014-15 (GJ/T)	Target for 2015-16 (GJ/T)	Actual for 2015-16 (GJ/T)			
Bhadrachalam	31.4	30.8	30.6	0.6% lower	2.5% decrease	<ul style="list-style-type: none"> Installation of automated controls & sensors in power generation system for better monitoring & control and thereby minimising the losses. Energy conservation initiatives like optimisation of vacuum pumps, retrofitting measures and replacement of fans, pumps, etc. with higher energy efficient equipment.
Kovai	11.6	11.0	13.7	24.5% higher	18.1% increase	<ul style="list-style-type: none"> Due to grid non-availability, there was a reduction in the utilisation of generated wind power. This had to be compensated by electricity generated in-house (with attendant auxiliary consumption and conversion loss from fuel to energy). Reduction in boiler efficiency due to change in fuel .
Tribeni	38.0	36.1	37.4	3.6% higher	1.6% decrease	<ul style="list-style-type: none"> Reduction in specific energy consumption was limited to 1.6% as compared to the target of 5%, primarily due to changes in specifications and quantities of product orders from what were considered during target setting.

For computation methodology of energy consumption within organisation, please refer to Quantification Methodologies: Energy and GHG Emissions.

Energy Consumption Outside of the Organisation

During 2015-16, ITC has expanded the upstream boundary of energy accounting. Accordingly 2731 TJ of energy consumed outside of the organisation has been accounted for during the year.

Energy Consumption

Inbound transportation of raw materials	Outbound transportation of products and wastes	Employee commuting	Employee business travel by air	Local road travel by Hotels Business guests	Exclusive Third Party Manufacturers (TPMs) catering to notebooks segment of Education and Stationery Products Business; 2 exclusive TPMs of Cigarettes Business; ATC Limited (an associate company)
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For computation methodology, please refer to Annexure - Quantification Methodologies: Energy and GHG Emissions.

The boundary of accounting will be progressively expanded in the years to come, based on deepening of our engagement with the supply chain members.

With an objective to evaluate the impacts in the value chain and to identify additional areas for improvement, ITC continued with the life-cycle assessment (LCA) studies for its products. Having developed internal competencies in this area, life-cycle assessments of the products from Personal Care Products Business and Paperboards & Specialty Papers Business were carried out during the year which have helped in identifying areas for improvements in packaging, energy & water use, etc.

Going forward, ITC intends to undertake more LCA studies for evaluating further opportunities for optimisation in the value chain of its products and services.

The Road Ahead

Moving towards 50% renewable energy share by 2020

- Continuation of the management approach in terms of
 - Energy audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service).
 - Investment in renewable energy assets based on techno-commercial feasibility.
 - Continuous monitoring and review of performance through Integrated Sustainability Data Management System (ISDMS).
- Redesign of strategy if warranted according to the dynamics of the economy.

Addressing impacts in the Value Chain

- Progressive accounting of energy footprint of goods and services along the value chain within the sustainability reporting boundary.
- Maintain ITC's status of 50% renewable energy share with increasing reporting boundary
 - Engagement with supply chain members for improvement of energy performance.
- Reduction of energy consumption in transportation of raw materials, finished goods and wastes.

Life-cycle assessment studies for identifying opportunities to minimise environmental impacts across the value chain of products/services.

Air Emissions

Management Approach

The adverse impact on the environment due to air emissions is multifaceted and long-term. Evidence of the impacts due to climate change caused by Greenhouse Gas (GHG) emissions is already being witnessed in the changing precipitation patterns across the globe including in India, thereby disrupting yields in primarily rain-fed Indian agriculture. Since most of ITC's businesses depend significantly on agri-inputs, disruption in crop yields and consequent competition for agricultural commodities, can have implications on ITC and its stakeholders. As per India's Intended Nationally Determined Contributions (INDCs) submitted to United Nations Framework Convention on Climate Change (UNFCCC), development programmes in sectors vulnerable to climate change, particularly agriculture,

water resources, Himalayan region, coastal regions, health and disaster management have been identified as focus areas in addition to reduction in emissions intensity and increasing renewable energy share and carbon sinks.

Recognising the fact that it is necessary to play an active role in addressing the impacts due to climate change, ITC has focused on progressively improving specific energy consumption, reducing its dependence on fossil fuels by increasing renewable energy share and enhancing sequestration of CO₂.

Another aspect linked with rapid industrialisation and urbanisation is the problem of air pollution in terms of emissions of SO₂, NO_x and particulate matter that has become a very serious health issue across almost the entire urban landscape of India. This not only has huge adverse impacts on health of human beings but also on the





biodiversity of a region. ITC has continued to invest in reducing air emission levels through focus on cleaner technologies/combustion efficiency improvement while simultaneously reducing specific energy consumption and increasing ITC's renewable energy share.

ITC has mapped the various challenges arising from GHG and other air emissions that may impact its own operations or its stakeholders and implementing appropriate strategies that are guided by Board approved policies addressing the various dimensions involved.

Challenges from GHG and other Air Emissions

- Extreme weather events posing a major threat to ITC properties in coastal areas – disruption in operations, rail and road traffic links, in turn affecting supply of essential raw materials and finished goods.
- Future regulatory pressures – carbon tax or additional requirements under the Perform, Achieve and Trade (PAT) and Renewable Energy Certificate (REC), in line with India's commitments under INDCs to UNFCCC.
- Air pollution in terms of emissions of SO_2 , NO_x , particulate matter etc. from combustion of fuels.
- Severe changes in precipitation patterns owing to climate change could significantly disrupt rain-fed agriculture.
- Disruption in crop yields leading to increased competition for agricultural commodities due to:
 - ◆ Adverse impact on water availability in snow-fed rivers owing to retreating glaciers
 - ◆ Increased temperatures impacting productivity

ITC Strategy

- Reinforcing the protection of our assets in coastal areas.
- Developing appropriate contingency and insurance plans for uninterrupted production and delivery, in situations of extreme weather events.
- Adopting a low carbon growth path – Target of achieving 50% renewable energy share by 2020.
- Energy conservation through energy audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service).
- Investment in renewable energy assets based on techno-commercial feasibility.
- Continuous monitoring and review of performance through an organisation-wide data management system.
- Continued investment in reducing air emission levels through adoption of cleaner technologies/fuels, monitoring of combustion efficiencies and investment in state-of-the-art pollution control equipment.
- Ensuring the sustainability of agriculture through integrated watershed development and soil and moisture conservation projects.
- Evaluating agricultural productivity/adaptation issues related to climate change and providing support to farmers.
- Enhancing GHG sequestration through afforestation programmes.
- Life-cycle based approach embedded in the design and development of products and services:
 - ◆ Progressive inclusion of performance of supply chain partners within the sustainability reporting boundary
 - ◆ Reduction of GHG emissions in transportation of raw materials, finished goods and wastes

ITC's Sustainability Policies providing framework for relevant actions

Policy on Life-cycle Sustainability

Policy on Environment, Health and Safety

Policy on Responsible Sourcing

Within Boundary

Beyond Boundary



ITC has mapped its climate change risks, their impacts & mitigation plans and also organisation specific opportunities, as detailed below:

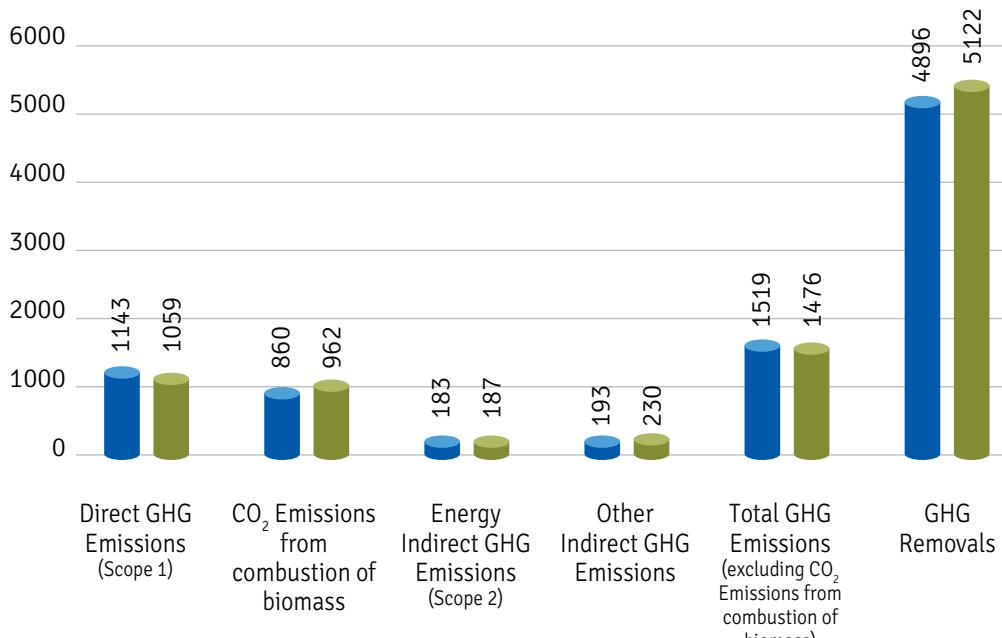
Risks from Climate Change	Potential Impacts	Management Method
Energy Regulation	<ul style="list-style-type: none"> For reduction of energy as well as GHG emissions intensity aligned with INDCs to UNFCCC, regulatory market-based instruments in India like Renewable Energy Certificate (RECs), Renewable Purchase Obligation (RPO) and Perform Achieve and Trade (PAT) mechanisms likely to get more stringent. 	<ul style="list-style-type: none"> Additional investments to improve specific energy and enhance renewable energy share.
Fuel/energy taxes and Regulations	<ul style="list-style-type: none"> Nationwide thrust for low-carbon economic growth expected to lead to an increased carbon tax on select energy intensive industries and/or products in order to incentivise energy efficient production. The pulp & paper sector likely to be subjected to these taxes in the near future. 	<ul style="list-style-type: none"> Increase in manufacturing cost which could lead to higher product cost.
Extreme weather events	<ul style="list-style-type: none"> Extreme weather events posing a threat to ITC properties that are in coastal areas and possibly lead to disruption in manufacturing and logistics. 	<ul style="list-style-type: none"> Disruptions in raw materials supply, production as well as delivery of product.
Fluctuating Socio-Economic Conditions	<ul style="list-style-type: none"> Socio-economic inequality is one of the major risks that plague the world today. Increased difficulty in achieving equitable growth and development in a large and diverse country like India. Coupled with huge disparity in incomes and rising irregularities, a period of significant socio-economic turbulence is foreseen. 	<ul style="list-style-type: none"> The low-income section of population would be worst affected by climate change which may further aggravate the issue of socio-economic inequality. Businesses having dependence on agriculture sector, which is a source of livelihood for nearly half of the population, may face challenges in their supply chain. Belief that the performance of business enterprises must be measured in terms of the value they create for society. ITC's development models based upon the foundation of its deep rooted stakeholder centric approach, provide the opportunity for generation of sustainable livelihoods. Such models unleash strong drivers for achieving development with social equity. With initiatives like Sustainable Agriculture, Soil & Moisture Conservation, etc., ITC has been working to develop climate-smart villages. For details on ITC's Social Investments Programmes, please refer 'Mission Sunehra Kal' section of this Report.

Opportunities from Climate Change	Potential Implications	Management Method
Changing Consumer Behaviour <ul style="list-style-type: none"> Increasing awareness towards climate change to have an impact on consumer behaviour - drive for a product which is not only cost effective but also eco-friendly across the supply chain. An opportunity to grow businesses catering to these demands by being a pioneer in the field of sustainability. 	<ul style="list-style-type: none"> Major clients of our B2B businesses like Paperboards and Specialty Papers and Leaf Tobacco already seek disclosures on sustainability issues. Meeting the customers' requirements and expectations, enhances the brand value. 	<ul style="list-style-type: none"> Continue to expand our initiatives towards sustainable growth and maintain transparency in disclosures. Developing products/services that take into account the climate change related parameters like LEED® certification of all its Luxury Hotels, FSC certified wood and ECF technology for paper production. Life-Cycle Assessment (LCA) studies for selected products/services to evaluate their environmental impacts along the value chain and take necessary steps to make our products/services more benign to the environment.

ITC's Performance on Greenhouse Gases

Based on applicability, ITC has accounted for the following gases in its GHG inventory: Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF₆). Provided below is a comparison of ITC's GHG inventory for 2015-16 with that for 2014-15:

ITC has computed its greenhouse gas (GHG) inventory, including GHG emissions, biogenic carbon dioxide (CO₂) emissions and GHG removals, in accordance with ISO 14064:2006, which is the latest international standard specifying principles and requirements at the organisation level for quantification and reporting of GHG emissions and removals. The 2015-16 GHG inventory has been verified by EY at the "Reasonable Assurance" level.



■ 2014-15

■ 2015-16

All above figures are rounded off and are in kilotonnes.



Difference in GHG emissions between 2015-16 and 2014-15 are primarily attributable to the following factors:

Decrease in Direct GHG (Scope 1) emissions

- Decrease in fossil fuel utilisation due to increased availability of biomass as fuel in the Paperboards and Specialty Papers Business (Please refer to “Energy” Section for further details).

Increase in CO₂ emissions from combustion of biomass

- Increased utilisation of biomass as fuel in the Paperboards and Specialty Papers Business Units and purchased steam generated from biomass in Pune Unit of Foods Business and Bengaluru Unit of Cigarettes Business.

Increase in Energy Indirect GHG (Scope 2) emissions

- Inclusion of additional Units/activities into the reporting boundary as detailed in “Energy” section of this Report.

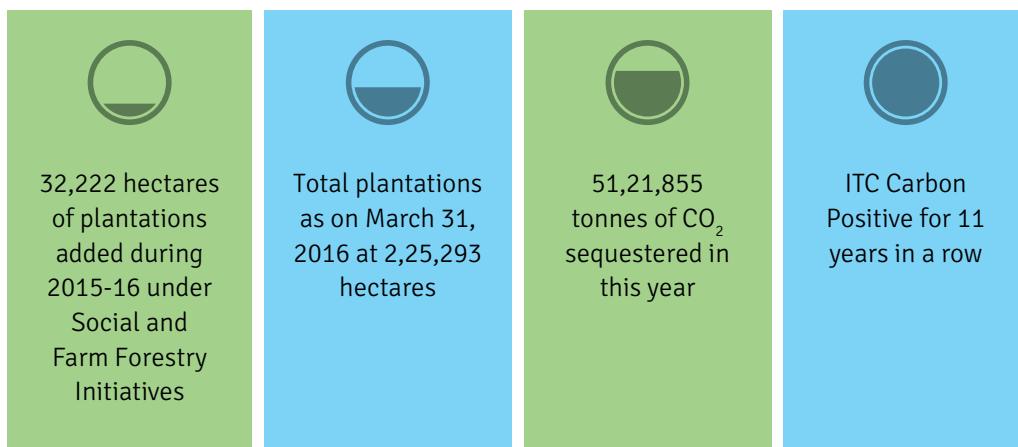
Increase in Other Indirect GHG (Scope 3) emissions

- Inclusion of GHG emissions due to employee business travels by air, in the reporting boundary.
- Procurement of raw materials for Agri Business Division from distant geographies as per the availability of materials with required quality.

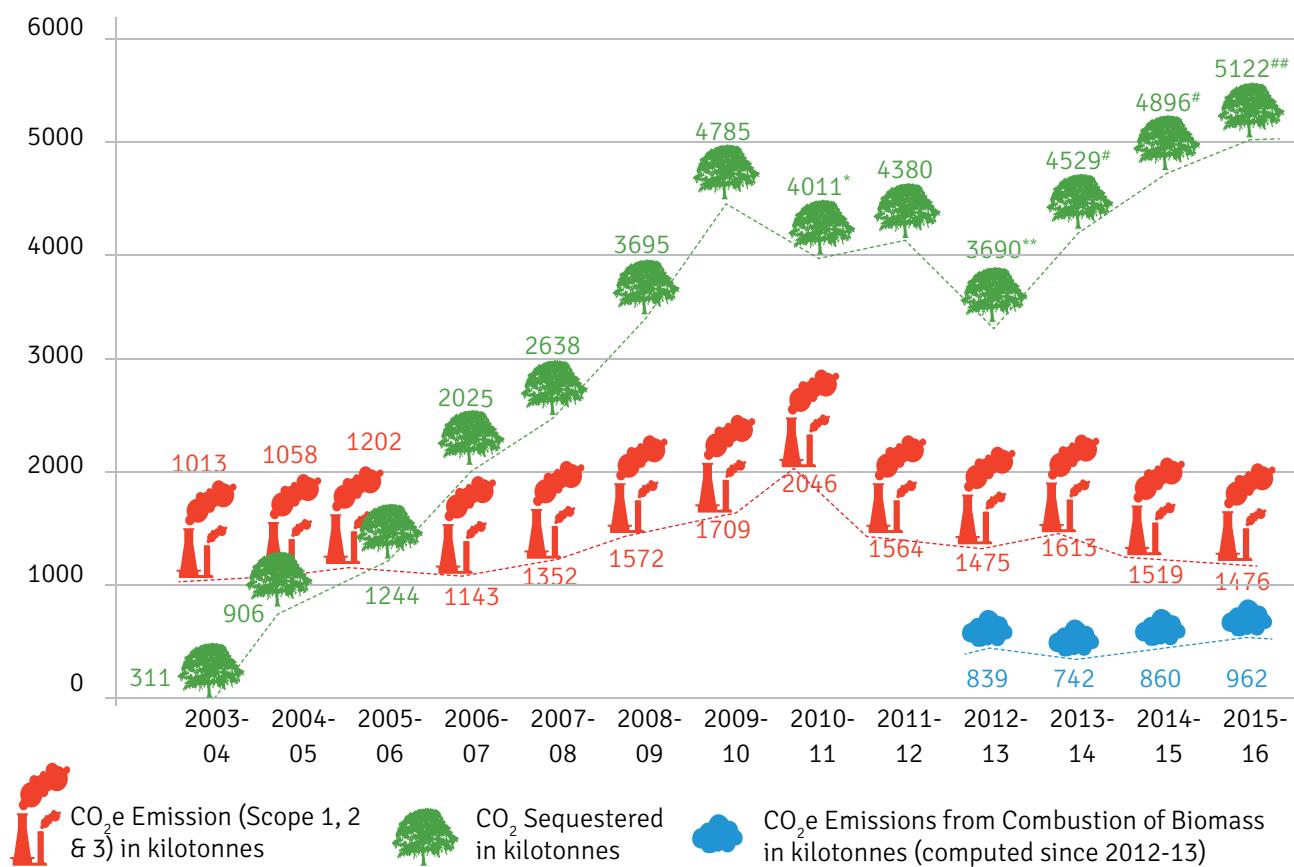
ITC’s continual efforts in energy reduction and increasing renewable energy shares across various Units have helped control GHG emissions. In 2015-16, 13,083 tonnes of GHG emissions (Scope 1 & 2) were avoided by the implementation of energy conservation measures leading to savings in both direct and indirect energy.



Carbon Positive



GHG Emissions and CO₂ Sequestration



All above figures are rounded off

* Dip in CO₂ sequestration in 2010-11 caused by reduced productivity of Eucalyptus plantations due to infestation in some areas and lesser incremental addition of plantation area.

** Dip in CO₂ sequestration numbers in 2012-13 is primarily due to the revision in methodology of computing CO₂ sequestration in order to comply with ISO 14064:2006 requirements.

Increase in CO₂ sequestration in 2013-14 and 2014-15 is primarily due to increase in planted area of Subabul and Casurina species as compared to the previous year.

Primary reason for the increase in CO₂ sequestration in 2015-16 as compared to the previous year is increase in planted area of Eucalyptus and inclusion of planted area of Poplar species.

Targets and Performance

In order to continually improve upon GHG emissions performance, some of ITC's Businesses have voluntarily set specific GHG emissions reduction targets at the Business/Unit levels.



Since the three Units (Bhadrachalam, Kovai and Tribeni) of Paperboards and Specialty Papers Business together accounts for around 79% of ITC's total Scope 1 and 2 GHG emissions, main focus has been directed at setting reduction targets for these Units on specific GHG emissions (including Scope 1 and 2 emissions).

As explained in the table below, there has been a significant increase in utilisation of biomass-based fuels in Paperboards and Specialty Papers Units based on the market scenario during 2015-16, which had not been cognised for while setting the target for the year.

Paperboards and Specialty Papers Business	Specific GHG Emissions (Scope 1 & 2)			Comparison against target	Comparison against last year actual	Primary Factors
	Actual for 2014-15 (TCO ₂ e/T)	Target for 2015-16 (TCO ₂ e/T)	Actual for 2015-16 (TCO ₂ e/T)			
Bhadrachalam	1.56	1.53	1.43	6.5% lower	8.3% decrease	<ul style="list-style-type: none"> Increased production of in-house pulp to reduce dependency on imported pulp, which led to 8% increase in the generation of black liquor (a biomass-based fuel) and thus reduce consumption of coal. Energy conservation measures that have contributed to reduce the specific energy consumption by 2.5% (as explained in 'Energy' section').
Kovai	0.79	0.77	0.64	16.9% lower	19.0% decrease	<ul style="list-style-type: none"> Change in fuel mix resulting in an increase in utilisation of biomass-based fuels (saw dust, de-oiled bran and charcoal from sustainable sources) and reduced dependency on fossil fuel (lignite).
Tribeni	3.70	3.63	3.62	0.3% lower	2.2% decrease	<ul style="list-style-type: none"> Energy conservation measures that have contributed to reduce the specific energy consumption by 1.6%

Impacts in the Value Chain

ITC's accounting of Scope 3 GHG emissions included monitoring and reporting of emissions from sources as depicted below.

Scope 3 GHG Emissions

Inbound transportation of raw materials	Outbound transportation of products and wastes	Employee commuting	Employee business travel by air	Pick-up and drop of guests in ITC Hotels	Exclusive Third Party manufacturers (TPMs) Catering to notebooks segment of Education and Stationery Products business; 2 exclusive TPMs of Cigarettes Business; ATC Limited – an associate company
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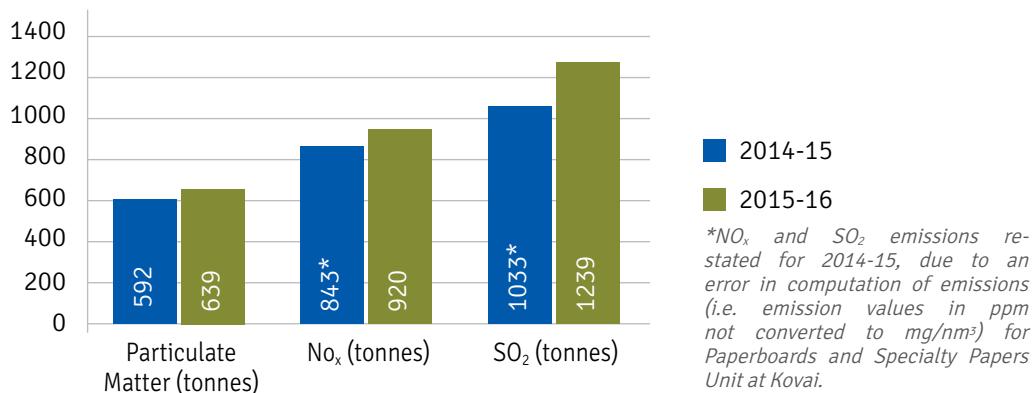
ITC's efforts to optimise distribution logistics of finished goods for its FMCG Businesses have helped control GHG emissions in 2015-16. Specific Scope 3 emissions due to transportation of FMCG products (Cigarettes, Personal Care and Foods) in 2015-16 have reduced by around 24% (tonnes of CO₂e emission/tonne of product transported) as compared to the previous year for the same product categories. This has been achieved by improvement in vehicle utilisation capacity and use of higher capacity vehicles across the supply chain and extensive network de-layering in order to increase direct shipments to destination warehouses, thereby avoiding intermediate movements.

The standards, methodologies, tools and assumptions used for quantification of the GHG emissions and removals by various sources, have been explained at length in the Annexure – Quantification Methodologies: Energy and GHG Emissions.

ITC's Performance on Other Significant Air Emissions

All ITC Units monitor significant air emission parameters, such as Particulate Matter (PM), Nitrogen Oxides (NO_x) and Sulphur Dioxide (SO₂) on a regular basis to ensure compliance with internal norms that are more stringent than regulatory requirements.

ITC's Other Significant Air Emissions



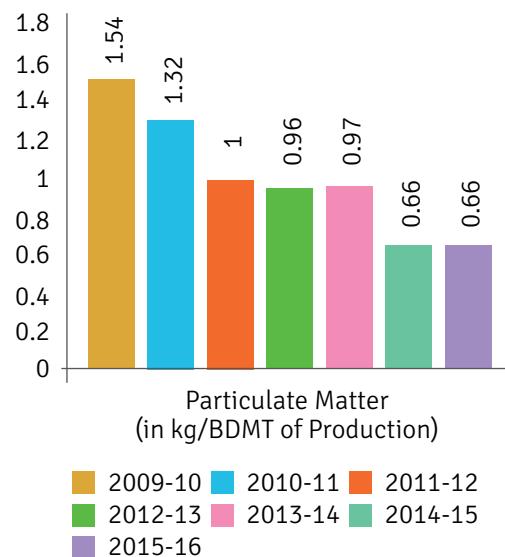
The increase in the total emissions over last year was primarily due to the increase in production/service of Paperboards and Specialty Papers Business, Packaging and Printing Business, Foods Business and ITC Hotels, and low grade quality of coal used for generation of direct energy in Paperboards and Specialty Papers Unit at Tribeni.

Snapshot of Bhadrachalam Unit's performance

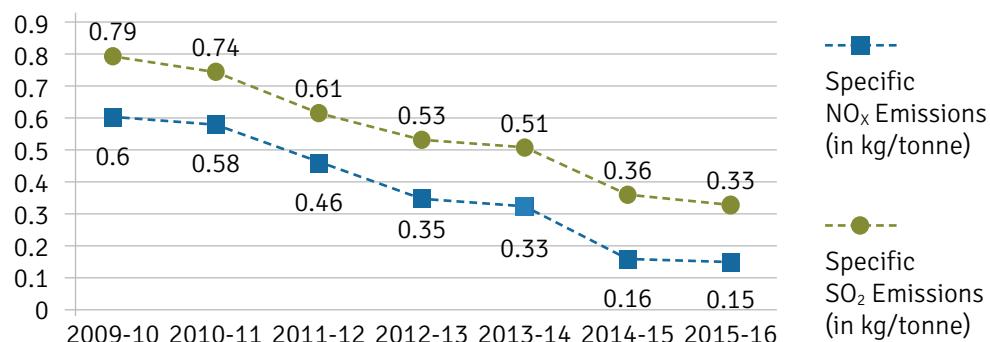
Owing to the energy conservation initiatives undertaken as cited in the Energy section in this Report, there has been a consistent decrease in specific air emissions in terms of particulate matter, NO_x and SO₂ emissions for the Bhadrachalam Unit.

(i) Particulate Matter

Particulate matter emission for Bhadrachalam has remained the same (0.66 kg/BDMT of production) in 2015-16 as compared to the previous year. As per the Centre for Science & Environment (Source : All About Paper – The life cycle of Indian Pulp and Paper Industry, Green Rating Project, 2004), the average particulate emission by large scale Indian Mills is 3.8kg/BDMT.



(ii) NO_x and SO₂ Emissions



	Standards for NO _x (kg/tonne)	Standards for SO ₂ (kg/tonne)
Sweden	1.2-2.4	0.5-1.4
EU	1.0-1.8	0.1-0.5
EU-BAT*	1.0-1.5	0.2-0.4
Reported Values		
CEPI**	0.73	0.157

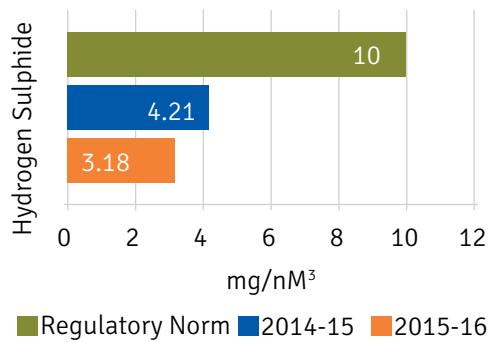
Sources - 1. Comprehensive Industry Document for Large-Scale Pulp & Paper Mills study by CPPRI, published by CPCB, 2007

*EU-BAT: EU Norm Best Available technology

2. ** CEPI - Confederation of European Paper Industries (CEPI) Sustainability Report 2005 reported the average specific SO₂ and specific NO_x values for European Paper Industries in 2002; CEPI Sustainability Report 2013 indicated the reduction in specific SO₂ and NO_x values for European Paper Industries from 2002 to 2012.

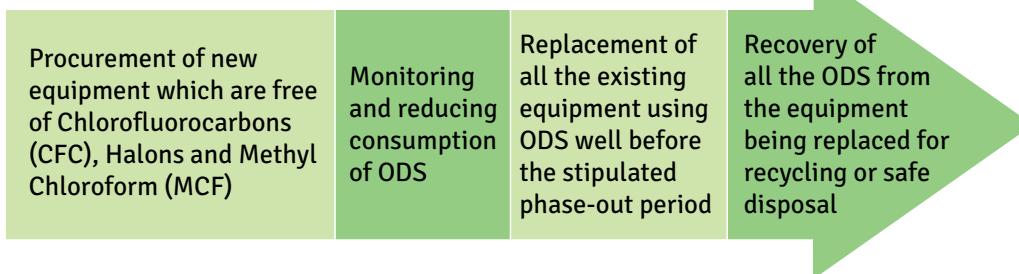
(iii) Hydrogen Sulphide Emissions

The primary source of hydrogen sulphide emissions in the integrated pulp and paper mill at Bhadrachalam is the soda recovery boilers in which black liquor is used to produce steam and recover chemicals. In 2015-16, hydrogen sulphide emissions for the Unit have decreased by 24% in comparison to 2014-15 primarily due to improved operating parameters and optimisation of equipment.



Ozone Depleting Substances (ODS)

ITC's ODS Phase-out Plan



In 2015-16, the total consumption of ODS by all our Units was 90.1 kg of CFC-11 equivalent.

Responsible Management of Chemicals, Oils and Fuels

All ITC Units manage chemicals, oils and fuels as per norms defined by the Company, which take into account all statutory requirements and international best practices. These norms are taken into consideration right from the design stage and include measures for leakage/spillage prevention, provisions for containment, impervious flooring, leak detection system as well as all requirements as per Material Safety Data Sheets (MSDS) for hazardous chemicals. To avoid any incidence of uncontrolled spills or leakage, ITC has instituted safe work practices on handling and storage, procedures for leak detection & spill control and preventive maintenance. The effectiveness of these measures is checked on a regular basis.

The Road Ahead

Reduction in GHG Emissions

Reduction in Other Air Emissions

Impacts within Boundary

- Moving towards 50% renewable energy share by 2020 by continuing with the strategy of:
 - Energy audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service)
 - Investment in renewable energy assets based on techno-commercial feasibility
 - Continuous monitoring and review of performance
 - Representative projection of energy consumption scenario based on Company's growth plan and development of way-forward aligned with guidelines and mandates defined by Government of India
- Continue to focus on:
 - Improvement of combustion efficiencies of fuels
 - State-of-the-art pollution control equipment

Impacts in Value Chain

- Continue to focus on optimising the logistics network to reduce the environmental impacts due to transportation of raw materials, finished goods and wastes
- Enhancing CO₂ sequestration through afforestation programmes, details on which are provided in "Social Investments – Mission Sunehra Kal" section
- Encouraging supply chain partners for reduction of GHG emissions

Life-cycle assessment studies for identifying opportunities to minimise environmental impacts across the value chain of products/services



Water Management

Management Approach

Global water requirements are projected to exceed available sustainable water supplies by 40% within 2030¹. The issue of water crisis plagues large parts of the world including Africa, parts of North America and Asia. According to a 2030 Water Resources Group Report¹, in India, the aggregate gap between demand and supply of water is expected to be 50% of the demand in 2030. Also, the report projects that increasing population and rise in demand for food/feed crops will lead to agricultural demand doubling in comparison with 2005.

It is important to note that in India agriculture which is largely rain-fed, accounts for around three quarters of all water consumption (surface and sub-surface) at the local watershed level. With around 55% of net sown area meeting its water requirements

from rainwater alone², the agri-sector is specially vulnerable to climate change, which may lead to considerable adverse impacts on agricultural yields. Agriculture being the primary contributor to water consumption, focused efforts must be made towards efficient irrigation practices and bringing down the overall water demand for this sector. On the supply side, India's water resources remain constrained due to inefficient use of water, overexploitation of ground water reserves without adequate recharge and variations in surface water availability because of erratic rainfall patterns.

ITC has sought to engage actively with multiple agencies to share experiences and also improve understanding of the complex social and technical issues related to water. ITC has actively supported the development of the India Water Tool as a working group member, an activity coordinated by the World Business Council for Sustainable Development (WBCSD). This tool permits a first level analysis of water

¹ Charting our Water Future, Report by 2030 Water Resources Group, 2009

² Prioritisation of rainfed areas in India, Planning Commission Report



risks across the country and maps water risk for individual locations to prioritise site-specific water-management improvements, an issue that is becoming increasingly real in the Indian context. ITC has been actively engaged with the Alliance for Water Stewardship in the development of the International Water Stewardship Standard, which lays out the framework for sustainable water management and what it takes to achieve water stewardship. Based on this understanding, ITC had partnered with International Water Management Institute (IWMI) to carry out a water security study at the watershed level for

its Paperboards and Specialty Papers Business Unit at Bhadrachalam. The recommendations of the report are now being implemented in the watershed area towards ensuring improved water security for all stakeholders.

