

GRI - G4 COMPLIANT
IN ACCORDANCE - COMPREHENSIVE



Enduring Value
SUSTAINABILITY REPORT 2017
ITC LIMITED



SUSTAINABLE LIVELIHOODS

FOR ALL OUR TOMORROWS



ITC: CREATING A SECURE FUTURE





It has been our resolve to build an exemplary Indian enterprise that would create enduring value for our country. An organisation that would adopt the credo of putting 'India First' – keeping Country before Corporation and the Institution before the Individual. Over the years, the patriotic sense of 'India First' has grown into a full-blown aspiration to be a National Champion subserving the country's larger priorities. This is not only manifest in the creation of world-class Indian brands, but also in the Triple Bottom Line goals of the Company to nurture larger societal value. The need to sustain global competitiveness in economic value creation, whilst simultaneously creating larger societal value, has led to innovation in business models that seek to synergise the building of economic, ecological and social capital as a unified strategy.

A new paradigm of growth is today called for – an integrated Triple Bottom Line approach that builds competitiveness whilst at the same time ensuring that the environment is nourished and large-scale sustainable livelihoods are created. I call this new paradigm 'Responsible Competitiveness', which to my mind is a pre-requisite to creating a more sustainable future.

Y C Deveshwar
Chairman, ITC Limited



'Enterprises of Tomorrow' can bring in transformational change by making societal value creation a conscious strategic decision and not one that banks on corporate conscience alone. ITC has always believed that businesses possess unique strengths to make a larger contribution to society. If the creative and innovative energies that businesses employ to create world-class products and brands are leveraged to deliver social initiatives that serve a larger national objective, it can have a transformative impact on society.

It is this belief that has spurred ITC to craft innovative strategies that orchestrate a symphony of efforts aimed at enriching the environment, creating sustainable livelihoods, empowering local communities and addressing the challenge of climate change.

Sanjiv Puri
CEO and Executive Director, ITC Limited



Contents

04 Chairman's Statement

10 Organisational Profile

Supply Chain 22

Honours, Awards and Certifications 26

30 Stakeholder Engagement, Risks & Opportunities and Materiality Analysis

48 Report Profile, Scope and Boundary

54 Governance Structure

62 Economic Performance

Management Approach 65

Economic Performance 66

78 Environmental Performance

Management Approach 81

Energy and Climate Change 82

Air Emissions 94

Water Management 98

Waste Management 108

Raw Materials 118

Biodiversity 122



126 Social Performance

Labour Practices & Decent Work and Human Rights 128

Occupational Health and Safety 134

ITC Mission Sunehra Kal for Sustainable & Inclusive Growth 142

Product Responsibility 166

174 GRI Index

192 GRI-G4 Food Processing Sector Supplement (FPSS)

194 Alignment to BRR Principles

195 Annexures

Policies and Guidelines 195

Quantification Methodology: Energy and GHG Emissions 196

Memberships and Affiliations 197

199 Independent Assurance Statements



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

Over the last twenty-one years:

- Turnover has grown 11-fold
- Profit has grown 39 times
- Total Shareholder Returns has grown at a CAGR of 23.6%
- Market capitalisation: Over \$50 billion
- Turnover: Over \$8 billion
- ITC Group provides direct employment to over 32,000 people



Environment

- Carbon Positive:
12 consecutive years
- Water Positive:
15 years in a row
- Solid Waste Recycling Positive:
For the last 10 years
- Soil & Moisture conservation
provided to over 8,22,000 acres
- Over 6,20,000 acres greened
under ITC's Afforestation
Programme
- Solid Waste Management
This Initiative reaches out to over
6.4 million citizens
- Increasing Renewable
Energy Portfolio:
Over 48% of ITC's Total Energy
Requirements met from carbon
neutral sources.
- Pioneer in Green Building
Movement in India:
22 green buildings
- ITC Hotels is a trailblazer in
Responsible Luxury

Social

- ITC's Social Investments Programme
is spread over 26 States/Union
Territories covering 184 districts
- ITC e-Choupal: Empowering
4 million farmers
- ITC's Afforestation Programme:
Generating over 110 million
person-days of employment
- ITC's Women Empowerment
Programme: Covering nearly
55,000 rural women
- ITC's Primary Education Programme:
Benefitting over 5,25,000 children
- ITC's Animal Husbandry Programme:
Services provided to over 15,00,000
milch animals
- ITC's Biodiversity Programme:
Covering nearly 12,500 acres
- ITC's Vocational Training Programme:
Training over 46,000 youth
- ITC's Health & Sanitation
Programme: Over 25,000 low-cost
sanitary units constructed



Figures in this section are as in June 2017. Figures in the rest of the Report pertain to the Financial year 2016-17.



Chairman's Statement

I have immense pleasure in presenting ITC's Sustainability Report 2017. This is the 14th consecutive year of its publication.

A journey that has witnessed significant milestones in the Company's aspiration to be a global exemplar in Sustainability. An aspiration that continues to inspire Team ITC to seek innovative solutions to contribute to a more secure, sustainable and inclusive future.

As in earlier years, this Report has been prepared in accordance with the stringent 'G4' guidelines of the Global Reporting Initiative (GRI) at the highest 'In Accordance – Comprehensive' level, and has been independently assured by M/s Ernst & Young Pvt. Ltd.

I am also happy to once again reaffirm ITC's support to the principles underlying the United Nation's Global Compact. It is a matter of great satisfaction that ITC's sustainability strategy together with its focused social investments have achieved outcomes that contribute meaningfully to the Nationally Determined Contribution (NDC) commitments made by India to the United Nations Framework Convention on Climate Change. ITC's multi-dimensional social initiatives also contribute to the objectives set in the UN Sustainable Development Goals (SDGs).

The Next Horizon for a Sustainable World

Global reports emanating from several multilateral institutions over the last few months weave a stark reality that is of extreme concern. The trend is not new. The writing has been on the wall for some time now that the world has traversed an extremely unsustainable growth path. And that this momentum, if continued, can become a serious threat to mankind. The concern today is that solutions are not outpacing the challenges. There is no doubt that attempts are being made by the comity of nations, led by the United Nations, to shape a new future through a set of ambitious Sustainable Development Goals (SDGs). The Paris UN Climate Agreement has also attempted a brave agenda to combat climate change. Yet, the scale and severity of the challenges beg the question whether the proposed actions will indeed be adequate and more so, whether the speed of execution befits the urgency that is called for.

The statistics are formidable. The United Nations' *'World Population Prospects: The 2017 Revision'* Report reveals that, with roughly 83 million people being added to the world's population every year, the planet will be inhabited by close to 9 billion people by 2030. In 1950, global population was at 2.5 billion. The pressure that will befall on resources such as food, energy, habitations and livelihood is obvious and to say the least, alarming. The Earth Overshoot Day in 2017 is likely to be in early August, implying that for over 4 months in a year, the world is now collectively consuming more from nature than what the planet can renew. In other words, these are also the resources of the future that are being snatched away from our children and grandchildren.

'The State of the Global Climate' brought out by the World Meteorological Organization confirms that 2016 was indeed the warmest in recorded history of the planet, with temperature soaring 1.1°C above the pre-industrial period. The Report also said that carbon dioxide in the atmosphere reached new highs at 400.0 ± 0.1 ppm at the end of 2015. Severe droughts and floods also displaced hundreds of thousands of people. The fury of climate change continues unabated and exacerbates the plight of the poor manifold.

In Davos this year, the world also woke up to a shocking report by Oxfam that the wealth of only 8 individuals equalled that of almost half of humanity – roughly 3.7 billion people in the world. It is well acknowledged that such income inequities, among people and nations, are at the root of growing social unrest, criminal activity and even terrorism. Fuelling such inequities even further is the global unemployment rate which is expected to rise even further according to the reports of the International Labour Organisation.

This Report has been prepared in accordance with the stringent 'G4' guidelines of the Global Reporting Initiative (GRI) at the highest 'In Accordance – Comprehensive' level





India's challenges are no less daunting. The country is home to one-third of the world's poor. A colossal number of jobs are required to engage the 12 million who join the workforce every year. Environmental resources are under huge stress. 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. According to the World Bank, by 2030, India's per capita water availability may shrink to half from the 2010 level, which will push the country from the 'water scarce' category to a 'water stress' category. The need to replenish our environmental resources has never been more critical and urgent.

The global sustainability challenges, and those faced by populous emerging economies like India, call for an altogether new paradigm of growth. The new horizon for a sustainable world will be one where growth must create jobs and livelihood opportunities of an unprecedented level. Technology has to be an enabler of livelihood opportunities across the value-chain. At the same time, growth models must embrace the need to replenish the environment and combat climate change.

The Role of Business

Undoubtedly, the challenges confronting the world today cannot be resolved by any single section of society and will require a collaborative effort of government, business and civil society. It has been my firm belief that businesses can indeed play an extremely 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.

The transformative energies of business can be unleashed when corporates redefine their value proposition by focusing on a larger purpose that contributes 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

Inspired by a patriotic fervour to serve larger national priorities, ITC redefined its Vision two decades ago to make societal value creation the bedrock of its business strategy. The need to sustain global competitiveness in economic value creation, whilst simultaneously creating larger societal value, has led to innovation in business models that seek to synergise the building of economic, ecological and social capital as a unified strategy. This Triple Bottom Line approach has, over the years, spurred innovation in strategy and execution to deliver significant outcomes.

Leveraging the Company's innovative capacity, enterprise strengths and its presence in rural communities, ITC has designed and implemented large-scale programmes to create sustainable livelihoods, empower local communities, enrich the environment and address the challenges of climate change. It is a matter of great satisfaction that the Company is today a global exemplar in sustainability. ITC has sustained its position as the only Company in the world to be carbon positive (12 years), water positive (15 years) and solid waste recycling positive (10 years). The Company's Businesses and value-chains generate sustainable livelihoods for over 6 million people.

Inspired by a patriotic fervour to serve larger national priorities, ITC redefined its Vision two decades ago to make societal value creation the bedrock of its business strategy

Sustainability Policies: A Guiding Framework

High impact outcomes require strategies that create societal value by leveraging the core capabilities resident in the context of a company's businesses. It is then that outcomes achieve meaningful scales, are replicable and sustainable. To ensure that outcomes are consistent, ITC has also put in place policies, processes and systems that provide a guiding framework to achieve the overarching Vision to subserve national priorities. Critical societal challenges are identified through extensive stakeholder engagement including rural participatory appraisals. Multi-stakeholder partnerships with Government, NGOs, Educational Institutes, Research Organisations and local communities help in collaborative designing and implementation of programmes ensuring more meaningful outcomes.

A comprehensive set of Board-approved Sustainability Policies has been adopted to guide pro-active action for superior Triple Bottom Line performance. A CSR policy, outlining programmes, projects and activities guides the Company's social investments. 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 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

Over the years, ITC has made a far-reaching contribution to the cause of livelihood creation, particularly among the weakest in rural India. The Company's integrated rural development programme has helped create a vibrant rural ecosystem empowering farmers, enriching the environment and raising rural incomes. The mosaic of comprehensive interventions by ITC includes the globally acknowledged ITC e-Choupal initiative which has empowered 4 million farmers, 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 sustainable livelihood creation, improving the quality of life of people whilst also enriching the natural resource base.

ITC's Social Investments programme converges well with the Prime Minister's clarion call of 'Sab ka Saath, Sab ka Vikas' for inclusive development. Many of the Company's social interventions are in alignment with the Government's flagship programmes. The celebrated ITC e-Choupal initiative, which empowers farmers and raises rural incomes by leveraging digital technology and customised extension services, is a manifestation of 'Digital India' and the endeavour to 'Double Farmer Income'. The Company's Vocational Training programme, which focuses on providing youth with market-linked skills to make them industry-ready and employable, resonates with the Government's 'Skill India' vision. ITC's Health & Sanitation programme contributes to the Government's 'Swachh Bharat' campaign by promoting a hygienic environment through prevention of open defecation.

**A
comprehensive
set of Board-
approved
Sustainability
Policies has
been adopted
to guide
pro-active
action for
superior Triple
Bottom Line
performance.
A CSR policy,
outlining
programmes,
projects and
activities
guides the
Company's
social
investments**



ITC's Social Investments programmes implemented in 182 districts across 26 states, together make a meaningful contribution to the creation of societal value and sustainable livelihoods.

ITC's Environmental Stewardship

ITC has been at the vanguard of environmental stewardship by pursuing innovative strategies that ensure a low-carbon growth path. In addition to its large-scale Afforestation and Watershed Programmes, the Company's climate change mitigation contribution is also manifest in greenhouse gas reduction programmes, renewable energy investments, construction of green buildings and so on.

Currently, more than 48% of the Company's total energy requirement is met from renewable energy sources such as biomass, wind and solar. This is particularly commendable given its large-scale operations in manufacturing and hospitality. Several of ITC's factories, premium luxury hotels and the ITC Infotech Park in Bengaluru meet close to 100% of their electricity requirements from renewable energy.

ITC's water stewardship is manifest in the implementation of a long-term strategy for water security for stakeholders at identified high water stress areas. All the Units of the Company have made a focused effort to reduce intake of water by conducting water audits, benchmarking and adopting leading practices.

The Company has pioneered the movement for green buildings in India. Its first environmentally efficient construction – the ITC Green Centre in Gurugram, headquarters of ITC's Hotels Division - is the highest ranked LEED® Platinum green building in the world. 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. It was also awarded India's first 5 Star GRIHA (Green Rating for Integrated Habitat Assessment) rating by the Ministry of New and Renewable Energy. The ITC Sankhya Data Centre in Bengaluru is the first such facility in the world to receive LEED® Platinum certification. Several of ITC's facilities are LEED® certified as well. ITC has 22 green buildings in its portfolio to date.

The Company's 'Well-being Out of Waste' (WOW) initiative promotes resource conservation and recycling. WOW creates awareness about the importance of 'Reduce-Reuse-Recycle' in protecting and restoring the environment among the general public, school children and corporates. Besides addressing the growing concern of post-consumer waste management, this programme also inculcates the habit of source segregation and provides recyclables for a number of industries. This programme has covered over 64 lakh citizens, 25 lakh school children and 2000 Corporates and created sustainable livelihoods for 13,500 rag pickers and waste collectors.

ITC has been at the vanguard of environmental stewardship by pursuing innovative strategies that ensure a low-carbon growth path

Towards a New Paradigm of Responsible Competitiveness

A higher rate of economic growth is a critical pre-requisite for social equity. Yet, growth by itself may not ensure the creation of societal value. Therefore, strategies must cognise the need to ensure extreme competitiveness whilst at the same time spurring innovation to simultaneously create societal value. At ITC, we have called this paradigm of growth

'Responsible Competitiveness' - an integrated approach that builds competitiveness whilst at the same time ensuring that the environment is nourished and not plundered, and sustainable livelihoods are created along the entire value chain.

ITC's aspiration to be a National Champion is manifest in its Vision and Values as well as in the Vitality of its human capital, dedicated to building an exemplary enterprise for the country. We recognise that the Company's capacity to create societal value will crucially depend on the continued robust growth of its businesses. Tomorrow's world will belong to those who create, own and nurture intellectual capital. It is for this reason that ITC has tirelessly invested in creating world-class Indian brands - Indian Trademarks that will capture and retain value within the country for the larger good of the nation. Significant investments have also been made to create superior intellectual capital through a world-class ITC Life Sciences and Technology Centre; in brick and mortar industrial infrastructure; in iconic hotels; in talent management and in an efficient marketing and distribution network that will together lend renewed strength to the Company in the years to come.

ITC's journey to create an Enterprise of Tomorrow has been fulfilling, though there are yet many more milestones to cross. It is the Company's avowed mission to pursue superior Triple Bottom Line performance, whilst remaining committed to its values of Trusteeship, Transparency, Accountability and Ethical Corporate Citizenship, which are the cornerstones of ITC's Corporate Governance philosophy.

This Sustainability Report is a reaffirmation of our pledge to contribute to a secure, sustainable and inclusive future for the nation. I would like to thank all our stakeholders for their support and encouragement in making this a meaningful journey towards a promising tomorrow.



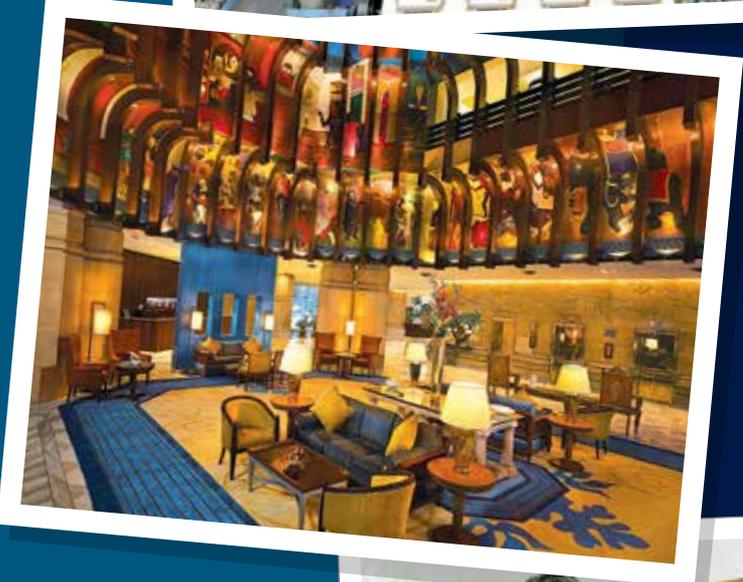
Y C Deveshwar
Chairman, ITC Limited

'Responsible Competitiveness' at ITC is an integrated approach that builds competitiveness whilst at the same time ensuring that the environment is nourished and not plundered, and sustainable livelihoods are created along the entire value-chain



ORGANISATIONAL PROFILE





ITC's Businesses

- FMCG
- Hotels
- Paperboards, Paper & Packaging
- Agri Business
- Information Technology





Creating Enduring Value

ITC is inspired by an abiding vision to make a larger and meaningful contribution to national priorities, going beyond generating shareholder value to creating larger societal value. The need to sustain global competitiveness in economic value creation, whilst simultaneously creating larger societal value, has led to innovation in business models that seek 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 over \$8 billion and a market capitalisation of over \$50 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 rests on the strong foundations of institutional strengths derived from its deep consumer insights, differentiated product development capacity, extensive rural linkages and agri-sourcing, globally benchmarked manufacturing infrastructure, cutting-edge Research & Development, brand-building capability, 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, one of the fastest growing hospitality chains 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. Given the strong linkages of ITC's Businesses to agriculture, the development of competitive agri value chains has significantly contributed to rural empowerment and inclusive growth. The recent foray into fruits, vegetables and perishables also aims to address rural India's chronic problem of agri wastage as well as contribute to higher levels of food processing in the country.

Creating World-Class Brands that Capture and Retain Value in 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 25 mother brands, many of which are today market leaders in their segments, or have garnered a significant share of consumer franchise. Some of ITC's popular brands include 'Aashirvaad', 'Sunfeast', 'YiPPee!', 'Bingo!', 'ITC Master Chef', 'Candyman', 'mint-o', 'Classmate', 'Vivel', 'Engage', 'Fiana', 'Savlon', 'Wills Lifestyle', 'John Players', 'Mangaldeep' and 'Aim'. ITC has also forayed into the luxury segment with 'Fabelle' chocolates and 'Sunbean' premium gourmet coffee, available in ITC's luxury hotels.



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. Implemented in 182 districts of 26 states, ITC's Social Investment Programmes, including Sustainable Agriculture and the globally acclaimed e-Choupal initiative, Social & Farm Forestry, Soil & Moisture Conservation, Biodiversity, Livestock Development, Women's Economic Empowerment, Primary Education, Skilling & Vocational Training and Health & Sanitation, have had a transformational impact on rural India. These initiatives 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 increased usage of renewable energy sources. At the same time, it seeks to enlarge its positive footprint through increased carbon sequestration by expanding forestry projects on wastelands. Over 48% 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.



Accolades

ITC has received national and global recognition for its multi-faceted achievements. ITC has been conferred the Porter Prize 2017 for 'Excellence in Corporate Governance and Integration' and for its exemplary contribution in 'Creating Shared Value'. The Company 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.



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 Foods brands delight millions of households with a wide range of differentiated, value-added products developed by leveraging ITC's in-house

R&D capabilities, relevant consumer insights, a deep understanding of the Indian palate gained from its Hotels Business, its agri-sourcing & packaging strengths, exciting, innovative communication and an unmatched distribution network.

ITC's Foods Business, the 3rd largest foods business in India, is today represented in multiple categories in the market - Staples, Spices, Ready-to-Eat, Snack Foods, Bakery & Confectionery, Chocolates, Coffee, Juices & Beverages. Its bouquet of popular foods brands includes 'Aashirvaad', 'Sunfeast', 'Bingo!', 'YIPpee!', 'ITC Master Chef', 'B Natural', 'Kitchens of India', 'mint-o', 'Candyman' and 'GumOn'. ITC's Foods brands made a foray into the luxury segment during the year with 'Fabelle' luxury chocolates and 'Sunbean' premium gourmet coffee, available in ITC's luxury hotels.



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', 'Aashirvaad Atta with Methi' and 'Aashirvaad Sugar Release Control Atta'; 'Sunfeast Dark Fantasy' and its variants, 'Sunfeast Delishus', 'Sunfeast Farmlite Oats' and 'Yumfills Whoopie Pie'. The portfolio also includes a range of cookies, 'Sunfeast Mom's Magic', with three variants. The recently launched 'Sunfeast Farmlite All Good Digestive' - 'No maida & No added sugar' cookie made from Aashirvaad whole-wheat atta - was well received by target consumers.

'Aashirvaad Svasti' - Pure Cow Ghee, which was launched in 2015 in select markets, was extended to other focus markets

during the year, gaining consumer franchise. The Company also launched a range of 'Super Safe' Spices under the umbrella brand 'ITC Master Chef', ingredients of which have been tested for over 470 pesticide residues, in compliance with stringent European Union norms for food safety. In Beverages, the 'B Natural' range of juices recently launched another unique and first-to-market offer - 'B Natural 100% Pomegranate Juice Not from Concentrate'. The year also witnessed the launch of 'Punjab Da Kinnow' variant, catering to the taste and preference of the North markets.

Several manufacturing Units of ITC's Branded Packaged Foods Businesses received numerous awards and accolades during the year, bearing testimony to the Company's focus on manufacturing excellence, safety and quality.





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’, ‘Fiama’, ‘Vivel’, ‘Engage’, ‘Savlon’, ‘Shower to Shower’, 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 Fragrance categories under the ‘Fiama’, ‘Vivel’, ‘Engage’ and ‘Superia’ brands, besides strengthening presence in the Health & Hygiene category leveraging the ‘Savlon’ and ‘Shower to Shower’ brands.

pocket perfumes in three variants each for men and women. Engage Perfume Sprays continued to gain consumer franchise in the ‘No Gas’ segment with the launch of several new variants both for men and women. The Business also augmented its skin care portfolio with the launch of ‘Vivel Cell Renew – Aqua Quench Cleansing Mousse’.

During the year, in a survey conducted by afaqs! - India’s leading media portal - Vivel, Engage and Fiama were ranked amongst the Top 5 brands in the personal care segment, while Savlon was ranked 2 in the OTC category. Vivel also featured amongst the Top 10 ‘Buzziest brands’ across categories in this survey.

Cigarettes

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

Lifestyle Retailing

During the year, ITC’s Lifestyle Retailing Business initiated several structural interventions across channels and processes including restructuring the retail foot print and modifying the design language of its offerings with a view to enhancing consumer experience and garnering larger consumer franchise.



WILLS LIFESTYLE

Synonymous with Fashion and Elegance, the Wills Lifestyle range of apparels offers a premium lifestyle wardrobe for Indian men and women at 400 outlets across 56 cities, including 6 exclusive boutique stores across ITC Hotels. The premium imagery of the 'Wills Lifestyle' range stood sharpened during the year with the introduction of several differentiated and first-to-market offers across men's and women's collections.



In the 'Youth fashion' segment, John Players enhanced its market standing by driving fashion imagery anchored on bold and edgy fashion. The brand is available in over 350 exclusive stores and 750 outlets in leading national and regional department stores and multi-brand outlets. During the year, the John Players range was made more youthful and trendy by widening the offerings in casual fashion knits and introduction of linen & linen blends.

games (puzzles), innovative products in the notebook category under the Classmate brand, premium Paperkraft notebooks with paper having 100 years of archival life, pens with enhanced writing experience and several premium offerings in the scholastics category.

Education and Stationery Products

Safety Matches and Incense Sticks (Agarbattis)

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 non-toxic oil pastels, plastic crayons, wax crayons and sketch pens.

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



During the year, the Business launched an innovative mobile App (Mangaldeep Devotion) developed in partnership with several subject matter experts and carefully curated to cater to regional nuances. In a relatively short span of time, the App has received excellent response with over 1,50,000 installations.



During the year, the Business further enriched its product portfolio by launching several new products including educative board

In the Safety Matches category, ITC sustained its market leadership position by leveraging a robust portfolio of offerings across market segments. 'Aim' continues to be the largest selling brand in the industry.





Hotels

With nearly 100 properties spread across the country, the Company's Hotels Business has redefined the fine art of hospitality. ITC's hotel group operates under 4 brands: ITC Hotel in the Luxury segment, WelcomHotel in the upper-upscale segment, Fortune 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'.

The Company's Hotels Business continues to receive accolades for its world-class

properties and service excellence. ITC Grand Bharat was recognised as #1 amongst the 'Top Resorts in Asia' at the coveted Conde Nast Traveler U.S. Readers' Choice Awards for the second consecutive year, while ITC Grand Chola was the winner in the 'Sustainable Operations' category at the HICAP Sustainable Awards.

The Company remains committed to building world-class hotel properties in view of the long-term potential of the Indian hospitality sector. The Business made steady progress during the year in the construction of luxury hotels at Hyderabad, Kolkata, Ahmedabad and Srinagar. The Business is progressing growth plans towards enhancing its presence in the upper-upscale segment under the WelcomHotel brand. Construction of WelcomHotel Coimbatore is nearing completion. During the year, the Business also commenced construction of WelcomHotels at Guntur, Bhubaneswar and Amritsar.



Paperboards, Paper & Packaging

Paperboards and Specialty Papers Business

ITC's Paperboards and Specialty Papers Business is the leader in Volume, Product Range, Market Reach and Environmental Performance, and is the clear market leader in the value-added paperboards segment. 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 being progressively sourced from renewable plantations under its Social and Farm Forestry programmes, which provide sustainable livelihood opportunities to tribals and marginal farmers.

During the year, the Paperboards and Specialty Papers Business sustained its leadership position in the VAP segment and consolidated its preferred supplier status amongst leading end-use customers and brands. In an endeavour to further reduce its dependence on imported pulp, the Business commissioned India's first Bleached Chemical Thermo Mechanical Pulp mill at its Bhadrachalam Unit during the quarter. Capacity expansion in the Value Added Paperboards and Décor segments is also underway.

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. Backed by expertise in design, innovative product development and cutting edge technology, the Business has won several World Star awards for packaging excellence.





Agri Business

ITC is one of India's largest integrated Agri Business enterprises with significant presence across every node of the agri value chain – Crop Development, Procurement, Supply Chain, Processing and Marketing. 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. Its portfolio covers land-based, plantation-based and water-based commodities spread across more than 20 states - including Wheat & Wheat based products (Maida), Rice, Soya, Coffee, Shrimps, Processed Fruits, Potato, Spices, Pulses, Barley and Maize. Backed by decades of crop development expertise, the Business deploys customised infrastructure and technology to supply a range of differentiated and superior products to discerning customers in India and abroad.



ITC Agri Business' unique strength is the extensive backward linkages it has established with the farmers. The pioneering 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. 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 rural digital infrastructure in the world.

Innovating further to promote sustainable agriculture, ITC e-Choupal offers agri extension services to improve farm competencies. Demonstration farms called Choupal Pradarshan Khets have been set up to propagate best practices, while field schools enable transfer and adoption of knowledge.

ITC has also set up rural integrated hubs called Choupal Saagars that serve as procurement centres, warehouses and retail outlets. Engagement with the rural consumers are facilitated at marketing platforms, called Choupal Haats that ITC has built along the lines of village fairs. The endeavour also includes the Swasthya Choupal initiative that focuses on enhancing awareness on maternal and child care through a network of Village Health Champions.

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 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 Business continues to leverage its extensive sourcing network and associated infrastructure in key growing areas coupled with well-entrenched farmer linkages to source high quality fruit pulp and spices for the Company's 'B Natural' and 'ITC Master Chef' brands.

A wholly-owned subsidiary of ITC, Technico Agri Sciences Limited's leadership in the production of early generation seed potatoes and strength in agronomy continues to support ITC's 'Yumitos' range of potato chips and in servicing the seed potato requirements of the farmer base of the Company's Agri Business.

Information Technology

ITC Infotech is a specialised global full service technology solutions provider, led by Business and Technology Consulting. During the year, the company strengthened its offerings in the digital space by incubating a new service line 'Interactive Marketing' in addition to existing service lines of 'Digital supply chain' and 'Internet of Things (IOT)'. Recognising the need to differentiate and establish unique competitive positioning in the fast changing technology landscape, the company also introduced the concept of 'Digitaligence@work' to enhance customer experience and serve as a disruptor to existing business processes.





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. As the Organisation is dependent 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.

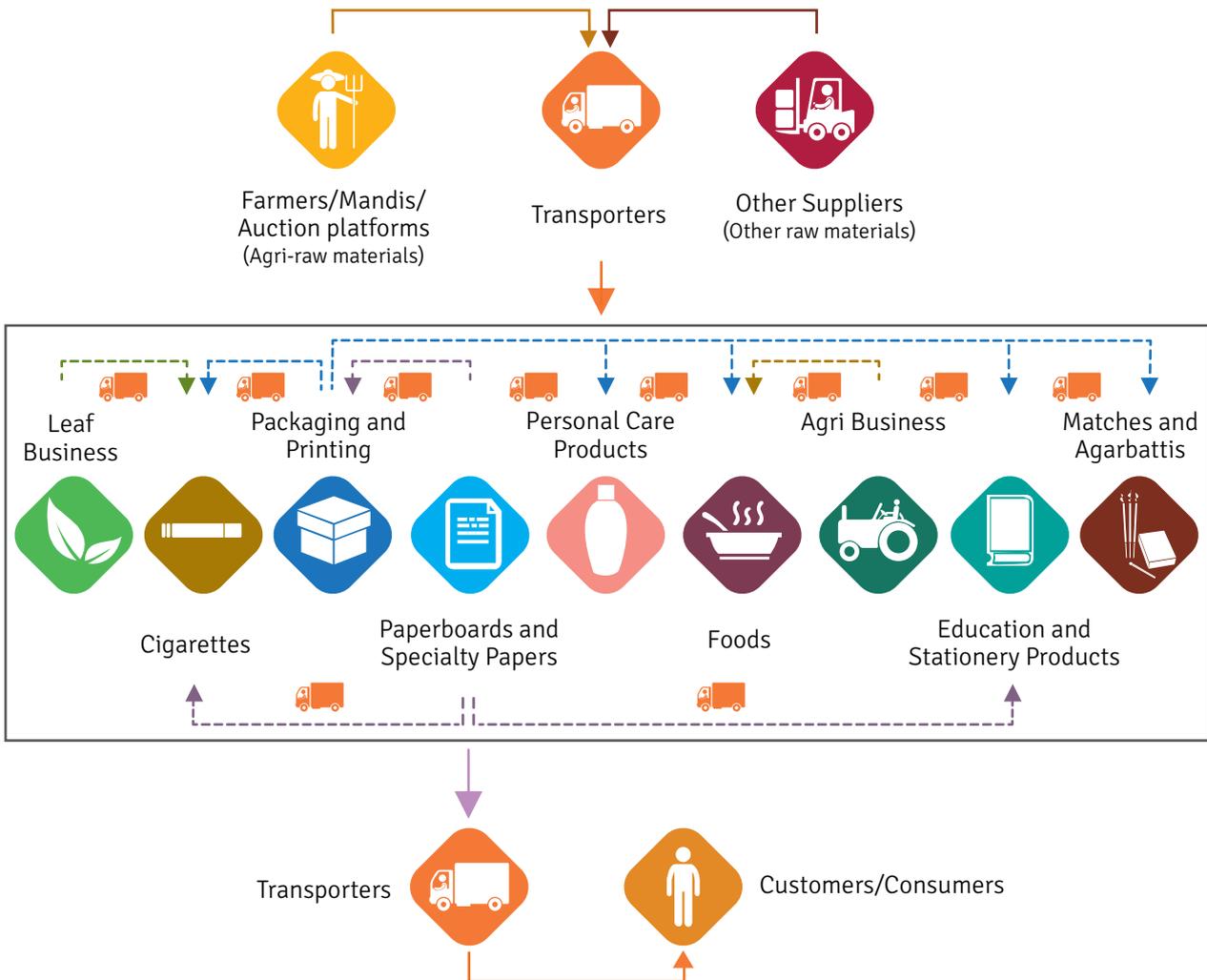
To formalise the sustainable procurement process, ITC has put in place Board approved Policies which address the issues of labour practices, human rights, bribery, corruption and occupational health, safety & environment in the supply chain. These policies, meant for Third Party Manufacturers (TPM), 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. Further, based on their requests, ITC will support in organising training workshops for educating, creating awareness and building capacity on human rights and decent labour practices.

As evident from the representation (next page) 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.

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 Lifestyle Retailing, Hotels and ITC Infotech

---> : Indicates Material flow within ITC

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 solutions for delivery of the agri commodities. These solutions not only help customers in cost competitiveness

and quality whilst ensuring product integrity and on-time fulfilment, but also create and capture value for other partners, especially farmers.

This 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 dis-intermediation where necessary. The Business also works closely with farmers to improve farmer economics, 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 nearly 20 lakh tonnes of agri-commodities (Wheat & Wheat Products, Soya, Rice, Pulses, Coffee, Potato, Fruits, Maize, 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

At ITC's Leaf Tobacco Business the sustainability framework encapsulates and guides its efforts and interventions to create value for the farming community and particularly in the farm value chain. 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 sustainable development in villages by empowering Indian farmers through deployment of good agricultural practices and technological interventions. The Business believes that sustainable crop production system enhances the crop competitiveness and ensures surplus income generation to the farming community. With economic stability, it is believed that a village will develop faster in other areas like health, education and environment; thereby reducing the vulnerability of the village.

Working closely with the farming fraternity, ITC constantly transfers technology for appropriate crop solutions, apart from pioneering the introduction of hybrids and high yielding varieties in the country. Enabled by a team of agronomists, agriculture experts, engineers and development managers, the sustainability initiatives have helped in improving the quality of Indian tobacco substantially. The key strategy of

ITC's farmer empowerment programme is integrated resource deployment. Multiple interventions are grounded in ITC villages (i) Crop development for ensuring higher productivity, product quality & integrity (ii) Farm sustainability for ensuring environment sustainability (iii) Research & Development for developing best practices and (iv) Community development for building rural infrastructure. The integration aims at achieving higher farmer income, improved crop saleability, optimum resource utilisation and complete custody of supplies thereby moving from Sustainable Crop Production to Sustainable Livelihoods Creation.