Learning from these experiences and its extensive work on integrated watershed development, ITC has evolved a long-term strategy for water security at the local watershed level for all stakeholders and is in the process of doing the same for its operating units located at identified high water stress areas.

Challenges from Water Stress

- With continuous decline in ground water and uneven supply of surface water, it may become even more challenging for businesses to meet their requirements.
- Limits on water withdrawal exerting pressure on industries to continually reduce the water intake.

- Largely rain-fed farming in India, with around 55% of net sown area meeting its water requirements from rainwater alone and agriculture providing employment to over 48.9% of the workforce.
- Due to absence of adequate irrigation infrastructure support, any significant disruption in rainfall patterns resulting from climate change may lead to considerable adverse impacts on agricultural yields.
- Water availability especially critical for ITC, as most of its businesses depend significantly on agri-inputs.
- Impact on water quality and availability owing to disruptions in rainfall patterns.
- Declining groundwater tables due to non-sustainable extraction against increasing demand.
- Deteriorating water quality requiring additional treatment and additional expenses before it can become usable.

ITC Strategy

- Conducting water audits, benchmarking and implementation of best practices for reducing water intake.
- Progressively reducing specific water intake (water per unit of product/service) through continuous monitoring of performance and management review through Integrated Sustainability Data Management System (ISDMS).
- Treating effluent so as to ensure that discharge quality is better than statutory requirements and progressing towards recycling/reusing of all treated effluent within or outside ITC premises.
- Evaluation of water availability/stress across ITC Units.
- Engagement with external stakeholders for assessment and mitigation of water related risks at the local watershed level.
- Life-cycle based approach for understanding impacts across the value chain.
- Ensuring the sustainability of agriculture through integrated watershed development including rainwater harvesting, soil and managed aquifer recharge projects, moisture conservation projects particularly in regions from where ITC sources its raw materials.
- Grassroot capacity building for proper governance of water in agricultural water usage.
- Enhancing ITC's water positive footprint through rainwater harvesting, both within our own Units and across different watershed areas.
- Responsible water stewardship actions – working towards meeting the water security needs of all stakeholders at the local watershed level.

ITC's Sustainability Policies Addressing these Challenges

Policy on Environment, Health and Safety

Policy on Life-cycle Sustainability

Policy on Responsible Sourcing

Within Boundary

Beyond Boundary



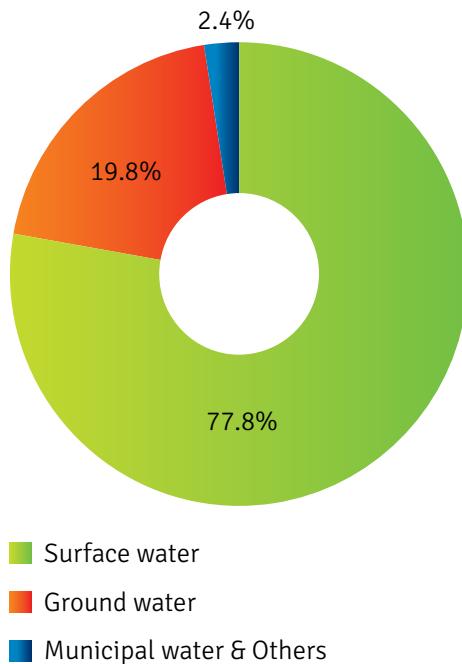
Our Performance

Water Withdrawal

In 2015-16, ITC Units withdrew 33.8 million kilolitres (kl) of water, a decrease of 2% over the previous year (34.48 million kl in 2014-15) despite an increase in production for most businesses. This performance is primarily attributable to the on-going initiatives undertaken towards water conservation across ITC Units.

Of the 33.8 million kl of total water withdrawn, 77.8% of water resources were sourced from rivers, 19.8% from ground water sources and only 2.4% from municipal and other water sources.

Sources of 33.8 million kl of Total Water withdrawn by ITC in 2015-16



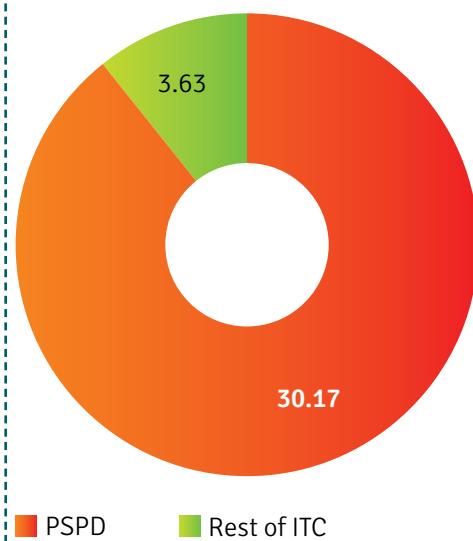
During the year, focused efforts by all Units to reduce intake by conducting water audits, benchmarking and adopting leading practices facilitated the reduction of specific water intake as illustrated in the following sections.

In order to maintain its performance, ITC Businesses have set voluntary specific water intake reduction targets at the Unit/Business level.

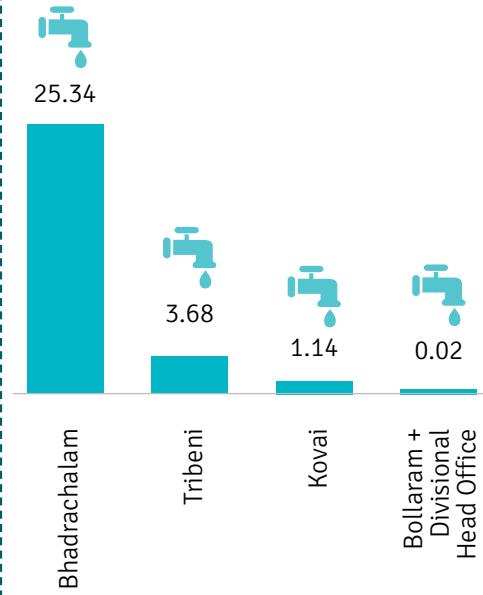
Considering the fact that three Units of Paperboards and Specialty Papers Business together accounted for around 89% of total

water intake of ITC, greater efforts have been focused on the performance of the Units (as given in the following section) under this Business.

Total Water Intake of Paperboards and Specialty Papers Business and the Rest of ITC (in million kl)



Total Water withdrawal in million kl (PSPD Units)

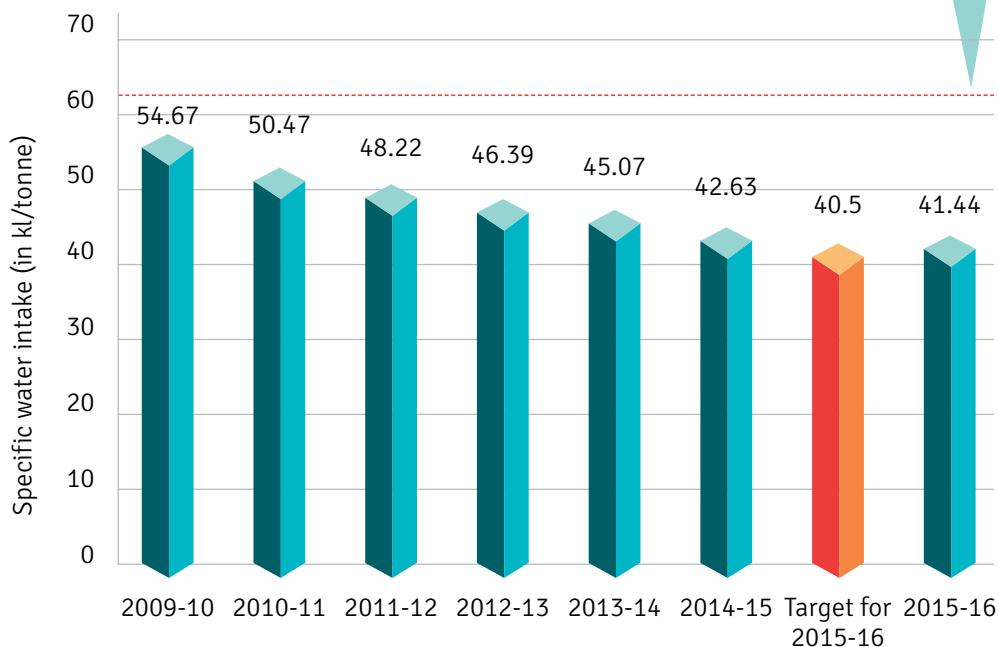


Paperboards Unit at Bhadrachalam

India's largest integrated paper and paperboards mill accounted for 75% of the total fresh water intake in ITC. In 2015-16, the Bhadrachalam Unit's fresh water intake was 41.4 kl/tonne of product, a reduction of 2.8% over the previous year's 42.6 kl/tonne, primarily due to various water conservation initiatives undertaken by the Unit, which include increased recycling of effluent in

process areas. The persistent efforts of the Unit towards water conservation are evident in the consistently decreasing trend of specific water intake as depicted below. However, specific water intake target for 2015-16 could not be achieved due to higher water consumption in Paper Machine (#7) and less backwater utilisation in the Pulp Mill during specific product category runs.

Proposed National Productivity Council (NPC) Benchmark Standard of 63 kl/tonne for large scale integrated pulp and paper mills (Reference: Final Report on Development of Guidelines for Water Conservation in Pulp and Paper Sector by NPC, New Delhi, March 2006.)



Specialty Papers Unit at Tribeni

ITC's Unit at Tribeni manufactures specialty paper, which is a water intensive process. The Unit has achieved around 23.6% reduction of specific water intake during the reporting period over the previous year primarily due to process improvements, increased use of recycled treated effluent for boiler make-up, cleaning, etc. The specific water intake target for 2015-16 could not be achieved due to delay in execution of some water conservation proposals like installation of second set of tertiary filtration for increased usage of treated effluent, which would deliver the water saving benefits in the coming year.



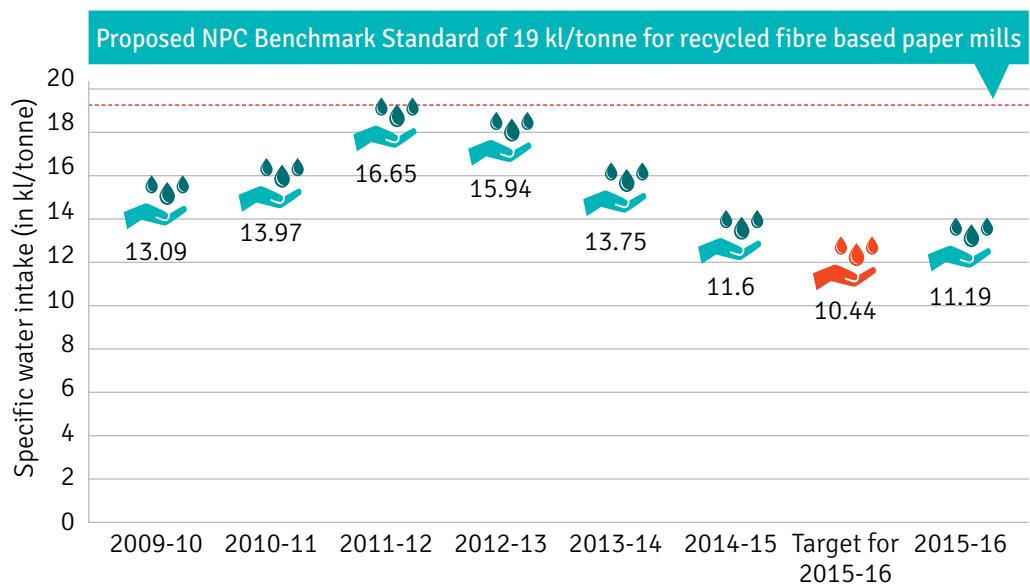
*Increase of 6.3% in 2013-14 over the previous year was primarily due to the commissioning activities of the new power plant at Tribeni.

Note: There is no specific NPC benchmark standard for Tribeni

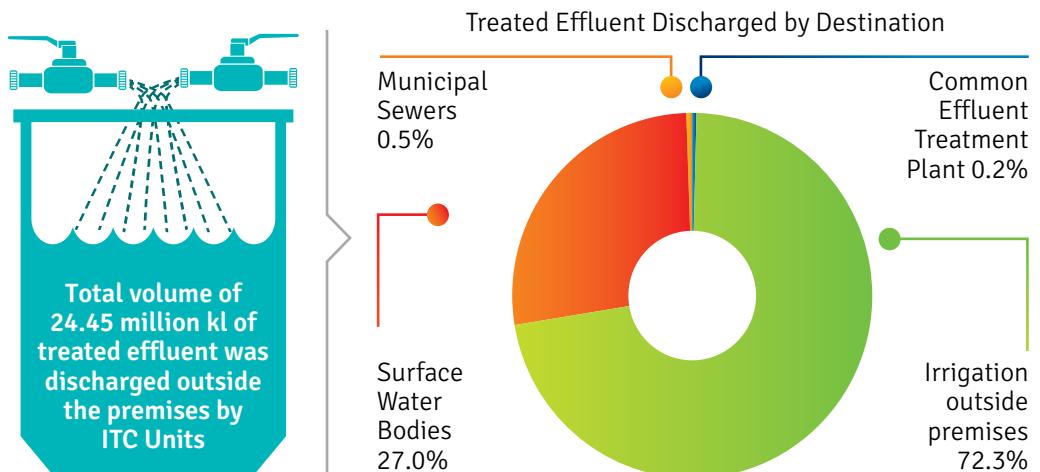


Paperboards Unit at Kovai

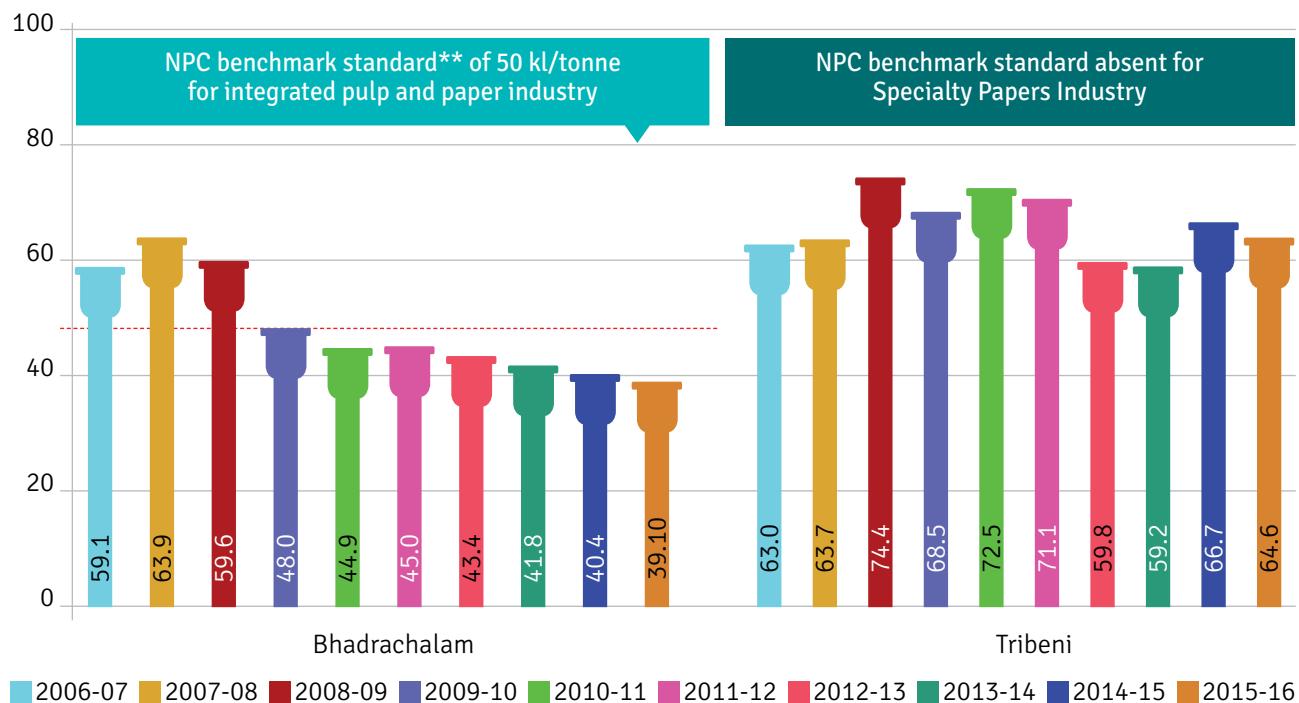
Water conservation measures including the arrest of losses in intake pipeline undertaken by the Unit led to the reduction in specific water intake from 11.6kl/tonne in 2014-15 to 11.19 kl/tonne in 2015-16. The specific water intake target for 2015-16 could not be achieved due to unforeseen machine stabilisation issues between September to November, 2015.



Effluent Discharge



All ITC Units covered in the boundary of this Report met the regulatory requirements of discharge quality and quantity in 2015-16. The two Paperboards and Specialty Papers Units at Bhadrachalam and Tribeni accounted for 98.9% of total treated wastewater discharged outside Unit premises in ITC, out of which 72.5% was utilised for irrigation purpose. Therefore specific focus has been accorded to the performance of these 2 Units in terms of treated effluent discharge volume as well as quality.

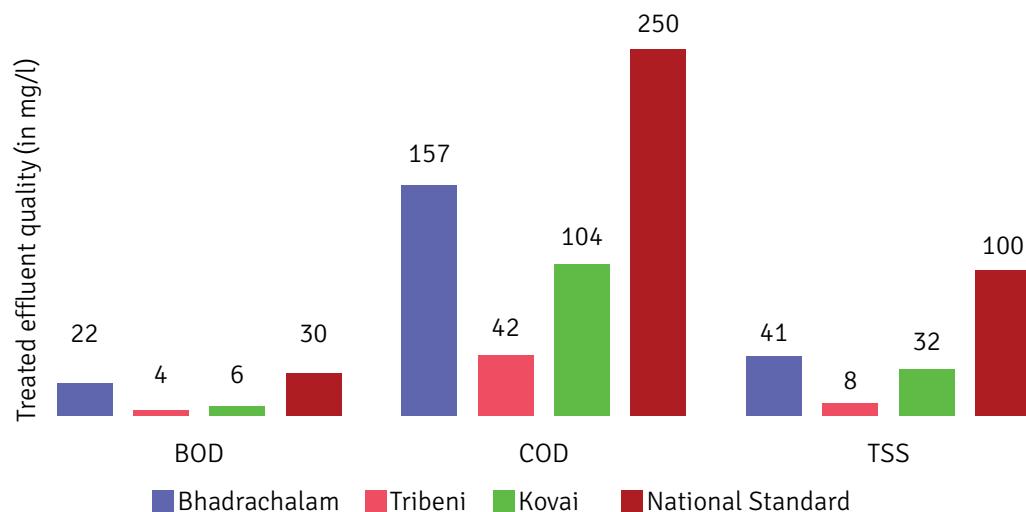


Bhadrachalam Unit has been reaping the benefits of initiatives undertaken towards recycling of treated effluent as is evident from the continually decreasing trend of specific treated effluent discharged. For Tribeni Unit, the specific treated effluent discharged has decreased from 66.7 kl/tonne in 2014-15 to 64.6 kl/tonne in 2015-16.

Since 2010-11, the wastepaper-based pulp and paper mill at Kovai has not discharged any treated effluent outside its premises.

The quality of the treated effluent from Paperboards and Specialty Papers Units was far better than the stipulated standards in India:

Treated Effluent Quality: Annual Average (2015-16) - Paperboards and Specialty Papers Units





In addition, the quality of the treated effluent from Bhadrachalam Unit was comparable with European standards:

Parameters	Bhadrachalam (kg/tonne of finished product)	European Paper Industries [#] (kg/tonne of finished product)
BOD	0.87	0.816
COD	6.14	5.713

[#]Reference: Confederation of European Paper Industries (CEPI) Sustainability Report 2005 and 2013.

The level of adsorbable organic halides (AOX) generated during the bleaching process is another critical parameter applicable only to ITC's Bhadrachalam Unit. These compounds are formed as a result of reaction between residual lignin from wood fibres and chlorine compounds used for bleaching. Depicted below is the specific AOX level for Bhadrachalam Unit for the year 2015-16 showing that the level is well below the norm stipulated by Ministry of Environment, Forest and Climate Change (MoEFCC) as well as national and international benchmarks.

	Reference	Specific AOX Level (Kg/tonne of finished product)
Bhadrachalam Unit		0.0088
MoEFCC standard		1
Indian Paper/ Paperboard mills	Average as per Comprehensive Industry Document for Large-Scale Paper Mills, study conducted by Central Pulp and Paper Research Institute, 2007	0.46-0.8
European Paper Industries	Confederation of European Paper Industries (CEPI) Sustainability Report 2005 reported the average specific AOX value for European Paper Industries in 2002; CEPI Sustainability Report 2013 mentioned the reduction in specific AOX value for European Paper Industries from 2002 to 2012	0.019
International Finance Corporation (IFC) Standard	'Environmental, Health and Safety Guidelines Pulp and Paper Mills', IFC	0.25





ITC is committed to achieving zero effluent discharge through treating and recycling of all wastewater. Along with this, harvesting of rainwater within its properties not only reduces water intake but also maximises groundwater recharge and reduces run-off. In 2015-16, the following Units achieved the goal of zero effluent discharge outside the premises.

Cigarette Factories at Bengaluru, Munger, Saharanpur & Pune, Leaf Processing Units at Anaparti, Chirala & Mysuru, Packaging & Printing Unit at Tiruvottiyur and Munger, Snacks and Noodles Unit at Malur and Pune, Dairy Unit at Munger, Life Sciences & Technology Centre at Bengaluru, Research Centre at Rajahmundry, Paperboards and Specialty Papers Business Units at Kovai and Bollaram, Personal Care Products Business Unit at Manpura, Lifestyle Retailing Business Headquarters at Manesar, ITC Green Centre at Gurgaon, Hotels - ITC Maratha and ITC Grand Central in Mumbai, ITC Rajputana in Jaipur, ITC Grand Bharat in Gurgaon and ITC Mughal in Agra.

issues involved. The study included basin level water accounting & budgeting within a defined catchment boundary, detailed hydrogeological mapping covering the use of ground water as well as surface water resources, aquifer recharge, Mureru river health restoration programme to address basin level risks, etc. Based on the recommendations of the study, a detailed long-term plan has been drawn up to help achieve water security for all stakeholders in the catchment and appropriate interventions at watershed level are being implemented through the Social Investment Programme of ITC. The study report is proposed to be shared with government agencies for participative implementation of recommendations with key stakeholders.

ITC has also initiated work on water security studies for two other river basins (Ghod river, Maharashtra and Bhavani river, Tamil Nadu) towards sustainable water stewardship. The objective is to create an ecosystem with all stakeholders being aware of the competing demands and future risks of available resources. The basin level security plan would involve development of framework in coordination with various stakeholders to mitigate identified risks.

With the Bhadrachalam experience, similar studies have been completed at ITC's two other Units located in water stressed areas to help achieve water security for all stakeholders in the catchment area.

ITC is committed to achieving zero effluent discharge through treating and recycling of all wastewater

Water Security in Catchment Areas

With the intent of progressing towards water stewardship, ITC had carried out a pilot water security study at Bhadrachalam in order to develop a comprehensive understanding of



The total rainwater harvesting potential created by ITC so far is over three times the net water consumption by ITC's manufacturing operations

The recommended interventions include augmenting rainwater harvesting systems in the catchment areas by measures like rejuvenation of traditional cascading tanks and village ponds, mapping of appropriate recharge areas for the local aquifers, community-level initiatives to promote sustainable irrigation practices to reduce water use, move to less-water intensive crops without impacting the economic benefits, etc. Phase-wise implementation of these interventions has been planned in the subsequent years.

Going forward with learning from these detailed studies, ITC intends to make water security assessment an integral part of greenfield/brownfield project design and development.

Impacts in the Value Chain

In line with the Board approved Policies on Life-cycle Sustainability and Responsible Sourcing, in 2014-15, ITC had initiated the process of accounting for water intake of supply chain members. In 2015-16, the total water intake for ATC Limited (an associate Company), and two exclusive third party manufacturers for the Cigarettes Business, together was 28,801 kl. ITC has completed 6 LCA studies till date and intends to undertake

more of them for evaluating opportunities for improvement in the value chains of its products and services.

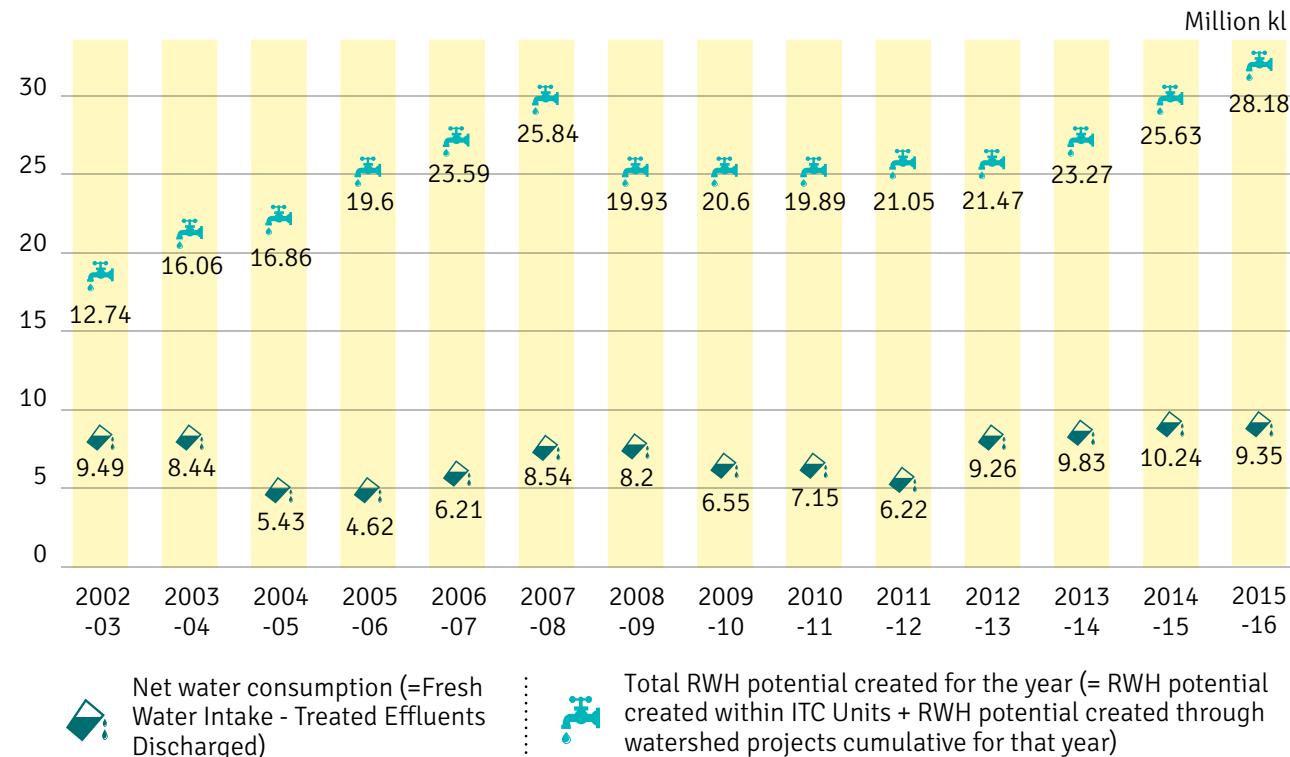
Enlarging Water Positive Footprint

The Company's continued interventions in rainwater harvesting both in the Company premises and socially relevant watershed areas have enlarged our water positive footprint. Details on these interventions are available in the "Social Investments – Mission Sunehra Kal" section of this Report.

As on March 31, 2016, ITC's Integrated Watershed Development Projects, covering 2,59,050 hectares of land, support the Water Positive status of the Company for the 14th year in a row. Due to focused efforts on reducing net water consumption through various water conservation initiatives across the Businesses and increasing the total rainwater harvesting potential created within the Units and through watershed development initiatives, the rainwater harvesting potential created is now over three times of the net water consumption by ITC's manufacturing operations.

For the watershed structures outside ITC Units, the 'RWH potential' figures from

Water Balance





2008-09 account for silt deposits - the adjustments are based on actual sample measurement & the extent of silt deposit depends on the age & location of a structure.

The Road Ahead

While continuing its integrated watershed management programme, ITC will be guided by the principles of water stewardship to ensure water security for all stakeholders across all our operating Units.

Mitigation of Water Risks to Own Operations

1. Identification of key performance indicators (KPIs) and setting targets for continual improvement based on internal as well as external benchmarking.
2. Monitoring and review of performance against KPIs and targets set through integrated sustainability data management system.

Addressing shared water challenges in the catchment

1. Identification of water security issues at the local watershed level, to be progressively made an integral part of greenfield/brownfield project design and development.
2. Measures initiated to achieve water security for all stakeholders with review and public reporting of performance.

Ensuring that responsible water stewardship actions are taken to minimise negative impacts and maximise positive impacts

1. Continue to address water security issues in regions where ITC sources its agri commodities from.
2. Integrated watershed development and soil and moisture conservation projects in those regions.
3. Capacity building of farmers to ensure self-sustenance of the watershed development programmes.
4. Expand coverage of water security projects in identified production units exposed to water units.

Life-cycle assessment studies for evaluation of the opportunities for improvement in the value chain of products/services and implement appropriate interventions.



Waste Management

Management Approach

Over the last few decades, the amount of waste generated has gone up considerably as a direct consequence of increasing population, rapid & unplanned urbanisation and higher consumption levels. Around 62 million¹ tonnes of Municipal Solid Waste (MSW) is being generated across urban India every year, with large metros such as Mumbai alone generating over 7000 tonnes a day. However, we as a country are struggling to provide efficient waste management services and adequate infrastructure to attend the increasing quantum of waste, with continued and indiscriminate dumping of waste at open sites. While unavailability of recyclable/reusable waste adds burden on natural resources to meet the fresh demand, inappropriately managed waste dumped at landfill sites also cause contamination on land,

water and air, which eventually has an adverse effect on the quality of life. The recently notified Solid Waste Management (SWM) Rules, 2016 and Plastic Waste Management (PWM) Rules, 2016 come as an effort towards addressing the issue of waste management, which has assumed critical dimension in our country.

As per several reputed studies, MSW typically consists of organic compostable matter (40% by weight), ash, stones & debris (40%), glass, paper, metals, textile & leather (13%) and plastic wastes (7%). A 2016 Report by Federation of Indian Chamber of Commerce and Industries (FICCI) on the Plastic Industry states plastic consumption in India as 12.8 million tonnes per annum, which translates to generation of approximately 5 million tonnes of plastic wastes per annum. Plastics today are an integral part of modern life and have made it possible for the benefits of development to reach the poorest and needy. Their economic and environmental utility

¹Report of the Task Force on Waste to Energy, Planning Commission

in providing insulation benefits, protecting product integrity when used as packaging, etc. have been transformational and gaps in the MSW management system should not colour public perception about the utility of plastics. Plastic wastes, although smaller in overall composition, have tended to attract greater public concern due to their visibility. In most municipalities, contractors engaged in collection and transportation are paid for the volume of waste dumped at the landfill sites, which in a sense incentivises landfilling and discourages waste segregation.

PWM Rules 2016 adopt the concept of Extended Producer Responsibility (EPR) for plastic packaging and Producers, Importers and Brand Owners who introduce products with plastic packaging in the market are now responsible for working out a waste collection

system through their own distribution channel or through the local body concerned. ITC believes that the approach to address the issue of collection, segregation and management of plastic waste needs to be integrated with the overall MSW management system. Such an effort will avoid duplication of systems not only between MSW and plastic waste management streams but also between different Producers, Importers and Brand Owners, which, otherwise, will significantly add to the existing challenges of cost-effectiveness of MSW management system. Also, in the Indian context, where the unorganised sector has significant scale and contributes to 2/3rd of the Fast Moving Consumer Goods (FMCG) sector volumes of post-consumer packaging, effectiveness of an EPR approach modelled on an isolated waste





collection system is unlikely to be effective. The key to success of a comprehensive MSW management system is the ability to collect and segregate different post-consumer waste streams, which is fundamental to achieve value realisation from each waste stream and prevent littering/landfilling.

Within the boundary of ITC Units, focused efforts are made towards resource conservation by minimising waste generation and improving efficiencies in waste segregation & recycling/reuse. ITC also has

direct experience in MSW management as its Well-being out of Waste (WOW) programme, has been operating as a CSR initiative for over a decade.

WOW initiative is focused on creating scalable solutions to collect, segregate & recycle/reuse different streams of municipal solid waste, and providing sustainable livelihoods for people working as rag pickers.

Based on learning from own experience, ITC has crafted the following approach on the aspect of waste management.

Challenges of Waste Management

- Waste generation from processes affecting overall efficiency and product competitiveness.
- Inadequate waste segregation at source, leading to inefficient recoveries and more waste diverted to landfills.
- Substituting multi-layer packaging with alternative material while ensuring similar insulation properties and product shelf life.
- Inadequate infrastructure and unorganised waste collection processes.
- Regulations on “extended producer responsibility” related to generation and management of plastic packaging waste.
- Inadequate awareness and absence of incentives/penalties necessary to change behaviour of people to promote reduce-reuse-recycle of waste.

ITC Strategy

CREATING A POSITIVE ENVIRONMENTAL FOOTPRINT

Resource Conservation

Reducing specific waste generation at all ITC Units through constant monitoring and improvement of efficiencies in material utilisation.

Segregation at Source

Ensuring maximum reuse and recycling of wastes by following ‘segregation at source’ approach.