Various initiatives pertaining to soil conservation, viz., promoting use of organic amendments and techniques on soil fertility management aimed at reducing chemical fertiliser use and adoption of drip irrigation to improve farm yields 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 covering over 18,255 barns in the states of Andhra Pradesh and Karnataka. Further, with an objective of developing a self-sustaining model for sourcing fuel wood, ITC has developed energy plantations covering over 73,000 acres till date. 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.

While developing rural villages, utmost care is taken in the alignment of the practices with global regulation. ITC's approach to sustainability in the tobacco value chain has recently been acknowledged by the Sustainable Tobacco Programme (STP) review conducted by AB Sustain a third party independent international auditor on behalf of International tobacco manufacturers. In STP, sustainability performance of leaf suppliers operation is measured covering areas such as governance, crop,



Working closely with the farming fraternity, ITC constantly transfers technology for appropriate crop solutions, apart from pioneering the introduction of hybrids and high yielding varieties in the country

environment, facility and people. In the first STP audit conducted at the end of 2016, the scores attained by Leaf Tobacco Business are the best achieved by any Indian supplier and are also globally benchmarked across all pillars of STP. The STP scores are a reflection of the self-sustaining ecosystem that ITC has created with farmers over years.

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

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 impact 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, Personal Care Products and Foods 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 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 the 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. In adherence to the guidelines developed for Matches and Agarbatti Business covering safety aspects for TPMs last year, the Business has established Safe Work Procedures (SWPs), strengthened operational and maintenance checks for all fire prone activities and initiated training programmes for the workforce across TPMs in 2016-17. These initiatives would sensitise the workforce of the various safety risks associated with their operations and equip them to mitigate such risks. Since over the years, majority of the road accidents have involved 2-wheeler riders, ITC had accordingly, extended the 2-wheeler rider's safety programme to its Trade Marketing & Distribution (TM&D) supply chain members. This 'Train the Trainer' programme helped in improving awareness of 'defensive road safety techniques' amongst them. Going forward, ITC will continue to support its supply chain members in these aspects.

Similarly, ITC continues to provide knowledge support in specific areas like energy & water conservation and waste management for TPMs of the Cigarette Business, to enhance their performance.

The Road Ahead

In line with Board approved Policies on 'Responsible Sourcing' and 'Human Rights Consideration of Stakeholders beyond the Workplace', supported with 'Code of Conduct for Vendors and Service Providers', ITC will continue to work along with the supply chain partners to enhance their understanding and performance on sustainability and progressively include their performance in the reporting boundary.



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



Honours, Awards and Certifications

Major Awards 2016-17

- ITC won the prestigious Porter Prize 2017 for 'Excellence in Corporate Governance and Integration' and for its exemplary contribution in 'Creating Shared Value'.
- Chairman Mr Y C Deveshwar was conferred Lifetime Achievement Awards 2016 by leading media organisations, CNBC TV18 and Business Standard.
- Chairman Mr Y C Deveshwar was conferred the prestigious Banga Bibhushan award, the highest civilian honour instituted by the Government of West Bengal.
- ITC Limited was the only Corporate to receive the India Today Safaigiri Award 2016 in the 'Corporate Trailblazer' category.
- ITC was named India's 'Buzziest' Corporate brand in a survey conducted by Afaqs!, a leading media portal. Several of ITC's FMCG brands - Sunfeast, Bingo!, YiPPee!, Vivel, Engage, Fiama and Savlon also featured in the honours list in their respective categories.
- ITC Limited won two 'ASSOCHAM Waste Management Excellence Awards 2017' in the 'Best Corporate Initiative in Swachh Bharat Abhiyan' and 'Best Outreach Strategy in Waste Management' categories.
- ITC was conferred the prestigious 'Best Practices Award' for Sustainable Development Goals (SDGs) by the United Nations Global Compact Network India (UN-GCNI). ITC received the Award for its Integrated Natural Resource Management - Watershed Development and Afforestation initiatives.
- ITC Grand Bharat, Gurugram, was ranked No. 1 Resort in Asia by the Conde Nast Traveler USA Readers' Choice Awards 2016, for the second consecutive year.
- The ITC Green Centre in Manesar has once again been awarded Platinum Rating under Leadership in Energy and Environmental Design (LEED®) for 'Existing Building Operation and Maintenance' by 'US Green Building Council (USGBC)'.
- ITC Limited won the Intel AIM Corporate Responsibility Award, 2016, accorded by the Asian Institute of Management-RVR CSR Center and the Asia Inc Forum.

- ITC Maurya was awarded the ‘Smartest 5 Star Hotel Building in India’ by the Network 18 & Honeywell Smart Building Awards 2016.
- ITC was adjudged the ‘Best in Supply Chain Sustainability’ at the Asian Corporate Sustainability Summit 2016.
- ITC’s Packaging and Printing Division was declared the ‘Green Printing Company of the Year 2016’ by PrintWeek India.
- ITC’s Paperboards Unit in Bhadrachalam was the first integrated Pulp and Paper Unit to receive the prestigious CII Green Co Platinum Rating.
- ITC’s Paperboards & Specialty Papers Business was adjudged the ‘Winner’ under the ‘Process Innovation Leadership’ category in the Manufacturing sector at Frost & Sullivan’s Project Evaluation and Recognition Programme (PERP).
- ITC won the FICCI Water Awards 2016 in the ‘Community Initiatives by Industry’ category. Also won FICCI CSR Award 2016 for Environment Sustainability and Health, Water & Sanitation programmes.
- The ITC Factory in Saharanpur received the FICCI Award 2016 for ‘Excellence in Water Management (Industrial Water Use Efficiency category)’. Also, received the CII National Award 2016 for Excellence in Water Management, and was identified as a ‘Noteworthy Water Efficient Unit’.
- The ITC Factory in Bengaluru was recognised as ‘Excellent Energy Efficient Unit’ at the 17th National Award for Excellence in Energy Management, 2016, by the Confederation of Indian Industry (CII).
- The ITC Factory in Pune was recognised as ‘Future Ready Factory - Platinum Award - FMCG Sector, Mega Large Business’ at the India Manufacturing Excellence Awards (IMEA) by Frost and Sullivan.
- The ITC Factory in Munger won the CII National Supply Chain and Logistics Excellent Awards 2016.
- The latest Randstad Brand Research Survey findings recognised ITC Limited as India’s most attractive employer in the FMCG Sector.
- ITC Infotech won the Asia Pacific HRM Congress Awards 2016, presented by Times Ascent, in the categories of ‘Managing health at work’ and ‘Talent management and its impact on employee engagement’.

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).
- Chairman Mr Y C Deveshwar was ranked among the Most Valuable CEOs of India by Businessworld.
- 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’s Sankhya Data Centre, Bengaluru, became the first data centre in the world to get LEED® Platinum Certification from the US Green Building Council (2016).
- ITC was 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.
- ITC won the FICCI Outstanding Vision Corporate Triple Impact Award, presented by the then Prime Minister, Dr. Manmohan Singh (2008).
- ITC won 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).
- ITC won 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).
- ITC won 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).



- ITC won the inaugural World Business Award by UNDP for its 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 of ITC's super premium luxury hotels are 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 became FSC Chain of Custody certified (2011).
- ITC's Unit in Bhadrachalam was awarded the Forest Stewardship Council Forest Management (FSC-FM) certification by the SmartWood Programme of the Rainforest Alliance (2011).

Certifications (Environment, Social, Occupational Health & Safety, Food Safety)

▪ **ISO 14001: Environment Management System**

All manufacturing Units (except newly commissioned Units of Foods Business in Munger, Dhulagarh and NENPL Unit in Mangaldai), ITC Life Sciences & Technology Centre at Bengaluru.

Hotels: 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 Gurugram, My Fortune Chennai, Fortune Resort Bay Island, Port Blair.

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

All manufacturing Units of ITC (except newly commissioned Units of Foods Business in Munger, Dhulagarh and NENPL Unit in Mangaldai) and Hotel ITC Gardenia.

▪ **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.

▪ **FSSC 22000/ISO 22000/HACCP: Food Safety Management System**

Foods Business Units in Haridwar, Pune, Malur and Munger.

Hotels: ITC Grand Bharat, 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 Sheraton New Delhi.

Foods Business Unit in Dhulagarh and NENPL Unit in Mangaldai received the ISO 22000 and FSSC 22000 certifications respectively in May 2017.

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

Hotels: 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 Gurugram.

▪ **Green Factory Building Platinum by Indian Green Building Council (IGBC)**

ITC Units at Saharanpur, Bengaluru, Munger, Pune, Kidderpore and ATC Limited.

▪ **LEED® Platinum Rating by US Green Building Council (Existing Building category)**

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 Hotel, ITC Grand Chola, Chennai.

▪ **Green Factory Building Gold rating by Indian Green Building Council (IGBC)**

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

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

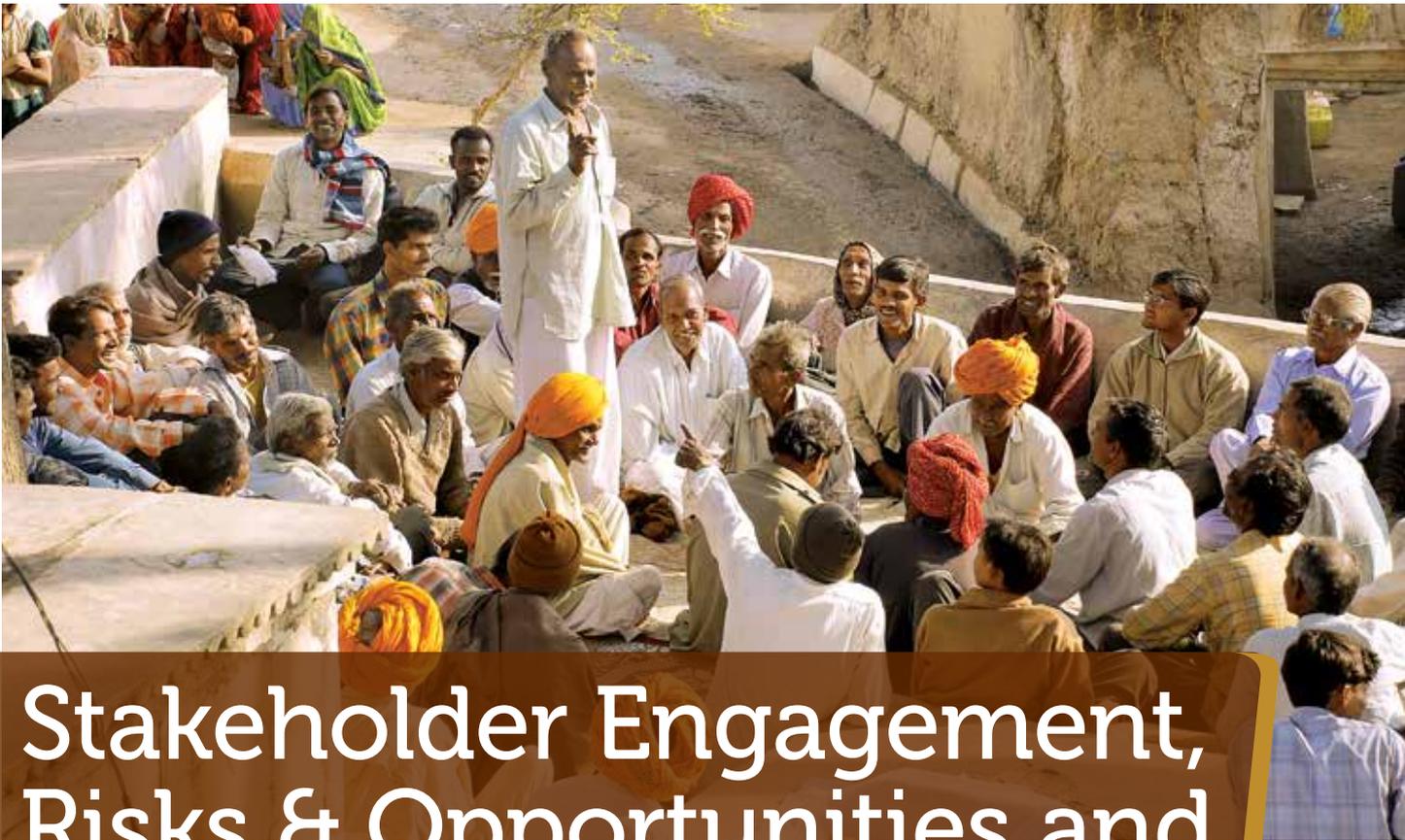
ITC Green Centre at Manesar.

▪ **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.

▪ **BRC/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, and Paperboards and Specialty Papers Unit at Bhadrachalam.



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

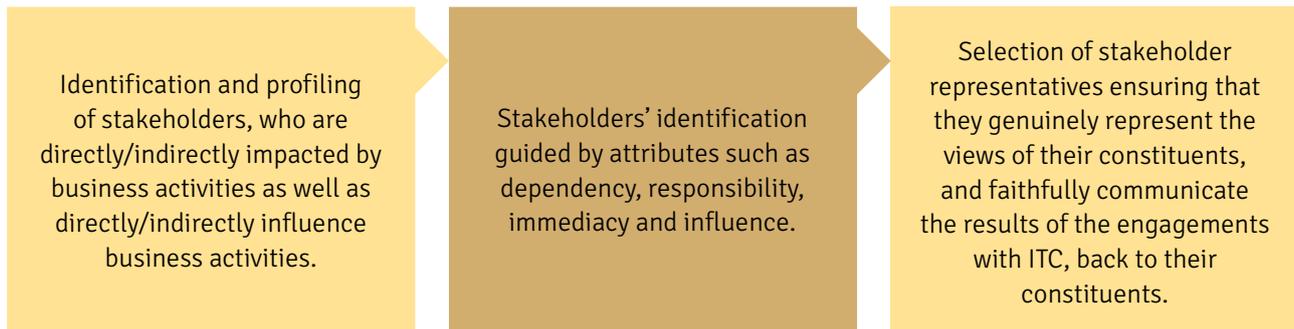


Periodical review of action taken

Transparency and Accountability

Details of each of the earlier 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 interactions with institutional investors 	<ul style="list-style-type: none"> • Improved 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 • Improvement in use of natural resources • 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"> • Product/service quality and safety • Adequate information on products • Transparent communication • Product/service availability • Timely delivery of product/service • Maintenance of privacy/confidentiality • Fair and competitive pricing
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 • 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"> Sustainable & accelerated growth in livelihoods and farm incomes Know-how on improvement of productivity and profitability Capacity development for further investment Easy, affordable and reliable access to inputs such as quality seeds, fertilisers and pesticides Regeneration and replenishment of common property resources like water, village commons, biomass and biodiversity
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
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 impacts Safe products and services Responsible Corporate Citizenship
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

Insights into Local Community Needs

Since ITC’s holistic development approach demands an intensive and deep level of engagement, it is necessary to identify and delineate the felt needs and aspirations of our stakeholder communities in new locations and to gauge the extent to which the current set of interventions were valued by the communities and evaluate if any course correction was required in ongoing project locations. A comprehensive stakeholder engagement was undertaken in 2015-16 comprising 483 Participatory Rural Appraisals (PRA) covering more than half of the total core villages/habitations.

The major finding was that 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.

In 2016-17, such exercises were carried out in 3 new project districts of Pali (Rajasthan), Jalukbari (Assam) and Sukma (Chhattisgarh), covering 19 villages. The process included secondary research, discussions held with individual farmers, Focus Group Discussions with village communities and PRAs to understand the development challenges confronting them. The insights from the 2016-17 engagements were largely congruent with those of the 2015-16 assessment. However, a few specific issues that surfaced, pertinent for the district under consideration, have been described below:

Project district	Challenges identified	Responses
Pali (Rajasthan)	<ul style="list-style-type: none"> • Agriculture is primarily single crop (65%), rain-fed (over 70%) and drought prone. • Tube-wells are the main source of irrigation, which remain dry for 7-8 months of the year made worse by fast depleting groundwater table. • Soil is sandy with poor fertility. • Farmers ignorant of new and high yielding varieties. 	<p>Social Investments plan comprises interventions in the areas of:</p> <ul style="list-style-type: none"> • Soil and Moisture conservation. • Sustainable agriculture.
Jalukbari (Assam)	<ul style="list-style-type: none"> • Sizeable population of women headed households (22%). • High proportion of poor (82%). • Highly flood-prone area causing frequent crop failure and climate vulnerability. • High dependency on livestock including fisheries, dairy and small ruminants but no access to vet services. • Lack of opportunity and skills for gainful employment. 	<p>Rolled out 3 major interventions aimed at improving income sources of the communities residing in the area:</p> <ul style="list-style-type: none"> • Diversification of livelihood portfolio through promotion of Integrated Farming Systems for small & marginal farmers. • Economic empowerment of the poorest of the poor women-headed households in the area. • Vocational Skills training in hospitality and Industrial Sewing Machine Operator (ISMO).
Sukma (Chhattisgarh)	<ul style="list-style-type: none"> • Predominantly tribal villages, dependent on rain-fed agriculture and single crop. • Lands are sloping with poor soil quality mixed with stones and pebbles leading to low yields. • Post Kharif, most households depend on daily wages and Non-timber Forest Products (NTFPs). NTFP collection and migration to Andhra Pradesh for seasonal work. 	<ul style="list-style-type: none"> • Agro-forestry on arable wastes to optimise land-use, and increase land under productive use & promotion of horticulture in the village commons. • Soil & moisture conservation to improve productivity. • Vocational Skills training in Hospitality and Electrical trades, given the high demand for such skills in neighbouring cities & towns.