Towards 100% Recycling

Tracking of each category of waste to ensure that it can be reused wherever possible, and if not, recycled. This ensures that almost no waste from ITC’s Businesses lands up in municipal or private landfills.

Use of Waste as Raw Materials

ITC’s Paperboards and Specialty Papers Units are encouraged to increase the utilisation of post-consumer waste as a source of fibre instead of virgin fibre.

Research on Alternatives to Plastic Packaging

Engagement with Central Institute of Plastics Engineering and Technology (CIPET) for research on options for bio-degradable packaging material.

“WOW”: Well-being Out of Waste

Promote a clean and green environment and create sustainable livelihoods for rag pickers and waste collectors, by developing a scalable business model for post-consumer waste recycling in collaboration with local municipal corporations.

ITC’s
Sustainability
Policies
Providing
Framework
for Relevant
Actions

Policy on
Environment,
Health and
Safety

Policy on
Life-cycle
Sustainability

Policy on
Responsible
Sourcing

Corporate
Social
Responsibility
Policy

Within Boundary

Beyond Boundary

Our Performance

Waste Generation

In 2015-16, ITC Units generated 7,45,149 tonnes of waste (7,91,227 tonnes in 2014-15). This 5.8% decrease in total waste generated over last year was primarily due to use of coal with

low ash content, which led to reduction in fly ash in Bhadrachalam Unit of the Paperboards and Specialty Papers Division(PSPD). This Unit, which accounted for 79.8% of the total waste generated in ITC during 2015-16, reported a decrease of 5.7% in waste generation as compared to previous reporting period.

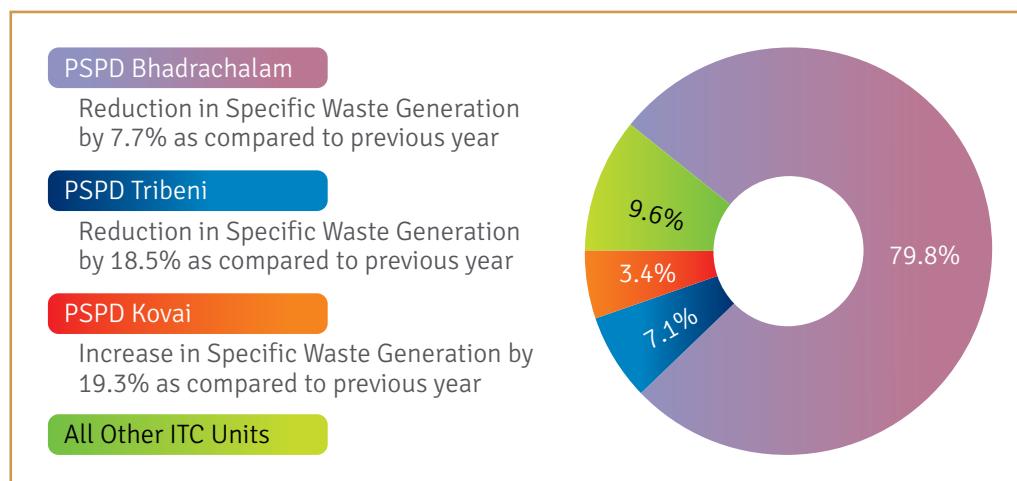
Business-wise break-up of wastes generated in ITC:

Business	2014-15 Tonnes	2015-16 Tonnes	2015-16 % of total waste
Paperboards and Specialty Papers	7,21,211	6,76,498	90.8
Leaf Tobacco	22,198	23,114	3.1
Packaging and Printing	19,455	20,514	2.7
Foods	12,035	9,569	1.3
Cigarettes	9,417	8,554	1.1
Hotels	5,315	5,200	0.7
Personal Care Products	1,335	1,347	0.2
Others*	263	353	0.1
Total	7,91,227	7,45,149	

* Includes ITC Head Office at Kolkata, ITC Infotech, ITC Green Centre at Gurgaon, Life Sciences & Technology Centre, Lifestyle Retailing and Classic Golf & Country Club.

All of the above figures have been rounded off to the nearest digit

Contribution of PSPD Units in ITC's Total Waste Generation





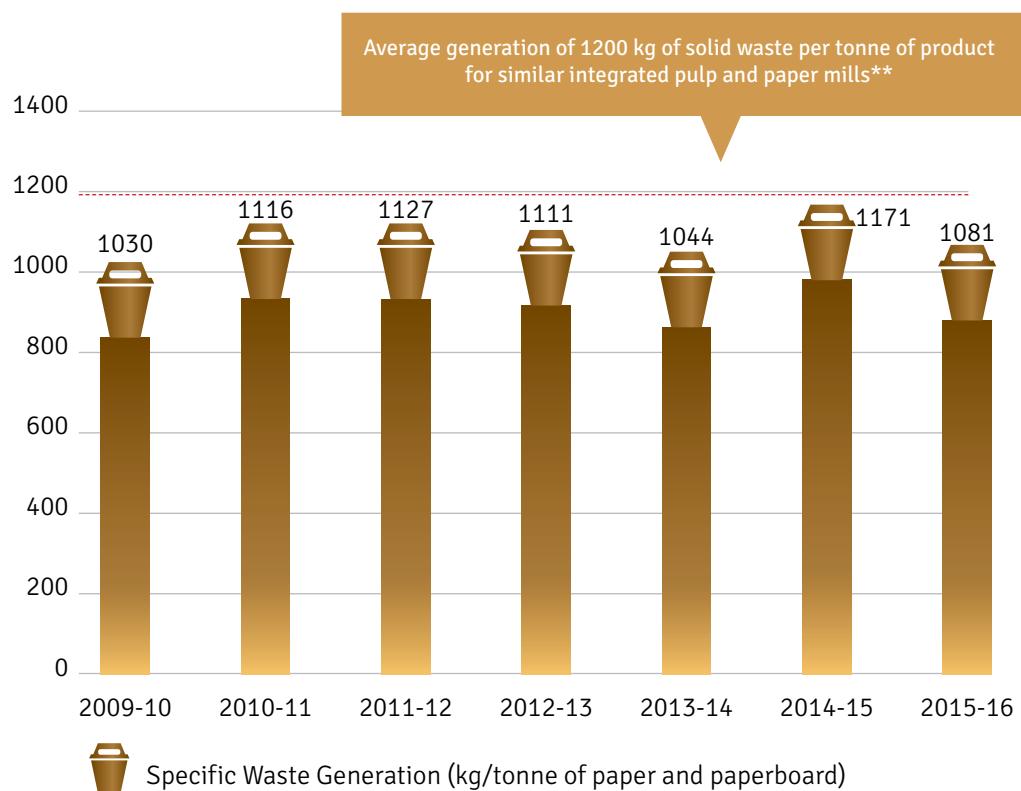
In order to continually improve performance on resource conservation, all ITC Units have developed systems to track and monitor the specific waste generation (waste generated per unit of product/service). Considering the three Units of Paperboards and Specialty Papers Business contributed around 90% of the total waste generated by ITC (given in the table below) specific focus has been laid on monitoring the performance of these Units. Specific waste generation of these Units are as follows:

Unit	Specific Waste Generation (kg/tonne)			Comparison against target	Comparison against last year	Reason
	Actual 2014-15	Target for 2015-16	Actual 2015-16			
Bhadrachalam	1,171.1	1,112.5	1,081.2	2.8% decrease	7.7% lower	Availability of low ash content coal.
Kovai*	210.2	199.7	250.8	25.6% increase	19.3% higher	Increased usage of charcoal resulting in higher generation of ash.
Tribeni	2,055.6	1,952.84	1,674.7	14.2% decrease	18.5% lower	Availability of low ash content coal.

*Normalisation of moisture content in ETP sludge and mixed plastic waste has been done, as significant difference in moisture content over the last year was reported.

The significant variation in the specific waste generation as indicated above is primarily due to the ash quantity owing to the availability of type of fuel for a particular Unit.

Specific Waste Generation of Bhadrachalam (kg/tonne of paper and paperboard)



**Reference: Centre for Science and Environment Report, 'All About Paper' (2004)

Historically, due to limited options for recycling of lime sludge (a waste generated from chemical recovery process in Bhadrachalam Unit), some amount was being utilised by cement plants, with the major quantity stored in lagoons within the premises, incorporating adequate precautions to prevent adverse impacts on soil and ground water. In 2014-15, the Unit tied up with cement plants for disposal of lime sludge and post disposal of 14,000 tonnes through this arrangement, around 2.5 lakh tonnes of lime sludge was estimated to be still accumulated in these lagoons. In 2015-16, another 67,000 tonnes of waste was recycled through cement plants. The balance quantity in the lagoons is estimated to be 1.8 lakh tonnes and it is expected that the entire amount of accumulated lime sludge will be disposed within the next 3 years. Similarly, around 4,900 tonnes of historically generated mixed plastic waste, generated during pulp recovery from waste paper, was stored in-house at Kovai Unit and was disposed to cement plants during the current reporting period. As on date, there is no on-site storage of plastic waste and the Unit has tied up with cement plants for all such plastic wastes generated in the Unit.

Segregation of Waste and its Destination

Of the total waste generated by ITC in 2015-16, only 3.2% by weight can be categorised as hazardous waste as per Indian statutes. 91.7% of this hazardous waste was recycled by authorised external agencies, and the balance 8.3% was disposed of or stored completely in accordance with applicable statutes. All ITC Units have established systems and procedures to verify the relevant authorisations and licenses of agencies used for transporting, recycling or disposing the hazardous wastes, in compliance with applicable regulations and norms. Further, Corporate EHS periodically verifies the compliance in each of the ITC Units. During 2015-16, apart from hazardous wastes transported to external treatment sites by authorised transport agencies as applicable,

no other hazardous wastes were transported between locations owned or managed by the organisation.

The table below depicts the final destinations of the total hazardous wastes generated during 2015-16:

Total hazardous waste and its destination (2015-16)

Total hazardous waste generated	23,902
Hazardous waste carried over from previous year and disposed in 2015-16	65
Recycled	21,981
Incineration + Landfill	1,944
On-site storage	42

(All values in Tonnes)





Non-hazardous waste category	Generated	Quantity of generation (Tonnes)	Waste destination
Fly ash generated from coal-fired boilers	Units of Paperboards & Specialty Papers and Leaf Tobacco Businesses	3,40,836	Used by cement and brick manufacturers
Lime sludge	Bhadrachalam Unit of Paperboards & Specialty Papers Business	2,20,972	Utilised by in-house lime kiln as well as by cement manufacturers
Bottom ash from coal-fired boilers	Units of Paperboards & Specialty Papers and Leaf Tobacco Businesses	39,695	Used for brick manufacturing and filling of low-lying areas
Wood waste from chipping operation	Bhadrachalam Unit of Paperboards & Specialty Papers Business	26,749	Used as a fuel in an in-house boiler

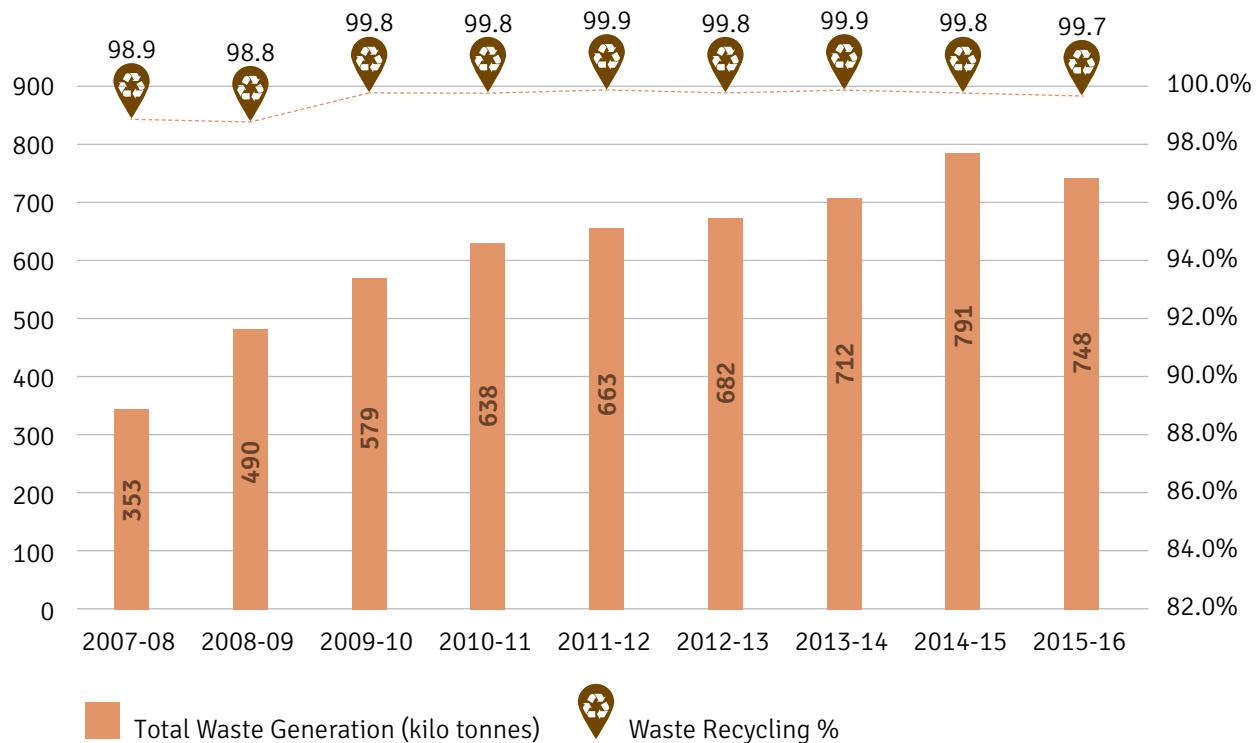
During 2015-16, out of the total non-hazardous waste generated in ITC Units, 99.91% waste was reused/recycled. The details of the destination for the major waste categories, which contributed to more than 85% of the total non-hazardous waste generated in ITC Units in 2015-16, are given above.

to eliminate the creation of waste in the first place thereby reducing waste generation. Since generation of waste cannot be completely eliminated due to limitations in processes and technology, all ITC Businesses/Units endeavour to work towards 100% recycling of generated waste. 'Segregation at source' along with focused attention on identifying and tracking of all waste streams till its final disposal have helped us to recycle 99.7% of the total waste generated within the Units, during 2015-16.

Waste Recycling

ITC strives to maximise resource efficiency encouraging all its Units to take steps

Progress on Waste Recycling



Units that recycled more than 99% of waste generated

 Cigarette factories at Bengaluru, Munger, Saharanpur, Kolkata and Pune.	 Leaf Tobacco processing Units at Anaparti, Chirala and Mysuru.
 Paperboards and Specialty Papers Units at Bhadrachalam, Kovai and Bollaram.	 ILTD Divisional Head Office in Guntur.
 Personal Care Business Units at Haridwar.	 ITC Green Centre at Gurgaon.
 Foods Business Units at Haridwar (Snacks, Noodles and Biscuits) and Pune (Snacks and Noodles).	 Hotels: ITC Maurya, ITC Maratha, ITC Grand Central, ITC Grand Bharat, ITC Windsor, ITC Gardenia, ITC Grand Chola, ITC Sonar, ITC Rajputana, ITC Kakatiya, My Fortune, Bengaluru and WelcomHotel Sheraton, New Delhi.
 Classic Golf & Country Club	

Waste Used as Raw Materials

To further expand the Company's waste recycling footprint, the Paperboards and Specialty Paper Units at Kovai and Bhadrachalam use post-consumer waste as raw materials. Efforts at ITC Units to recycle the entire waste generated along

with utilisation of externally generated waste paper as a source of fibre in the above mentioned Paperboards and Specialty Paper Units, have helped the company to maintain its solid waste recycling positive status for the 9th consecutive year (refer to the table below).

	2007 -08	2008 -09	2009 -10	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15	2015 -16
Total Waste generated (tonnes)	3,52,970	4,90,180	5,78,865	6,38,405	6,63,796	6,82,405	7,11,887	7,91,227	7,45,149*
Waste recycled (tonnes)	3,49,264	4,84,287	5,77,766	6,37,452	6,62,978	6,81,129	7,11,033	7,89,720	7,42,635
% Recycled	98.90	98.80	99.80	99.80	99.90	99.80	99.90	99.80	99.70
Un-recycled waste (tonnes)	3,706	5,893	1,099	953	818	1,276	854	1,592	2,606
External wastes used as raw materials (tonnes)	1,63,245	1,25,337	1,25,931	1,19,002	1,15,414	1,18,462	1,09,998	1,14,563	1,13,213
Waste recycling footprint (%) *	145	124	122	119	117	117	115	114	115

* 92 tonnes of waste, carried over from previous year was disposed in 2015-16 but not included in 'total waste generated'

* Waste Recycling footprint (%) = (Waste recycled + external waste used as raw material) *100 / Total waste generated in ITC



The Well-being out of waste (WOW) movement today extends to 400 municipal wards of Hyderabad, Chennai, Bengaluru, Coimbatore and some towns of Telangana covering over 5 million citizens

ITC has also been collaborating with local municipal agencies to work on sustainable management of community waste. "Wealth Out of Waste (WOW)", a recycling programme initiated in April 2007 by the Paperboards and Specialty Papers Business of ITC, has evolved into a corporate level programme with scope enhanced to "Well-being out of waste".

The WOW movement today extends to 400 municipal wards of Hyderabad, Chennai, Bengaluru, Coimbatore and some towns of Telangana covering over 5 million citizens and now manages municipal solid wastes for over 11,00,000 households. The Programme creates sustainable livelihood for 10,000 rag pickers and waste collectors by propagating source segregation at each of the households. Similar programmes are operational in 9 districts of Saharanpur, Hooghly, Kolkata, Munger, Guntur, Madurai, Pune, Thiruvallur and Haridwar also. The primary focus is on door-to-door collection of household waste, segregation at site in order to re-cycle and minimise the load at municipal landfills.

Waste from Supply Chain

ITC intends to continually expand its coverage and include its supply chain members into the reporting boundary. With this intent, ITC started accounting for the waste generated from the operations of exclusive third party manufacturing (TPM) Units catering to the notebook segment of ITC's Education and Stationery Product Business as well as ATC Limited, ITC's associate Company from 2013-14. TPM Units for Cigarettes Business have also been included in the reporting boundary from the year 2014-15. Performance of these Units is detailed below.

The Road Ahead

In context of PWM Rules 2016 and the adopted concept of EPR on plastic packaging, Industry has a critical role to play in providing a holistic solution to MSW management. An effective EPR model needs to be complemented with a national level accounting of plastic packaging introduced into the market by a Producer, Importer or Brand Owner, against which the integrated MSW and plastic waste management programmes should be rolled out to off-set the plastic packaging used against the plastic wastes recycled or used for energy recovery as per approved methodologies, in a phased manner.

With learning from our direct experience on MSW management, we strongly believe that the following elements are essential for a comprehensive solution to MSW management:

- a) Public-Private Partnership (PPP) programmes on MSW management should be rolled out across the country, initially in urban centres, that integrates MSW and plastic wastes management. These PPPs must be driven to primarily meet the interests of the unorganised waste picker communities and all incomes generated should be channelised towards betterment of their livelihoods.
- b) A significant portion of plastic wastes in India constitute multi-layered laminates and lightweight plastics, which represent the visible part of plastic wastes getting littered or ending up in landfills, as low realisation from these categories of plastics do not make it viable for waste pickers to collect and segregate them.

Supply Chain Members	Total Waste Generated (in tonnes)	% Recycled
Exclusive TPM Units for Notebook segment	2798	87.1
Exclusive TPM Units for Cigarettes Business	1174	99.9
ATC Limited	1297	99.9

- Energy recovery from these plastic wastes can be achieved by using them as an alternative fuel (replacing coal/coke) in sectors such as the cement, steel and power. While use in the cement sector is an established practice, this end-of-life treatment option will become financially viable and sustainable only when these plastic wastes also obtain value realisation based on their quality and calorific value.
- c) Wet organic waste should be processed for production of bio-gas, with manure as a by-product. By and large, municipal wet organic waste in India remains under-exploited barring some isolated small scale efforts at composting or gasification. We are convinced that the technology for large scale gasification of these wastes for conversion to fuel is matured and the business model is viable. Solid residues, post gasification of wet organic wastes also serve as manure which creates one more potential revenue stream, thereby improving financial viability and independence of the integrated model.
- d) Land, transportation and other infrastructure support should be provided by Urban Local Bodies for collection, sorting and pre-processing of different waste categories.
- e) Behavioural change at the individual waste generator level for waste segregation at source requires sustained engagement and regulatory backing.
- While Industry can facilitate setting up of MSW management systems through capacity building, knowledge sharing and initial set-up support, the system itself must operate on a business for profit model, with all value created going to the stakeholders running the system. In our opinion, financial viability of integrated MSW and plastic wastes management models is what will drive its uptake across the country and determine its scalability.
- ITC is fine-tuning its strategy for tackling the issue of post-consumer waste management through collaboration with government, municipal corporations, NGOs, communities and other stakeholders within a boundary where significant influence can be exercised.

1

Focus on waste collection and segregation at source

Public-Private Partnership (PPP) programs for integrated MSW management

2

Financial viability of MSW management model

Responsible advocacy for

- Encouraging usage of multi-layered plastic/light-weight plastic waste in industries where it can be used as an alternate fuel for cement manufacturing, etc
- Awareness creation through industry associations

3

Mass Awareness Programmes

Leading campaigns to educate and encourage waste generators and other stakeholders (e.g. waste pickers) on source segregation

4

Research and Development (R&D)

Investment in R&D and implementation in pilot projects for recycling technologies of multi-layered plastic packaging waste

5

Life Cycle Assessment

LCA studies for identified products/services to evaluate the opportunities for improvement and enhance the resource efficiency in value chain



Raw Materials

Management Approach

All ITC Units continue to pursue efficient use of raw materials through focused efforts on waste elimination/reduction. Moreover, as most of ITC's Businesses are vertically integrated, this provides the Company unique opportunities for exercising greater control over optimum utilisation of raw materials, recycling/reuse of wastes as well as efficient logistics.

For addressing the impacts outside the boundary of operations, life-cycle assessment study of ITC's products are progressively being taken up with the objective of making such studies an integral part of product design and development. In addition, Board approved policies of ITC supplemented by a 'Code of Conduct for Vendors and Service providers' provide

the direction for sustainable sourcing of raw materials to ensure their long-term availability. Please refer to "Supply Chain" section of this Report for further details.





Challenges from Materials Sustainability

- Increased competition for resources, technology barriers, need for capital investments and maintaining cost competitiveness.
- Due to absence of adequate infrastructural support, any significant disruption in rainfall patterns resulting from climate change may lead to considerable adverse impacts on agricultural yields.
- Climate change aggravates the risks of low productivity of agricultural sector of India, impacting sustainability of agri based businesses.
- Focusing on long-term sustainability goals while operating in an environment where both market dynamics as well as regulatory framework are focused on the short-term.
- Low productivity as an outcome of increasingly small farm-plot holdings, inadequate access of farmers to knowledge and technology.
- Agricultural procurement and sourcing policies in India come from a controlled market philosophy shaped by circumstances of post-independent India. For a new India, where agri-productivity has to be maximised while also ensuring social equity, a new framework of laws and regulations is necessary.
- Furthermore, absence of crop and weather insurance reduce the risk-taking capability of the small farmers for investment in infrastructure improvement.

ITC Strategy

- Maximise resource use efficiency through rigorous process controls.
- Life-cycle assessment studies for identifying broad areas for improvements and expand these studies to all other products and services (Please refer to "Supply Chain" section of this Report for further details).
- Ensuring the sustainability of agriculture through integrated watershed development projects including rainwater harvesting and soil and moisture conservation projects particularly in regions where ITC sources its raw materials from.
- Grassroots capacity building for proper governance in agricultural water usage, self-sustenance of integrated watershed development programmes, infrastructure improvement etc. (Please refer to "Social Investments – Mission Sunehra Kal" of this Report for further details).
- ITC, through industry associations, and other appropriate forums engages with policy makers to discuss these issues.

ITC's Sustainability Policies providing framework for relevant sections

Policy on Environment, Health and Safety

Policy on Life-cycle Sustainability

Policy on Responsible Sourcing

Within Boundary Beyond Boundary

ITC's Performance

ITC's products and services can be broadly classified into the following categories:

1. FMCG (B to C) PRODUCTS

Cigarettes, Branded Packaged Foods, Personal Care Products, Education and Stationery Products, Matches and Agarbattis.

2. INDUSTRIAL SUPPLIES AND EXPORTS

Paper, Paperboards, Packaging, Leaf Tobacco, etc.

3. SERVICES

Hoteliering and Information Technology.

Flow of materials into ITC

As explained in 'Supply Chain' section, most of the ITC Businesses largely depend on agro-based raw materials. In 2015-16, ITC processed 20,52,892 tonnes of materials, out of which 95.3% (19,56,089 tonnes) were from renewable sources like agriculture and forestry.

The Paperboard and Specialty Papers Business contributes to over 80% of the total



**Approximately
74% of the fibre
produced in
Bhadrachalam
is from wood
sourced from
ITC's Social and
Farm Forestry
Initiatives**

raw materials procured by ITC. 16,47,645 tonnes of materials were processed by the Paperboard and Specialty Papers Business in 2015-16, out of which 99.6% were renewable. Leaf Tobacco and Agri Business Divisions which together account for around 10% of total raw materials procured by ITC, processed 1,96,278 tonnes of raw materials in 2015-16 and all of these raw materials were renewable in nature. Foods Business processed 1,44,836 tonnes of raw materials (7% of ITC's total raw materials) out of which 81.3% were renewable. In the above analysis, only those raw materials have been considered which constitute more than 10% of the total, consumed in any manufacturing Unit or have significant environmental importance.

ITC's initiatives in promoting sustainable practices in its supply chain have been detailed out in "Social Investments: Mission Sunehra Kal" and "Supply Chain" sections of this Report.

Responsible Sourcing of Wood Fibre

Wood is a major source of fibre for the paper and paperboards industry. Availability of

wood remains a critical challenge and is a serious sustainability concern, especially in a country with limited natural resources and acute income inequities.

Approximately 53% of the total fibre requirements of ITC's Paperboards and Specialty Papers Division (PSPD) is met by pulp manufactured at Bhadrachalam, another 19% comes from recycled fibre, processed at Kovai and Bhadrachalam and the balance 28% is imported pulp used at Bhadrachalam and Tribeni Units. Approximately 74% of the fibre produced in Bhadrachalam is from wood sourced from ITC's Social and Farm Forestry Initiatives. All the fibre used for operations at the Kovai Unit is either recycled/reclaimed fibre. 100% of the fibre used by ITC PSPD is of known and legal origin.

High yielding, site specific, disease resistant eucalyptus and subabul clones have been developed by in-house R&D. ITC distributed 132.21 million high quality saplings to farmers which resulted in increasing the area under social and farm forestry by 32,222 hectares in 2015-16.

Apart from the obvious benefits of increasing the green cover, plantation on degraded





wastelands under the Social Forestry Programme also directly contributes to *in situ* moisture conservation, ground water recharge and significant reduction in topsoil losses caused by wind and water erosion. In addition as a result of leaf litter from multi-species plantations and the promotion of leguminous intercrops, soils are constantly enriched.

Forest Stewardship Council™ Certifications

Further consolidating ITC's Triple Bottom Line performance, ITC PSPD achieved the prestigious Forest Stewardship Council™ (FSC™) Chain of Custody Certification in 2009, which is valid till 2020. To ensure responsible wood, all domestic wood procurement sources have been certified as per standards of FSC™ - Controlled Wood and nearly 30,000 hectares have been covered under the FSC™ - Forest Management Certification.

FSC™ is an independent, non-governmental, not-for-profit organisation established to promote the responsible management of the world's forests and is recognised as the gold standard in wood certification for ethical and legal sourcing. The FSC™ is represented in more than 107 countries around the world and is the most widely accepted and

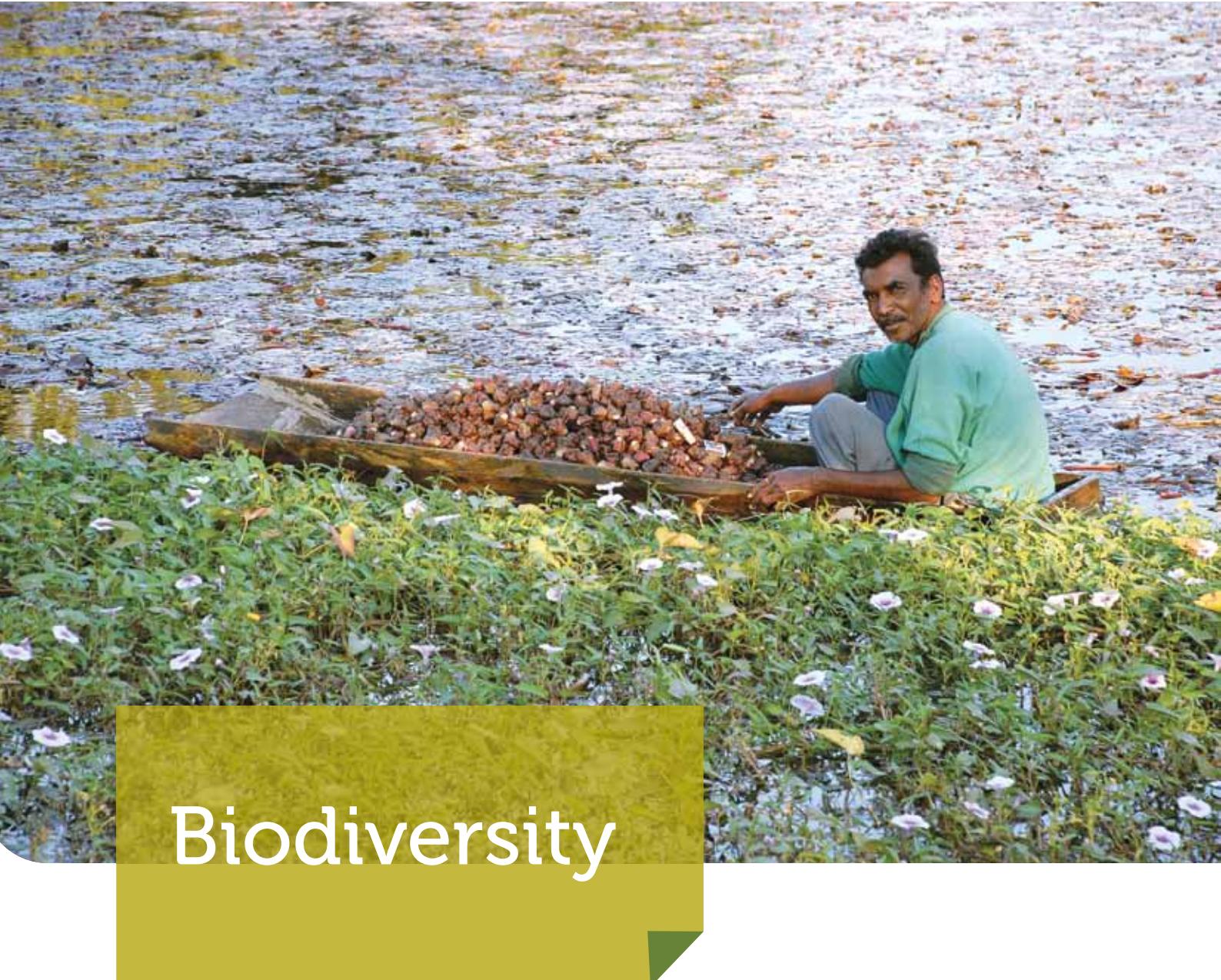
respected certification amongst forest product certification schemes. ITC PSPD can supply FSC certified paper/paperboard from all its four manufacturing Units, i.e. Bhadrachalam, Kovai, Tribeni and Bollaram. The FSC™ logo on the product assures customers that the material is from legal, sustainable and well managed sources.

FSC™ certification for ITC PSPD illustrates the organisation's continued commitment to sustainable business practices and to the building of an inclusive and secure future for its stakeholders and the society at large. The business is the largest seller of FSC™ certified grades of paperboards and paper in the country.

The Road Ahead

In the coming years, ITC plans to carry out more life-cycle assessment studies of products/services to evaluate the environmental impact at various life-cycle stages, which would help in identifying opportunities for further improving their environmental attributes. In line with the Board approved Policies on Life-Cycle Sustainability and Responsible Sourcing, formal systems and procedures will be progressively implemented across ITC Businesses.

ITC is the largest seller of FSC™ certified grades of paperboards and paper in the country



Biodiversity

Management Approach

Given the essential ecosystem services that nature provides, especially to rural households, ITC recognises that the preservation and nurture of biodiversity is crucial for the long-term sustainability of farming communities. In agro-ecosystems, biodiversity provides varied ecosystem services including recycling of nutrients, control of local micro-climate, regulation of local hydrological processes, regulation of the abundance of undesirable organisms, and detoxification of noxious chemicals. Decoupling of agro-ecosystems from ecosystem services rendered by biodiversity may result in overdependence on external inputs and ever-increasing economic and environmental costs, as well as impacting nutrition and health of consumers at various trophic levels.

The long-term sustainability of ITC's agribusinesses depends on natural capital, which includes land, underground and surface water and biodiversity. A 'sustainable agriculture area' incorporates ecological and biodiversity concerns and supports livelihood improvements. ITC has, accordingly, taken up biodiversity conservation as a major intervention in its operational areas through various initiatives. This will not only preserve the nation's rich biodiversity, but also ensure a sustainable future for communities residing in the Company's catchment areas.

Biodiversity Conservation - Progress

ITC has successfully implemented the programme to establish biodiversity conservation plots in the process of Natural



Resources Management to enhance floral and faunal biodiversity as well as ensure adequate livelihood and employment generation to local communities. The objective of the programme has been to motivate the communities to make productive use of degraded common lands through biodiversity conservation. Till now, under this programme, ITC has developed 139 biodiversity plots involving farmers and community members covering a total area of 3,942 hectares in 14 districts. The initiative has also helped in conserving thousands of species of flora and fauna, including birds, butterflies, reptiles and amphibians. Regular biodiversity indexing is also being carried out in biodiversity conservation plots, to measure the extent of success of the programme in terms of enhancing the species diversity and dominance.

by our Agri Business across our crop growing regions covering Karnataka (Mysuru district) and Andhra Pradesh (West Godavari, Prakasam and Guntur district). Over the past two years, it has helped the Business in building strategy and action plans to embed biodiversity conservation in agriculture practices. The BROA tool provides a method to identify impacts and dependencies of business operations on biodiversity of a given agricultural landscape, followed by an assessment of the various risks and opportunities that emerge, based on which plans are made and actions undertaken to address them.

ITC recognises that the preservation and nurture of biodiversity is crucial for the long-term sustainability of farming communities.

The Division's aim on biodiversity management is on embedding biodiversity conservation across its business value chain and helping the farmers to adopt best agricultural practices for sustainable agriculture. For us the focus is not just on species conservation for addressing biodiversity concerns, but the identification of any potential negative impact on ecosystem services and mitigate them in agriculture. Following from this, the following key initiatives were implemented





by the Division in 2015 towards biodiversity conservation in agriculture practices.

- Soil Conservation: The Business provides inputs to farmers on sustainable agriculture techniques that address physical, chemical and biological health of the soil in order to protect valuable soil resources. In 2015 around 7,000 hectares was covered under soil conservation programme covering the states of Andhra Pradesh, Karnataka, Telangana and Rajasthan.
- Water Conservation: Drip irrigation was implemented in 700 hectares of land in Andhra Pradesh covering tobacco and chilli crop, saving almost 900 million litres of water.
- Toxic Waste Management to Protect Ecosystem: Farmers were educated on safe disposal of empty pesticide containers by setting up toxic waste collection centres in villages. In 2015 the Company had established around 70 toxic waste collection centres in 70 villages (Andhra Pradesh and Karnataka) by involving local community, village panchayat and farmers. The toxic wastes collected in the

centres are scientifically disposed and safely incinerated at the state pollution approved facilities.

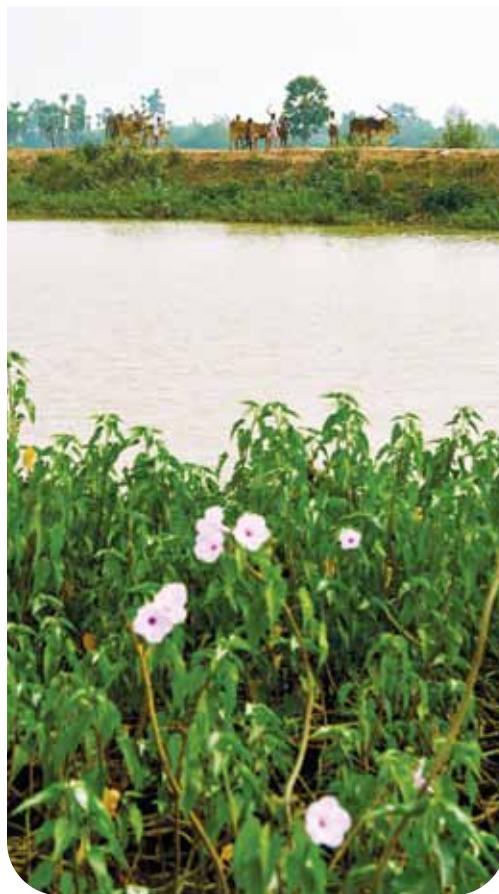
Mainstreaming Biodiversity Conservation at landscape level

Apart from biodiversity conservation in selected plots, ITC has embarked on a watershed level biodiversity conservation aimed at improving biodiversity in a larger area. Assessment of current status and plans for improvement was completed in Ravandoor tank cascade of Mysore district which is spread over 2,300 hectares. This assessment was done by Kalpataruvi, a non-profit organisation with technical support from University of Agriculture and Horticulture Shivmogga, Karnataka. Based on the study recommendations, a biodiversity conservation action plan was initiated and work was completed in 130 hectares. This work included activities such as large scale awareness generation and community participation, protection and conservation

Apart from biodiversity conservation in selected plots, ITC has embarked on a watershed level biodiversity conservation aimed at improving biodiversity in a larger area

of existing old trees in the area, plantation of native species on farm-field bunds and *in-situ* conservation of commons. Similar studies have been initiated in Nanjanayakanahalli and Kothegeala cascades in the same district spread over across 4,000 hectares area.

Going forward, ITC will partner with International Union of Conservation of Nature (IUCN) in Munger district of Bihar aimed at restoration of ecosystem services for the benefit of agriculture through biodiversity conservation. As part of the collaboration, IUCN will develop an Agriscape Tool, which will enable understanding of the status of natural landscape around farms and ecosystem services being provided. This will enable the program to design suitable interventions to promote crop productivity, simultaneously maintaining farm productivity, soil fertility as well as various other ecosystem services¹. The analysis undertaken will help in identifying the missing links/gaps in important ecosystem services identified for agriculture and allied livelihoods.



¹*In agro-ecosystems, biodiversity performs varied ecosystem services including recycling of nutrients, control of local microclimate, regulation of local hydrological processes, regulation of the abundance of undesirable organisms, and detoxification of noxious chemicals*



Social Performance





- Labour Practices & Decent Work and Human Rights
- Occupational Health & Safety
- ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth
- Product Responsibility





Labour Practices & Decent Work and Human Rights

Management Approach

ITC is committed to conducting business in accordance with the highest ethical standards. It expects its employees and business partners to subscribe and adhere to this philosophy

ITC operates in a diversified, ever-changing, highly competitive global landscape. This necessitates the development of a strong, customer responsive world-class enterprise premised on a commitment to employee well-being that goes beyond just conforming with relevant local laws to incorporating the best of global standards.

ITC is committed to conducting business in accordance with the highest ethical standards. It expects its employees and business partners to subscribe and adhere to this philosophy, which honours all pertinent laws and upholds the spirit of human rights as enshrined in existing international standards.

Objectives

The Company's primary objectives in this area for the next five years are to ensure that:

- All ITC's operational units are and will continue to remain fully compliant with the Company's Policies, premised on a zero tolerance guiding principle towards violations in this regard.
- All investment decisions will integrate Human Rights and Decent Labour Practices considerations into the decision-making process.
- All ITC's Business partners and supply chain members will follow and adhere to the Human Rights Policies that the Company upholds.

Accordingly, the Company has put in place Board approved Policies covering crucial

aspects of employee engagement and human rights.

Implementation

All ITC Units have instituted appropriate systems and processes to ensure compliance with these Policies and with statutory provisions, including processes to redress grievances. The implementation of these Policies is ensured by Divisional/ Strategic Business Unit Chief Executives, through members of the respective Management Committees. Compliance is regularly monitored and evaluated by the Sustainability Compliance Review Committee (SCRC). The report of the SCRC is reviewed by the Corporate Management Committee every quarter.

Outcomes

ITC's commitment to its employees and their well-being is reflected in its compliance with all its stated Policies, as demonstrated by the performance data presented in this section.

Human Resource Strategy

In order to sustain its position as one of India's most valuable corporations, ITC remains relentlessly customer-focused, competition-differentiated, performance-driven and future-capable. A vital element in preparing ITC for the future is to build today's capabilities to enable the best response to tomorrow's market opportunities. Five capability platforms relevant to making businesses future ready have been identified - Strategic, Value Chain, Leadership, Innovation and Human Resources Development. These platforms are also designed to strengthen organisational systems to facilitate speedy and competitively superior responses to market opportunities.

ITC follows two approaches to build critical capabilities in these identified areas. The first is to energise the organisation for change by building capability in its people through information, knowledge and skills. The second is to guide continuous learning and performance improvement in all functions and businesses.

Building Business Leaders

The Company's talent management programme strives to deliver its promise of 'Building Winning Businesses. Building Business Leaders. Creating Value for India.' ITC is guided by a holistic approach centred on multiple elements rather than on individual elements that impact talent. These include talent sourcing, work design, performance management and remuneration, individual growth and development, as they relate to talent management.

Leadership development is considered integral to talent management. ITC's 'strategy of organisation' – creating multiple drivers of growth through a diverse portfolio of businesses, each with its own independent leadership team – serves as an excellent platform to build distributed business leadership. An equally important dimension of building leadership is ITC's strategic learning and development agenda.

ITC has made significant investments in enhancing the organisation's recruitment and selection skills and performance management processes, which will positively impact its talent management programme.

Performance

Awareness & Sensitisation

Specific actions were undertaken during the year to ensure compliance with Policies on human rights and labour practices. These include:

- Sensitisation training on ITC's approach to Human Rights and on Prevention of Sexual Harassment at the Workplace was undertaken and covered 183 employees across businesses as well as 77 members of Internal Complaints Committees that have been constituted in line with The Sexual Harrassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
- Roll-out of the Grievance Redressal Procedure for all managers and office associates in ITC's Businesses and Corporate Head Office.

Five capability platforms relevant to making businesses future ready have been identified - Strategic, Value Chain, Leadership, Innovation and Human Resources Development



- Awareness building among vendors and service providers through the introduction of ITC's Code of Conduct on this aspect, which has been accepted by identified vendors/service providers.

Employees

During the year under Report, the number of full-time direct employees was 32,138 of which 1,581 employees in the Leaf Tobacco Business were engaged on a seasonal basis due to the nature of the business. Of the total number of employees, 3,490 were women. The number of new appointees for the reporting period was 5,884 of which 21% were women.

In addition, 20,135 employees of service providers were engaged during the same period.

11,592 direct employees are members of various unions. The Company continues to invest in its time-tested approach to progressive employee relations characterised by the core principles of trusteeship, fairness and equity, industrial democracy and partnership with enlightened trade unions. ITC was able to sustain its excellent record of industrial harmony, highlighted not merely by the absence of strife, but by the more positive outcome of effective performance in terms of high productivity and superior quality.

During the year, employee relations were handled well and there was no stoppage of

work for any reason whatsoever in any of ITC's Units.

Employee Well-being

Nurturing quality talent and caring for the well-being of its employees are integral to ITC's work culture. The organisation's approach focuses on creating a conducive work environment that combines the need to focus on performance and results with a caring and compassionate work ethos to deliver winning performance. The health of its employees is a vital area of concern for ITC and periodic preventive health check-ups/medical camps, awareness programmes on a healthy lifestyle and the development of wellness plans are organised across units. Permanent employees of ITC receive benefits such as periodic preventive health check-ups, medical assistance (including hospitalisation), group accident insurance, annual leave along with leave encashment and retirement benefits, among others. In addition, most units have a wellness centre and a resident doctor.

In 2015-16, 100 employees availed maternity leave. In FY 2014-15, 135 employees had availed maternity leave of which 85 have continued working after a year, resulting in a return-to-work rate of 63%.

ITC Hotels offers its employees a confidential counselling service so that they can seek professional help in a safe and secure environment in dealing with issues such

ITC's approach focuses on creating a conducive work environment that combines the need to focus on performance and results with a caring and compassionate work ethos to deliver winning performance

as developing coping skills to meet life challenges, making important decisions or exploring new avenues for change and growth.

To drive employee engagement and well-being, ITC's Businesses have promoted diverse interventions ranging from employee contests to generate innovative ideas to communication and "connect" processes, like town-hall meetings, local intranets and fun@work events as well as business specific rewards and recognition programmes. Sports programmes and recreational events that encourage the creative talents of both employees and their families are organised periodically, and in some units participation is extended to employees of service providers. To capture 'employee voice', most units conduct periodic employee engagement surveys wherein employees share their views on the workplace. To promote mental and spiritual well-being, employees also have the opportunity to volunteer for a variety of social programmes.

Attrition

ITC has ensured attraction and retention of quality employees as a result of its talent management strategy of offering diverse experiences and challenges across varied business contexts, investments in the development and growth of employees, as well as a market-driven and competitive remuneration policy. The overall attrition (comprising voluntary separation,

retirement, termination and abandonment of services) in the Company, including ITC Infotech, for 2015-16 was 19%, across management and non-management employees. The attrition for management level employees was 17%. The attrition for non-management employees was 20%, 81% of which happened in ITC Hotels and ITC Infotech Limited. Gender-wise attrition was at 17% and 33% for male and female employees, respectively. The attrition of female employees in ITC Infotech and ITC Hotels is an area of focus for the Company, and efforts are on to identify and resolve the key dissonance factors.

ITC believes that diversity at the workplace positively impacts work performance and the work environment through superior consumer-centricity, innovative ideas and better employee engagement

Diversity and Equal Opportunity

ITC believes that diversity at the workplace positively impacts work performance and the work environment through superior consumer-centricity, innovative ideas and better employee engagement. Employees with diverse cultural backgrounds bring their own unique experiences, perceptions, knowledge and skills, which when harnessed, strengthen the organisation's productivity and ability to proactively respond to changing conditions. Equally, exposure to new ideas, cultures and perspectives encourages the personal growth of employees.

ITC's Policy on Diversity and Equal Opportunity (please refer to Policies on ITC's Corporate website, www.itcportal.com.





ITC's recruitment and selection processes are geared towards enabling representation from across regions, ethnicities, religions and different social strata

com) and its implementation is focused on fostering meritocracy in the organisation, which promotes diversity and offers equal opportunity to all employees. The intent is to ensure that there is no discrimination in compensation, training and employee benefits, based on caste, religion, disability, gender, sexual orientation, race, colour, ancestry, marital status or affiliation with a political, religious or union organisation or majority/minority group. Given the socio-cultural diversity of our country, ITC's recruitment and selection processes are geared towards enabling representation from across regions, ethnicities, religions and different social strata.

ITC's Company culture ensures that aspects of work-life balance for employees, especially for women, are suitably addressed. ITC demands, demonstrates and promotes professional behaviour and treats all employees with equal respect. In this regard, ITC has put in place suitable processes and mechanisms to ensure that issues relating to sexual harassment are effectively addressed. In line with The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, Internal Complaints Committees have been constituted in all units. These Committees are intended to facilitate open and structured discussions on sexual harassment complaints and to ensure their

resolution in a fair and just manner. During the year, 8 complaints of sexual harassment were received, 6 of which have since been resolved and 2 are in the process of reaching a resolution.

ITC's Hotels Division has been proactively creating awareness on the opportunities for employing people with disabilities among potential employers. It has prepared two handbooks to guide industry action in this endeavour – 'ITC Hotels Disability Handbook for Industry' and 'A Guide to Universal Design in Built Environments: A Guide for Creating Accessible Building Infrastructure for Persons with Disability'. Presently there are 71 differently abled employees working in ITC, the majority of whom are employed by the Hotels Business.

ITC encourages local employment in its manufacturing units and hotels, depending on the availability of requisite skills. Some ITC Units partner with local Industrial Training Institutes to provide vital inputs to the management of these institutions. ITC has also partnered with National Skill Development Corporation (NSDC) empanelled agencies to impart market linked vocational training on skills including sales & distribution, hospitality, electrical maintenance, automobile repairs, beautician and garment manufacturing with the objective of enhancing the employability of youth from disadvantaged sections of society. During 2015-16, over 12,667 students were enrolled in Company promoted vocational training programmes of which 34% were women and 40% were Scheduled Caste/Scheduled Tribe candidates. ITC Units also provide apprenticeship training opportunities to a large number of youth.

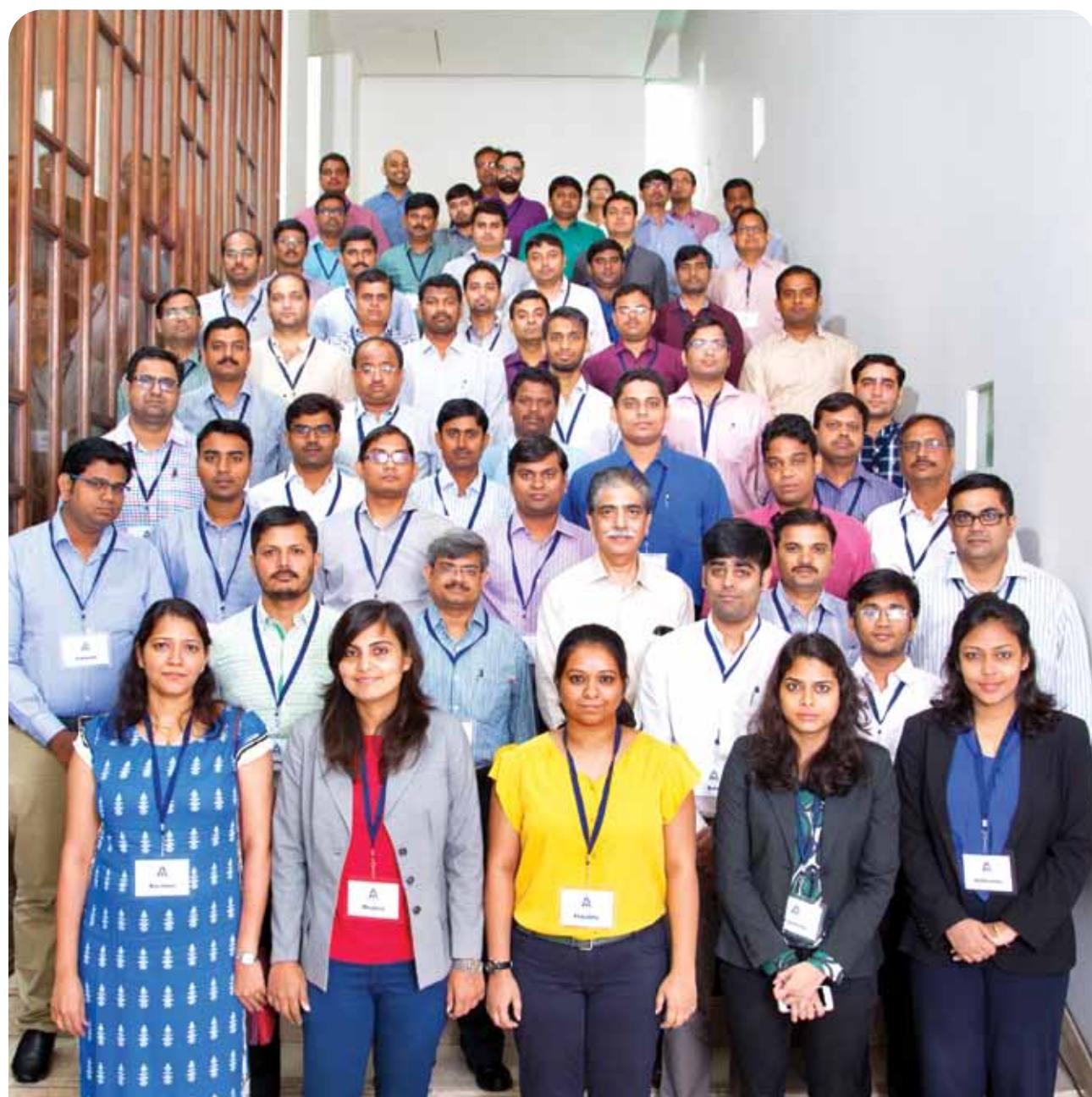
Committed to employing youth from disadvantaged communities, ITC has enlarged its impact by increasing the talent pool of youth from these communities by equipping them with the necessary skills or qualifications to make them more employable in the formal sectors of the economy. ITC places equal emphasis on strengthening the economic portfolio of poor households belonging to marginalised groups through initiatives aimed at natural resource management and creation of off-farm opportunities to create sustainable livelihoods.



During the year, the Company's affirmative action initiatives have had a direct and tangible impact on the lives of 23,749 Scheduled Caste/Scheduled Tribe beneficiaries.

ITC has a multi-pronged approach to learning, with focused interventions in core and functional areas, customised business specific and organisation-wide strategic interventions, as well as three-tiered leadership development programmes. Based on the premise that action learning will lead to better skill development, the programmes emphasise workplace projects and demonstrated leadership behaviours on the job rather than classroom learning, making them more in the nature of long-term journeys rather than short-term events.

Multiple forums for learning include classroom training, on-the-job training, inclusion in taskforces and projects, mentoring and deploying organisation-wide portals to enable sharing of best practices.





ITC recognises its responsibility to proactively encourage high standards of human rights across its supply chain

Employee training at the factory level focuses on continuous skill upgradation on the basis of skill-gap assessment and planned technology induction. In 2015-16, 1,49,264 person-days of formal training were organised for employees at various levels. In addition, on-the-job learning opportunities were provided to a cross section of employees supported by inputs from peers and superiors.

ITC's Performance Management System also plays a pivotal role in charting out the development agenda of employees in the management cadre. In 2015-16, all eligible managers underwent performance reviews.

The 'Gurukul' – ITC's state-of-the-art technical training facility located in Ranjangaon – is a significant milestone in its skilling journey. The first integrated facility catering to all the Company's FMCG Businesses, Gurukul offers both short-term (1 to 2 weeks) and integrated long-term (1 year) programmes to enhance shop floor skills.

Human Rights

Human Rights: Significant Investments

During 2015-16, nearly ₹899 crores out of total capex cash flow of ₹2,167 crores was incurred on machinery and technology, sourced from reputed global suppliers/vendors. Approximately ₹760

crores were invested on new factories, hotels and modernisations.

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

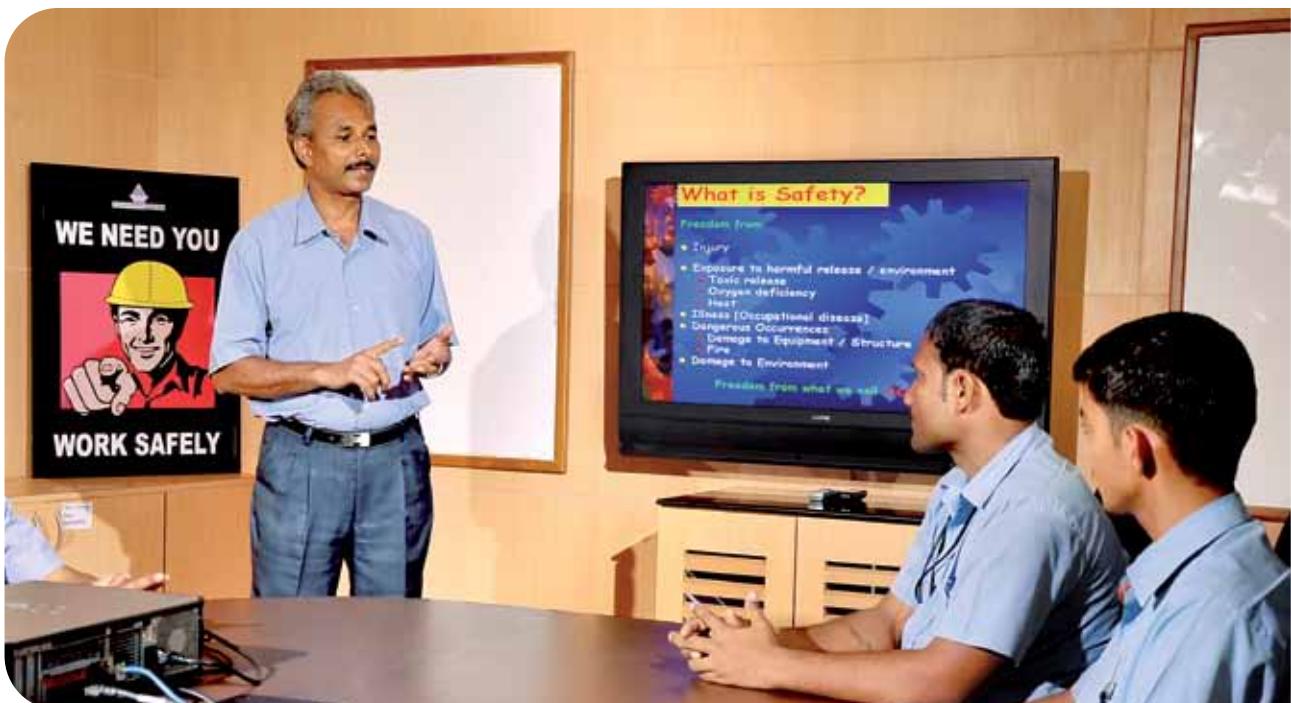
All large projects were managed and supervised by ITC managers, who also ensured compliance to relevant laws.

Systems have been established to ensure compliance of our Policies and Standards, through rigorous audits by Corporate Internal Audit.

Human Rights: Supply Chain

As a large multi-business enterprise with products that are benchmarked nationally and internationally, ITC recognises its responsibility to proactively encourage high standards of human rights across its supply chain. The Company's approach to managing human rights in the following distinct categories is described below:

- ITC's Businesses are vertically integrated across several Divisions, all of which ensure adherence to ITC's Human Rights Policies.
- ITC procures inputs for the Company's agri-based businesses entirely from state controlled trading platforms and the open





market. The process is designed to ensure transparency and best prices even for small and marginal farmers.

- ITC ensures that all its employees and all service providers operating within Company establishments adhere to its Policy on Human Rights, Labour Practices and Decent Work Environment. ITC has zero tolerance for non-compliance in this area.
- As a first step in ensuring a high degree of awareness and emphasising ITC's focus on Human Rights and EHS in its extended supply chain, the 'ITC Code of Conduct for Vendors and Service Providers' has been shared with supply chain partners and accepted by identified vendors/service providers.

During 2015-16, there were 1,790 service providers of which 1,454 operated within the Company's premises and 336 worked off-site. 99% of service contracts with these service providers include clauses in line with ITC Human Rights Policies and EHS guidelines.

No contracts were cancelled during the year as a result of non-compliance with ITC's Human Rights Policy.

Freedom of Association

During 2015-16, no incidents of violation of Freedom of Association were reported either at the concerned units or to statutory authorities. Within ITC's operations, there are no areas that present risks to the right to exercise Freedom of Association and Collective Bargaining.

Prohibiting Child Labour and Preventing Forced Labour at the Workplace

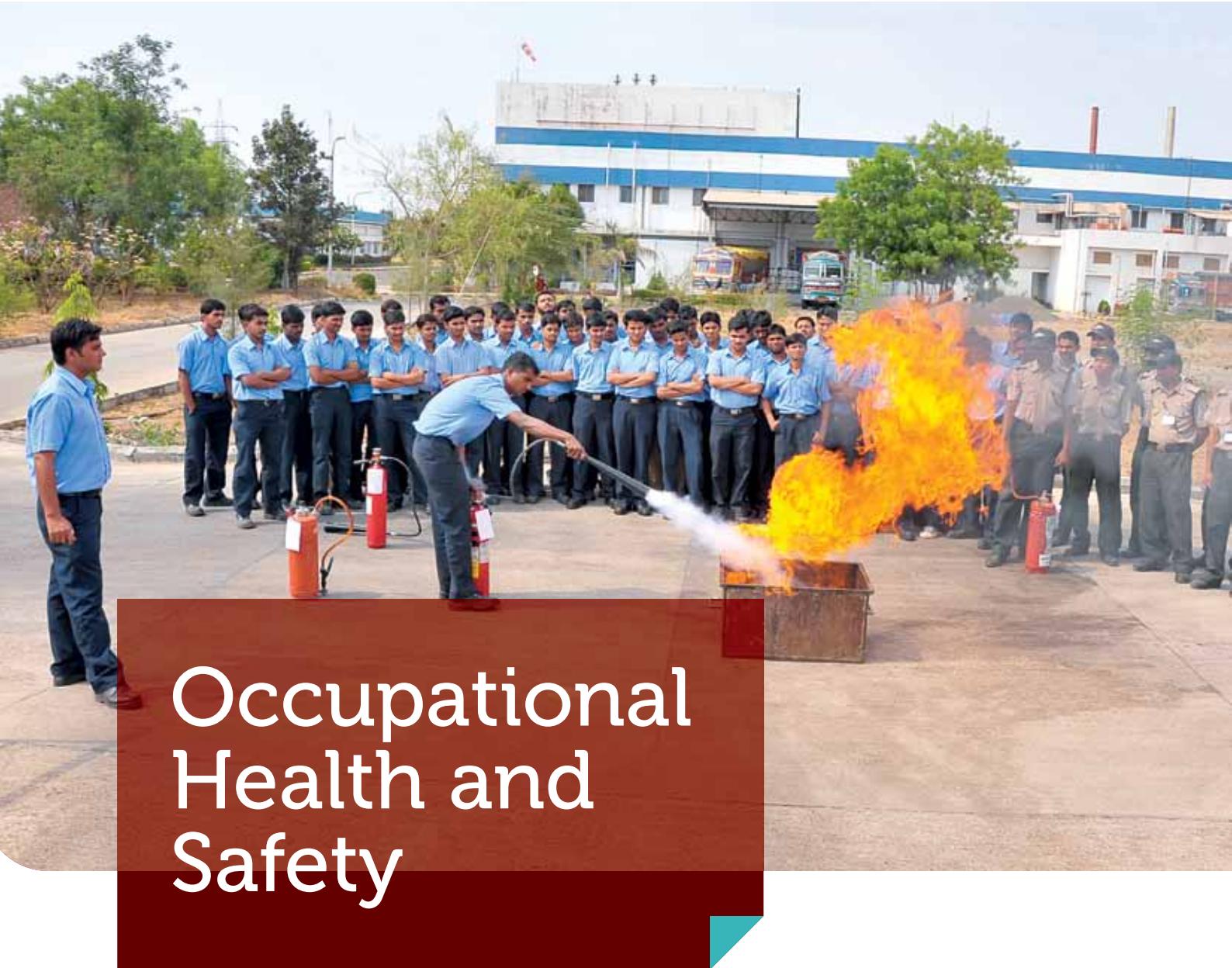
During 2015-16, there were no incidents of child labour or forced labour within ITC establishments. The process of strengthening systems to educate, mandate and thereafter track adherence to ITC's Policy on Human Rights in the Supply Chain has started with the sharing of the 'ITC Code of Conduct for Vendors and Service Providers'. This process should be well established over the next four years, beginning with capacity building of vendors and service providers on Human Rights to be followed up with encouraging the supply chain partners to undertake social audits.

Grievance Redressal Process

A Grievance Redressal Procedure for non-unionised employees has been implemented to address concerns of internal stakeholders pertaining to Labour Practices and Human Rights violations. Aspects of employment including compensation, working hours, disciplinary practices, maternity protection, occupational health & safety, training & education, diversity & equal opportunity, equal remuneration for men and women as well as concerns in the area of Human Rights, if any, will be addressed through this mechanism.

During the year, 309 grievances were received from workmen on matters pertaining to welfare, facilities and administration and 227 of them have since been resolved.

The process of strengthening systems to educate, mandate and thereafter track adherence to ITC's Policy on Human Rights in the Supply Chain has started with the sharing of the ITC Code of Conduct for Vendors and Service Providers



Occupational Health and Safety

ITC believes its workforce is a key asset contributing to the Company's long-term standing as one of India's most admired organisations. The Company 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 enhance the Company's overall performance. This helps in attracting and retaining quality talent, and enhances the equity of the Company as a responsible Corporate.

The ITC Approach

ITC's approach towards best-in-class occupational health and safety standards is articulated in the Board approved Environment, Health and Safety (EHS) Policy that emphasises on continual improvement and is based on an EHS management system developed in accordance with internationally recognised standards, supported by

continued investments in state-of-the-art technology and quality human resources.

As a first step, EHS requirements are integrated at the design stage itself for all new investments in the built environment. The design reviews cover building & structural stability, fire & life safety measures, electrical systems, segregation of man-material movements, work place lighting, ventilation & hygiene requirements, noise & dust controls, water and energy use optimisation, traffic safety, etc. The process of incorporating EHS at the design stage not only helps in eliminating/reducing hazards but also optimises the overall infrastructure as well as operational costs.

As a next step, compliance with EHS standards during the construction phase is ensured by implementing appropriate project EHS management systems. This includes adequate training of all employees including service providers' employees,

ensuring usage of safe equipment/tools/tackles, development of and adherence to safe work procedures/method statements, observance of good housekeeping & storage practices and usage of personal protective equipment. Pre-commissioning audits of all large projects are carried out by Corporate EHS (CEHS) to ensure that all equipment and systems have been procured and installed in conformance with agreed standards and a formal clearance is required to be provided before the project can be operationalised.

At the operational stage, all ITC factories, hotels, warehouses and offices have established EHS management systems with designated roles and responsibilities and competent resources to comply with Corporate EHS Guidelines. Each ITC Unit has EHS Committees to promote active participation of employees in EHS management. The EHS Committee meets at least once every quarter to review the EHS performance of the Unit. Health and safety topics are also covered in the long-term agreements with trade unions. During 2015-16, 2 such agreements had been signed.

ITC Corporate EHS Guidelines also require raising of awareness amongst employees, their families and surrounding communities regarding off-the-job safety aspects such as home safety, safe use of LPG in kitchen, HIV/AIDs, hepatitis, dengue, malaria and road safety. As part of ITC's preventive medical programme, various categories of employees based on their age and exposure

to occupational hazards, undergo periodic medical check-ups.