Consultation with Key Stakeholders for Sustainable Solutions

In addition to discussions with stakeholder communities, ITC is also committed to anchoring a wider network of relevant stakeholders like the governments, development agencies and research organisations. Such multi-disciplinary collaborations stimulate deeper and nuanced understanding of challenges and enable the emergence of customised solutions.

Several such stakeholder consultations were held during the year, detailed below:

Major External Stakeholder Engagement Workshops organised during the year

Workshop	Focus	Key Participants
Stakeholder consultation workshop on 'Development challenges & possible solutions', Kapurthala (Punjab), 22 nd Mar 2017	Discuss developmental challenges in Kapurthala and identify suitable solutions to address issues	Representatives from Agriculture, Fishery, Soil & Moisture conservation, Rural Livelihood, & Animal Husbandry departments; scientists from Krishi Vigyan Kendra (KVK) and Punjab Agricultural University, Kapurthala; and NGO representatives
Workshop on Ghod River Basin study, Pune Maharashtra, 18 th Mar 2017	Present methodology and preliminary findings of Ghod basin Water Security study done by Confederation of Indian Industries (CII) and Advanced Center for Water Resources Development and Management (ACWADAM) and incorporate suggestions from participants in the study report	Officials from Irrigation, Forest, State Groundwater, & Agricultural departments; State Level Nodal Agency (SLNA) for watershed, scientists from KVK & Agricultural Institutes; and NGO representatives

Workshop	Focus	Key Participants
Multi-stakeholder consultation meet on 'Sustainable Solutions in Sanitation and Healthy Community', Kolkata, WB, 17 th Mar 2017	Arrive at a common understanding of challenges/actions required in behaviour change for toilet usage and Water Sanitation and Hygiene (WASH) in schools	State Mission Director, Sarva Shiksha Mission (SBM), Commissioner MGNREGA, Government of West Bengal, Community Led Total Sanitation Foundation, Feedback Foundation, Svadha, Water for People, etc.
Stakeholder workshop on 'Solid Waste Management – Minimising waste to landfills', Saharanpur, UP, 17 th Mar 2017	Role of different stakeholders in enabling a successful community owned Solid Waste Management (SWM) intervention	Divisional Commissioner, Saharanpur, Municipal Commissioner, State Coordinator SBM (G) Uttarakhand, Environmentalists, NGOs like SWACH Pune, Force and Mohalla Committee members, etc.
Mandal level workshop on WASH in Schools, Burghampadu, Telengana, 8 th Feb 2017	Improving involvement of the community/Education department/School Development Management Committees(SDMC) involvement in school WASH and required processes for Operation and Maintenance (O&M) of infrastructure created	Mandal Education Officers, Mandal Parishad Development Officer, Sarpanches, SDMC members, WASH Institute
Workshops for Ward Councillors and PRIs in Munger catchment, Munger, Bihar, Jan-Feb 2017	Roles & Responsibilities of Ward Councillors/Panchayat Raj Institutions (PRI) members with focus on Participatory planning and grievance redressal	Ward Councillors, PRI members, Mayor, Deputy Mayor, District administration, Municipal Commissioner
Expert Consultation Meeting 'Sustainable Agriscapes for Future (SAFF)', New Delhi, 10 th Jan 2017	Share ITC – International Union for Conservation of Nature (IUCN's) Agriscapes study methodology and incorporate suggestions received from participants in this regard	Biodiversity and sustainability experts from IUCN, Wildlife Institute of India (WII), International Water Management Institute (IWMI), Jawaharlal Nehru University (JNU) and IORA Ecological Trust
Stakeholders Workshop on 'Climate Smart Village', Bhopal, MP, 13 th & 14 th Dec 2016	Discuss climate change related risks as experienced and expected in the state of Madhya Pradesh in the context of agriculture and allied livelihoods and possible solutions to overcome the same	Principle Secretary Farmer Welfare & Agriculture Department, Director Indian Institute of Soil Science, Bhopal, DGM - NABARD, Deputy Director-Central Groundwater Board, Director-Central Institute of Agricultural Engineering, former Director-Indian Institute of Forest Management, scientists from International Water Management Institute, Consultative Group on International Agricultural Research (CGIAR) and NGO representatives
Inception workshop on Indigenous Breed Conservation & Promotion, Ujjain, MP, 25 th Nov 2016	Understand the context, issues and possible solutions for conservation of indigenous cattle breeds	Development Commissioner Ujjain Division, Collector Ujjain, Khadi and Village Industries Commission (KVIC) Chairman of Ujjain Region and other Government officials
National workshop on Total Sanitation & Cleanliness on occasion of 'World Toilet day', Haridwar, Uttarakhand, 19 th Nov 2016	Awareness on sanitation and behaviour change models involving community, NGO partners, etc. Recognition for Open Defecation Free (ODF) villages	Hon'ble Chief Minister of Uttarakhand, Minister for Sports and Forest, Government of Uttarakhand, DM-Haridwar, SPO, Haridwar, CDO, Haridwar, State SBM coordinator
Inception workshop on water stewardship in Bhavani river basin, Coimbatore, Tamil Nadu, 27 th Sept 2016	Discuss current scenario, issues and other details related to Bhavani river basin along with possible solutions	Officials from Irrigation & Groundwater departments; scientists from Gandhigram University, Tamil Nadu Agricultural University, International Water Management Institute and various NGOs



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.

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.

Global Challenges

According to the World Economic Forum (WEF) Report on Global Risks 2017, large-scale migration, extreme weather events, major natural disasters, water crises and failure of climate-change mitigation and

adaptation, weapons of mass destruction, and large-scale terrorist attacks are amongst the top risks that plague the world today.

Socio-Economic Risks

Some of these top most risks that endanger the world today are short-term and arise as a direct outcome of human action including weapons of mass destruction, large-scale terrorist attacks and mass migration.

Continuing with the trend last year, Europe witnessed large-scale involuntary migration 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 inflows, 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 by the fact that the richest 1% had accumulated more wealth than the rest of the world put together¹.

Food crises is another challenge that threatens the world today. While the rising world population requires food production to be increased by 70% by 2050 to meet the

growing demand, every year land equal to the size of Iceland¹ is affected due to top soil erosion. Further, changing weather patterns and shortage of freshwater will further aggravate the food crises.

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, liveable cities, food security and energy security – without improving management of water resources and ensuring reliable access to water. Rising urban population, coupled with poor planning and rising income levels, has placed unprecedented pressure on urban infrastructure including water supply network. As per 2030 Water Resources Group Report, with current practices the world will face a 40% shortfall between forecast demand and available supply of water by 2030. Risk of extreme weather events and failure to adapt to climate change will further exacerbate crises leading to rapid increase in other interconnected risks such as conflicts and large-scale migrations. It was highlighted in the WEF Global Risk Report 2017. Global risks transcend borders and spheres of influence, which require all stakeholders to work together. The anticipated and real impacts of the above



¹According to Global Opportunities Network Report 2017



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 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.

² *Charting our Water Future, Report by 2030 Water Resources Group, 2009*

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 added to the stress on already fragile water resources. According to a 2030 Water Resources Group Report², India would face 50% aggregate gap between projected demand and existing water supply in 2030 due to high growth in agricultural, municipal and domestic demand. Despite substantial rise in demand, India's water supply remains constrained owing to inefficient use of water, over exploitation 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 the main reasons for low income among the average farmers. Furthermore, around 55% of India's total sown area meets its requirements from rainwater alone⁴. 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

A landmark agreement amongst countries to address climate change challenge was signed in Paris in December 2015 to limit the global temperature rise to below 2°C and work towards adaptation. Subsequent to the ratification of the Paris agreement by major countries, the climate change agreement gained momentum in the Conference of Parties (COP-22) at Morocco with focus shifting to higher commitments and creation of an implementation framework. India, through ratification of the Paris agreement, has agreed to abide by its commitments under Nationally Determined Contributions (NDC) to UNFCCC. India's commitments are focusing on voluntary targets of reducing emissions intensity, increasing the share of non-fossil based electricity, and creating additional carbon sinks. All these in turn would imply targeted interventions from the various industrial sectors of India. India's aim to reduce its emissions intensity by 30-35% by 2030 through various programmes such as renewable energy, and energy efficiency would in turn imply specific targets for reduction in GHG emissions

intensity for the various industrial sectors. 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 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 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 lakhs 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.

³ *Economic Survey 2015-16*

⁴ *Prioritisation of Rainfed Areas in India, Planning Commission Report, February 2012*



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 that are likely to impact its own long-term prospects and those of its stakeholders.

Challenges	Risks and Opportunities
Own Operations	
Continued Competitiveness	<p>RISKS</p> <p>The Company’s Cigarette 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 Business Units located in high water stress areas. With continuous decline in ground water and disruptions in rainfall patterns, the challenges of water availability and quality will become increasingly acute. These challenges may result in additional regulatory pressure on water withdrawal besides raising the prospect of conflicts with other water users.</p> <p>Challenges related to energy security due to volatile energy markets and inadequate infrastructure for capitalising on off-site renewable sources of energy in the country.</p> <p>OPPORTUNITIES</p> <p>As part of its long-term strategy for achieving water security for all stakeholders at the catchment level of operating units located in high water stress areas, comprehensive studies to understand water supply and demand trends, hydro geology and rainfall patterns have been initiated. Based on the studies, work has been initiated towards improving water use efficiencies within the Unit and across stakeholders. Adoption of technologies to reduce water use and enhance recycle/reuse within processes, improve awareness on better utilisation of water among employees are a few examples of initiatives within the Unit. In addition, building infrastructure to significantly improve rainwater capture through enhanced groundwater recharge, surface storage and soil moisture conservation measures have also been practiced.</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 has set a goal to source 50% of its overall energy requirements from renewable sources by 2020. ITC is also setting an internal target, based on the assumption of eased norms and viability of inter-state wheeling of power, to meet 100% of its electrical energy requirements either from renewable sources or through co-generation by 2030. These measures will not only reduce carbon emissions but also help in cutting down overall energy costs.</p>

Challenges	Risks and Opportunities
<p>Dynamics of Government Policies and Regulation</p>	<p>RISKS</p> <p>Several of ITC’s Businesses are intrinsically linked to agriculture. The regulatory framework therefore plays a critical role in the viability of sourcing agri-commodities. Regulations like the Essential Commodities Act (ECA), which impose stock limits and restrict movements from time to time, create uncertainty in business operations. This acts as a huge deterrent to long-term investments required to build infrastructure like climate-controlled storages and transport facilities to prevent wastage. In recent times, the Government has formulated a new model Agricultural Produce Market Committee (APMC) Act. The Forward Contracts (Regulation) Act has also been amended to allow derivatives such as options. While this will provide flexibility for farmers and offer them an opportunity to link production to market signals, the coverage of commodities in different exchanges is currently limited and therefore the full economic benefit to both farmers and companies will only accrue when more exchanges trade in a larger number of commodities.</p> <p>The legal cigarette industry continues to face challenges from the growing incidence of smuggled and illicit cigarettes. Over the last five years, the incidence of Excise Duty and VAT on cigarettes, at a per unit level, has gone up cumulatively by 131% and 157% respectively, thereby exerting severe pressure on legal industry volumes. The Government has issued a notification last year 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 and opportunity 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>The new model APMC Act, if adopted by the States, along with the decision to allow options trading in commodity derivatives will lead to closer engagement between farmers and the corporate sector and enable better transmission of market signals. As more commodities get traded in the Exchanges, and more States adopt the model APMC Act, new opportunities will emerge for agri and food-based companies, helping unleash the full potential of the agriculture sector.</p> <p>ITC continues to represent to the Government for the implementation of an equitable, evidence based and pragmatic tobacco taxation and regulatory framework that cognises the economic imperatives of the country whilst, simultaneously, supporting the tobacco control objectives of the Government.</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 policymakers and civil society to 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>
<p>Human Capital and Well-being</p>	<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.</p> <p>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>



Challenges	Risks and Opportunities
Catchment Areas	
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.</p> <p>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>
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 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 reduce 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 grass root level and effective dissemination of critical information provide opportunities for ITC to address the challenges in its agri-value chain.</p>

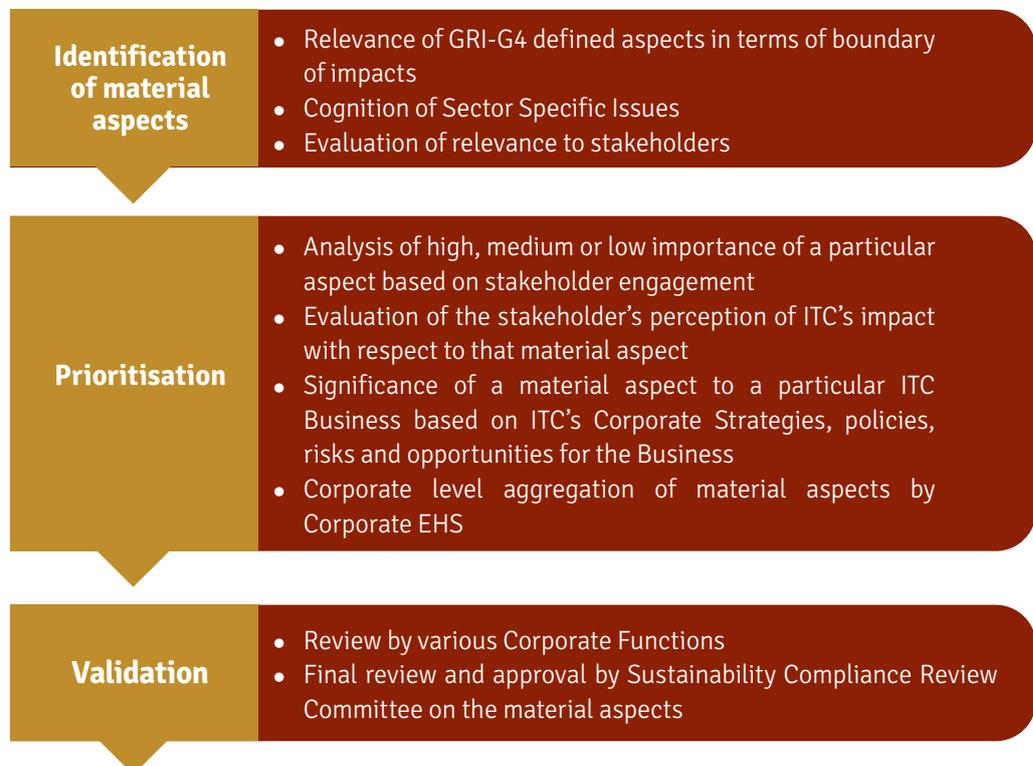
Challenges	Risks and Opportunities
Customer/Consumer Space	
<p>Post-consumer Waste Management</p>	<p>RISKS</p> <p>Inadequate solid waste management systems result in a large amount of wastes being generated today ending up in landfills. Heaps of unattended waste, foraged by cattle and rag-pickers alike, have become a common sight both in urban and rural areas of the country.</p> <p>New regulations such as the Solid Waste Management Rules 2016 and the Plastic Waste Management Rules 2016 have been promulgated to address this challenge with responsibility allocated to industry too for post-consumer plastic waste, based on the Extended Producer Responsibility principle.</p> <p>OPPORTUNITIES</p> <p>ITC has already initiated collaboration with government, municipal corporations, NGOs, communities and other stakeholders to tackle the issue of plastic packaging waste. ITC is implementing several projects across the country to ensure waste segregation at source and improve the reuse/recycle rates of all categories of waste including post-consumer plastic, by raising mass awareness and creating sustainable business models for the informal sector.</p>
<p>Corporate Reputation</p>	<p>RISKS</p> <p>Inadequate information or misrepresentation, especially in the media, can impact corporate reputation. 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. 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>
<p>Social Media</p>	<p>RISKS</p> <p>The explosion of Social Media channels 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. An exclusive app, ITC Iris, that aggregates ITC's social media content for employees to engage with and share, was successfully launched during the year. ITC's Facebook page for engagement with potential employees, Hub and Scope, is another example of ITC's Social Media engagement. Several ITC brands like Bingo!, YiPPee!, Wills Lifestyle and Engage and ITC Hotels have a significant social media presence allowing them to constantly interact with their respective target audiences.</p>



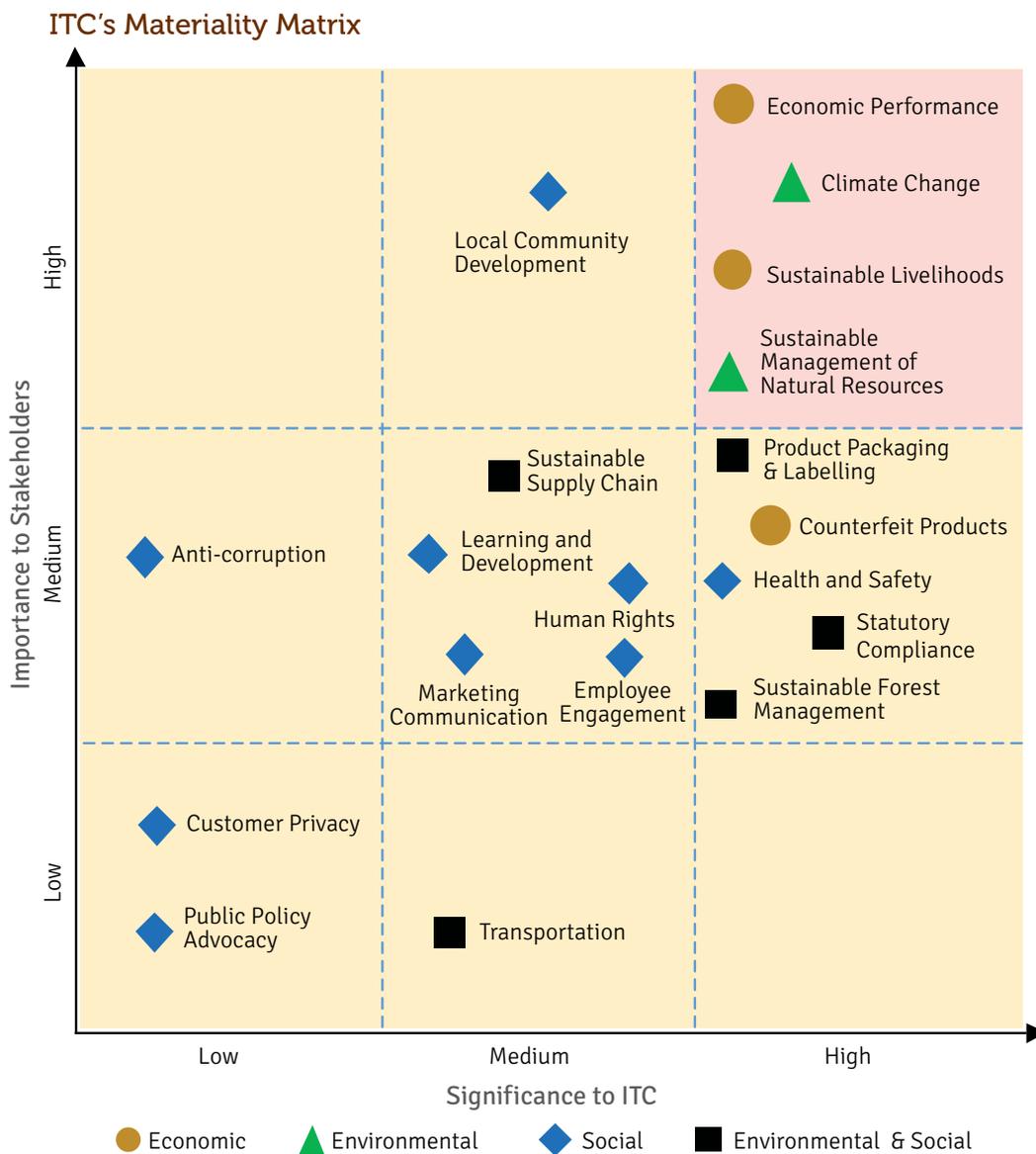
Challenges	Risks and Opportunities
Customer/Consumer Space	
Customer Satisfaction	<p>RISKS</p> <p>Customer feedback is one of the vital inputs for any organisation to modify or update the product/service in order to better address the requirements and sentiments of its customers. Growing options for customers, increased customer awareness on quality, health and safety, consumers' expectation on continual innovation, aggressively low price offer from competition, are some of the key challenges encountered by businesses today in achievement and maintenance of 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 and 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.



The matrix on the next page 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.



ITC's Goals for High Materiality Aspects

- Economic Performance**
 - Strengthening 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

** Refer Economic Performance Section*
- Climate Change**
 - 50% of total energy sourced from renewable sources by 2020

** Refer Energy and Climate Change Section*
- Sustainable Livelihoods**
 - Creating sustainable livelihoods for 10 million people by 2030

** Refer ITC Mission Sunehra Kal for Sustainable & Inclusive Growth Section*
- Sustainable Management of Natural Resources**

Even with rapid expansion of manufacturing base,

 - Maintaining sequestration levels at over two times the CO₂ emission from our operations
 - Maintaining creation of rainwater harvesting potential equivalent to over three times the net water consumption of our operations
 - Closing the loop – 100% recycling/energy recovery, equivalent to total annual post-consumer plastic packaging waste by 2027

** Refer Energy and Climate Change, Water Management and Waste Management Sections*



We have identified the following Sustainable Development Goals (SDGs) as the ones most closely aligned with our high materiality aspects.

SDG	Reference section	SDG	Reference section
1 NO POVERTY 	ITC Mission Sunehra Kal for Sustainable & Inclusive Growth	6 CLEAN WATER AND SANITATION 	<ul style="list-style-type: none"> • Environment • ITC Mission Sunehra Kal for Sustainable & Inclusive Growth
2 ZERO HUNGER 	ITC Mission Sunehra Kal for Sustainable & Inclusive Growth	13 CLIMATE ACTION 	<ul style="list-style-type: none"> • Environment • ITC Mission Sunehra Kal for Sustainable & Inclusive Growth
4 QUALITY EDUCATION 	ITC Mission Sunehra Kal for Sustainable & Inclusive Growth	15 LIFE ON LAND 	<ul style="list-style-type: none"> • Environment • ITC Mission Sunehra Kal for Sustainable & Inclusive Growth
5 GENDER EQUALITY 	ITC Mission Sunehra Kal for Sustainable & Inclusive Growth		

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 Mission Sunehra Kal for Sustainable & Inclusive Growth
3	Climate Change	<ul style="list-style-type: none"> Energy and Climate Change Air Emissions
4	Sustainable management of natural resources	<ul style="list-style-type: none"> Energy and Climate Change Water Management Waste Management Raw Materials
5	Product Packaging & Labelling	<ul style="list-style-type: none"> Product Responsibility Waste Management
6	Counterfeit Products	<ul style="list-style-type: none"> Product Responsibility
7	Transportation	<ul style="list-style-type: none"> Energy and Climate Change Air Emissions
8	Sustainable Forest Management	<ul style="list-style-type: none"> Raw Materials Biodiversity
9	Sustainable Supply Chain	<ul style="list-style-type: none"> Supply Chain
10	Statutory Compliance	<ul style="list-style-type: none"> Product Responsibility
11	Learning and Development	<ul style="list-style-type: none"> Labour Practices & Decent Work and Human Rights
12	Employee Engagement	<ul style="list-style-type: none"> Labour Practices & Decent Work and Human Rights
13	Human Rights	<ul style="list-style-type: none"> Labour Practices & Decent Work and Human Rights
14	Local Community Development	<ul style="list-style-type: none"> Economic Performance ITC Mission Sunehra Kal for Sustainable & Inclusive Growth
15	Anti-corruption	<ul style="list-style-type: none"> Governance Structure
16	Public Policy Advocacy	<ul style="list-style-type: none"> Responsible Advocacy
17	Health and Safety	<ul style="list-style-type: none"> Occupational Health and Safety Product Responsibility
18	Marketing Communication	<ul style="list-style-type: none"> Product Responsibility
19	Customer Privacy	<ul style="list-style-type: none"> Product Responsibility



Report Profile, Scope and Boundary

The 14th 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, 2016 to March 31, 2017. ITC reports its performance on an annual basis and the last Sustainability Report was published in June 2016. 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. The Reporting Principles, General and Specific Standard Disclosures detailed in the Implementation Manual of GRI-G4 Reporting Guidelines have been followed while preparing the report including the relevant aspects/indicators from GRI-G4 Food Sector supplement for the Foods Business performance.

In line with ITC's Policy on Responsible Sourcing, the Company continues its efforts to influence sustainability practices along the value chain. In the current year, ITC has incorporated the performance of 18 exclusive Third Party Manufacturers (TPMs) catering to the Notebooks segment of

Education and Stationery Products Business (ESPB), 2 TPMs of Cigarettes Business and ATC Limited, an associate company of ITC. Coverage of all TPMs in ESPB continues to be a challenge. Two out of the 20 TPMs (80% or more of their production being for ESPB), could not be included in this report due to consistency gaps in identified performance data. Capacity building and regular review of performance data will be continued with in coming years for all significant supply chain partners to address such gaps. Performance of one Unit of our subsidiary North East Nutrients Private Ltd has also been included in this report, expanding the coverage of Subsidiary Companies to 6 in 2016-17.

The economic performance reported here is excerpted from the Company's Report & Accounts (R&A) 2017, audited by independent External Auditors – M/s Deloitte Haskins & Sells.

The data in the environment & social sections of the Report are 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, supports overall integrity and credibility of the disclosures in the Report.

In order to obtain an objective and impartial assurance on the Report, ITC has always 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 2017 has been assured by M/s Ernst & Young (EY), an independent third party assurance provider. They have provided the assurance 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 their conclusions on the Report.



ITC has always obtained independent third party assurance for all its Sustainability Reports since it started reporting in 2004

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: Ambarnath (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), Munger (Bihar) and Dhulagarh (West Bengal)

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 – 18 nos.

Matches and Agarbatti Business

Divisional Headquarters:
Chennai (Tamil Nadu)

Hotels

Divisional Headquarters: ITC Green Centre, Gurugram (Haryana)

Hotels:

- ITC Maurya (New Delhi)
- ITC Maratha (Mumbai)
- ITC Grand Central (Mumbai)
- ITC Sonar (Kolkata)
- ITC Mughal (Agra)
- ITC Grand Bharat (Gurugram)
- 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

Divisional Headquarters: ITC Green Centre, Manesar (Haryana)

Others

ITC Life Sciences & Technology Centre, Bengaluru (Karnataka), Central Projects Organisation, Bengaluru (Karnataka)

Subsidiaries

ITC Infotech India Limited

Units at:

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

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

Classic Golf & Country Club, Gurugram

North East Nutrients Private Limited

Unit: Mangaldai (Assam)

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 2017

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. merged with ITC Infotech (USA), Inc. w.e.f. 1 April 2016)	*
Indivate Inc. (a 100% subsidiary of ITC Infotech (USA), Inc.)	*
Gold Flake Corporation Limited	@
King Maker Marketing, Inc. (Ceased to be a subsidiary w.e.f. 16 November 2016)	@
WelcomHotels Lanka (Private) Limited	*
ITC Investments and Holdings Limited	@

The following Jointly controlled entities (incorporated Joint Ventures) included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2017:

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)	#

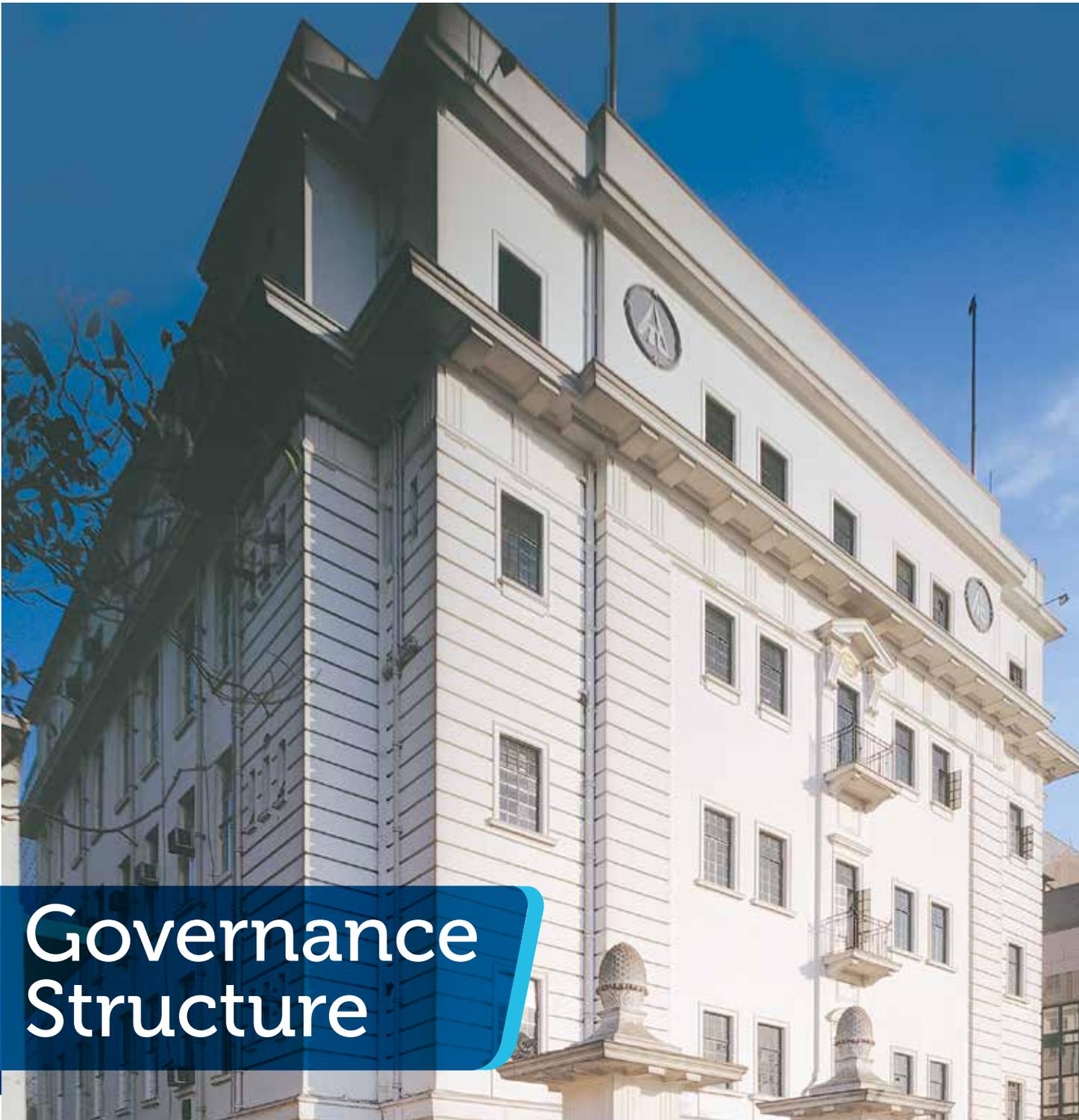
The following Group's Associates included in ITC's Consolidated Financial Statements are not included in the Sustainability Report 2017:

Names of Associates	Remarks
International Travel House Limited	#
Gujarat Hotels Limited	#
Divya Management Limited	@
Antrang Finance Limited	@
Russell Investments 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) headed by the Chief Executive Officer of the Company
Executive management	by the Divisional Chief Executive assisted by the Divisional Management Committee



The role, powers and composition of the Board, Board Committees and CMC are available on the Company's corporate website. Reference to Division includes Strategic Business Unit, Business Vertical and Shared Services.

Board of Directors

The ITC Board is a balanced Board, comprising Executive and Non-Executive Directors. The Non-Executive Directors include the Chairman and independent professionals.

Selection of Directors

As reported in earlier years, criteria for determining qualifications, positive attributes and independence of Directors were approved by the Nomination & Compensation Committee pursuant to the statute, in respect of Directors, including Independent Directors. The Corporate Governance Policy also, *inter alia*, requires that Non-Executive 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 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.

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 and as may be determined by the Board from time to time. All Directors, other than Independent Directors, are liable to retire by rotation, unless otherwise approved by the Shareholders.

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, 2017 was fourteen; the composition of the Board, including other Directorship(s)/Committee Membership(s) of Directors was as follows:

Director	Category	No. of other Directorship(s)	No. of Membership(s)/ Chairmanship(s) of Audit Committee/Stakeholders Relationship Committee of other Indian public limited companies
Y. C. Deveshwar	Chairman & Non-Executive Director	5	Nil
S. Puri	Chief Executive Officer & Executive Director	1	Nil
N. Anand	Executive Director	8	Nil
R. Tandon	Executive Director & Chief Financial Officer	9	6 [including 5 as Chairman]
S. Banerjee	Independent Director	Nil	Nil
A. Duggal	Independent Director	7	5 [including 1 as Chairman]
S. B. Mathur	Independent Director	11	9 [including 5 as Chairman]
P. B. Ramanujam	Independent Director	Nil	Nil
N. Rao	Independent Director	5	2
S. S. H. Rehman	Independent Director	Nil	Nil
M. Shankar	Independent Director	3	2
Z. Alam	Non-Executive Director - Representative of General Insurers' (Public Sector) Association of India as Investor	Nil	Nil
S. B. Mainak	Non-Executive Director - Representative of Life Insurance Corporation of India as Investor	4	2 [including 1 as Chairman]
D. R. Simpson	Non-Executive Director - Representative of Tobacco Manufacturers (India) Limited, a subsidiary of British American Tobacco p.l.c.	3	Nil

ITC's Governance Policy requires the Board to meet at least five times a year. Six meetings of the Board were held during the year ended 31st March, 2017.

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 six other Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Company is the Chairman of the Committee. The Company Secretary is the Secretary to 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, as Chairman of the Committee, 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 the Chairman of the Company and four other Non-Executive Directors, three of whom are Independent Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.

Securityholders Relationship Committee

The Securityholders Relationship Committee presently comprises four Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.

Independent Directors Committee

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



The CSR and Sustainability Committee reviews, monitors and provides strategic direction to the Company's CSR and sustainability practices towards fulfilling its Triple Bottom Line objectives





Chair of the Highest Governance Body

Chairman

The primary role of the Chairman of the Company is to provide leadership to the Board. As the Chairman of the Board, he presides over its meetings and leads and assists the Board in setting and realising the Company's strategic vision and related short and long-term goals. He is responsible, *inter alia*, for the working of the Board, for its balance of membership (subject to Board and Shareholder approvals) and for ensuring that all Directors are enabled and encouraged to play a full part in the activities of the Board. Based on information and feedback from the Chief Executive Officer of the Company, the Chairman ensures that all relevant issues are on the Board agenda and the Board is kept informed on all matters of importance. He presides over General Meetings of Shareholders.