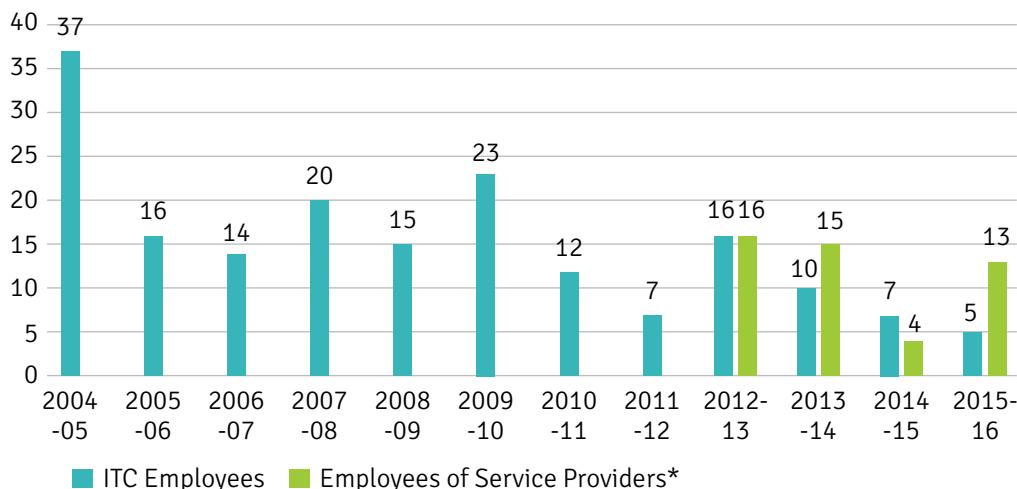
Compliance is monitored through internal audits by CEHS across ITC establishments on a periodic basis and forms part of the report back to CMC (monthly) and the Board (quarterly), together with accident statistics, their investigation and subsequent closure. In addition, Business units adhere to international standards such as OHSAS 18001 and ISO 14001.

The EHS resources of the Divisions provide the support necessary to ensure proper implementation of the ITC EHS policy, while the Unit Heads and the Divisional Management Committees are responsible and accountable for ensuring compliance. The CEHS function is responsible for reviewing and updating standards and guidelines on EHS policies, for providing guidance and support to all concerned and for monitoring compliance at the corporate level.

On-site Safety Performance

In 2015-16, the total number of on-site Lost Time Accidents (LTA) in ITC was 18 (against 11 in 2014-15). All of these 18 accidents occurred to male employees and out of these 5 occurred to ITC employees and 13 to employees of service providers, as depicted below.

Lost Time Accidents (LTA)



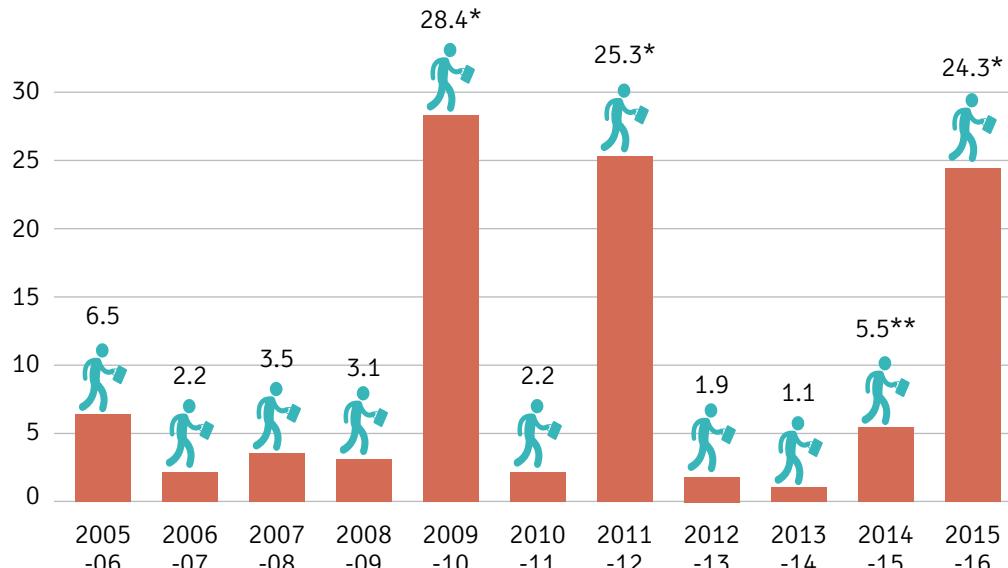
ITC believes that a safe and healthy work environment is a basic requirement for ensuring employee well-being and that best practices in occupational health & safety enhance the Company's overall performance

LTA- An accident where the injured does not return to work in the next scheduled shift

* ITC started reporting on the accident performance of its service providers' employees from 2012-13.



Lost Day Rate - ITC Employees



* Increase in lost day rate in 2009-10, 2011-12 & 2015-16 attributable to one fatal accident in each of these years, wherein a loss of 6000 mandays is required to be accounted for as per IS 3786:1983.

** Increase in comparison to 2013-14, due to an accident wherein the injured suffered amputation of the right thumb for which a loss of 1800 mandays is required to be accounted for as per IS 3786:1983.

Though there has been reduction in the on-site accidents of ITC employees over the years, the on-site accidents of service providers' employees increased to 13 from 4 in 2014-15. Analysis of root causes of the accidents shows scope of improvement in supervision of service providers' employees and system of risk identification & control. Accordingly, necessary actions have been implemented across the Units. In addition, appropriate interventions have also been taken at multiple Units in line with ITC's overall approach to inculcate a sense of ownership at all levels and create an organisation-wide safety culture.

There were two very unfortunate fatal accidents during 2015-16, one involving an ITC employee and other to an employee of service provider. In the first case, an ITC employee got exposed to toxic gases (generated from manufacturing process) while carrying out maintenance of a gas handling system. The other fatal accident happened in a construction site of an upcoming ITC Unit wherein an electrical panel fell upon an employee of service provider while he was shifting the same.

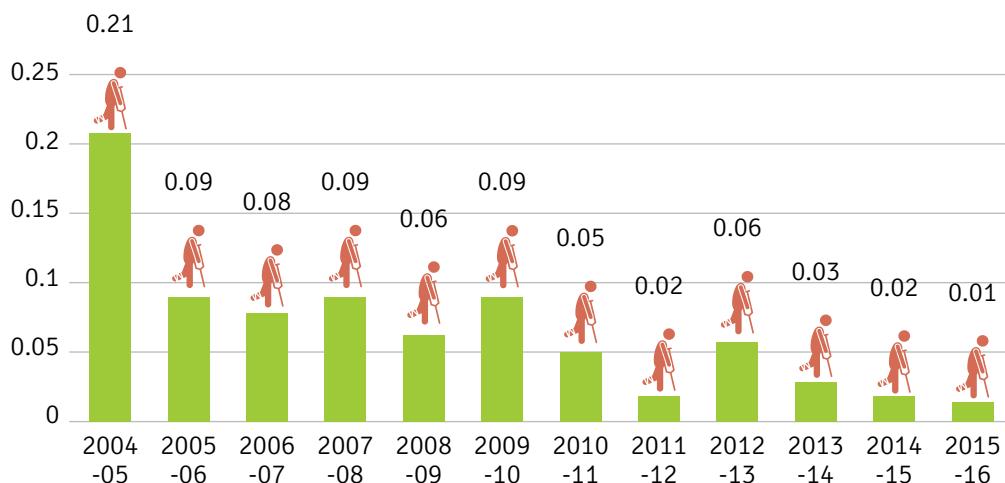
Detailed investigations were carried out to identify the root causes and accordingly, appropriate interventions had been made to avoid similar incidents in future. These interventions included refining the risk assessment process, improving emergency response system and strengthening of supervision of service providers' employees.

Lost day rate, defined as the number of days lost due to accidents for every 2,00,000 person hours worked, for ITC employees over the years is depicted above.

Injury rate, defined as the frequency of injuries in relation to total time worked, for ITC employees also shows a significant improvement. Since 2004-05, there has been a substantial reduction in the injury rate from 0.21 to 0.01 in 2015-16 (an improvement of 95%).



Injury Rate - ITC Employees



This year onwards, ITC has started reporting on the safety performance (lost day rate and injury rate) of its service providers' employees working within ITC premises. In 2015-16, the lost day and injury rates for employees of service providers were 40.0 and 0.05 respectively.

Zero Accident Units

The following ITC units achieved 'Zero On-site Accident' status in 2015-16:

Manufacturing Units	Hotels	Offices and others
<ul style="list-style-type: none"> • Cigarette Units at Munger, Kolkata, Bengaluru, Saharanpur and Pune • Leaf Threshing Units at Chirala, Ananparti and Mysuru • Packaging & Printing Units at Haridwar and Munger • Paperboards and Specialty Papers Units at Bollaram • Foods Units at Haridwar and Munger • Personal Care Products Units at Manpura 	<ul style="list-style-type: none"> • ITC Maurya • ITC Mughal • ITC Grand Central • ITC Rajputana • ITC Maratha • ITC Sonar • ITC Windsor • ITC Grand Chola • ITC Gardenia • ITC Grand Bharat • My Fortune, Chennai • My Fortune, Bengaluru • WelcomHotel Sheraton, New Delhi • ITC Kakatiya • Fortune Resort Bay Island • Classic Golf & Country Club, Gurgaon 	<ul style="list-style-type: none"> • ITC Head Office, Kolkata • Research Centre at Rajahmundry • ITC Green Centre, Gurgaon • Divisional Headquarters of Cigarettes Business, Agri Business, Leaf Tobacco Business, Paperboards & Specialty Papers Business, Packaging & Printing Business, Foods Business, Personal Care Products, Matches & Agarbattis and Education and Stationery Products Business • ITC Green Centre, Manesar • Technico, Chandigarh & Manpura

Over the years, the number of Units delivering "zero on-site lost time accidents" performance has progressively increased and more importantly, have held on to their performance. Out of the above 44 Units, 28 Units have been consistently achieving "zero lost time accidents" status for the last 3 years.



Off-site Safety Performance

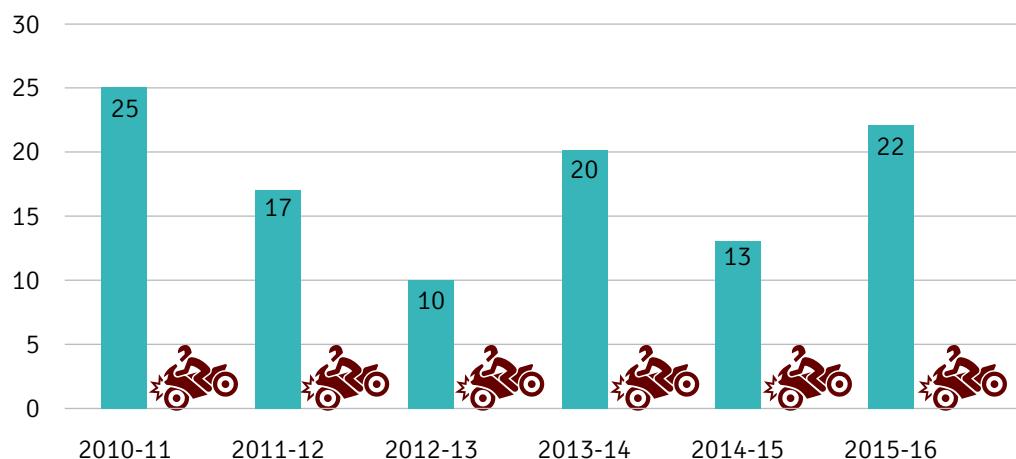
In line with its commitment to ensure the safety of employees, ITC has also initiated adequate measures for its employees working off-site. In ITC, off-site is defined as all places other than the premises where posted, while on official duty, including commuting to and from residence to place of work. Since over the years the majority of the road accidents have involved 2-wheeler riders, a user interactive 2-wheeler rider's safety programme was developed and rolled out in 2011-12, which has now been translated into Hindi and other vernacular languages to extend its reach. This programme, in 2015-16, has also been rolled out amongst supply chain stakeholders, by imparting this training to wholesale dealer personnel connected to ITC's Trade Marketing & Distribution vertical.

The total off-site lost time accidents in 2015-16 were 24 including 3 accidents to women employees. Out of these 24 accidents, 22 were road accidents and 15 accidents involved 2-wheeler riders. This year also witnessed 3 accidents to 4-wheeler users. During 2015-16, ITC developed a user interactive training module, specifically for 4-wheeler users.

Occupational Health

A healthy workforce is an important contributor to ITC's competitiveness and sustainability. All Units maintain a conducive work environment meeting Indian/International standards on hygiene, lighting, ventilation and effective controls on noise and dust. Units are provided with occupational health centres with adequate

Road Accidents Trend



medical staff to monitor occupational health and provide immediate relief, when required. In addition, at least 2% of total employees are professionally trained as first aiders.

Identified medical examinations are conducted at specified intervals for various categories of employees based on age as well as exposure to occupational hazards. Accordingly in 2015-16, 14,486 employees underwent preventive medical examinations and there were no occupation related illnesses identified in any of ITC's Business Units.

HIV/AIDS and Other Serious Diseases

ITC remains committed to protecting its employees from the threat posed by various serious diseases including HIV/AIDS. During 2015-16, the awareness/counselling sessions conducted for the employees and communities around ITC's Units covered a total of 11,708 people, out of which 10,408 were employees of the Company, while the remaining were local community members.

The Road Ahead

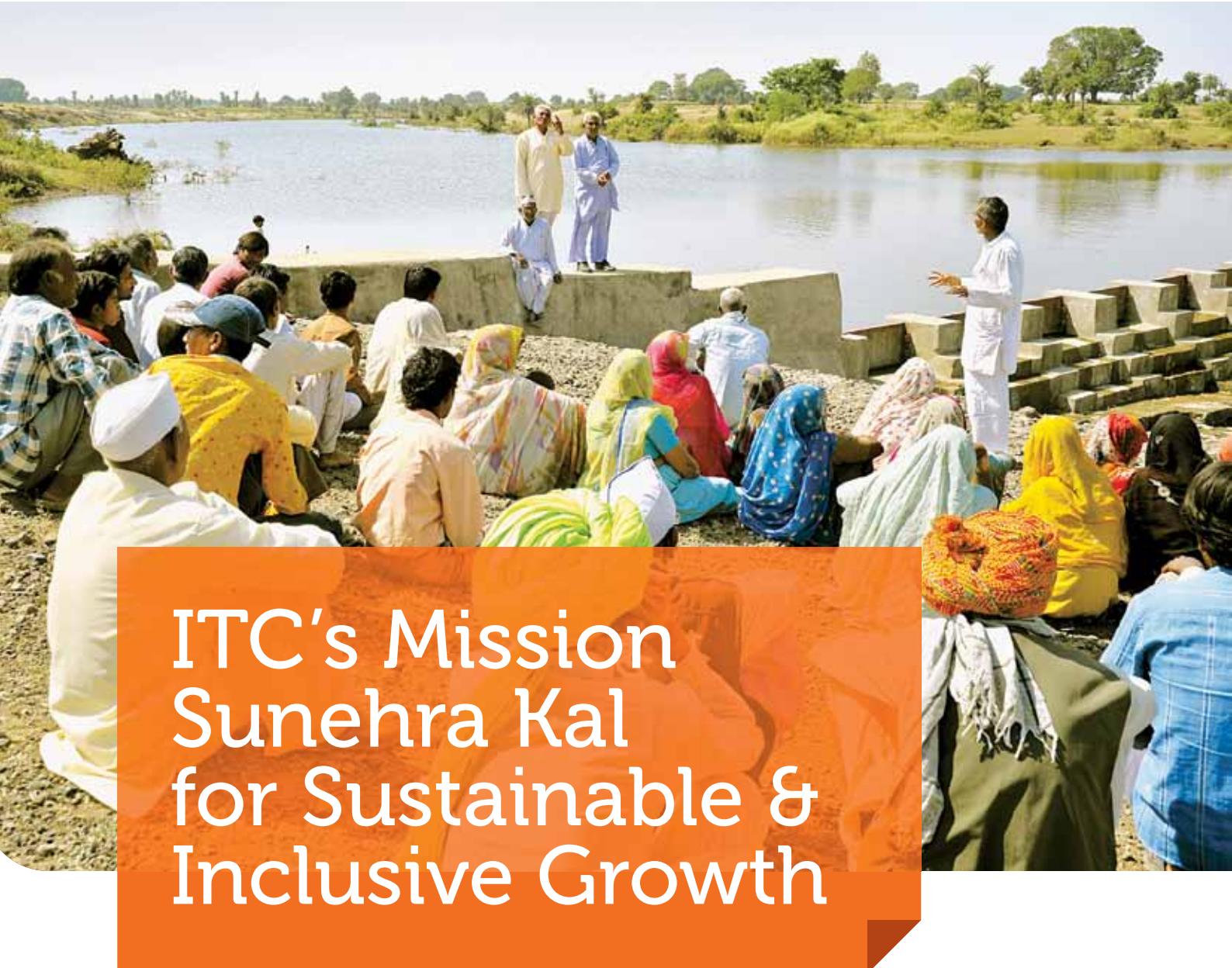
Based on the root-cause analysis of accidents over the years, the approach to safety has been redefined with the focus now on fostering a culture of safety and the use of

behavioural architecture techniques. In line with the Company's EHS policy, the approach is to institutionalise safety as a value-led concept with focus on inculcating a sense of ownership at all levels, leading to the creation of a safety culture. Periodic reviews are undertaken to ensure that training and other communications are relevant and take into account the local socio-economic context to ensure the transition from "awareness developed" to "changed behaviour". During 2015-16, the safety culture initiative has been further extended to 4 more manufacturing Units. In addition, the initiative has also been rolled out in the Divisional Head Quarters (DHQ) of Paperboards and Specialty Papers Business with an objective to develop a cohesive safety culture across factories and offices. Continuing this approach, ITC has plans to extend this initiative in the Corporate Head Office.

While ITC will continue to focus on strengthening the engineering control measures through 'design for safety', pre-commissioning/operational audits and training interventions, based on the encouraging results achieved, ITC plans to expand the coverage of behavioural based safety and custom-made risk based training programmes to other units. This approach which combines empowerment and ownership with targeted interventions and strict accountability should help ITC in its journey to achieve the "Zero Accidents" goal.

Based on the root-cause analysis of accidents over the years, the approach to safety has been redefined with the focus now on fostering a culture of safety





ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth

Management Approach - Society

ITC believes that the performance of business enterprises must be measured in terms of the value they create for society. Enterprises that embed sustainability in their business strategies can deliver substantial stakeholder value through innovative development models that simultaneously create livelihood opportunities and a positive environmental footprint. The Company firmly believes that such an approach unleashes strong drivers for achieving development with social equity.

Policy

The Board of the Company has approved a CSR Policy that covers the programmes, projects and activities that the Company plans to undertake to create a significant positive impact on its identified stakeholders.

These programmes fall within the purview of Schedule VII of the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Policy was adopted in 2014-15 and continues in its original form since there have been no developments in the external or internal environment to prompt a review.

Commitments

Statement of Intent: 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. Our way of grassroots empowerment, based on knowledge and technology transfer, confronts livelihood challenges of today and tomorrow through a holistic approach to create a prosperous, healthy, educated and skilled community which looks to the future with confidence and determination.

In order to actualise this intent, the Company is committed to ensure the following:

- Continue to strive for scale in the core operational geographies and remain contemporary by leveraging government partnerships and accessing knowledge/technical know-how.
- Strengthen and empower Community Based Organisations in all our project areas for participatory planning, ownership and long-term sustainability of interventions.
- Move beyond mere asset creation to behaviour change through focus on demand generation for all interventions to ensure ownership, participation and contribution.
- Specially target poor and marginalised communities/groups in our catchments to ensure inclusive development and thus impact human development indices significantly.

Goals & Targets

Context: In line with the Company's CSR Policy, the key stakeholders, based on the material aspects of our Businesses, comprise:

- Rural communities with whom ITC's Agri Businesses have forged long and enduring

partnerships through crop development and procurement activities. While such economic linkages have generated wealth for rural households on a sustained basis for decades, they also look to the Company to help find viable solutions to combat extreme weather episodes that impose a threat to their production system.

- Communities residing in close proximity to our production units: Situated in urban and semi-rural hinterlands, these communities derive considerable benefits from the multiplier effects arising from the operations. Nevertheless, there is an expectation that the Company will aid in creation of the necessary socio-economic infrastructure, thus contributing to human and social capital.

Core Operational Areas: Our commitment to transformational change in the lives of our stakeholders demands a very intensive and deep engagement. It was necessary therefore to rank all current locations of SIP's interventions in an order of priority to delineate those which are of prime importance to concerned businesses. Based on parameters relevant to businesses (given in the table below) and in consultation with them, core villages and clusters were identified during the year.

ITC's Social Investments Programmes accesses knowledge/technical know how, leverages government partnerships and focuses on core operational geographies to promote all-inclusive development. The initiatives aim at creating "Adarsh" habitations aligned to national priorities and goals

Business	State & Districts	Logic for Core Areas
ILTD	Andhra Pradesh - Prakasam, Nellore, West Godavari & Guntur	All Adarsh Gram Villages identified by the Division
	Karnataka - Mysuru	
ABD	Madhya Pradesh - Sehore, Vidisha, Guna & Ashoknagar	Wheat crop areas with high procurement & higher presence of poor and marginalised communities
	Uttar Pradesh - Chandauli & Allahabad	
	Rajasthan - Kota, Baran, Jhalawar & Bundi	
PSPD	Telangana – Khammam	Villages with significant area under plantations with high future potential within a radius of 50 kms in Khammam district
Factories	Prakasam, East Godavari, Khammam, Chennai, Krishnagiri, Coimbatore, Mysuru, Bengaluru, Kolar, Pune, Saharanpur, Haridwar, Baddi, Munger, Kolkata, Howrah, Hooghly, Kamrup, Darrang, Kapurthala	Villages/municipalities within 5 kms radius plus any other locality recommended by the factory

Based on these parameters, a total of 103 core clusters have been demarcated comprising 902 villages/wards which would form the nucleus of the 2 Horizons suite of interventions in the coming years and therefore require a significantly larger outlay of Social Investments.

Dominant Profile of Core Areas: In order to design a well-targeted programme, it was also necessary to identify some of the main demographic and agro-ecological characteristics of the core areas. Data for this was captured through household questionnaire surveys covering 1.16 lakh households, which formed 22% of the total households in the core areas.

The accompanying table provides a glimpse of some of the important indicators that would have a bearing on our work.

Stakeholder Profile



5 lakh households
1/3rd Poor
5% women headed



24 lakh population
23% SC/ST



30% of population
< 14 years



25% of population
between 14-25 years
of age



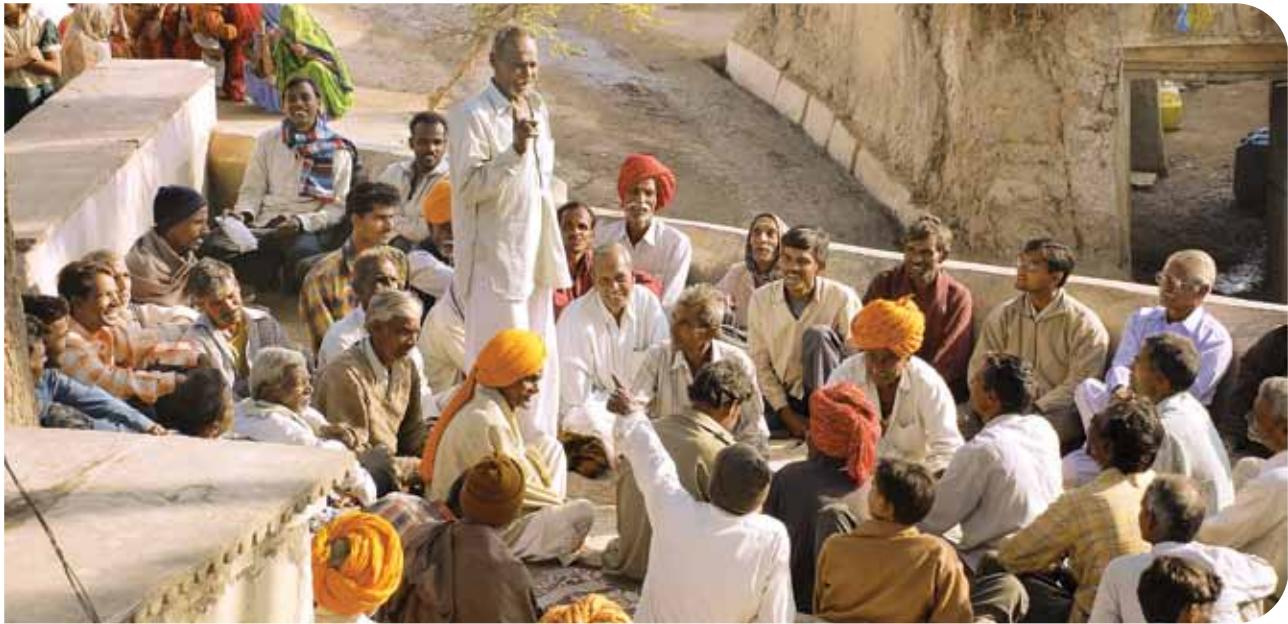
Fragmented landholding
1 ha average size
60% small & marginal



Arable area - 2.13 lakh ha
60% rainfed agriculture

Insights: The information from the needs assessments combined with the survey data of households provides important inputs into the nature of the development challenges faced by our stakeholder communities:

- Poverty remains a challenge in the core areas, and is endemic to both rural and urban populations. Stunted growth and infant and maternal mortality are cause for concern in some states. Going forward there is urgent need to focus on the poor, the marginalised and women headed households.
- Farming remains the mainstay of nearly half of the households, which is dominated by small holder agriculture. Clearly, the focus of future interventions in rural areas must be to sustain smallholder dynamism through integrated farming systems to drive agricultural growth. It is equally important, in their context, to augment and sustainably manage common pool resources since poor rural households are crucially dependent on them to meet several subsistence needs, especially that of fuelwood and fodder.
- Like the rest of India, more than half of agriculture in our core area is rainfed. Since inception, ITC's Social Investments Programmes had identified development of water resources as a major priority area. Going forward, it is proposed to align watershed plans to geo-hydrological mapping of the project areas to ensure maximum aquifer recharge and work at a sub-basin revival to ensure year-round environmental flows.



- Off-farm opportunities are circumscribed in the project areas. Reduction in youth unemployment has also emerged as a priority to end extreme poverty and boost sustainable economic growth in India. ITC recognised the social risks of having large numbers of uneducated, unemployed and untrained youth, evident from the significant boost given to vocational training in 2014-15.
- One possible explanation for availability of low quality skills is the poor state of primary education in the country. ITC has always believed that universalisation of primary education is vital for developing a productive and skilled

workforce, evident from its large-scale education initiatives.

Two Horizons Approach: ITC's stakeholders are confronted with multiple, but inter-related issues, at the core of which are the twin challenges of securing sustainable livelihoods today and tomorrow for both rural and urban households, calling for a 2-horizon perspective:

Horizon 1: Making today's dominant source(s) of livelihoods sustainable; and

Horizon 2: Creating capabilities for wealth generation and employment for tomorrow.

This obviously calls for an integrated approach to development, comprising several layers of interventions that are summarised below:

Horizon	Objectives	Initiatives & Interventions
Horizon 1: Making today's dominant source(s) of livelihoods sustainable	Enable the poor to manage and reduce risks in their current portfolio of economic activities	ON-FARM: Natural resource management & sustainable farm practices to strengthen agriculture
		OFF-FARM: Create non-farm livelihood opportunities, especially for women
Horizon 2: Creating capabilities for tomorrow	Improve habitats to reduce morbidity and ensure a healthy community	Invest in social infrastructure
	Invest in education to enable young people to develop skills for gainful employment	Focus on quality learning in schools Align skills training with market demand

**Desired Outcomes – Adarsh Habitations:**

If such a holistic approach is followed, we will establish enabling conditions for the emergence of “Adarsh” habitations with indicators aligned to national priorities and goals, whether in the area of protection of natural resources or the development of human capabilities.

Indices benchmarked to the national MDG goals are given in the table below along with the range of baselines for each of the indicator. Quite obviously, the attainment of national benchmarks are long-term goals with a 5-year time horizon.

Long-term Outcome Indicators

Desired Outcome	Indicator	Benchmark	Baseline	
			Best	Worst
Sustainable Agriculture	Soil Organic carbon	0.75 - 1 %	1.19%	0.40%
			(Mangaldoi)	(Kapurthala)
Water Security	Ground water recharge	Safe Category	SAFE	Over Exploited
			(Pune)	(Kapurthala & Kolar)
Fuel & Fodder Security	Area under biomass	33% of total geographical area	59%	0%
			(Baran)	(Kapurthala)
Universal Primary Education	Enrolment	100%	100%	60%
			(Coimbatore & Darrang)	(Kolkata)
Improvement in Health Status	Maternal mortality ratio	National MDG goal - 109*	36	366
			(Krishnagiri)	(Mangaldoi)
	Infant mortality ratio	National MDG goal - 27**	14	76
			(Coimbatore)	(Saharanpur)
Eradicate Extreme Poverty & Hunger	Prevalence of under-weight children	National MDG goal 26%	2%	40%
			(Prakasam)	(Sehore & Saharanpur)

* Deaths per 1 lakh live births ** Deaths of infants less than 1 year old per thousand live births



Targets & Timelines

Based on the 2 Horizons strategy, a number of specific interventions have been put in place in order to achieve the desired goals. These are detailed in the table below along with the estimated time it would take to achieve these targets.

Objective	Initiatives	UoM	Long-term target	Achieved to date	Balance Target	Timeline* (years)
Horizon I - Sustainable Livelihoods Today						
De-risk poor rural households by diversifying farm portfolios through the promotion of tree-based farming	Social Forestry	Hectares	2,27,560	87,674	1,39,886	10
	Agro-forestry	Hectares	95,065	24,566	70,499	10
Integrate diverse elements of the rural portfolio of initiatives into a Climate Smart Village approach	Sustainable agriculture	Hectares	11,78,518	58,105	11,20,413	15
Ensure water security for all stakeholders through watershed development & managed aquifer recharge	Watershed Area	Hectares	9,09,960	2,59,050	6,50,910	10
	Structures	Nos.	27,299	7,998	19,301	10
	Biodiversity Conservation	Hectares	23,332	3,943	19,389	10
Actively promote non-farm livelihood opportunities to diversify income portfolios of poor households	Women covered	Nos.	1,50,014	51,027	98,987	13
Horizon II - Creating Capabilities for Tomorrow						
Ensure that every child is in school and learning well through improvement in pedagogy and the learning environment	Children covered	Nos.	7,13,446	4,60,967	2,52,479	10
	Schools covered	Nos.	1,491	1,322	169	10
Align skills training to market demand to maximise employment of youth from our core areas	Youth enrolled	Nos.	2,82,060	31,367	2,50,693	15
Reduce morbidity, especially amongst women and children, by promoting a clean and healthy environment	Toilets constructed	Nos.	1,31,100	15,429	1,15,671	14
	SWM - households covered	Nos.	2,60,176	42,159	2,18,017	15

* Timeline from base year of 2016-17



Responsibilities

Consultations on the annual plans take place at two levels: (1) Annually, with the relevant business managers where the projects are located. The objective is to get a business perspective on community issues faced by them and which they would like to be addressed; (2) Assessment of the problems and needs of the community through detailed Need Assessment surveys normally done once in five years for on-going projects or at the start of each new intervention/entry into a new location.

The two perspectives are then mapped to find a common ground and the Company's view is shared with the NGOs to ensure that both stakeholders develop and work towards a common set of goals and agenda. Annual plans are thereafter finalised in consultation with programme implementing agencies (NGOs) and the community based institutions, keeping the Company's focus areas, emerging needs of the catchment and funds available on the radar.

These plans are then aggregated and presented to the Management Committee of the Social Investments Programmes which scrutinises the proposals and forwards it to the Corporate Management Committee for its approval during the annual business plan presentations. These proposals are then presented to the CSR/Sustainability Board Committee which tables for the

Board's approval, the SIP Plan outlining the interventions to be carried out during the financial year and the specified budgets therein. The Board deliberates and approves the CSR Plan with modifications that may be deemed necessary. The Company's Corporate Management Committee (CMC) reviews the implementation of the SIP and issues necessary directions from time to time to ensure efficient and effective execution of SIP in accordance with this Policy. In addition, the CMC provides a status update to the CSR and Sustainability Committee on the progress in implementation of the approved CSR Programmes. The CSR and Sustainability Committee reviews such reports and keeps the Board apprised of the implementation status of the same.

Specific Actions

ITC's Social Investments Programmes access knowledge/technical know-how, leverage government partnerships and focus on core operational geographies to promote all-inclusive development. The initiatives aim at creating "Adarsh" habitations aligned to national priorities and goals, both in the area of protection of natural resources and development of human capabilities.

Coverage

The projects promoted under the Social Investments Programmes are spread over 166 districts in 26 states.

The projects promoted under the Social Investments Programmes are spread over in 166 districts in 26 states

Horizon I:

Sustainable Livelihoods Today

ITC's e-Choupal

The ITC e-Choupal initiative is a powerful example of a development model that delivers large-scale societal value by co-creating rural markets with local communities. Recognising the various challenges faced by farmers, like fragmented farms, weak infrastructure and involvement of numerous intermediaries, ITC designed e-Choupal to deliver enhanced value to all participants in the value chain, especially farmers. With a judicious blend of click & mortar capabilities, ITC e-Choupal has triggered a virtuous cycle of higher productivity, higher incomes and enhanced capacity for farmer risk management, larger investments and higher quality and productivity.

The initiative has enhanced the competitiveness of Indian agriculture by leveraging the power of Information Technology to empower small and marginal farmers. Village internet-kiosks managed by farmers themselves, called "sanchalaks", facilitate access to information to other farmers, in their own local language. Real-time information on weather forecasts and market prices, customised knowledge on scientific farm practices and risk management are supplemented by the availability of quality farm inputs and price discovery of farm produce within the village.