The present Chairman, at the request of the Nomination & Compensation Committee and the Board, recognising the need for orderly transition in a company of ITC's size and complexity, agreed to continue as Chairman in non-executive capacity and also play the role of Mentor to the new executive management. Providing mentorship to the new executive management and support towards management of critical external stakeholders' relationships, accordingly, form part of the role of the present Chairman.

Chief Executive Officer (CEO)

The CEO carries total responsibility for the strategic management of the Company and accordingly heads the CMC. His primary role is to provide leadership to the CMC for realising Company goals in accordance with the charter approved by the Board. He is responsible, *inter alia*, for the working of the CMC, ensuring that all relevant issues are on the agenda and that all CMC Members are enabled and encouraged to play a full part in its activities.

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 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.

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.

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 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. Visits to Company facilities are also organised for the Directors.

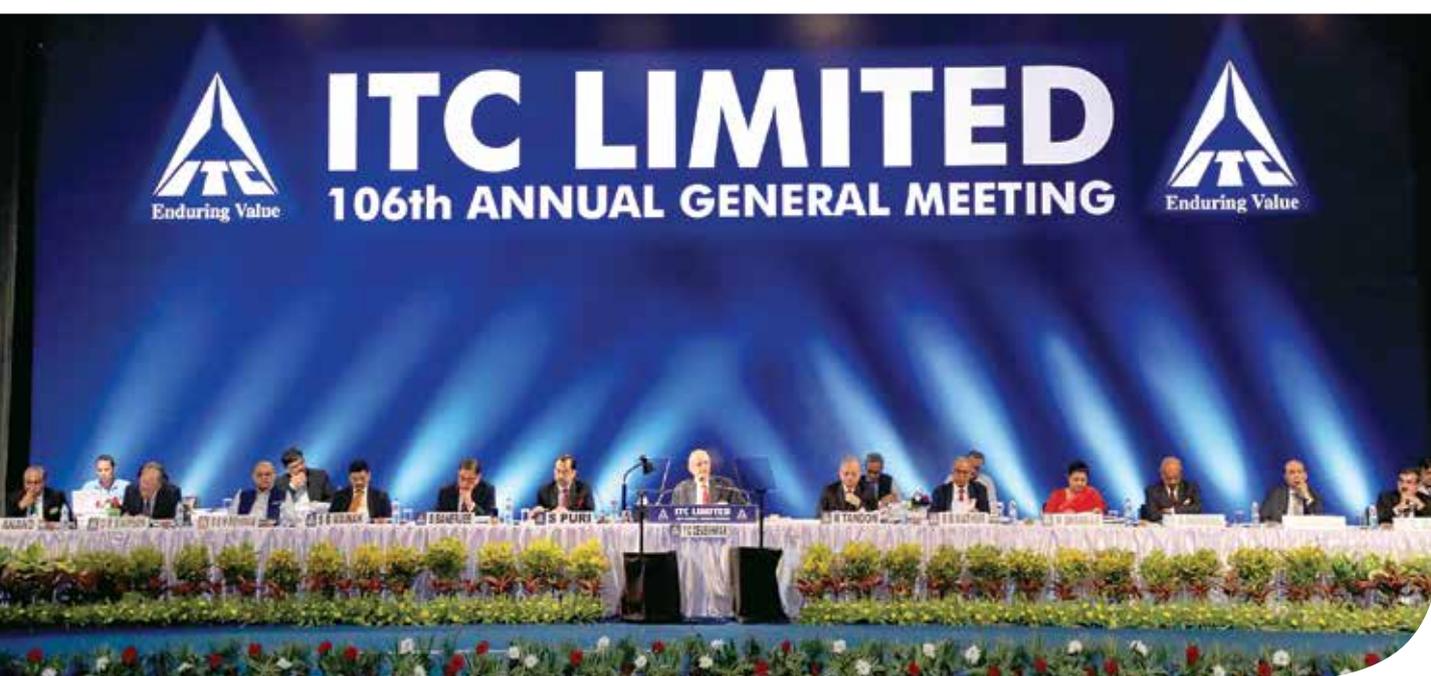
As reported in earlier years, the Policy on Board evaluation, evaluation of Board Committees' functioning and individual Director evaluation was approved by the Nomination & Compensation Committee. In keeping with ITC's belief that it is the collective effectiveness of the Board that impacts Company 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 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.

The Board determines the remuneration of the CEO and the other Executive Directors, on the recommendation of the Nomination & Compensation Committee, subject to the approval of the Shareholders. Such remuneration is linked to the performance of the Company inasmuch as the performance bonus is based on various qualitative and quantitative performance criteria. 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, including Independent 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/Committee thereof, the quantum of which is determined by the Board. Non-Executive Directors are also entitled to coverage under Personal Accident Insurance.

The present Chairman, at the request of the Nomination & Compensation Committee and the Board, recognising the need for orderly





transition in a company of ITC's size and complexity, agreed to continue as Chairman in non-executive capacity and also play the role of Mentor to the new executive management, and is entitled to additional remuneration and benefits, as determined by the Board within the limit stipulated under the statute and subject to the approval of the Shareholders.

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 2016-17 was 508:1. The total remuneration of the highest paid employee has increased by 58% and the median remuneration has increased by 7% in FY 2016-17.

Remuneration includes salary, performance bonus, allowances & other benefits/applicable perquisites except contribution to the approved Pension Fund 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 statute.

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.

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 mitigation plans with agreed timelines and accountabilities. 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 Agri Business. 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 and '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.

ECONOMIC PERFORMANCE





- Management Approach
- Goals and Performance
- Economic Performance





Economic Performance

Snapshot of Economic Performance

₹ Crores

Key Economic Indicators*	2013	2014	2015	2016	2017	CAGR
Total Income	43044	48176	51932	53714	57434	12%
Profit Before Interest and Taxes (PBIT)	10771	12662	14055	14483	15526	15%
Contribution to Government/ Exchequer	22343	25669	27546	30742	32075	9%
Cost of Bought out Goods and Services	17031	18391	19764	19032	20452	5%
Employee Benefits Expense	1387	1608	1780	2332	2444	15%
Payments to Providers of Capital	6800	7978	8646	7985	9049	7%
- Interest and Proposed Dividends	4235	4775	5067	6889	5793	
- Retained Profits	2565	3203	3579	1096	3256	

* Detailed Financial Performance available at www.itcportal.com.

Note 1: 2016 & 2017 as per Indian Accounting Standards (Ind AS), previous GAAP for earlier years.

Revenue and Profit Before Depreciation Interest and Tax (PBDIT)

₹ Crores

Year	2013	2014	2015	2016	2017	CAGR
Gross Revenue	41810	46713	49965	51582	55002	7%
PBDIT	11566	13562	15017	15484	16564	14%

Refer note 1

Management Approach

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. The Company has adopted a comprehensive set of sustainability policies that are being implemented across the Organisation in pursuit of its 'Triple Bottom Line' agenda. These policies 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.

ITC is driven by its inspiration to be an exemplary Indian enterprise serving larger national priorities. The Company's relentless efforts to pursue extreme competitiveness,

make societal value creation the core of its business strategy, invest in game-changing research and development and science-led innovations as well as state-of-the-art infrastructure contribute in making the future even more sustainable and profitable. This super-ordinate vision has spurred innovative strategies to address some of the most challenging societal issues including widespread poverty, unemployment and environmental degradation.

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' approach strategy that builds and enriches the country's economic, environmental and social capital.

Goals and Performance

The 'Triple Bottom Line' approach to creating larger 'stakeholder value', as opposed to merely ensuring uni-dimensional 'shareholder value', is the driving force that defines the Company's sustainability vision and its growth path into the future.



ITC is driven by its inspiration to be an exemplary Indian enterprise serving larger national priorities





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

- Strengthening 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 2017 (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 on a decelerating trend in 2016 growing by 3.1% compared to 3.4% in 2015 (as per latest IMF estimates). This marks the slowest pace of expansion since the global financial crisis

in 2009 and the 5th successive year that the global economy has grown at a rate lower than its long-term average of 3.6% p.a. The anticipated pickup in global growth (3.4%) at the beginning of the year did not fructify mainly due to slower growth in the Advanced Economies which grew by 1.7% in 2016 against 2.1% in 2015. Within the Advanced Economies, the US posted a muted growth of 1.6% led by downward adjustments in inventories and contraction in Private Investments, particularly during the first half of the year. The Euro Area also recorded tepid growth, expanding by 1.7% during the year compared to 2.0% in 2015. Emerging Market & Developing Economies witnessed a growth of 4.1% in 2016 against 4.2% in 2015, with Brazil and Russia recording a reduced pace of contraction which was offset by slower growth in the emerging European economies and further slowdown in the Chinese economy from 6.9% in 2015 to 6.7% in 2016.

In spite of the lacklustre performance during the year as aforesaid, green shoots of economic recovery became visible in the latter half of the year. It is anticipated that the global economy will perform better and grow by 3.4% in 2017 and improve further to 3.6%

in 2018, on the back of synchronised growth momentum in Advanced as well as Emerging Economies. After years of persistently low inflation (even deflation), 2017 is expected to be a year of reflation. Stronger growth momentum, better prospects for oil and other commodities, and the US Dollar's appreciation against other major currencies could cause inflation to return in most major economies.

The Indian economy witnessed another challenging year, with Real GDP growth pegged at 7.1% representing a sharp slowdown over 2015-16 (7.9%). Further, looking beyond the reported numbers, a wide range of economic indicators suggest tepid performance across private investments, consumption and manufacturing activity which have contracted significantly. The anticipated pickup in consumption and private investments remained elusive.

Private Investments are estimated to have grown by a mere 0.6% in 2016-17 a 5-year low. Indian industry continues to be adversely impacted by low capacity utilisation and stretched balance sheets. Growth in Private Final Consumption Expenditure (PFCE) is estimated at 7.2% for 2016-17

(compared to 7.3% in 2015-16) aided by a rebound in Agriculture on the back of a good monsoon after two consecutive years of sub-par rainfall, partial implementation of recommendations of 7th Pay Commission and 'One Rank One Pension' (OROP) scheme. However, proxy indicators such as subdued performance of two-wheeler sales, weak power demand, decline in cement and oil volumes and a marked deceleration in corporate sales growth, point to persistent weakness in Private Consumption.

The performance of the Industry sector also remained muted as reflected by the Index of Industrial Production (IIP) which grew by just 0.4% during the period April 2016 to February 2017 as against 2.6% in the same period last year. Further, IIP (Manufacturing sector) witnessed a de-growth of 0.3% during the period April 2016 to February 2017 (compared to growth of 2.3% in the same period last year).

On the positive side, India remains the fastest growing major economy in the world. During the year, there was significant improvement on the 'twin deficit' front. Fiscal Deficit is estimated to be contained within target at 3.5% of GDP in 2016-17





(against 3.9% in 2015-16) aided by buoyant tax collections and decline in oil subsidies. The Current Account Deficit was also contained within 1.0% of GDP in spite of an increase in oil prices during the year.

Inflation remained largely within the comfort zone of the RBI during the year. Wholesale Price Index (WPI) for 2016-17 increased to 3.7% from (-) 2.5% in 2015-16, which was mainly attributable to the base effect of low fuel and commodity prices. Consumer Price Index (CPI) for 2016-17 declined to 4.5% against 4.9% in 2015-16 with Core CPI remaining stable at 4.7% in 2016-17 (4.6% in 2015-16). This prompted the RBI to reduce policy interest rates by 50 bps during the year.

Driven by the foreign capital flow into the country, in the form of Foreign Institutional Investments and Foreign Direct Investment, Sensex advanced 17% (after declining by 9% in 2015-16), reflecting the optimism on improvement in the business environment, expected progress on the reforms agenda and anticipated acceleration in future corporate earnings. The pace of growth is expected to gather momentum in the medium term on the back of favourable global economic tailwinds, implementation of key policy reforms such as Goods and Services Tax (GST) and pickup in private investment.

Given the macro-economic scenario, the Company delivered a steady performance during the year in the backdrop of a persistently sluggish demand environment, continuing pressure on the legal cigarette industry due to the cumulative impact of steep increase in taxation and regulatory pressures, sharp hike in input costs and gestation costs relating to new products/categories especially in the non-cigarette FMCG segment. The operating environment was rendered particularly challenging in the second half of the year with the currency crunch impacting the incipient recovery in demand. The business environment in the Hotels industry also remained subdued, with only a marginal improvement in room rates reflecting the overhang of excess room inventory in key markets. The Paperboards, Paper and Packaging segment also had to contend with a weak demand and pricing environment.

Despite the challenging business environment as aforesaid, Gross Revenue from sale of products and services stood at ₹ 55001.69 crores and grew by 6.6% primarily driven by an 8.0% growth in the non-cigarette FMCG segment, 10.8% growth in Agri Business and 5.1% growth in the Cigarettes segment. Profit Before Tax registered a growth of 7.4% to ₹ 15502.96 crores while

Profit After Tax at ₹10200.90 crores increased by 9.4%. Total Comprehensive Income for the year stood at ₹10277.90 crores (previous year ₹9261.79 crores). Earnings Per Share for the year stood at ₹8.43 per share (previous year ₹7.74 per share). Cash flows from Operations aggregated ₹15214.98 crores, compared to ₹14039.64 crores in the previous year.

For the year ended March 31, 2017, the Board of Directors have recommended an Ordinary Dividend of ₹4.75 per share (previous year Ordinary Dividend of ₹4.33 per share and Special Dividend of ₹1.33 per share; *adjusted for Bonus Issue*). Total cash outflow in this regard will be ₹6944.65 crores including Dividend Distribution Tax of ₹1174.64 crores.

Total Assets and Returns

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. This included investments in manufacturing facilities towards sustaining its competitive advantage, which included state-of-the-art, on-line quality oversight systems and cutting-edge technology for innovative packaging.

Apart from the above, Company continued to invest towards enhancing brand salience and

consumer connect, while simultaneously implementing strategic cost management measures across the value chain. Several initiatives were also implemented during the year towards leveraging the rapidly growing e-commerce channel with a view to enhancing the reach of the Company's products and harnessing digital and social media platforms for deeper consumer engagement. Substantial investments are also being made in Research & Development with focus on consumer insight discovery to develop and launch disruptive and breakthrough products in the market place.

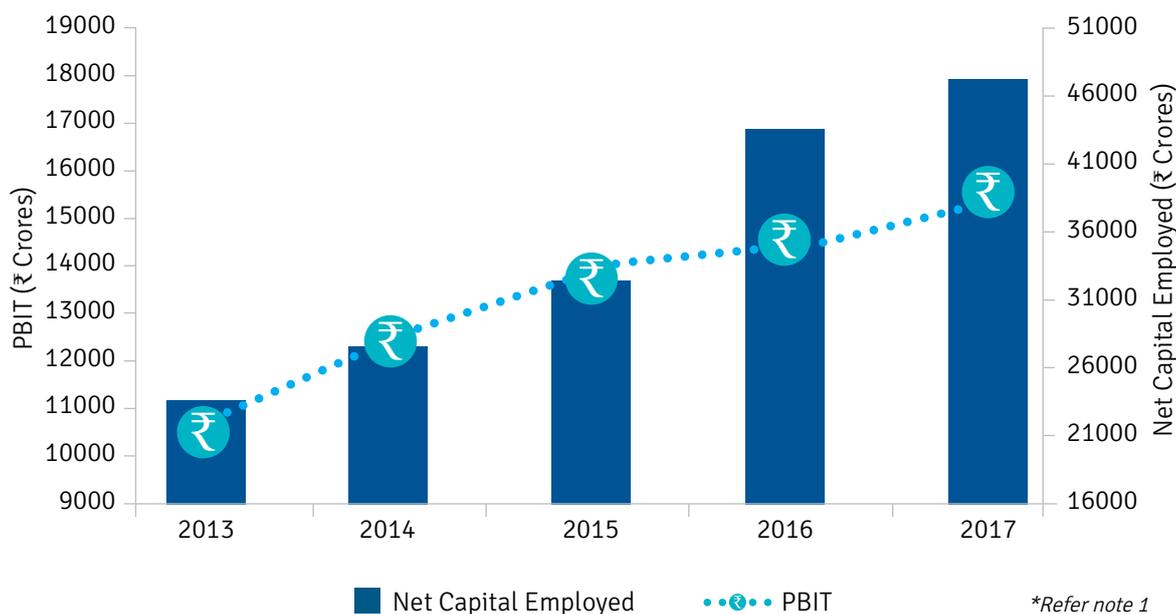
ITC's diversified portfolio of businesses, spanning FMCG, Paperboards & Packaging, Agri Business and Hotels enables it to have significant presence in all the three sectors of the economy, namely, agriculture, manufacturing and services, providing the Company the unique opportunity to contribute meaningfully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

Hence, while the net capital employed* has expanded at a compound rate of 14% over the previous five years to reach ₹40,278 crores as on March 31, 2017, returns on net capital employed (Profit before interest and taxes) have increased during this period from ₹17,160 crores to ₹23,810 crores, a compound rate of 9%.



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

Net Capital Employed and PBIT



*Refer note 1



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. Over the last 21 years, the Company has created multiple drivers of growth by developing a portfolio of world-class businesses across all sectors of the national economy spanning agriculture, manufacturing and services; placing the Company amongst the foremost in the country in terms of efficiency of servicing financial capital.