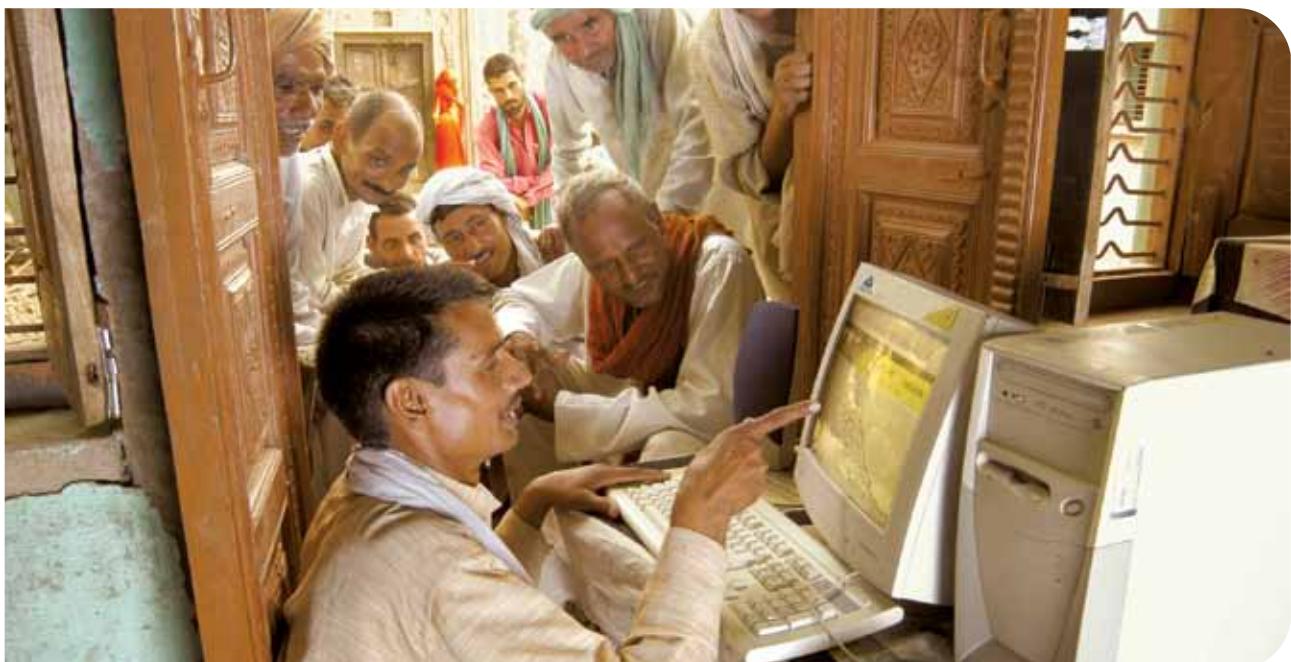
The e-Choupal network also provides on-farm agri extension services. Reaching the fruits of scientific and technological research to the farmer, demonstration farms called Choupal Pradarshan Khets have been set up to propagate best practices, while field schools enable transfer and adoption of knowledge. The programme offers other services like consultation and supervision by experts, soil testing, balanced fertilisation, foundation seeds and seed treatment, water, weed, pest and post-harvest crops management and supply of quality inputs like drought-resistant seeds to improve farm competencies.

ITC e-Choupal enhances the ability of farmers to take informed decisions, aligns their farm output with market demand and ensures higher quality and productivity. The aggregation of demand for farm inputs from individual farmers gives them access to high quality inputs from established manufacturers at fair prices.

Launched in June 2000, ITC e-Choupal is today the largest initiative among Internet-based interventions in rural India. Its services reach out to more than 4 million farmers in over 35,000 villages through 6,100 kiosks spread across 10 states.

The intervention is an important component of ITC's multi-dimensional Integrated Rural Development Programme that has evolved from its deep understanding of the challenges and opportunities inherent in the farm sector.

ITC e-Choupal has triggered a virtuous cycle of higher productivity, higher incomes and enhanced capacity for farmer risk management, larger investments and higher quality and productivity



The Farm and Social Forestry programmes have greened nearly 225,293 hectares of area that generated over 101 million person-days of employment



Social Forestry

The programme is aimed at providing food, fuel and fodder security through plantations by enabling financial, technical and marketing support to small and marginal farmers.

Commencing in 2001-02, the programme has covered nearly 64,795 hectares under pulpwood plantation and 22,879 hectares under energy plantation. To date, the Farm and Social Forestry Programmes have greened nearly 225,293 hectares of area that generated over 101 million person-days of employment. The area under Agro Forestry (AF) that facilitates cultivation of trees along with crops on continuous basis has been given a major emphasis in recent years evident from the rapid increase in area shown in the chart.

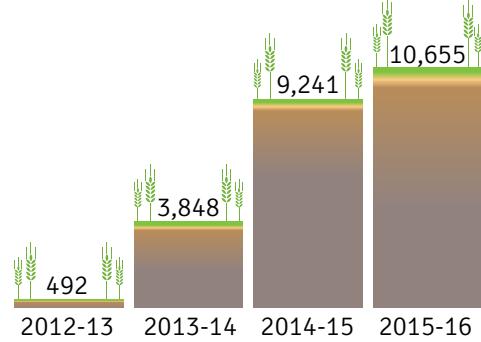
Social Forestry Coverage

Activity	2014-15	2015-16	Cum to 2015-16
Coverage			
No. of new villages	1,284	813	4,533
No. of new beneficiaries	17,397	15,634	85,701
Plantation Area			
Pulpwood (Ha.)	10,109	10,081	64,795
Energy (Ha.)	10,246	10,056	22,879
Saplings Planted (Lakhs)	1,078	785	4,800
Agro Forestry Area (Ha.)	9,241	10,655	24,566

During the year, 142,539 MT of wood was harvested leading to a total wealth generation of ₹63.82 crores for poor and marginal farmers. Of this 6,754 tonnes was FSC certified wood which again benefited farmers in the form of premium payment.

To meet the increasing demand, sapling stock was augmented by leveraging four women run nurseries. These nurseries, managed by 106 women, supplied 34 lakh saplings of

Agro Forestry Area (Ha)



Economic Returns from Social Forestry

Activity	2014-15	2015-16
Harvest		
Area (Ha.)	2,000	3,060
Farmers (No.)	3,533	3,290
Volume harvested (MT)	1,21,498	1,42,539
Total Income (₹ Lakhs)	6,078	6,382
Repayment to committee/NGO (₹ Lakhs)	24.17	34.67
Earnings/Household (₹)	1,72,036	1,93,967
Earnings/Hectare (₹)	3,03,902	2,08,546

Findings from Studies of Agro Forestry Projects

Recently conducted studies on Agro Forestry by independent agencies highlight several interesting findings:

- Agro Forestry is preferred by small and marginal farmers compared to large farmers since it is important for them to maximise annual incomes. Diversifying into tree crops also emerged as an important risk mitigation strategy for this group.
- Agro Forestry did not constrain farmers from the choice of their intercrop, though commercial crops were the most preferred, with cotton emerging as the dominant crop in rainfed fields within this category.

eucalyptus and subabul for the Social Forestry Programme worth ₹68 lakh, thus becoming an important source of livelihoods for them.

Sustainable Agriculture

Sustainable agriculture aims to improve productivity and profitability of agriculture through low-input based agricultural production systems and by promoting small land-holder friendly mechanisation.

Choupal Pradarshan Khets promoted field demonstrations of seed varieties and production practices for improved yield and quality in soybean, wheat, rice, summer pulses and horticultural crops in more than 5,000 villages covering around 64,000 hectares and more than 60,000

- Earning per acre from Agro Forestry plots were found to be 25% higher than pure block plantation of trees and 18% higher than only field crops.
- The model is especially attractive for resource starved small-holders on account of lump-sum earnings every four years from wood harvest, which are invested in productive assets or towards improving the HDI of households. Some major investments made by households were on agricultural improvement, irrigation, household assets, health and education, all critical for setting in motion a virtuous cycle of growth.

farmers. The focus of these demonstrations was on sustainable farm practices like moisture conservation, promotion of bio-fertilisers, zero-tillage, prophylactic pest management, etc.

In addition, 764 Farmer Field Schools (FFS) disseminated know-how on advanced agri practices to over 16,969 farmers through 2,464 demonstration plots under different crops. 228 Agri Business Centres rendered extension services, promoted best practices, arranged agri credit linkages and established collective input procurement and agricultural equipment on hire. In pursuit of our long-term objective of increasing soil organic carbon, 7,314 compost units were constructed during the year thus taking the cumulative total to 30,868.



**Choupal
Pradarshan
Khets**
**promoted field
demonstrations
of seed varieties
and production
practices for
improved yield
and quality in
soybean, wheat,
rice, summer
pulses and
horticultural
crops in more
than 5,000
villages
covering around
64,000 hectares
and more than
60,000 farmers**

**Adoption of Zero Till**

Zero tillage method of wheat cultivation was promoted on 44,274 hectares during the year to reduce requirement of water, labour, cultivation costs, and improve organic carbon content of soil. In addition to its continuation in existing areas, it was newly introduced in 3 districts of UP and Bihar.

Based on secondary research it is found that farmers can derive the following benefits from the widespread adoption of this practice:

- Improvement of organic carbon content in soil;
- Reduction of methane gas emission;
- Increase in biomass coverage through year round crop development programme; and
- Prevention of soil damage and protection of soil health through zero tillage practice.

Sustainable Agriculture Coverage

Activity	2014-15	2015-16	Cum to 2015-16
Minor Irrigation			
Group Irrigation (Nos.)	58	138	808
Sprinklers (Nos.)	879	581	2,649
Sustainable Agriculture			
Demonstration plots (Nos.)	7,736	2,464	36,542
Area under Demonstration Plots (Ha.)	2,717	1,133	12,975
Compost Units (Nos.)	3,668	7,314	30,868
Farmer Field Schools (Functional Nos.)	521	764	764
Farmer Field Students (Functional Nos.)	21,064	16,969	16,969
Agri Business Centres			
No of ABCs (Functional Nos.)	137	228	228
Farmers Serviced (Nos.)	15,454	18,987	18,987



To give a boost to inclusion of women in agriculture, 50 women led FFS were formed with 1,250 women farmers in Rajasthan, MP, Bihar, Maharashtra & Karnataka and 5 women owned custom hiring centres were launched in Rajasthan.

Soil & Moisture Conservation towards Water Security

The programme promotes local management of water resources by facilitating community-based participation in planning and executing watershed projects in 10 states and 42 districts.

This initiative has covered over 58,800 hectares area in 2015-16 thus taking the total area under soil and moisture conservation to over 2,59,000 hectares. 7,998 water harvesting structures have been constructed so far thus contributing to fresh rainwater harvesting potential of 3.57 million Cum. For maintenance of these structures over 385 Water User Groups were formed during the year.

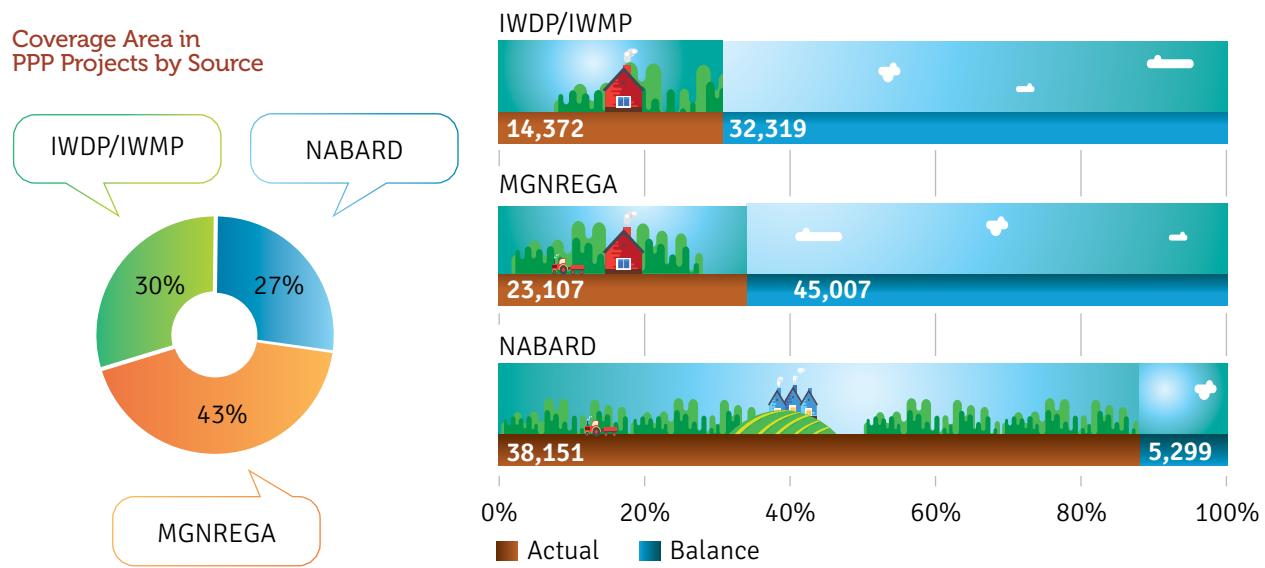


Watershed Development Coverage

Activity	2014-15	2015-16	Cum to 2015-16
Water-harvesting			
Minor Structures (No.)	1,159	1,186	5,321
Major Structures (No.)	331	348	2,677
Total Structures	1,490	1,534	7,998
Watershed Area			
Area Treated (Ha.)	32,644	41,694	1,72,663
Critical Irrigation Area (Ha.)	18,753	17,169	86,387
Total Watershed Area	51,397	58,864	2,59,050
Water Storage Capacity (Million CuM)	3.22	3.57	27.34
Direct Beneficiaries (No.)	32,960	44,287	2,05,418
Employment mandays (Lakhs)	7.15	4.76	52.09

Public Private Partnership for Watershed Development

The total target area under PPP projects, in partnership with NABARD and the governments of MP, Rajasthan and Maharashtra is over 1.58 lakh hectares. The largest partnership is with MGNREGA (68,114 ha) followed by NABARD (43,450 ha) and IWMP (46,691 ha).



The Animal Husbandry Programme unveils opportunity for farmers to convert an existing asset into a substantial supplementary income with the potential of growing into a sustainable source of livelihood

Animal Husbandry Services

The Animal Husbandry Programme unveils opportunity for farmers to convert an existing asset into a substantial supplementary income with the potential of growing into a sustainable source of livelihood. This programme provided extension services, including breeding, fodder propagation and training of farmers to increase farm incomes through enhanced productivity of

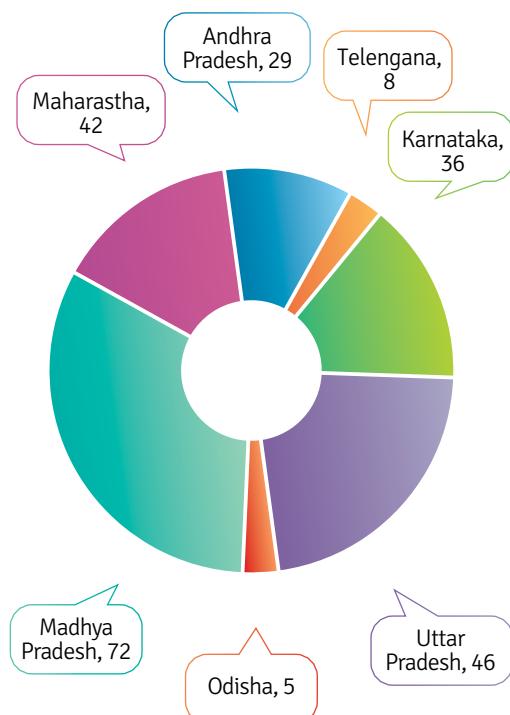
Animal Husbandry Coverage

Activity	2014 -15	2015 -16	Cum to 2015 -16
CDC Centres (Functional No.)	256	238	238
Breed Improvement			
No. of AIs (Lakhs)	2.24	2.29	17.91
No. of pregnancies (Lakhs)	1.04	1.21	8.48
No. of calving (Lakhs)	0.80	0.92	5.70
Vaccination & Health (Lakhs)	0.43	0.84	6.31

milch animals and genetically upgrade low-yielding indigenous stock through artificial insemination to produce cross-bred progeny with much higher milk yields.

Initiated in 2003-04, there are currently 238 Cattle Development Centres (CDCs) spread across 24 districts. During 2015-16, 2.29 lakhs Artificial Inseminations (AIs) were performed that has led to birth of 91,850 cross-bred progeny.

Cattle Development Centres



Learning from the Impact Assessment of the Livestock Programme in Madhya Pradesh

A study on the animal husbandry programme in MP found that:

- Prima facie, the data did not show that yield impacts in ITC project areas were significantly higher than others. It was certainly striking against non-descript animals, but not so for control farmers using AI services of other agencies. Evidently, other service providers have also started using equally high quality semen.
- The programme progenies are realising only 70-80% of their potential milk yield, which definitely needs to be maximised.

The solution seems to lie in what the beneficiaries themselves pointed out consistently about the programme: we

clearly need to provide superior quality of service, better response time and an integrated package of practices as compared to other service providers.

According to the report, significant productivity gains can be had with 4 interventions:

- Increase coverage of nutrient mixture and supplements to more than 90% of beneficiary households, from the current 72%.
- Significantly increase in area per household under green fodder.
- Deworming every 3 months.
- Timely vaccination.



Women's Economic Empowerment

This initiative specifically targets poor women to provide them a range of gainful employment opportunities supported with financial assistance by way of loans and grants. Wherever feasible, market linkages have also been created for long-term sustainability.

Initiated in 2014, a holistic intervention currently supports 10,200 ultra poor and

marginalised women towards their socio-economic mainstreaming. The Programme is currently operational in 7 districts of Bihar, West Bengal, Madhya Pradesh, Telangana, Rajasthan and Assam.

Over 350 Self Help Groups (SHGs) were formed during the year and 3,800 members joined these groups. Members of SHGs and other institutions were linked to individual bank accounts under the Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri

Ultra Poor Women Progress

Beneficiaries	2015-16
Women Selected	10,200
Women Trained	10,200
Women Provided Assets	10,200
Enterprise (Asset distribution)	
On-Farm Assets	4,799
Off-Farm Assets	4,199
Mixed	1,202
Social Security	
Women having Savings Account	6,281
Women able to write names and numbers	6,712
Women with access to formal health services	3,582

ITC's Women's Economic Empowerment Initiative specifically targets poor women to provide them a range of gainful employment opportunities supported with financial assistance by way of loans and grants



Jeevan Jyoti Bima Yojana (PMJJY). 55,925 beneficiaries (men and women) were covered under the PMSBY, 26,867 members under the PMJJY and 39,105 under Pradhan Mantri Jan Dhan Yojana.

Case Study of Subhashini, Ultra Poor Beneficiary, Tribeni, Hooghly

I am a resident of Bishpara village under Chandrahati-I GP of Chinsurah Mogra block, Hooghly district. 10 years back when I was abandoned by my husband, I and my 4 year old daughter went back to my maternal house as a primary shelter. I then started working as housemaid to earn my own livelihood with a meagre amount of ₹700 per month.

In January 2015, I got selected as a beneficiary under ITC's THP programme after completion of their Participatory Rural Appraisal (PRA) exercise. I was given handholding support to write my name, recognise and write digits and numbers. I was also helped to open a savings bank account, which got linked to the Pradhan Mantri Surakshya Bima Yojana. Then I got trained in entrepreneurial skills which instilled confidence and faith in me to set up and run my own business in a small scale. I got assets and fixed capital to set up my flour making business. Now this business fetches me an average monthly income of ₹4,000 and I have plans to buy a kiosk to put up in front of school for selling eatables.

Horizon II: Creating Capabilities for Tomorrow

Primary Education

ITC's Education Programme aims to provide weaker sections of society access to education with focus on learning outcomes and retention. Another area of focus is development of 'child friendly schools' through strengthening of school infrastructure (boundary walls, additional classrooms, sanitation and drinking water facilities, furniture and electrical fittings) and introducing Water Sanitation and

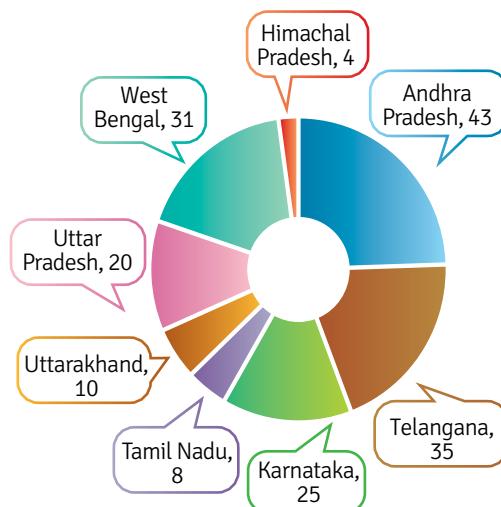
Hygiene (WASH) practices in schools/anganwadis in a manner where operations and maintenance become sustainable.

Primary Education Coverage

Activity	2014 -15	2015 -16	Cum to 2015 -16
Education			
Govt Schools Infra support (Nos.)	147	164	1,322
Children covered in Pratham's Read India Plus Programme (Lakh)	0.54	0.46	NA

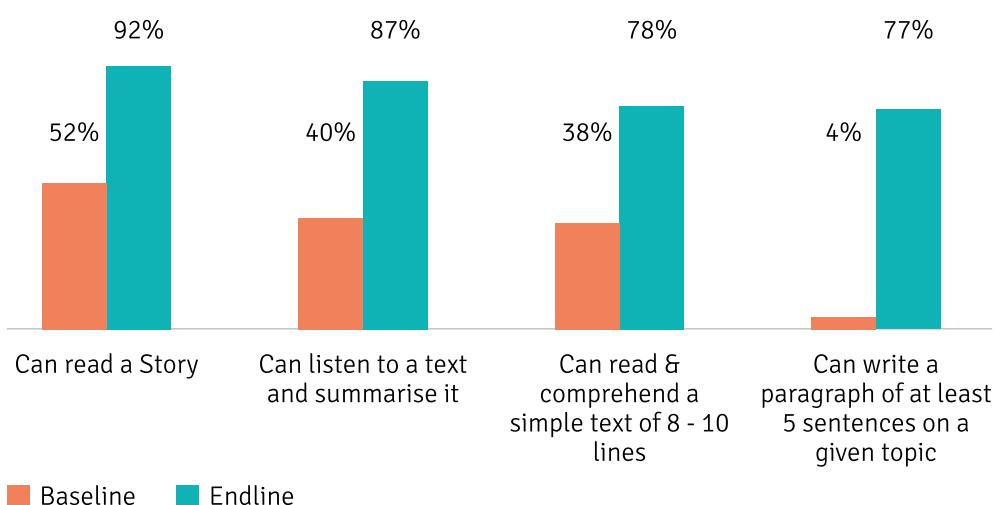


Supplementary Learning Centres Spread

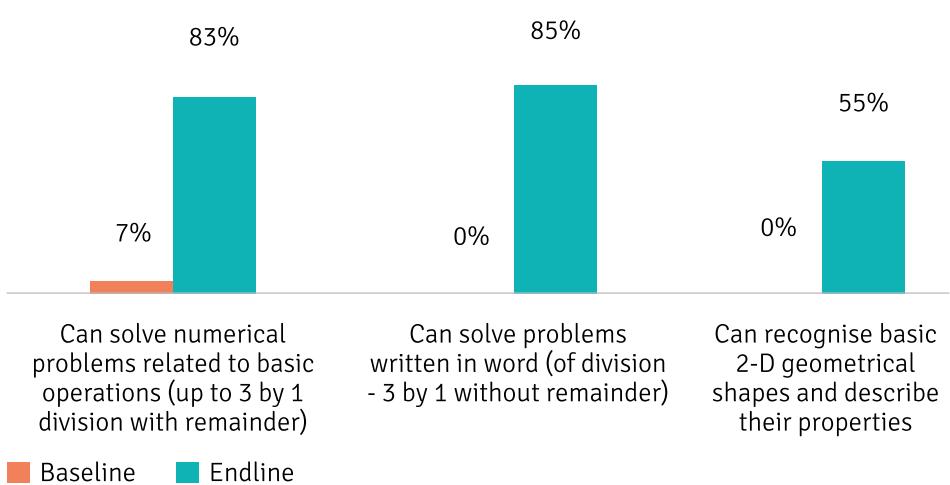


Read India Plus - Significant Impact on Learning Outcomes

Advance Language Learning Levels - Saharanpur



Basic Maths Learning Levels - Saharanpur



ITC's Education Programme aims to provide weaker sections of society access to education with focus on learning outcomes and retention. Another area of focus is development of 'child friendly schools' through strengthening of school infrastructure and introducing Water Sanitation and Hygiene (WASH) practices in schools

In 2015-16, 45,823 children were covered under the Primary Education initiative which includes: (i) 30,093 children in Pratham Read India Plus Programme for 13 factory locations spread across Maharashtra, West Bengal, Uttarakhand, UP, Himachal, Telangana, AP, Karnataka and TN (ii) Over

15,730 children in Bihar under Pratham SLC programme. Over and above this, 176 Supplementary Learning Centres (SLCs) were operational to mainstream weak students/students from marginalised communities into regular schools. To date the programme has reached out to over 4.60 lakh children.

Sustainable operations and maintenance of school infrastructure

164 government primary schools were provided sanitation infrastructure support through gender and age appropriate facilities. To ensure sustainable operations and maintenance of infrastructure provided, School Management Committees were strengthened in 189 schools and 113 Child Cabinets and Water and Sanitation (WATSAN) committees were formed in various schools with the active involvement of students and teachers. Water, Sanitation and Hygiene (WASH) campaigns were carried out, directed at multiple stakeholders - communities and community based organisations, government departments, children and teachers in schools - in the states of Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Tamil Nadu, Telangana, Uttarakhand and West Bengal.



Vocational Training

ITC's Vocational Training Programme focuses on building market relevant skills so as to make potential job seekers industry-ready and employable in the manufacturing or service sectors. Skill training is offered in trades including hospitality, tailoring, beautician, automotive, electrical,

construction, computer skills, security skills, bedside nursing and retail. Initiated in 2001, the Programme has impacted over 31,367 youth in 31 districts of 15 states. Of the total enrolled, 41% were from the SC and ST communities and 36% were female students. 68% of the students trained in 2015-16 have been placed at salaries ranging from ₹3000 to ₹11,000 per month.



The company continues to work with the Welcomgroup Graduate School of Hotel Administration (WGSNA) together with Dr. TMA Pai Foundation to cater to the ever growing need for professionally trained human resources in the hospitality industry. WGSNA has been recently rated by CEO World Magazine amongst the top 50 hospitality schools in the world. In addition, since the inception of ITC Culinary Skills Training Centre, Chhindwara in 2014, 41 trainee chefs in three batches have successfully completed the 6-months Programme wherein cooking skills are imparted to youth from the lower economic strata.

Trade-wise Coverage in Skilling

Enrolment	Till 2013-14	2014-15	2015-16	Cum to date
All Trades	6,315	13,180	11,872	31,367
Hospitality	1,489	3,252	3,361	8,102
Electrical	341	1,915	1,960	4,216
Soft Skills - Retail/Marketing/Spoken English/Technician Course	968	1,484	1,748	4,200
Tailoring & Beautician	776	2,357	741	3,874
Computer Skills	757	1,765	351	2,873
Automobile	337	1,144	1,238	2,719
Garment Manufacturing/Industrial Sewing Machine Operations (ISMO)	662	254	565	1,481
Bedside Nursing	-	654	1,219	1,873
Driving	838	-	-	838
Security	66	28	-	94
Printing and Packing	-	316	110	426
ITeS/Data entry operator	-	-	230	230
Material Handling	-	-	150	150
Fitter and welding	-	-	101	101
Construction	81	11	-	92
BPO	-	-	55	55
Others	-	-	43	43

Sanitation

In order to promote overall health and reduce incidence of water-borne diseases through prevention of open defecation, ITC has promoted low cost toilets on a cost sharing basis, coupled with high impact awareness campaigns directed at the community to bring higher levels of ownership and behavioural change at the grassroots level.

Operational in 10 states, the year 2015-16 recorded construction of 7,175 household toilets, which is the highest since inception – 5,231 were constructed through direct Company contribution and 1,944 constructed through convergence with government funds.

The Programme has been equally focused on interventions to enhance awareness and impact behaviour change on WASH through Community Led Total Sanitation (CLTS) programmes to mobilise communities to completely eliminate open defecation. In addition, it targets direct beneficiary contribution, loans and leveraging of government funds under the Swachh Bharat Abhiyan to construct toilets.

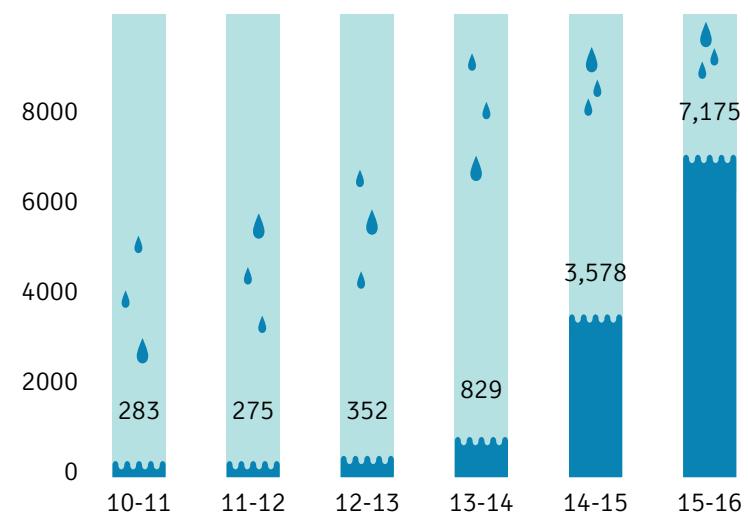
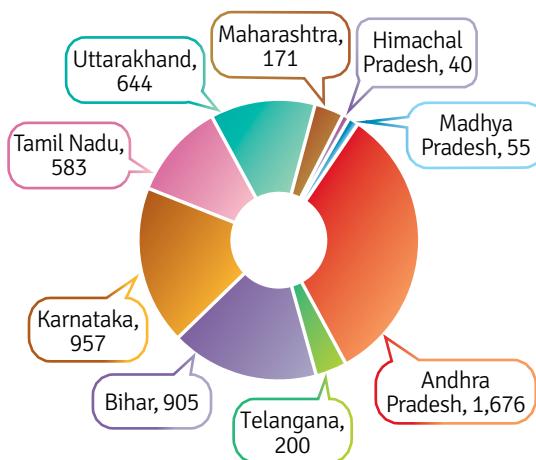
To make hygienic and healthy water available to the local communities in Nellore, Prakasam and Guntur districts, Reverse Osmosis Water purification plants were set up in villages where typically the existing water source is of poor quality. The water project employs a community-based operating model involving the Village Panchayat and the local communities. An operational assistant is employed for each

Water Purification Plant and it is maintained by the community thereby making it a self-sustainable model. The beneficiaries pay for the water, which provides the revenues for the running and maintenance of the plant. 37 RO plants were established in 2015-16 to provide safe drinking water to about 31,450 rural people in the state of Andhra Pradesh.

The Company continued its work on creating awareness on maternal and child health through a network of 285 women VHCs who covered nearly 1 lakh women and adolescent children. Swasthya Choupal, the Company's e-Choupal Rural Health initiative, is operational in 7 districts of Uttar Pradesh and 3 districts of Madhya Pradesh.



Individual Household Toilets (IHHT) Spread and Trends





Solid Waste Management

ITC's Waste Recycling programme, 'WOW - Well Being Out of Waste', inculcates the habit of source segregation and recycling among school children, housewives and general public as well as industries and business enterprises. Its aim is to promote a clean and green environment and providing a sustainable source of livelihood for rag pickers and waste collectors. The WOW movement today extends to Hyderabad, Chennai, Bengaluru, Coimbatore and some towns of Telangana. The Programme covers over 5 million citizens, 500,000 school children, 350 corporates, more than 1,000 commercial establishments and around 200 industrial plants. A novel pilot programme, initially launched in twelve

selected wards of Bengaluru with the support of Bruhat Bengaluru Mahanagara Palike (BBMP), now covers 400 municipal wards of major municipal corporations of Southern India. The Programme creates sustainable livelihoods for 10,000 rag pickers and waste collectors by propagating source segregation at each of the households and facilitating effective collection mechanisms in collaboration with municipal corporations. It has also created over 50 social entrepreneurs for sustaining the initiative.

Similar programmes are operational in 9 districts of Saharanpur, Hooghly, Kolkata, Munger, Guntur, Madurai, Pune, Thiruvallur and Haridwar. The primary focus is on door-to-door collection of household waste against a household

ITC's Waste Recycling programme, 'WOW - Well Being Out of Waste', covers over 5 million citizens, 500,000 school children, 350 corporates, more than 1,000 commercial establishments and around 200 industrial plants

Impact Evaluation of SWM Project in Saharanpur

A recently conducted independent study of Saharanpur SWM programme shows significant reduction of waste burden at dumping sites, which is an outcome of behavioural change in the communities. The project has delivered well in improving cleanliness, positively impacting air quality and sanitation as per the surveyed

households, though source segregation is still an area of improvement. There was also zero open dumping of garbage in the project area. The study also recommended mechanisation along with manual waste collection to cope up with the increasing household base and burden of waste.

Solid Waste Management Coverage

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Households Covered	8,189	9,365	9,702	27,164	42,159
Total Waste Collected (MT)	1,076	1,498	2,201	2,717	3,975
Waste Composted (MT)	569	843	1,516	1,914	2,656
Waste Sold as Recyclable (MT)	332	371	380	385	397
Waste going as Municipal Dump(%)	16%	19%	14%	15%	23%
Revenue (₹ lakhs)	38.33	43.91	53.29	67.07	66.77

levy, segregation at site in order to re-cycle and compost so as to minimise the load at municipal landfills.