	1996	2010	2011	2012	2013	2014	2015	2016	2017
Market Capitalisation (₹ Crores)*	5571	100476	140408	177360	244245	280708	260864	263989	340673
Adjusted EPS (₹)**	0.24	3.55	4.30	5.25	6.26	7.36	7.99	7.73	8.40

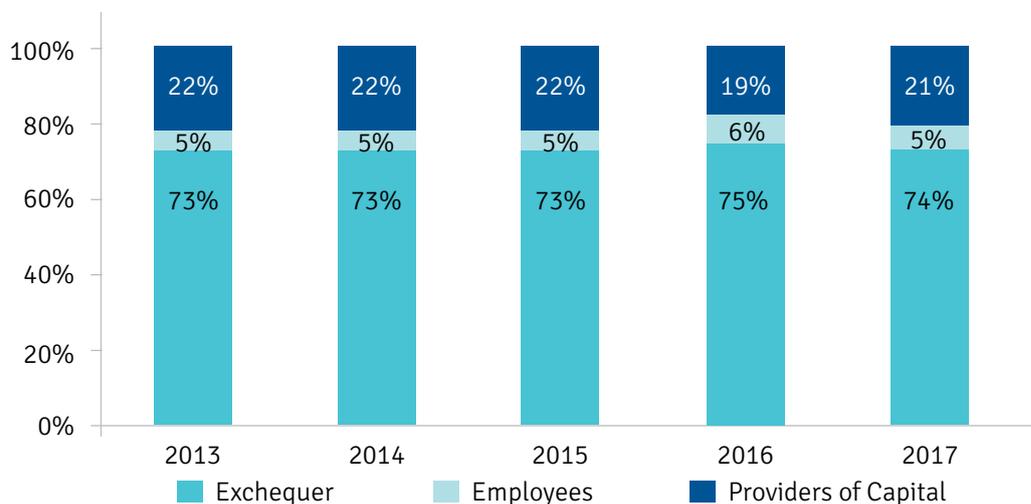
*Market Capitalisation based on year-end closing prices quoted on the Bombay Stock Exchange.
 **EPS adjusted for impact of Corporate Actions to facilitate like to like comparison.

Refer note 1

Analysis of Value-Added

The Value-Added by the Company, i.e. the value created by the economic activities of the Company and its employees, grew by 6% over last year to ₹ 43,568 crores. The Company’s Contribution to Exchequer during the year stood at ₹ 32,075 crores representing 74% of the total value addition made by the Company.

Distribution of Value-Added

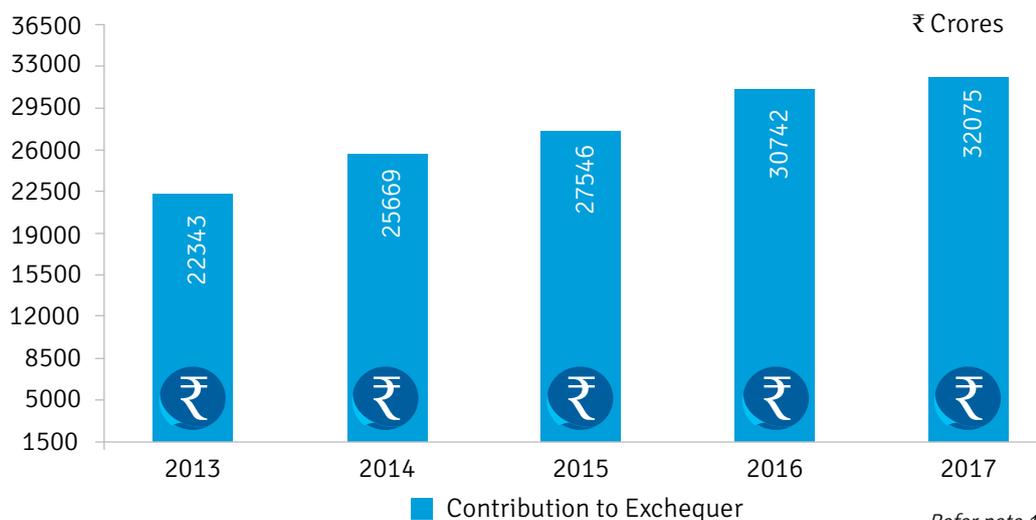


Refer note 1

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

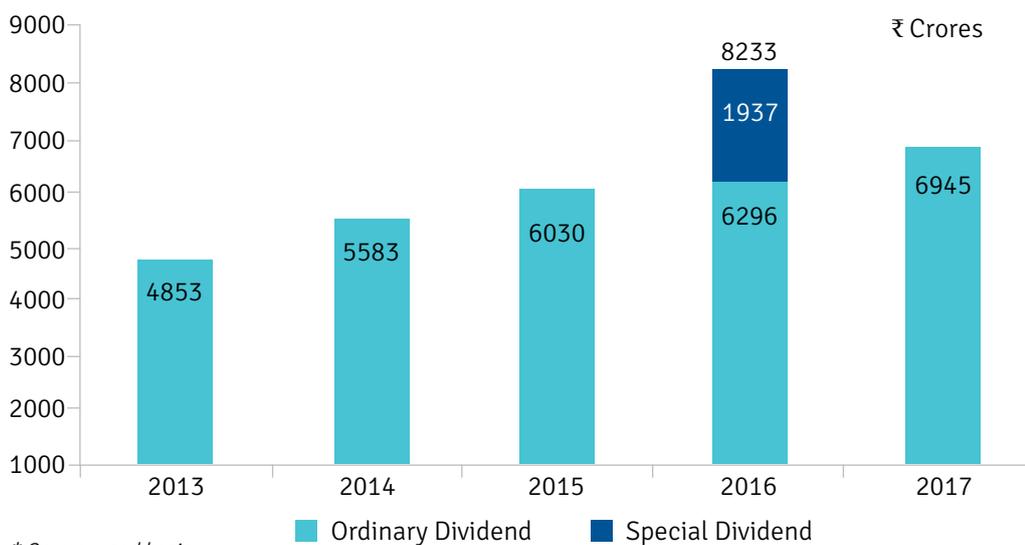


Refer note 1

Dividend

For the year ended March 31, 2017, the Board of Directors have recommended an Ordinary Dividend of ₹ 4.75 per share (previous year Ordinary Dividend of ₹ 4.33 per share and Special Dividend of ₹ 1.33 per share; *adjusted for Bonus Issue*).

Dividend* (incl. Dividend Distribution Tax)



* On proposed basis

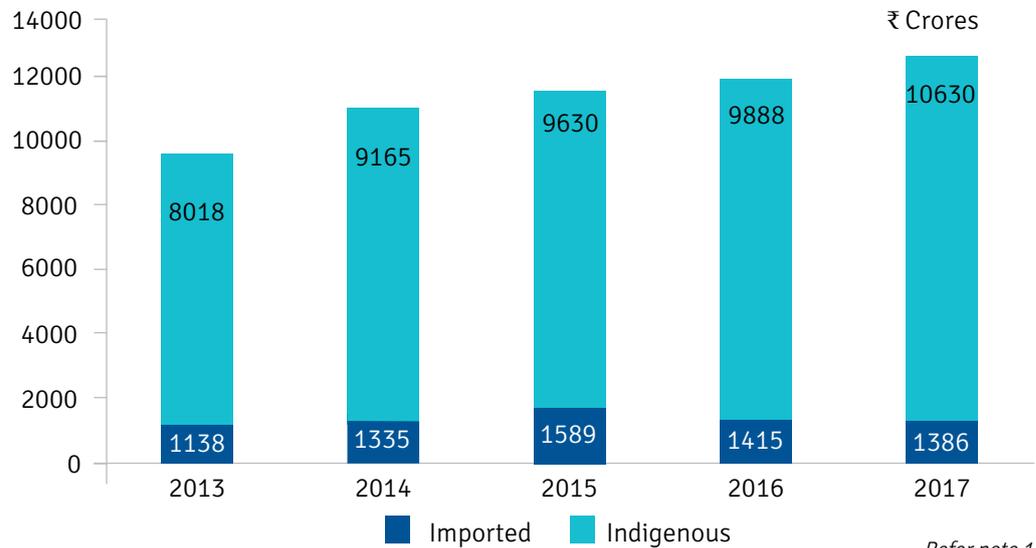




Local Based Suppliers

The Hon'ble Prime Minister's vision to build a dynamic, progressive and self-reliant India through impactful programmes such as the Make in India, Skill India, Digital India and Swachh Bharat resonates deeply with the Company's efforts to create a national institution of pride. The Company actively encourages competency development among local vendors and its vendor base including numerous medium and small scale enterprises that are proximate to its manufacturing locations. More than 87% of raw materials and stores & spares have been locally procured during the year.

Raw Materials, Stores & Spares Consumed



Refer note 1



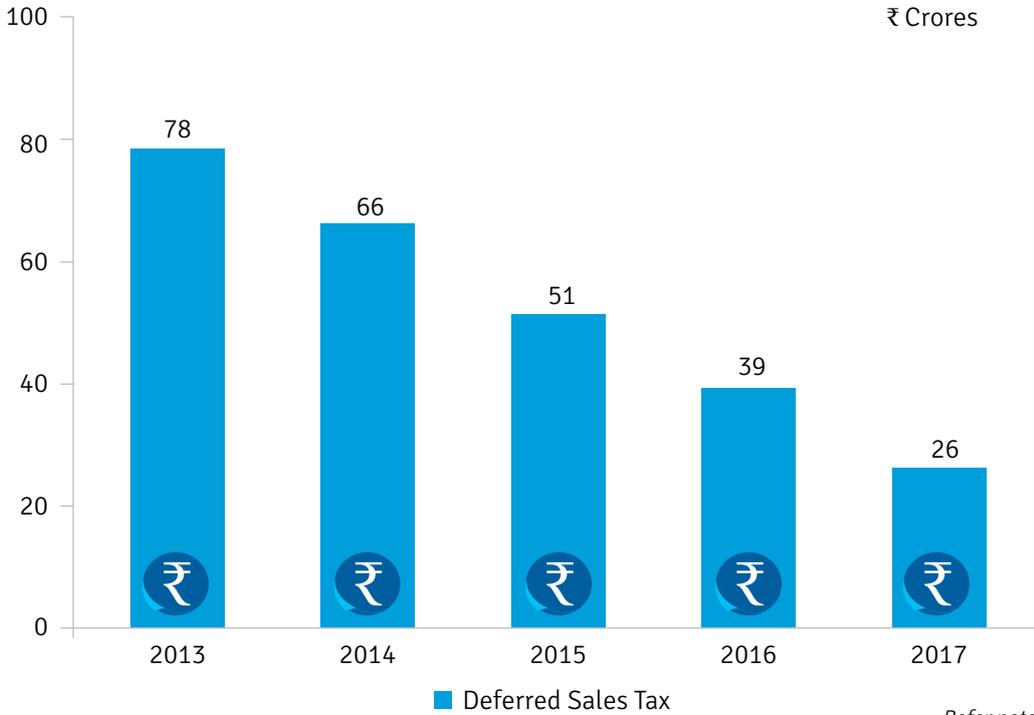
More than 87% of raw materials and stores & spares have been locally procured during the year

The Company's suppliers, both local and international, constitute one of its important stakeholder groups. 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 and ITC's Corporate Environment, Health and Safety (EHS) Guidelines. 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. Please refer to 'Business Responsibility Report' of the Report and Accounts 2017 (available on www.itcportal.com) for discussion on sustainability of products and services across life-cycle, supply chain and product responsibility 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:

Deferred Sales Tax



Other Government grants received in the form of incentives such as Export Promotion Capital Goods, Service Export from India Scheme, Merchandise Export from India Scheme amounted to ₹ 127.01 crores (2016 - ₹ 71.92 crores).





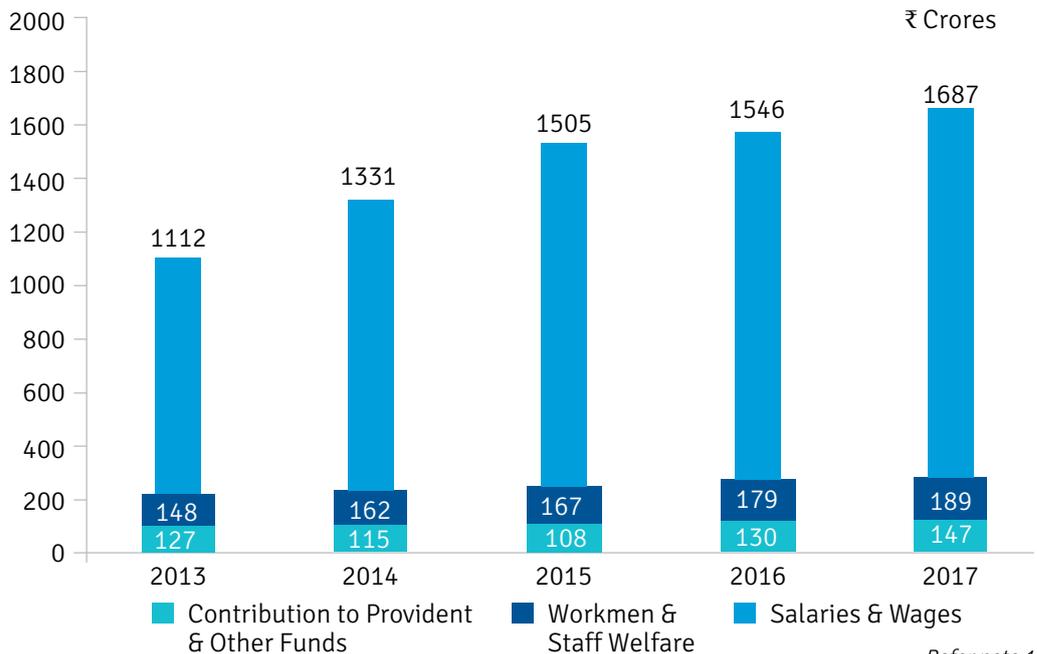
Engaging Talent, Local Hiring and Senior Management

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.

The superior capability of the Company's talent pool is premised on a work culture that nurtures quality talent and promotes a conducive work environment that combines the need to focus on performance and results with a caring and compassionate work ethos. Policies on 'Diversity and Equal Opportunity', 'Freedom of Association' and 'Environment, Health and Safety', among others, guide the management approach on specific elements of the Company's work practices. 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 below:



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



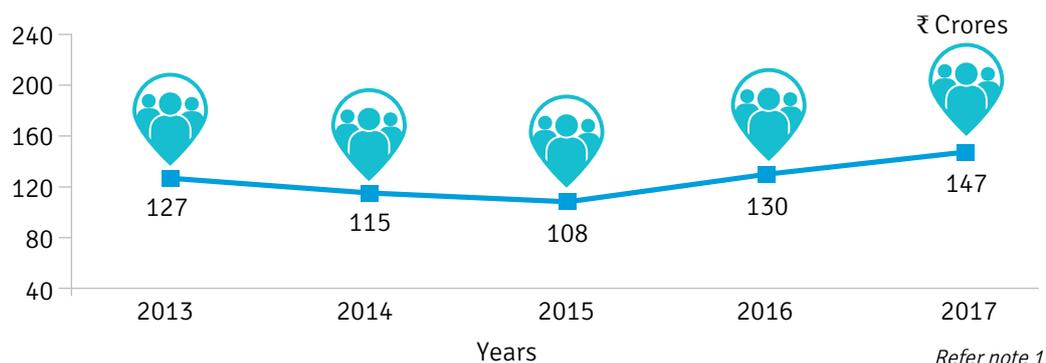
Refer note 1

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 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.

Contribution to Provident & Other Funds





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, through economic empowerment based on grassroots capacity building

Corporate Social Responsibility

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, 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 184 districts.

The key elements of the Company's CSR interventions are to:

- Deepen engagement in identified core operational geographies to promote holistic development, designed to respond to the most prominent development challenges of the Company's stakeholder groups.
- Strengthen capabilities of Non-Government Organisations (NGOs)/

Community Based Organisations (CBOs) in all the project catchments for participatory planning, ownership and sustainability of interventions.

- Drive the Development agenda in a manner that benefits the poor and marginalised communities in our factory and agri-catchments thereby significantly improving Human Development Indices (HDI).
- Move beyond mere asset creation to behaviour change through focus on demand generation for all interventions thereby enabling participation, contribution and asset creation for the community.
- Continue to strive for scale by leveraging government partnerships and accessing the most contemporary knowledge/technical know-how.

The Company's stakeholders are confronted with multi-dimensional and inter-related issues, at the core of which is the challenge of securing sustainable livelihoods. Accordingly, interventions under the Company's Social Investments Programme (SIP) are appropriately designed to build their capacities and promote sustainable livelihoods.

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

Areas listed under Schedule - VII to 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 Eradication of 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 Livelihood generation
(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, agro-forestry, 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.	Environment 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 ₹ 275.96 crores (2016 – ₹ 247.50 crores).