The projects together covered over 42,000 households and handled 3,975 MT of waste during the year. Only 23% of the total waste collected is being dumped untreated. The Projects earned approximately ₹5.56 lakhs per month as revenue which went towards meeting part of the administration and overhead costs. Women-driven waste management initiatives were scaled up in Tribeni and Munger factory catchment in partnership with cluster SHGs and respective Gram Panchayats.





Responsible Advocacy

ITC believes that it is necessary to represent to and engage with authorities on matters concerning the various sectors in which it operates. The Board approved Policy on Responsible Advocacy provides the framework for the necessary interface with Government/Regulatory Authorities. ITC works with apex industry institutions that are engaged in policy advocacy, like the Confederation of Indian Industry, Federation of Indian Chambers of Commerce and Industry, Associated Chambers of Commerce and Industry of India and various other forums including regional Chambers of Commerce. ITC's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders.

The Company, for its social development projects, organises meetings with the local administration and state governments to seek their participation and involvement. Their expert advice and counsel are also sought and approvals obtained, where required, for the planned interventions. The Company also engages in public-private-partnerships (PPP) with the state governments for such projects.

The CII-ITC Centre of Excellence for Sustainable Development also interacts

with the Government and policy makers to promote sustainable development and inclusive growth through corporate action.

Creating Enduring Institutions

CII-ITC Centre of Excellence for Sustainable Development

The CII-ITC Centre of Excellence for Sustainable Development, established by ITC in collaboration with the Confederation of Indian Industry (CII) in 2006, continues its endeavours to promote sustainable business practices among Indian enterprises. The centre is steered by its Advisory Council, headed by Mr. Y C Deveshwar, Chairman, ITC Limited, and comprises members from industry, civil society and academia. The Council provides strategic direction to the organisation.

The Centre celebrated its tenth year with its annual Sustainability Summit in September 2015. Experts and participants from across the country deliberated on a wide range of sustainability topics at the two-day summit. The year also marked a decade of the CII-ITC Sustainability Awards, instituted to reward and recognise outstanding contributions made by corporates in the field of sustainability. Over the past 10 years, the Awards have set benchmarks of excellence in sustainable business in India. Mr Suresh





Prabhu, Union Minister for Railways, gave away the CII-ITC Sustainability Awards to 26 winners across various categories in 2015.

On the International Day for Biological Diversity on May 22, the India Business & Biodiversity Initiative (IBBI), launched by the Centre in 2014, released the publication, 'Bridging Business and Biodiversity: Innovative Approaches'. The publication, released in association with the Union Ministry of Environment, Forest and Climate Change (MoEFCC), highlights the concept of natural capital and its relation to biodiversity and ecosystem services.

During the year, the Centre also launched the Annual CSR Tracker, based on an analysis of CSR disclosures of companies. The tracker analysed 1,181 BSE-listed companies with respect to the amount of funds spent, CSR activities, geographical areas targeted and committees & policies instituted. The Centre also launched the Siemens Integrity Initiative (SII), a project aimed at creating awareness on responsible business practices.

The Centre continued to work with the MoEFCC on various legislations and policies concerning business and environment. It provided inputs for the draft "Guidelines on private sector participation for afforestation on degraded forests land", "Use of Multi-layered packaging under Draft Plastic Waste Management Rules 2015", and the draft Environment Laws Amendment Bill 2015.

The Centre participated in the 21st session of the Conference of Parties (CoP) to the United Nations Framework Convention on

Climate Change held in Paris in the winter of 2015. The climate negotiations was of great significance since a legally binding agreement, which will become operational in 2020, was to be finalised at the event. As India prepared for COP21, the Centre engaged with the MoEFCC on drafting India's Intended National Determined Contributions (INDCs). It mobilised inputs from key industry segments, ensuring that industry was fully aligned with the Government on the implementation of the INDCs.

The ITC Sangeet Research Academy

The ITC Sangeet Research Academy (ITC-SRA), which was established in 1977, continues to be a true embodiment of ITC's sustained commitment to a priceless national heritage. The Company's pledge towards ensuring enduring excellence in Classical Music education has helped ITC-SRA adhere to the age-old 'Guru-Shishya Parampara'. The Academy has eminent musicians imparting quality Hindustani classical music to its scholars. Its list of Gurus includes living legends like Padma Vibhushan Vidushi Girija Devi, Padma Bhushan Buddhadev Dasgupta, Padma Shri Ulhas Kashalkar and Padma Shri Ajoy Chakrabarty. The focus of the Academy is on nurturing exceptionally gifted students, carefully hand-picked across India, who receive full scholarships to reside and pursue music education in the Academy's campus. This has provided opportunities to young talent to train under the tutelage of the country's most distinguished stalwarts and has helped create the next generation of musical masters.



Product Responsibility

Management Approach

Customer Health and Safety

Our uncompromising commitment in providing world-class products and services to satisfy customers on a consistent basis is rooted in respect for our customers/consumers. Given ITC's presence in the FMCG and Hospitality sectors, its products and services reach out to a large number of consumers. The Company has stringent processes and systems to ensure that all products and services are in compliance with relevant regulatory requirements. In addition, product and service attributes are constantly evaluated against international standards and best practices. This is an integral part of the Company's approach and all efforts are made to ensure that there is no deviation on this account.

ITC's commitment towards ensuring compliance with relevant standards of health and safety commences at the design stage. Appropriate health and safety elements across procurement, manufacturing and delivery are identified and evaluated, based on which control measures are implemented as necessary. Global developments in health and safety are also reviewed constantly to provide appropriate insights. This is supported by comprehensive research and testing facilities at the ITC Life Sciences & Technology Centre, whose laboratories conform to ISO/IEC 17025 and are certified by National Accreditation Board for Testing and Calibration (NABL). Manufacturing units and hotels have state-of-the-art facilities and technology as well as internationally benchmarked quality management systems. These are constantly reviewed to keep them contemporary and relevant. The quality performance of third party manufacturing facilities is also monitored on a daily basis.

The summary of systems and initiatives across some of ITC's Businesses is presented below:

Business	Measures undertaken
Agri Business	<p>The Business primarily engages in sourcing of agri-commodities like Wheat, Coffee, Potato, Shrimps, Soya, Pulses, Rice, Maida and Processed Fruits. These commodities are sourced and supplied based on customer requirements of quality, quantity and packaging. Stringent process control and quality inspection norms have been established to ensure compliance with customer requirements. Systems and processes are in place to ensure the hygiene of the stored stocks. Products are shipped after meticulous testing either in-house, or at accredited labs or agencies, if required by the customers. For organic and sustainable farm practices in the processed fruits business catering to specific customer segments, the Business has received the following international certifications:</p> <ul style="list-style-type: none"> • Fairtrade certification endorsing that its products meet certain environmental, labour, and developmental standards. • Demeter Certification for Biodynamic Farming, a holistic method of agriculture. • USDA Organic and India Organic Certifications for Organic Farming. • Bio-Suisse Certification for Organic Farming.
Branded Packaged Foods	<p>63 out of 72 manufacturing locations, including third party manufacturing units, which accounted for 93.3% of total production volume in 2015-16, are Hazard Analysis and Critical Control Point (HACCP)/ISO 22000 certified, ensuring that products use the best quality ingredients and utilise the highest quality processes. The objective is to continuously provide consumers with products that not only "Taste Good" but also "Do Good". Consequently, large investments have been made in R&D to deliver relevant functionalities based upon specific formulations for identified health needs, like reducing salt, sugar and oil across all products. R&D team has already come up with reduced fat biscuits and low sodium potato chips that have undergone successful consumer research feedback and are ready for launch. None of the Snacks products has added Trans Fat. Sucrose free products, wherein no sucrose is added, to offer healthier alternatives have also been launched. Initiative has been taken to replace refined wheat flour by whole wheat flour to make the products healthier and new products are being developed incorporating healthier multi grain cereals, wheat bran, wheat fibre, etc. Some of these developments are in an advanced stage and will be launched in near future.</p>
Cigarettes	<p>The Business uses proprietary software to regularly monitor and review product specifications of all raw materials. With consistent focus on product innovation, new product development in the Business involves consideration of Indian and global developments and is supported by comprehensive research and testing facilities at the ITC Life Sciences & Technology Centre.</p>
Leaf Tobacco	<p>Product integrity, quality and hygiene standards in tobacco cultivation are accorded the highest importance. Accordingly, awareness among tobacco farmers on the importance of sustainably producing residue-free quality tobacco is constantly reinforced during field-level trainings and seminars in ITC's operating regions. For frequent assessment on product integrity, farm-level and packed-level toxicant audit studies are undertaken wherein all leaf samples from farmlands and packed cases of finished products are closely monitored for toxic residues. Several additional measures were implemented across the value chain during the year towards minimisation of Non Tobacco Related Matter.</p>



Business	Measures undertaken
Personal Care Products	The Business follows a comprehensive approach for improving the health and safety impacts of its products in each of the life-cycle stages including R&D, certification as well as manufacturing and production. All safety tests from prototype development to final product are conducted in accordance with standard international guidelines. Ingredients used in products undergo rigorous analysis, based on existing scientific literature, for their toxicity and skin sensitisation prior to clearance for use in product development. Product safety and efficacy are certified through external accredited laboratories. Products are manufactured in a highly automated environment under strict hygienic conditions. Documented Quality Management System, including procured material checks, in-process checks and finished goods quality checks, ensures that the manufactured products are consistent and of high quality.
Hotels	ITC Hotels have established food safety management systems certified as per HACCP/ISO 22000. In addition, ITC Hotels R&D endeavours to adhere to GHP & GMP (Good Hygiene Practices & Good Manufacturing Practices). The Hotels Business also conforms to relevant applications of PAS 220 (Prerequisite programmes on food safety for food manufacturing). ITC has elaborate fire safety guidelines which all hotels comply with. These guidelines are based on National Fire Protection Association (NFPA) Codes and other international best practices. They supplement the general EHS Guidelines applicable to all ITC Businesses, the compliance of which is audited by the Corporate EHS Department on a regular basis.
Education and Stationery Products	The Business employs multiple process control measures through third party certifications, inline and final quality checks across the entire chain of manufacturing to ensure that their safety is not compromised. The Business uses only approved non-hazardous materials like Elemental Chlorine Free (ECF) paper, ink, dyes, etc. in the note books. Since the primary consumers of these products are children, stringent processes and quality control measures are in place to ensure their safety. Pencils and art stationery items are in compliance with the European Standard EN 71.
Lifestyle Retailing	All raw materials and garments are tested at the NABL accredited in-house laboratory for post usage experience and conformance to quality standards. The standards and product specifications are periodically validated by international testing agencies. Quality is monitored through an internal Product Quality Rating System (PQRS) together with the external Acceptable Quality Level (AQL) norm that is followed internationally by apparel businesses. The Wills Lifestyle range (excluding the Wills Signature garments) has received the "Oeko-Tex" certification (w.e.f. January 2012), becoming the first brand in the domestic apparel retail segment in India to obtain such a recognition. The certification has been conferred by Hohenstein Textile Testing Institute GmbH & Co. KG, Germany. It guarantees that the products are free from more than 100 harmful substances and ensures that Wills Lifestyle garments are completely safe for consumers, without compromising on relevant style quotient of its products.
Packaging and Printing	Various initiatives have been undertaken in developing packaging solutions that use environment friendly raw materials such as water-based varnishes and reduced material usage in terms of mass and thickness of products. The Business engages with customers on a continuous basis to provide solutions that help protect functional needs like product integrity and visual imagery, whilst providing scope for use of alternate materials. While the paperboard packaging is already being done with non-toluene based inks, the business encourages its customers for use of toluene-free and ketone-free inks in flexible packaging. The Business has also been filing patents related to operational excellence in packaging every year arising from high skill in packaging design backed with state-of-the-art converting technology. In order to strengthen the health & safety requirement of products (Quality and Hygiene), all key operations at Haridwar and Tiruvottiyur factories have been certified as per British Retail Consortium (BRC) Global Standard for Packaging and Packaging Material.

Business	Measures undertaken
Paperboards and Specialty Papers	<p>ITC has been the pioneer in manufacturing Elemental Chlorine Free (ECF) pulp in India. This ensures that the levels of dioxins and furans in the pulp are less than 1 PPT (Parts Per Trillion). The global migration test is conducted periodically on all food-grade paper and paperboards for compliance with the US FDA standards and to adhere to prescribed limits for presence of heavy metals. All manufacturing ingredients for applications involving direct/indirect food contact are procured from reputed suppliers and conform to US FDA and equivalent standards.</p> <p>The Business ensures that the components of food allergens listed in the EC directive 2003/89/EC and the US FDA Act are not used in any virgin grade boards and papers. All food-grade papers and paperboards are periodically tested for compliance with European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and Restriction of Hazardous Substances (RoHS). The Bollaram Unit and relevant production lines in Bhadrachalam Unit that manufacture food grade board for direct/indirect food contact, are 'third party' certified in accordance with BRC/IoP (British Retail Consortium/Institute of Packaging) standards.</p>
Matches and Agarbatti	<p>Chemicals approved by IFRA (International Fragrance Resource Association, Geneva) are used to prepare fragrances, which are required in the manufacture of dipped Mangaldeep agarbattis. The manufacturing processes of the Matches and Agarbatti Business are designed to ensure product safety and consistency.</p>
Technico Agri Sciences Limited	<p>Technico Agri Sciences Limited is in the Agricultural Bio-Technology business of growing and selling TECHNITUBER® seed potatoes and field generated seed potatoes. TECHNITUBER® seed potato technology is a scientifically advanced process of producing large volumes of miniature seed potatoes from virus and pathogen-free nucleus materials. Company's facility to maintain germplasm of seed potatoes has been accredited by the Department of Biotechnology, Ministry of Science & Technology, Government of India and is regularly inspected by Central Potato Research Institute (CPRI), Shimla. The Company follows Potato Tissue Culture Raised Mini Tubers (PTCMT) standards for certification for TECHNITUBER® Seed as well as early generation seed potatoes as laid down by Ministry of Agriculture, Government of India.</p>





Product Information and Labelling

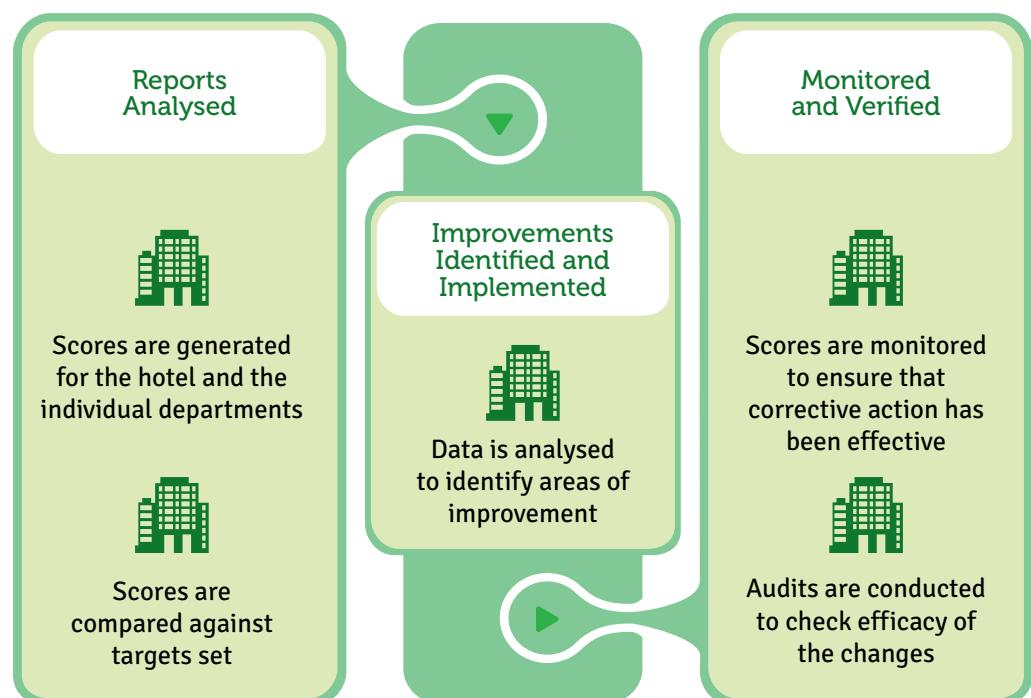
ITC's Business operations are committed to comply with relevant laws of the nation and systems are in place to ensure compliance before the launch of any new category or product.

A regular customer feedback system forms an integral part of ITC's Businesses where there is direct interface with customers. The process followed by ITC's Hotels Business with respect to consumer feedback is illustrated below.

In the case of FMCG products, consumers are provided several communication channels

like email, telephone number, website address and feedback forms to enable them to contact the relevant Business. Processes are laid down to ensure that consumers are provided with responses on their feedback in a timely manner. For food products, all information about ingredients and nutrition of products is published on the product packaging as per relevant statutory requirements.

In the Information Technology Business, formal mechanisms are in place to measure customer experience. The Customer Service Satisfaction Survey is an annual check on the robustness of the engagement, culminating in a Customer Experience Index. The survey is conducted amongst Chief Executives and Senior Management, and is based on a structured questionnaire customised for the stakeholder. Multiple parameters and



business outcomes are measured including satisfaction, loyalty, advocacy and value for money. The outcomes and insights from the survey drive customer engagement and service delivery improvement initiatives at the organisation, geography, business unit and account level.

Customer feedback for B2B businesses like Agri Business and Packaging and Printing, is obtained through different activities. For example, Agri Business has pre-season engagement with customers, client visits and engagement of the Divisional Management Committees with major customers. Given the nature of the Business, claims due to rejections on account of quality are a valuable indicator of customer dissatisfaction. During the year under review, no such claims were made to the Business. Products sold by the Agri Business division on a B2B basis are labelled as per the customer requirements on quality, shipping marks or importing country labelling requirements. Business also provides phytosanitary certificates, surveyor quality and quantity reports, Chamber of Commerce certificates, etc., as necessary.

Traceability in the Foods Supply Chain

Board approved policies of ITC supplemented by a ‘Code of Conduct for Vendors and Service providers’ provide the structure for addressing traceability within the



supply chain and also the sustainability aspects therein, which are detailed in the “Supply Chain” section of this Report. In Foods Business, over 90% of the vendors for processed raw materials like flavours, seasoning, colour, emulsifier and other special ingredients have already accepted the ‘ITC Code of Conduct for Vendors and Service providers’ demonstrating their commitment to comply with applicable laws and contribute to sustainable development. In Foods Business, wheat constitutes around 49% of the total raw material procurement value and is sourced through the e-Choupal platform of ITC’s Agri Business thereby ensuring 100% traceability to the origin.

Marketing Communications

All Businesses/Divisions of ITC have established rigorous systems, procedures and review mechanisms to identify and comply with the laws and regulations concerning marketing communications. In addition, ITC has put in place a dedicated consumer response cell in order to answer any queries on products.

A regular customer feedback system forms an integral part of ITC's Businesses where there is direct interface with customers



ITC follows standard operating procedures to ensure that its marketing communications are in accordance with voluntary codes adopted by each business as well as applicable statutes. These are vetted by the internal legal team and compliance is ensured by the internal audit department.

Marketing and Advertising Communications of all ITC's Businesses are subjected to stringent internal checks by the Legal Department. The Company's consumer goods Businesses adhere to voluntary and legal codes of conduct and follow the ASCI (Advertising Standards Council of India) Code for all marketing communications. Marketing communications for ITC's Hotels Business is governed by self-regulation and guided by the Indian Society of Advertisers (ISA) rules and guidelines.

ITC follows standard operating procedures to ensure that its marketing communications are in accordance with voluntary codes adopted by each business as well as applicable statutes

practices. The Business has drafted a privacy policy in line with the IT Act, 2000, that covers all aspects of data privacy with respect to sensitive information. The Business has also formulated an Information Management policy, which caters to the IT security aspects of the ISO 27001 ISMS framework. The IT operations arm of ITC Infotech Limited is ISO 27001 certified for its business processes to deliver IT services and projects. Documented procedures are available and practised to grant physical access to information, e.g. the defined and restricted access rights to IT Room/Server Room and User Access Management based on ISO 27001 and as agreed with customers. The Business has also put in place measures at various control areas in order to meet customers' requirements for data security. These include desktop access, server access, network access, operating system, application security, data transfer, penetration testing, etc. Clear guidelines are provided for data backup, retention periods, the media on which backups have to be maintained and storage at remote location.

In addition, stringent risk assessments are carried out to identify vulnerabilities and threats to assets and the controls that need to be put in place.

ITC's Hotels and Information Technology Businesses received no complaints regarding

Customer Privacy

Maintenance of customer privacy is relevant primarily for ITC's Information Technology and Hotels Businesses, both of which have well established systems and procedures for ensuring zero non-compliance.

Network Architecture and Information security controls of the Company's Information Technology Business under ITC Infotech Limited are driven by industry best

breach of customer privacy or loss of customer data in 2015-16. For the year the average WoW Ratio (Guest Satisfaction Index) for the Hotels Business was 90.34%.

Compliance

All Businesses/Divisions of ITC have well established systems, procedures and review mechanisms to identify and comply with the laws and regulations concerning its products and services. Particular care is accorded to tobacco products, taking into account the regulatory framework.

ITC has established systems wherein every Business and Corporate Department has to submit a periodic statutory compliance report to the CMC/Board on all business regulatory, product specific, finance/revenue related, personnel related, technical/process related and environment related statutes and other applicable laws and regulations. This is done on the basis of updated checklists that have to be mandatorily maintained by each reporting Unit/Business/function as well as monitoring and control systems that the Business/Corporate function must have in place.

As per this system, no incidents of non-compliance were reported during 2015-16.

The Road Ahead

Recognising the unique construct of ITC in terms of its strong presence in agriculture, Branded Packaged Foods and Personal Care Products Businesses, a convergence of R&D capabilities is being leveraged to deliver future products aimed at nutrition, health and well-being. In this context, Life Sciences & Technology Centre (LSTC) has established a Biosciences R&D team to design and develop several long-term research platforms evolving multi-generation product concepts and associated claims that are fully backed by scientific evidence 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 personal care products. In addition, LSTC has evolved a strategy in building a new value chain called, 'Nutrition' with a special focus on 'Indianness' and 'health and well-being' founded on the basis of Value Added Agriculture (VAA) and Medicinal and Aromatic Plants. The initial activities related to VAA have already commenced with a focus on soya.

Recognising the unique construct of ITC in terms of its strong presence in agriculture, Branded Packaged Foods and Personal Care Products Businesses, a convergence of R&D capabilities is being leveraged to deliver future products aimed at nutrition, health and well-being





GRI-G4 Content Index

GRI - G4 Disclosures		UNGC - COP # Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/ Explanation	Omissions	External Assurance/ Section Reference
Indicator	Description				
STRATEGY AND ANALYSIS					
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	Statement of continuing support	04-09	-	Yes/ Independent Assurance Statement
G4-2	Description of key impacts, risks, and opportunities	*	34-42	-	-
ORGANISATIONAL PROFILE					
G4-3	Name of the organisation	*	12	-	-
G4-4	Primary brands, products, and services	*	14-21	-	-
G4-5	Location of the organisation's headquarters	*	46	-	-
G4-6	Number of countries where the organisation operates	*	12	-	-
G4-7	Nature of ownership and legal form	*	Report and Accounts 2016	-	-
G4-8	Markets served	*	12	-	-
G4-9	Scale of the organisation	*	12	-	-
G4-10	Details on workforce broken down by gender, employment contract, employment type etc.	Outcomes from implementation of Principle 6	126	-	-
G4-11	Percentage of total employees covered by collective bargaining agreements	Outcomes from implementation of Principle 3	126	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-12	Description of the organisation's supply chain	*	22-25	-	-
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	*	12-25	-	-
G4-14	How the precautionary approach or principle is addressed by the organisation	Actions taken to implement Principle 7	58-59	-	-
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	United Nations Global Compact (UNGC) - This Sustainability Report is used to communicate progress on implementation of UNGC Principles	04	-	-
G4-16	Memberships of associations and national/international advocacy organisations in which the organisation holds a position on the governance body and participates in projects or committees	*	191-192	-	-
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	Entities included in the organisation's consolidated financial statements with indication of coverage in the report	*	46-51	-	Yes/ Independent Assurance Statement
G4-18	Process for defining the report content and the Aspect Boundaries	*	43	-	Yes/ Independent Assurance Statement
G4-19	Material Aspects identified in the process for defining report content	*	44-45	-	Yes/ Independent Assurance Statement
G4-20	Description of Aspect Boundary within the organisation for each material aspect	*	46-49	-	Yes/ Independent Assurance Statement



GRI - G4 Disclosures		UNGC - COP # Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-21	Description of Aspect Boundary outside the organisation for each material aspect	*	22-23, 30-33 46-47, 83, 87-88, 91, 93, 101-102, 112	-	Yes/ Independent Assurance Statement
G4-22	Explanation of the effect of any re-statement of information provided in the earlier Reports	*	91	-	Yes/ Independent Assurance Statement
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	*	46-49	-	Yes/ Independent Assurance Statement
STAKEHOLDER ENGAGEMENT					
G4-24	List of stakeholder groups engaged by the organisation	Sharing COP with Stakeholders	31-32	-	Yes/ Independent Assurance Statement
G4-25	Basis for identification and selection of stakeholders with whom to engage	Sharing COP with Stakeholders	30-31	-	Yes/ Independent Assurance Statement
G4-26	Organisation's approach to stakeholder engagement	Sharing COP with Stakeholders	30-32	-	Yes/ Independent Assurance Statement
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	Sharing COP with Stakeholders	31-32	-	Yes/ Independent Assurance Statement
REPORT PROFILE					
G4-28	Reporting Period	*	46	-	-
G4-29	Date of most recent previous Report	*	46	-	-
G4-30	Reporting cycle	*	46	-	-
G4-31	Contact point for questions regarding the report or its contents	*	46	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-32	GRI Content Index	*	168-187	-	-
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report; relationship with the assurance providers; the highest governance body's involvement in seeking assurance for the organisation's sustainability report	*	47	-	-
GOVERNANCE					
G4-34	Governance structure of the organisation; committees responsible for decision-making on economic, environmental and social impacts	Actions taken to implement principles 1 -10	52-55	-	Yes/ Independent Assurance Statement
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Actions taken to implement principles 1 -10	54-55	-	Yes/ Independent Assurance Statement
G4-36	Executive-level positions with responsibility for economic, environmental and social topics	Actions taken to implement principles 1 -10	52-55	-	Yes/ Independent Assurance Statement
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Actions taken to implement principles 1 -10	54-55	-	Yes/ Independent Assurance Statement
G4-38	Composition of the highest governance body and its committees	Actions taken to implement principles 1 -10	54-55	-	Yes/ Independent Assurance Statement
G4-39	Function of the Chair of the highest governance body within the organisation's management and the reasons for his arrangement as an executive officer	Actions taken to implement principles 1 -10	55	-	Yes/ Independent Assurance Statement



GRI - G4 Disclosures		UNGC - COP # Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-40	Nomination and selection processes for the highest governance body and its committees; the criteria used for nominating and selecting highest governance body members	Actions taken to implement principles 1 -10	53-55	-	Yes/ Independent Assurance Statement
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed; disclosure of conflicts of interest to stakeholders	Actions taken to implement principles 1 -10	55-56	-	Yes/ Independent Assurance Statement
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	Actions taken to implement principles 1 -10	54-55	-	Yes/ Independent Assurance Statement
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Actions taken to implement principles 1 -10	56-57	-	Yes/ Independent Assurance Statement
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics; actions taken in response to evaluation results	Actions taken to implement principles 1 -10	56-57	-	Yes/ Independent Assurance Statement
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities; use of stakeholder consultation for supporting the process	Actions taken to implement principles 1 -10	58-59	-	Yes/ Independent Assurance Statement
G4-46	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Actions taken to implement principles 1 -10	58-59	-	Yes/ Independent Assurance Statement



GRI - G4 Disclosures		UNGC - COP # Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Actions taken to implement principles 1 -10	Once in a quarter	-	Yes/ Independent Assurance Statement
G4-48	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered	Actions taken to implement principles 1 -10	43 54-55	-	Yes/ Independent Assurance Statement
G4-49	Process for communicating critical concerns to the highest governance body	Actions taken to implement principles 1 -10	43	-	Yes/ Independent Assurance Statement
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	Actions taken to implement principles 1 -10	32-42	-	-
G4-51	Remuneration policies for the highest governance body and senior executives; how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	Actions taken to implement principles 1 -10	57	-	Yes/ Independent Assurance Statement
G4-52	Process for determining remuneration	*	57	-	-
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	*	Report and Accounts 2016	-	-
G4-54	Ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual)	*	57	-	-
G4-55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	*	57	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
General Standard Disclosures		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
ETHICS AND INTEGRITY					
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Actions taken to implement principles 10	57 189	-	Yes/ Independent Assurance Statement
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity	Actions taken to implement principles 10	57-58	-	Yes/ Independent Assurance Statement
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity	Actions taken to implement principles 10	57-58	-	-
SPECIFIC STANDARD DISCLOSURES - MATERIAL ASPECTS					
DMA and Indicators	Description	Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
CATEGORY: ECONOMIC					
MATERIAL ASPECT: ECONOMIC PERFORMANCE					
G4-DMA	Generic Disclosures on Management Approach (DMA)	*	62	-	-
G4-EC1	Direct economic value generated and distributed	*	63-67	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Action taken on Principle 7	-	Evaluation of financial implications of the risk and opportunities due to climate change is in progress. This will be reported as part of 2016 Climate Change Questionnaire of Carbon Disclosure Project (CDP), which will be available on their website in October 2016.	-
G4-EC3	Coverage of the organisation's defined benefit plan obligations	*	69	-	-
G4-EC4	Financial assistance received from government	*	68	-	-
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-DMA	Aspect-specific DMA	*	70-71	-	-
G4-EC7	Development and impact of infrastructure investments and services supported	*	71	-	-
G4-EC8	Significant indirect economic impacts, including the extent of impacts	*	138-157	-	-
MATERIAL ASPECT: PROCUREMENT PRACTICES					
G4-DMA	Aspect-specific DMA	*	67-68	-	-
G4-EC9	Proportion of spending on local suppliers	*	67-68	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				

CATEGORY: ENVIRONMENTAL

G4-DMA	Generic Disclosures on Management Approach (DMA)	Actions taken principles 7, 8, 9	74-75	-	-
MATERIAL ASPECT: MATERIALS					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7,8	114-115	-	-
G4-EN1	Materials used by weight or volume	Outcomes from Principle 7,8	115-116	-	Yes/ Independent Assurance Statement
G4-EN2	Percentage of materials used that are recycled input materials	Outcomes from implementing Principle 8	115-116	-	-
MATERIAL ASPECT: ENERGY					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7,8,9	76-77	-	-
G4-EN3	Energy consumption within the organisation	Outcomes from Principle 7,8	78-82	-	Yes/ Independent Assurance Statement
G4-EN4	Energy consumption outside of the organisation	Outcomes from Principle 8	83	-	-
G4-EN5	Energy intensity	Outcomes from implementing Principle 8	82	-	Yes/ Independent Assurance Statement
G4-EN6	Reduction of energy consumption	Outcomes from Principle 8,9	81	-	Yes/ Independent Assurance Statement
G4-EN7	Reductions in energy requirements of products and services	Outcomes from implementing Principle 8,9	81-82	-	-
MATERIAL ASPECT: WATER					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7,8	94-95	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-EN8	Total water withdrawal by source	Outcomes from Principle 7,8	96	-	Yes/ Independent Assurance Statement
G4-EN9	Water sources significantly affected by withdrawal of water	Outcomes from implementing Principle 8	101-103	-	-
G4-EN10	Percentage and total volume of water recycled and reused	Outcomes from Principle 8	102	-	Yes/ Independent Assurance Statement
MATERIAL ASPECT: BIODIVERSITY					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 8	118-119	-	-
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	-	None of ITC's operational sites are owned, leased, managed in, or are adjacent to, protected areas and areas of high biodiversity value, therefore, these are not applicable.	-
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	-	-		-
G4-EN13	Habitats protected or restored	-	-		-
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	-		-
MATERIAL ASPECT: EMISSIONS					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 7,8,9	84-85	-	-
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Outcomes from Principle 7,8	87-88	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Outcomes from implementing Principle 7,8	87-88	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Outcomes from implementing Principle 7,8	87-88	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN18	Greenhouse gas (GHG) emissions intensity	Outcomes on Principle 8	90	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Outcomes on Principle 8,9	88	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN20	Emissions of ozone-depleting substances (ODS)	Outcomes on Principle 7,8	93	-	-
G4-EN21	NO _x , SO _x , and other significant air emissions	Outcomes on Principle 7,8	91-92	-	Yes/ Independent Assurance Statement
MATERIAL ASPECT: EFFLUENTS AND WASTE					
G4-DMA	Aspect-specific DMA	Actions taken to implement principles 8	104-106	-	-
G4-EN22	Total water discharge by quality and destination	Outcomes from principle 8	98-100	-	Yes/ Independent Assurance Statement



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-EN23	Total weight of waste by type and disposal method	Outcomes from principle 8	107-110	-	Yes/Independent Assurance Statement
G4-EN24	Total number and volume of significant spills	Outcomes from principle 8	93	-	-
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Outcomes from implementing principle 8	-	This standard disclosure is not applicable as there was no transport, import, export or treatment of waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII.	-
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	Outcomes from implementing principle 8	101-103	-	-
MATERIAL ASPECT: PRODUCTS AND SERVICES					
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Outcomes from implementing Principles 7,8,9	81	-	-
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Outcomes from implementing Principle 8	-	We have used 1,13,213 Tonnes of post-consumer waste paper/ paperboard which contributed to 19% of total fiber demand of our Paperboards and Specialty Papers Business. However, we are not able to correlate the post-consumer waste coming from the consumers of our products.	-



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
MATERIAL ASPECT: SUSTAINABLE FOREST MANAGEMENT					
DMA	Aspect-specific DMA	Actions taken to implement principles 7,8,9	114-115, 117, 118-119	-	-
MATERIAL ASPECT: COMPLIANCE					
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Outcomes from implementing Principle 8	167	-	Yes/ Independent Assurance Statement
MATERIAL ASPECT: TRANSPORT					
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Outcomes from implementing Principles 8	87-88 91	-	-

CATEGORY: SOCIAL

Sub-Category: LABOUR PRACTICES AND DECENT WORK

MATERIAL ASPECT: EMPLOYMENT

G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 3,4,5,6	124-125	-	-
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Outcomes from implementation of Principle 6	126-127	-	Yes/ Independent Assurance Statement
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	-	127-129	-	-
G4-LA3	Return to work and retention rates after parental leave, by gender	Outcomes from implementation of Principle 6	126	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
MATERIAL ASPECT: LABOUR/MANAGEMENT RELATIONS					
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Outcomes from implementation of Principle 3	Minimum notice periods regarding operational changes form part of long-term agreements with employees.	-	-
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Aspect-specific DMA	-	132-133	-	-
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	*	133	-	-
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	*	133-136	-	Yes/ Independent Assurance Statement
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	*	137	-	-
G4-LA8	Health and safety topics covered in formal agreements with trade unions	*	133	-	-
MATERIAL ASPECT: TRAINING AND EDUCATION					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Outcomes from implementation of Principle 6	129-130	-	Yes/ Independent Assurance Statement
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	*	129-130	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Outcomes from implementation of Principle 6	129-130	-	-
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Outcomes from implementation of Principle 6	54, 131	-	-
<h3>Sub-Category: HUMAN RIGHTS</h3>					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principles 1,2,4,5	124-125 130-131	-	-
MATERIAL ASPECT: NON-DISCRIMINATION					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Outcomes from implementation of Principle 6	131	-	-
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	Aspect-specific DMA		124-125 131	-	-
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Outcomes from implementation of Principle 3	131	-	-
MATERIAL ASPECT: CHILD LABOUR					
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Outcomes from implementation of Principle 5	131	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
MATERIAL ASPECT: FORCED OR COMPULSORY LABOUR					
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Outcomes from implementation of Principle 4	131	-	-
Sub-Category: SOCIETY					
MATERIAL ASPECT: LOCAL COMMUNITIES					
G4-DMA	Aspect-specific DMA	Actions to implement Principles 1	138-141	-	-
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Outcomes of implementation of Principle 1	143-157	-	Yes/ Independent Assurance Statement
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Outcomes of implementation of Principle 1	143-157	-	Yes/ Independent Assurance Statement
MATERIAL ASPECT: ANTI-CORRUPTION					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 10	57-59	-	-
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Outcomes of implementation of Principle 10	57-59	-	-
G4-SO4	Communication and training on anti-corruption policies and procedures	Outcomes of implementation of Principle 10	57-59	-	-
G4-SO5	Confirmed incidents of corruption and actions taken	Outcomes of implementation of Principle 10	57-59	-	-
MATERIAL ASPECT: PUBLIC POLICY					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 10	158	-	-



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-S06	Total value of political contributions by country and recipient/beneficiary	Outcomes of implementation of Principle 10	Nil	-	-
MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOUR					
G4-S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	*	167	-	-
MATERIAL ASPECT: COMPLIANCE					
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	*	167	-	-
Sub-Category: PRODUCT RESPONSIBILITY					
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	Aspect-specific DMA	*	160, 167	-	-
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	*	161-163	-	-
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	*	167	-	-
MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING					
G4-DMA	Aspect-specific DMA	*	164-165	-	-
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	*	164-165	-	Yes/ Independent Assurance Statement



GRI - G4 Disclosures		UNGC - COP # Elements			
Specific Standard Disclosures - Material Aspects		Actions and Outcomes on Implementation of Principles	Page Number/Explanation	Omissions	External Assurance
Indicator	Description				
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	*	167	-	Yes/ Independent Assurance Statement
G4-PR5	Results of surveys measuring customer satisfaction	*	164-165	-	Yes/ Independent Assurance Statement
MATERIAL ASPECT: MARKETING COMMUNICATIONS					
G4-PR6	Sale of banned or disputed products	*	165-167	-	-
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		166-167	-	-
MATERIAL ASPECT: CUSTOMER PRIVACY					
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	*	166	-	-
MATERIAL ASPECT: COMPLIANCE					
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	*	167	-	-

* No direct requirement by UNGC - COP

UNGC - COP - United Nations Global Compact - Communication of progress



GRI-G4 Food Processing Sector Supplement (FPSS)

Material Aspects - DMAs and Indicators	Description	Page Number/Explanation	Reasons for Omissions	External Assurance
Aspect: Procurement / Sourcing Practices - Disclosure on Management Approach (DMA)				
DMA	Protecting Natural Resources	74-75	-	-
DMA	Minimising Toxicity	114-117, 160-163	-	-
DMA	Fair Trade	All of ITC's trading partnerships are conducted in compliance with applicable legislations	-	-
DMA	Fair Compensation for Labour	127-128	-	-
DMA	Traceability	165	-	-
Aspect: Procurement / Sourcing Practices - Disclosure on Management Approach (DMA)				
DMA	Genetically Modified Organisms (GMOs)	ITC Foods Business does not use any GMOs in manufacturing its products	-	-
DMA	Biofuels	76-77, 83	-	-
Aspect: Procurement / Sourcing Practices – Indicators				
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	Partially reported 22-23, 165	Reporting on energy, GHG emissions, water and waste performance of Foods Business third party manufacturing units (TPMs) is intended to be done in a progressive manner. We had planned to include the performance of the joint venture North Eastern Nutrients Private Limited (NENPL) in Sustainability Report 2016. However, this could not be done due to plant commissioning and stabilisation activities in 2015-16. It is proposed to include the material aspects of NENPL within next 2 years.	Yes/ Independent Assurance Statement
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	Partially reported 22-23, 165		Yes/ Independent Assurance Statement



Material Aspects - DMAs and Indicators	Description	Page Number/ Explanation	Reasons for Omissions	External Assurance
Aspect: Labour/Management Relations				
DMA		124-125	-	-
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs by country	126	-	Yes/ Independent Assurance Statement
Aspect: Healthy and Affordable Food				
DMA	Nature, scope and effectiveness of any programmes and practices that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	160-161	-	-
Aspect: Customer Health and Safety				
DMA		160-161	-	-
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards	161	-	Yes/ Independent Assurance Statement
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars	161	-	Yes/ Independent Assurance Statement
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives	161	-	Yes/ Independent Assurance Statement
Aspect: Product and Service Labelling				
DMA	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	164	-	-
Aspect: Animal Welfare				
Not material as none of our businesses are involved in activities related to animal welfare				



Alignment to Business Responsibility Report Principles

Linking Sustainability Report 2016 to Business Responsibility Report Principles to assess compliance with Environmental, Social and Governance (ESG) norms.

Principle	Business Responsibility Report Principles to assess compliance with ESG norms	Coverage in Section of Sustainability Report 2016
1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	<ul style="list-style-type: none">• Governance Structure
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life-cycle	<ul style="list-style-type: none">• Energy• Air Emissions• Water Management• Waste Management• Raw Materials• Supply Chain• ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth• Product Responsibility
3	Businesses should promote the well-being of all employees	<ul style="list-style-type: none">• Labour Practices & Decent Work and Human Rights• Occupational Health and Safety
4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised	<ul style="list-style-type: none">• Economic Performance• Stakeholder Engagement, Risk & Opportunities and Materiality Analysis• Labour Practices & Decent Work and Human Rights• ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth
5	Businesses should respect and promote human rights	Labour Practices & Decent Work and Human Rights
6	Business should respect, protect, and make efforts to restore the environment	<ul style="list-style-type: none">• Energy• Air Emissions• Water Management• Waste Management• Raw Materials• Biodiversity• ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	<ul style="list-style-type: none">• Responsible Policy Advocacy• Stakeholder Engagement, Risk & Opportunities and Materiality Analysis• Memberships and Affiliations
8	Businesses should support inclusive growth and equitable development	<ul style="list-style-type: none">• Economic Performance• ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner	<ul style="list-style-type: none">• Stakeholder Engagement, Risk & Opportunities and Materiality Analysis• Product Responsibility

Annexure

ITC's Vision, Mission, Core Values and Policies & Guidelines

ITC's Vision

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

ITC's Mission

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

ITC's Core Values

ITC's Core Values are aimed at developing a customer-focussed, high-performance organisation which creates values for all its stakeholders. ITC's Core Values encompass the principles of Trusteeship, Customer Focus, Respect for People, Excellence, Innovation and Nation Orientation. Please check the following link for details:

<http://www.itcportal.com/about-itc/values/core-values.aspx>

Corporate Governance at ITC

<http://www.itcportal.com/about-itc/values/corporate-governance.aspx>

ITC's Code of Conduct and Policies are available at the Company's corporate website www.itcportal.com. Please check the following links for details:

ITC's Code of Conduct

<http://www.itcportal.com/about-itc/values/code-of-conduct.aspx>

ITC's Sustainability Policies

<http://www.itcportal.com/about-itc/policies/sustainability-policy.aspx>

ITC's CSR Policy

<http://www.itcportal.com/about-itc/policies/corporate-social-responsibility-policy.aspx>

ITC's Food Products Policy

<http://www.itcportal.com/about-itc/policies/itc-food-product-policy.aspx>

ITC's E-Waste Policy

<http://www.itcportal.com/about-itc/policies/itc-it-e-waste-policy.aspx>



Annexure

Quantification Methodologies: Energy and GHG Emissions

To set organisational boundaries for consolidated GHG emissions, ITC has utilised the operational control approach for the various entities covered under the Report. ITC's accounting of Scope 1, 2 & 3 GHG emissions is based on the 'GHG Protocol Corporate Accounting and Reporting Standard' and the 'GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard' issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

1. Stationary Combustion

Emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006 were used to calculate GHG emissions from stationary combustion sources.

Activity data (quantity of fuel consumed) is multiplied with the respective default energy factor or actual measured Net Calorific Value (NCVs) to arrive at the energy consumption values, which is multiplied by the emission factor to quantify the direct emission from stationary combustion sources.

2. Purchased Energy

The quantification of indirect GHG emission due to purchased electricity is based on activity data (Electricity consumption in kWh) multiplied by emission factors specified in the 'CO₂ Baseline Database for the Indian Power Sector User Guide', (version 10.0, December 2014) issued by Central Electricity Authority, Government of India.

The quantification of indirect GHG emissions for purchased steam is based on activity data (energy consumption in GJ) multiplied by the applicable emission factors provided in the IPCC Guideline for National Greenhouse Gas Inventories of 2006.

3. Transportation

The energy consumption outside of the organisation due to road transportation is quantified by using energy conversion factors based on the Report by World Bank on Road Transport Service Efficiency Study (India)-2005.

The modes of transportation used in ITC, for raw materials, finished goods & wastes, employee commuting by means of company owned/hired vehicles, transportation due to guest pick-up in ITC Hotels and sources for calculation of emission factors are as follows:

Road – Emission factors for trucks are calculated based on the Report by World Bank on Road Transport Service

Efficiency Study (India)-2005. Emission factors for employee commuting by means of company owned/hired vehicles and transportation due to guest pick-up in ITC Hotels are based on a report by Automotive Research Association of India.

Rail – Emission factors are calculated based on the information available from the Indian Railways Annual report 2013-14, Indian Railways Statistics 2013-14.

Air/Ship – "Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting – Freight Transport 2011" developed by the Department of Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA), U.K.

4. Minor Sources

The quantification of GHG emissions from minor* sources is based on a robust process of data collection at Unit/ Division level and emission factors taken from recognised global sources, such as IPCC guidelines and assessment reports; GHG Protocol HFC Tool v10 developed by GHG Protocol initiative, WRI & WBCSD; Pulp and Paper Tool-2005; UNFCCC approved methodologies. The sources that have a minor contribution to ITC's overall GHG emissions are listed below:

1. Air-conditioning
2. Process Emissions
3. Company owned vehicles
4. SF₆ release from power distribution system
5. CO₂ release from fire protection system
6. Gas cutting/ welding
7. Waste water treatment
8. GHG emissions from composting of waste inside the unit premises
9. GHG emissions from fertiliser application in forestry project
10. GHG emissions due to employee air travel

5. GHG Removals

GHG removals from plantations have been calculated based on the approved methodology used in ITC's UNFCCC registered CDM project '2241: Reforestation of severely degraded landmass in Khammam District of Andhra Pradesh, India under ITC Social Forestry Project.'

* The Frequency of quantification of GHG emissions from minor sources is once in three years.



Annexure

Memberships & Affiliations – 2016

- Andhra Pradesh Forest Development Corporation of India Limited
- Agricultural & Processed Foods Export Development Authority
- All India Food Processors Association
- All India Management Association
- Andhra Chamber of Commerce
- Asian Packaging Federation
- Associated Chambers of Commerce & Industry
- Associated Chambers of Commerce and Industry of Uttar Pradesh
- Bangalore Chamber of Industry and Commerce
- Bihar Chamber of Commerce
- Bihar Industries Association
- Bihar State Productivity Council
- Bombay Management Association
- British Safety Council
- Bureau of Indian Standards
- Central Food Technology Research Institute
- Central Institute of Plastics Engineering & Technology
- Chemicals & Plastics Export Council of India
- Coal Consumers Association
- Cochin Chamber of Commerce & Industry
- Coffee Board
- Coffee Exporters Association
- Coimbatore Management Association
- Coimbatore Productivity Council
- Cooperation Centre for Scientific Research Relative to Tobacco
- Confederation of Indian Industry
- Ecotourism Society of India
- Employee Federation of South India
- Employers' Association of Northern India
- Export Inspection Council of India
- Fairtrade International (FLO), Germany
- Federation of Andhra Pradesh Chambers of Commerce and Industry
- Federation of Biscuits Manufacturers Association of India
- Federation of Hotels & Restaurants Association of India
- Federation of Indian Export Organisations
- Federation of Indian Chambers of Commerce and Industry
- Federation of Industries and Commerce of North Eastern Region
- Federation of Jharkhand Chambers of Commerce & Industry
- Federation of Karnataka Chambers of Commerce & Industry
- Gujarat Chamber of Commerce & Industry
- Guwahati Management Association
- Hotel Association of India
- Indian Association of Tour Operators
- Indian Beauty and Hygiene Association
- Indian Chamber of Commerce Calcutta
- Indian Chamber of Commerce and Industry, Coimbatore



- Indian Coffee Trade Association
- India Convention Promotion Bureau
- Indian Flexible Packaging & Folding Carton Manufacturers Association
- Indian Institute of Packaging
- Indian Merchants' Chamber
- Indian Paper Manufacturers Association
- Indian Printing Packaging and Allied Machinery Manufacturers Association
- Indian Pulp & Paper Technical Association
- Indian Tobacco Association
- Indian Wind Power Association
- Indo American Chamber of Commerce
- Indo German Chamber of Commerce
- Industrial Waste Management Association
- International Chamber of Commerce
- International Flexible Packaging Network
- International Life Science Institute
- International Packaging Group
- Karnataka Planters Association
- Leatherhead Food International, UK
- Madras Chamber of Commerce & Industry
- Madras Management Association
- Madras Printers and Lithographers Association
- Maharashtra Economic Development Council
- Mahratta Chamber of Commerce, Industry & Agriculture
- Marine Products Export Development Authority
- National Commodity & Derivatives Exchange Limited
- National Safety Council
- Oil Technologists' Association of India
- Pacific Asia Travel Association
- PHD Chamber of Commerce and Industry
- Protein Food and Nutrition Development Association of India
- Ranjangaon Industries Association
- Retailers Association of India
- Seafood Exporters Association of India
- Solvent Extractors Association of India
- Soyabean Processors Association of India
- Tamil Nadu Electricity Consumers Association
- The All India Association of Industries
- The Bengal Chamber of Commerce & Industry
- The Central Organisation for Oil Industry and Trade
- The Clothing Manufacturers Association of India
- The Energy and Research Institute
- The Food Safety and Standards Authority of India
- The Indian Society of Advertisers
- The Utkal Chamber of Commerce & Industry
- Travel Agents Association of India
- United States Tour Operators Association
- US Food and Drug Administration
- US Green Building Council
- Western UP Chamber of Commerce & Industry
- World Business Council for Sustainable Development
- World Travel & Tourism Council India Initiative
- World Wide Fund - Global Forest and Trade Network



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Independent Assurance Statement

The Management and Board of Directors
ITC Limited
 Virginia House
 Kolkata 700071, India.

Ernst & Young LLP (EY) was engaged by ITC Limited (the "Company") to provide independent assurance to its annual Sustainability Report (the 'Report') for the Financial Year 2015-16.

The development of the Report is based on the Global Reporting Initiative's (GRI) G4 Guidelines (2013) and Food Processing Sector Supplement (applicable only for Foods Business); its content and presentation is the sole responsibility of the management of the Company. EY's responsibility, as agreed with the management of the Company, is to provide independent assurance on the report content as described in the scope of assurance. Our responsibility in performing our assurance activities is to the management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

Scope of Assurance

The scope of assurance covers the following aspects of the Report:

- ▶ Data and information related to the Company's sustainability performance for the period 1st April 2015 to 31st March 2016;
- ▶ The Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data;
- ▶ Review of information on sample basis through consultations at the Company's Head Office and the following Divisional Headquarters (DHQ) and manufacturing units:
 - ▶ ITC Tobacco Division (ITD) DHQ, Personal Care Products Business (PCPB) DHQ and Trade Marketing and Distribution (TM&D) in Kolkata; Foods Business Division (FBD) DHQ in Bengaluru, Lifestyle Retail Business Division (LRBD) DHQ in Gurgaon; Matches and Agarbatti Business (MAB) DHQ and Education and Stationery Products Business (ESPB) DHQ in Chennai; Agri-Business Division (ABD) DHQ in Hyderabad.
 - ▶ Site-level physical verification and desktop review at 13 and 12 units respectively, as listed below:
 1. ITD (Tobacco Division): Physical verification at Pune; Desktop review at Saharanpur and Munger;
 2. FBD (Foods Division): Physical verification at Haridwar and Pune; Desktop review at Munger and Malur;
 3. PCPB (Personal Care Products Business) at Haridwar;
 4. Hotels: Physical verification at ITC Maurya (Delhi) and ITC Sonar (Kolkata); Desktop review at ITC Grand Bharat (Manesar), ITC Gardenia (Bengaluru) and My Fortune (Chennai);

1



5. PPB (Packaging and Printing Business): Physical verification at Haridwar; Desktop review at Tiruvottiyur and Munger;
6. PSPD (Paperboards and Specialty Papers Division): Physical verification at Bhadrachalam, Tribeni and Kovai; Desktop review at Bollaram;
7. ILTD (Leaf Tobacco Division): Physical verification at Chirala; Desktop review at Mysore and Anaparti;
8. ITC Infotech: Physical verification at Bengaluru;
9. ATC Limited: Physical verification at Hosur.

EY's multidisciplinary team of professionals visited the Company's aforementioned units and reviewed and verified the data and information presented in the Report, on the following General Standard Disclosures and Specific Standard Disclosures:

General Standard Disclosures

- ▶ Strategy and Analysis (G4-1)
- ▶ Identified Material Aspects and Boundaries (G4-17 to G4-23)
- ▶ Stakeholder Engagement- (G4-24 to G4-27)
- ▶ Governance- (G4-34 to G4-49, G4-51)
- ▶ Ethics & Integrity- (G4-56, G4-57)

Specific Standard Disclosures

- ▶ Environmental
 - ▶ Materials (EN1), Energy (EN3, EN5, EN6), Water (EN8, EN10), Emissions (EN15, EN16, EN17, EN18, EN19, EN21), Effluents (EN22), Waste (EN23) and Compliance (EN29)
- ▶ Social: Labour Practices
 - ▶ Employment (LA1), Occupational Health and Safety (LA6) and Training and Education (LA9)
- ▶ Social: Society
 - ▶ Local Communities (SO1, SO2)
- ▶ Social: Product Responsibility
 - ▶ Product and Service Labeling (PR3, PR4, PR5)
- ▶ Food Processing Sector Supplement
 - ▶ Procurement/Sourcing Practices (FP1, FP2), Labor/Management Relations (FP3) and Customer Health and Safety (FP5, FP6, FP7)

Limitations of our review

The assurance scope excludes:

- ▶ Operations of the Company other than those mentioned in the 'Scope of Assurance';
- ▶ Aspects of the Report and data/information other than those mentioned above;
- ▶ Data and information outside the defined reporting period i.e. 1st April 2015 to 31st March 2016;
- ▶ The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention provided by the Company;
- ▶ Data and information on economic and financial performance of the Company.



Assurance criteria

The assurance engagement was planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). Our evidence-gathering procedures were designed to obtain a 'reasonable' level of assurance (as set out in ISAE 3000) as well as conformance of sustainability performance indicators as per GRI-G4 (2013) Guidelines.

What we did to form our conclusions

In order to form our conclusions we undertook the following key steps:

- ▶ Interviews with select key personnel and the core team responsible for the preparation of the Report to understand the Company's sustainability vision, mechanism for management of sustainability issues and engagement with key stakeholders;
- ▶ Interactions with the key personnel at the Company's manufacturing plants in order to understand and review the current processes in place for capturing sustainability performance data;
- ▶ Physical audits of the Company's corporate office, trade marketing and distribution office, 3 divisional headquarters and 13 units as mentioned in the 'Scope of Assurance' above;
- ▶ Desktop review of data at 4 divisional headquarters and 12 units as mentioned in the 'Scope of Assurance' above;
- ▶ Review of relevant documents and systems for gathering, analyzing and aggregating sustainability performance data in the reporting period;
- ▶ Review of selected qualitative statements and sample case studies in various sections of the Report.

Our Observations

The Company continues to uphold its commitment to managing its environmental impacts as evidenced by its continued status as being water positive, carbon positive and solid waste recycling positive. The Company's carbon positive status is based on improvements in specific energy consumption, increasing share of energy from renewable sources and sequestration of carbon-dioxide through social and farm forestry initiatives. The water positive status is based on reduction of specific water consumption and creation of rainwater harvesting structures with an evaluated rainwater harvesting potential. The solid waste recycling positive status of the Company is based on recycling of waste generated out of their operations and external wastes used as raw material. The Company also reinforced its commitment to creating shared value through its extensive social initiatives activities.

Our Conclusions

On the basis of our procedures aimed at obtaining reasonable assurance, we conclude that in our opinion:

The Company has presented, in a reasonably balanced, accurate, complete and transparent manner, the information on material aspects in accordance with Sustainability Reporting Guidelines (G4) and Food Sector Supplement (applicable to Foods Business) of the Global Reporting Initiative (GRI) and conforms to GRI-G4 'in-accordance - comprehensive' disclosure criteria.



FOR ALL OUR TOMORROWS



Building a better
working world



Our assurance team and independence

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant Indian and international businesses. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics¹ for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

for Ernst & Young LLP

Sudipta Das
Partner
23rd June 2016
Kolkata

¹ International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. This Code establishes ethical requirements for professional accountants. The guidance related to network firms was updated in July 2006.



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Independent Assurance Statement

The Management and Board of Directors
ITC Limited
 Virginia House
 Kolkata 700071, India.

Ernst & Young LLP ('EY') was engaged by ITC Limited (the 'Company') to provide independent assurance to its annual Greenhouse Gas (GHG) inventory (the 'Inventory') presented in their Sustainability Report 2016.

The Company has developed its GHG inventory in accordance with the ISO14064-1:2006 standard. EY's responsibility, as agreed with the Management of the Company, is to provide independent assurance as per the requirements of ISO14064-3:2006 "Specification with guidance for the validation and verification of greenhouse gas assertions" and as per the International Standard for Assurance Engagements (ISAE) 3410 standard- Assurance Engagements on Greenhouse Gas Statements. Our responsibility in performing our assurance activities is to the Management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

Scope of Assurance

The scope of assurance covers the following aspects of the Inventory:

- ▶ Data and information related to the Company's GHG inventory- Scope 1, Scope 2, Scope 3 and Biogenic emissions as well as GHG removals;
- ▶ The consistency of the Company's internal protocols, processes, and controls related to the collection and collation of GHG emissions and removals with the requirements of ISO14064-1:2006 guidelines;
- ▶ Understanding the reasonableness of various assumptions, estimations and materiality thresholds used by the Company for data analysis;
- ▶ Review of information and data on sample basis through consultations at the Company's Head Office, 7 Divisional Headquarters (DHQs), Trade Marketing & Distribution (TM&D) office and 25 manufacturing units, as listed below:
 - 1) ITD (Tobacco Division): Pune, Saharanpur and Munger;
 - 2) FBD (Foods Division): Haridwar, Pune, Munger and Malur;
 - 3) PCPB (Personal Care Products Business): Haridwar;
 - 4) Hotels: ITC Maurya (Delhi), ITC Sonar (Kolkata), ITC Grand Bharat (Manesar), ITC Gardenia (Bengaluru) and My Fortune (Chennai);
 - 5) PPB (Packaging and Printing Business): Haridwar, Tiruvottiyur and Munger;
 - 6) PSPD (Paperboards and Specialty Papers Division): Bhadrachalam, Tribeni, Koval and Bollaram;
 - 7) ILTD (Leaf Tobacco Division): Chirala, Mysore and Anaparti;



- 8) ITC Infotech: Bengaluru;
- 9) ATC Limited: Hosur.

Limitations of our review

The assurance scope excludes:

- Operations of the Company as mentioned in the inventory other than those mentioned in the 'Scope of Assurance';
- Data and information outside the defined reporting period /i.e. 1st April 2015 to 31st March 2016;

Assurance criteria

The assurance engagement was planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3410) as well as ISO14064-3:2006 "Specification with guidance for the validation and verification of greenhouse gas assertions". Our evidence-gathering procedures were designed to obtain a 'reasonable' level of assurance in order to ascertain that the Company's GHG Inventory is fairly stated and in conformance in all material aspects with the requirements of ISO14064-1:2006.

What we did to form our conclusions

In order to form our conclusions we undertook the following key steps:

- Interactions with the key personnel at the Company's head office, divisional headquarters, manufacturing units and hotels in order to understand and review the current processes in place for capturing the GHG emissions and removals data;
- Verification of the reported GHG inventory, on a sample basis, at the Company's corporate office, divisional headquarters, manufacturing units and hotels as mentioned in the 'Scope of Assurance' above;
- Review of relevant documents and systems for gathering, analyzing and aggregating the data in the reporting period;

Our Observations

The GHG emissions and removals have been calculated as per the ISO14064-1:2006 guidelines. There were no observed inconsistencies in the Company's internal protocols, processes, and controls related to the collection and collation of GHG emissions and removals with the requirements of ISO14064-1:2006 guidelines. The various assumptions, estimations and materiality thresholds used by the Company for data analysis were found to be in line with the requirements of ISO14064-1:2006 guidelines.

Our Conclusion

On the basis of our procedures aimed at obtaining reasonable assurance, we conclude that in our opinion the Company has fairly represented its GHG Inventory in accordance with the requirements of the ISO14064-1:2006 guidelines. The reported GHG emissions and removals for the reporting period are:

- Scope 1 emissions: 10,59,277 tonnes of CO_{2e}
- Scope 2 emissions: 1,87,187 tonnes of CO_{2e}
- Scope 3 emissions: 2,29,530 tonnes of CO_{2e}

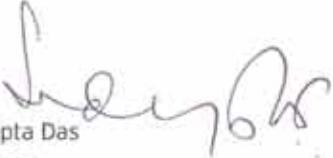


- Biogenic emissions: 9,61,590 tonnes of CO₂
- GHG removals: 51,21,855 tonnes of CO_{2e}

Our assurance team and independence

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant Indian and international businesses. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics¹ for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

for Ernst & Young LLP


Sudipta Das
Partner
23rd June 2016
Kolkata

¹ International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. This Code establishes ethical requirements for professional accountants. The guidance related to network firms was updated in July 2006.

Snapshot of ITC's Sustainability Initiatives: Select Media Coverage

THE ECONOMIC TIMES
June 8, 2016

360 Degree Compensation

ITC's mission: To check climate change, one must check all the tick-boxes. By Shephali Bhatt

At the 2011 World Economic Forum in Davos, the UN Secretary-General Ban Ki-moon highlighted it was high time nations started following the 'nexus approach': "As the world charts a more sustainable future, the crucial interplay among water, food and energy is one of the most formidable challenges." Climate change is not a problem of water or energy management alone. It can only be controlled if there are integrated solutions that inspire judicious use of land-water-energy. Indian FMCG major ITC understands the said importance of land-water-energy nexus.

It's 'Social & Farm Forestry Programme' has greened over 225,000 hectares of land, says Chitraranjan Dar, group head - EHS projects, R&D, and quality assessment. For a business such as theirs, which is heavily into paper manufacturing, afforestation such a scale allows it to balance some of its carbon footprints. It claims it has been carbon positive for years now. But that's not enough. The company also conducts a development programme assisting farmers in 'nature-stressed areas.' Farmers have been able to harvest rain-water and make water-positive for 14 years, says Dar.

EVEN THE LUXURY AT ITC HOTELS IS 'PLANET POSITIVE', SPREADING AWARENESS ACROSS SUPPLY CHAINS TO REDUCE CARBON FOOTPRINTS



BusinessLine

December 9, 2015



An ITC wind farm cluster

Small steps, big gains

ITC is on course to generate half of its energy requirement from renewables

V RISHI KUMAR

It has not been an easy journey, but a concerted effort seems to have paid off. Over the years FMCG, paper, hospitality, IT and agri-business major ITC Limited has managed to increase the renewable energy component for meeting its total energy require-

unit in the south 54 per cent. In the company's hotel portfolio 53 per cent of energy needs are met by sustainable sources.

"About three years ago we took organisation-wide ISO 14064 standard covering 50 manufacturing units, four subsidiaries and 25 outsourced man-

THE WEEK
February 21, 2016

Field work: A pasture under development in Harna village, Rajasthan.

'Mission Sunehra Kal' is a social investment programme of ITC, in collaboration with state governments and NGOs, in areas where it procures grains. "Under this programme, we try to revive the good old practices that are dying, and introduce new interventions in rural lives to income and lifestyles of villagers," says Girish Mohan, regional manager of ITC, who is in charge of corporate social investments.

Bhangar is one of 226 villages in Madhya Pradesh, Rajasthan and Maharashtra where around 5,000 hectares have been successfully restored for village common use under the programme. "While in some villages we have supported farmers to rejuvenate irrigation facilities, strengthen dairy farming and create watersheds for groundwater charging, in some [others] we have helped people to restore village common lands," says Rajnikant Rai, COO of the company's agri business division.

Common cause ITC helps villagers and governments restore common lands

BY DEEPAK TIWARI

Bhangar, some 200 km from Bhopal, is home to Hindu Singh, a 64-year-old farmer. His family is among 77 families in the village that thrive on agriculture. Singh comes from a family of landholders. With each generation though, the size of the land decreased, and Singh was left with five acres. With a family of five to feed, Singh also rears cattle.

Till three decades ago, says Singh, the harvest was good, thanks to regular rainfall and good moisture levels in the soil. But as the population grew, trees were felled to bring more land under cultivation. That was the biggest mistake our parents made, says Singh. A depleted green cover affected crop production. The land that was used for cattle grazing, too, started vanishing. It became difficult to rear cattle as stall-feeding was too costly.

"We did not have any place left in the village where we could graze our cattle," says Singh. "The final blow came in 2002 when the Madhya Pradesh government decided to distribute the remaining village common land to poor scheduled caste families. It was only in 2007 when ITC [Limited] chose Bhangar under its 'Mission

Sunehra Kal' that things changed."

Mission Sunehra Kal is a social investment programme of ITC, in collaboration with state governments and NGOs, in areas where it procures grains. "Under this programme, we try to revive the good old practices that are dying, and introduce new interventions in rural lives to income and lifestyles of villagers," says Girish Mohan, regional manager of ITC, who is in charge of corporate social investments.

Bhangar is one of 226 villages in Madhya Pradesh, Rajasthan and Maharashtra where around 5,000 hectares have been successfully restored for village common use under the programme. "While in some villages we have supported farmers to rejuvenate irrigation facilities, strengthen dairy farming and create watersheds for groundwater charging, in some [others] we have helped people to restore village common lands," says Rajnikant Rai, COO of the company's agri business division.

Common village land or commons, explains Mohan, are the land resources, like foraging and pasture land, within the boundary of a village formally held by the panchayat or a community in the village. "Common lands in India have played a vital role in supporting the village economy," says ITC. "They provide a wide range of products and services to poor, marginal and small landholders, ranging from provisioning services such as fuel, food, fodder and timber to regulating services such as maintaining the hydrological cycle, water recharge, sink for greenhouse gases, erosion control and maintaining soil fertility, which have a significant bearing on climate change mitigation and adaptation."

The modus operandi to revive these commons is simple, says Mohan. "The ITC and partner NGOs engage with villagers through traditional governance structures such as panchayats and religion-based informal groups," he says. "These members are then organised into village development committees. They are trained and incentivised to manage grazing, protect forests, build water harvesting structures for recharge and soil conservation measures to reduce erosion." To protect the commons, a 'social fencing' is formed, which is nothing but people's will to obey rules and regulations. The produce from these commons is distributed.

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Figures in this section are as on June 2016.