ENVIRONMENTAL PERFORMANCE



- Management Approach
- Energy and Climate Change
- Air Emissions
- Water Management
- Waste Management
- Raw Materials
- Biodiversity





Snapshot of Environmental Performance

Key Environmental Indicators	2012-13	2013-14	2014-15	2015-16	2016-17
Energy and Greenhouse Gas Emission					
Total Energy Consumption (Terra Joules)	21,347	21,433	21,777	21,946	21,600
Renewable Energy Consumption (Percentage)	41.2%	38.1%	43.1%	47.3%	48.2%
Total GHG Emissions (excluding Biogenic Emissions) Kilo tonnes CO ₂ e*	1,475	1,613	1,519	1,476	1,450
Scope 1 - Direct GHG Emissions (Kilo tonnes CO ₂ e)	1,150	1,234	1,143	1,059	1,023
Scope 2 - Indirect GHG Emissions (Kilo tonnes CO ₂ e)	172	177	183	187	174
Scope 3 - Other Indirect GHG Emissions (Kilo tonnes CO ₂ e)	153	202	193	230	253
Biogenic Emissions - CO ₂ Emissions from combustion of Biomass (Kilo tonnes CO ₂)	839	742	860	962	957
GHG Removals (Kilo tonnes CO ₂)	3,690	4,529	4,896	5,122	5,417
Air Emission					
SO ₂ (tonnes)	790	883	1,033	1,239	1,087
NO _x (tonnes)	649	776	843	920	834
Particulate Matter (tonnes)	690	781	592	639	651
Water					
Water Intake (Million Kilo litre)	32.15	33.73	34.48	33.80	31.29
Treated Effluent Discharge (Million Kilo litre)	22.89	23.90	24.24	24.45	22.12
Rainwater Harvesting Potential (Million Kilo litre)**	21.47	23.27	25.63	28.18	30.80
Waste					
Total Waste Generated (tonnes)	682,405	711,887	791,227	745,149	711,411
Waste Recycled (Percentage)	99.80	99.90	99.80	99.70	99.80
Waste recycling footprint (Percentage)***	117	115	114	115	116

* Total GHG Emissions (excluding Biogenic Emissions) = Scope 1+ Scope 2+ Scope 3

** Total Rainwater Harvesting Potential (RWH) created for the year = RWH potential created within ITC Units + RWH potential created through watershed projects cumulative for the year

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

All above figures are rounded off

Management Approach

According to the World Economic Forum (WEF) Report on Global Risks 2017, the evolving global landscape faces a cluster of environment related interconnected risks such as extreme weather events, failure of climate change mitigation and adaptation and water crisis. Climate change acts as a risk multiplier as it tends to worsen the existing environmental and ecosystems' challenges like constrained availability and steady depletion of natural resources and declining biodiversity.

In order to address these challenges, best practices have been embedded into ITC's operations on the basis of which, the Company strives to maximise the efficiencies of natural resource usage across its Businesses. ITC's Businesses have set voluntary targets on key performance indicators such as specific energy consumption, specific greenhouse gas emission, specific water intake, specific waste generation etc. to demonstrate continual improvement on their environmental performance. 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 on Environment, Health and Safety (EHS), Life-cycle Sustainability 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 Sustainability 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's (SBU) Chief Executives to ensure implementation of relevant policies and standards on environmental performance through their management team. This also includes institution of various committees and designating specific responsibilities. ITC's Corporate EHS 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 the Sustainability Compliance Review Committee (SCRC) constituted by the Corporate Management Committee (CMC).

The following sections outline ITC's role in addressing each of the challenges posed by material environmental aspects within as well as outside the boundary of its operations and ITC's environmental performance for 2016-17.

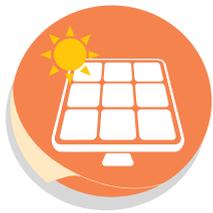


Large-scale Social and Farm Forestry, Integrated Watershed Development and Sustainable Agriculture Practices, are a few examples of extensive initiatives to create a positive environmental footprint





Energy and Climate Change



Management Approach

According to Intergovernmental Panel on Climate Change (IPCC)¹, the world has an emissions budget of 1,000 billion tonnes of CO₂ from 2012 till 2100 to restrict global temperature rise to below 2°C. Impacts of climate change caused by Greenhouse Gas (GHG) emissions are already evident from changing weather patterns across the globe such as shifting rainfall pattern, rising sea levels, increased intensity and frequency of cyclones, droughts and floods. India is also witnessing the impacts of climate change. Cyclone Hudhud and the catastrophic 2015 floods in Southern India are some of the examples of natural calamities with large-scale damage. Though floods and cyclones do naturally occur, the intensity of these events are attributable to climate change.

A landmark agreement amongst countries to address climate change challenge was signed in Paris in December 2015 to limit the global temperature rise to below 2°C and

work towards adaptation. Subsequent to the ratification of the Paris agreement by major countries, the climate change agreement gained momentum in the Conference of Parties (COP-22) at Morocco with focus shifting to higher commitments and creation of an implementation framework. Widespread support for deeper climate change commitments came not only from different countries but also from various businesses, cities and individuals. However, there are also a large number of climate change deniers. Despite some statements attributed to the US President that seem to support naysayers, several major businesses in the US and a large number of the States are going ahead with plans to reduce their GHG emissions.

India, through ratification of the Paris agreement, has agreed to abide by its commitments under Nationally Determined Contributions (NDC) to UNFCCC. India's commitments are focusing on voluntary targets of reducing emissions intensity, increasing the share of non-fossil based electricity, and creating additional

¹ IPCC's 5th Assessment Report, Synthesis Report, 2014



carbon sinks. All these in turn would imply targeted interventions from various industrial sectors in India.

India's ambitious renewable energy programme focuses on all renewable sources including wind, hydro, solar and biomass to achieve its ambitious target of 175 GW of installed capacity by 2022². To accelerate the investment in renewable energy, India had introduced Renewable Energy Certificate (REC) scheme – a market based intervention where incentives are offered for renewable electricity through demand created by giving mandatory Renewable Purchase Obligation (RPO). The International Solar Alliance, headquartered in India, is also helping in accelerating the investment in solar power systems through international collaboration for innovative financing.

Enhancing energy efficiency is pivotal to India's target of reducing emissions intensity. Under National Mission of Enhancement of Energy Efficiency (NMEEE), a large number of programmes were initiated to improve energy efficiency with Perform, Achieve and Trade (PAT) mechanism being a prominent one. PAT is a cap-and-trade scheme to accelerate energy efficiency by setting targets to different industries and incentivising the overachievers through tradable energy efficiency certificates. These energy savings certificates are planned to be traded in power exchanges of India, though the final rules of trading mechanism are yet to be established. PAT, which entered into its second three-year cycle, was deepened and widened to cover more units from existing

sectors and addition of three more sectors. According to Bureau of Energy Efficiency³, total energy consumed by units currently covered by PAT is about 50% of total energy consumed in India. This cap-and-trade scheme is likely to contribute significantly towards achieving India's commitment on low-carbon economic growth by incentivising energy efficient production.

Energy security, and energy equity i.e. the accessibility and affordability of energy supply across the population continue to be amongst the biggest developmental challenges for India. Accessibility of low cost energy requires significant investment in electrical grid as well as fuel supply infrastructure. The proposed plan to increase the share of renewables, particularly wind and solar where supply is intermittent, would require investment in smart grid network for fast switching to other sources, investment in quick start-stop power plants for faster ramping along with investment in new and modernisation of existing baseload power plants. Similarly, fuel supply infrastructure, such as natural gas pipeline network and regasification terminals, is significantly lagging and requires huge investment. These create a potential risk of market failure and the possibility of severe energy price shock. With lagging infrastructure, and growing energy price volatility, the investment in creating adequate infrastructure remains a challenge. Severe energy price shock was also identified as one of the top global economic risks by a number of studies including Global Risk Report 2017 published by the World Economic Forum (WEF).



Energy security, and energy equity i.e. the accessibility and affordability of energy supply across the population continue to be amongst the biggest developmental challenges for India

² Based on India's submission to UNFCCC, as a precursor to Paris Agreement

³ [https://beenet.gov.in/\(S\(yhl430bb1iky1halghmhnegl\)\)/GuideLine/Overview%20and%20Status%20of%20PAT%20Scheme.pdf](https://beenet.gov.in/(S(yhl430bb1iky1halghmhnegl))/GuideLine/Overview%20and%20Status%20of%20PAT%20Scheme.pdf)





Considering the existing and evolving energy scenarios, as detailed on the previous page, ITC has mapped its Energy challenges and actions plans as below:



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"> Targets under Renewable Energy Certificate (RECs), and Perform Achieve and Trade (PAT) mechanisms likely to get more stringent in line with India's NDC. 	<ul style="list-style-type: none"> Additional investments become necessary to improve specific energy and enhance renewable energy share. 	<ul style="list-style-type: none"> Effective measurement and benchmarking our performance with international best practices. Identification of energy conservation opportunities through rigorous third party audits and implementation of the viable recommendations. During 2016-17, ITC has achieved savings of 44.7 TJ over 2015-16 levels.
Fuel/energy taxes and Regulations	<ul style="list-style-type: none"> Increase in fuel prices due to higher taxes. 	<ul style="list-style-type: none"> Increase in fuel costs could lead to higher product cost. 	
Weather events	<ul style="list-style-type: none"> Disruption in agriculture yield due to change in precipitation patterns. 	<ul style="list-style-type: none"> ITC's Businesses depend significantly on agri-inputs. Any disruption in crop yields will result in greater competition for agriculture commodities. 	<ul style="list-style-type: none"> Social investments made in various programmes, such as soil & moisture conservation, climate smart agriculture practices and technologies, etc., reduce dependence on rainwater.
	<ul style="list-style-type: none"> Extreme weather events posing a threat to ITC properties that are in coastal areas and possibly leading to disruption in manufacturing and logistics. 	<ul style="list-style-type: none"> Disruptions in raw materials supply, production as well as delivery of product. 	<ul style="list-style-type: none"> Significant investments have been made to strengthen measures covering ITC manufacturing units located in the coastal areas. Business continuity plans are in place to compensate any interruption of production by a manufacturing facility due to extreme weather events.
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 and may lead to further aggravate the issue of socio-economic inequality. Businesses having dependence on agriculture sector, which is source of livelihood for nearly half of population, may face challenges in their supply chain. 	<ul style="list-style-type: none"> ITC's development models are based upon deep rooted stakeholder concern and 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 agriculture. For details on ITC's Social Investments Programmes, please refer 'ITC 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/paperboard production. Life-Cycle Assessment (LCA) studies for 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.
Resource efficiency	<ul style="list-style-type: none"> Opportunities for improvement in resource efficiency, i.e. raw material, energy, water, etc. 	<ul style="list-style-type: none"> Improvement in resource efficiency would lead to overall reduction in costs. 	<ul style="list-style-type: none"> Integrated approach of efficiency covering all resources such as energy, water, raw material, etc. together for overall improvement.

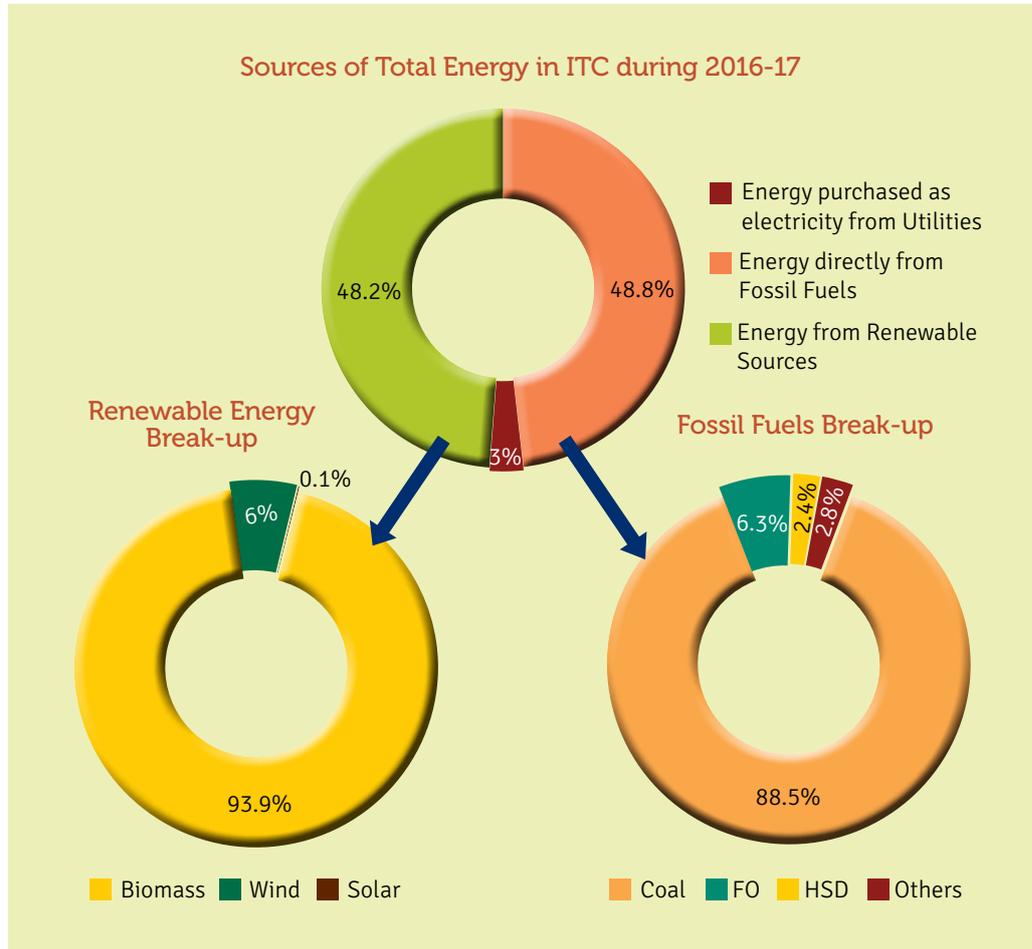


Reporting ITC's Performance

ITC's performance of Energy and Greenhouse Gas (GHG) emissions is presented below.

Energy Consumption within the Organisation

In 2016-17, ITC Units consumed 21,600 Terra Joules (TJ) of energy. Out of the total energy consumed, 48.2% was from renewable energy sources.



Compared to the 21,946 TJ consumed in 2015-16, there was a significant reduction of 1.6% during 2016-17. This was achieved despite the inclusion of two new units within the reporting boundary, (Mangaldai Unit of North East Nutrients Private Limited and Dhulagarh Unit in Foods Division), and primarily due to energy conservation measures implemented across the Units as detailed in subsequent section.

Paperboards and Specialty Papers Division which accounts for about 89% of total energy consumed in ITC, has recorded a decrease in energy consumption by 2.0% as compared to last year. Reduction in energy consumption was achieved by higher utilisation of wind energy (avoiding losses in conversion from thermal to electrical)

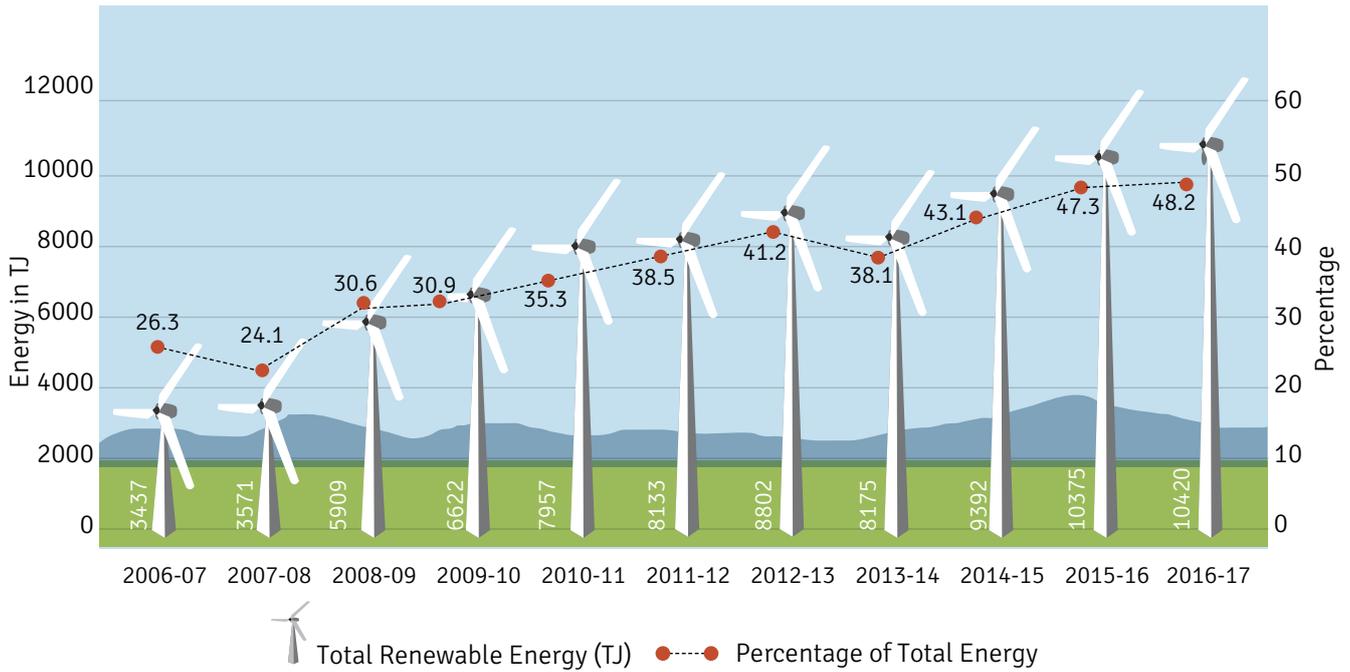
and energy conservation measures such as installation of higher efficiency CFBC (Circulating Fluidised Bed Combustion) Boiler in Bhadrachalam Unit of Paperboards and Specialty Papers Division.

Apart from the reduction in overall energy consumption, ITC has also been able to increase the share of renewable energy in its overall portfolio which has increased year-on-year from 47.3% to 48.2%.

Primary reasons for the increase in renewable energy utilisation from 10,375 TJ in 2015-16 to 10,420 TJ in 2016-17 are as follows:

- Increased consumption of biomass at Kovai Unit of Paperboards and Specialty Papers Division, and Munger Unit of Foods Division.
- Increased utilisation of electricity from wind mills in Bhadrachalam and Kovai

Renewable Energy Utilisation in ITC



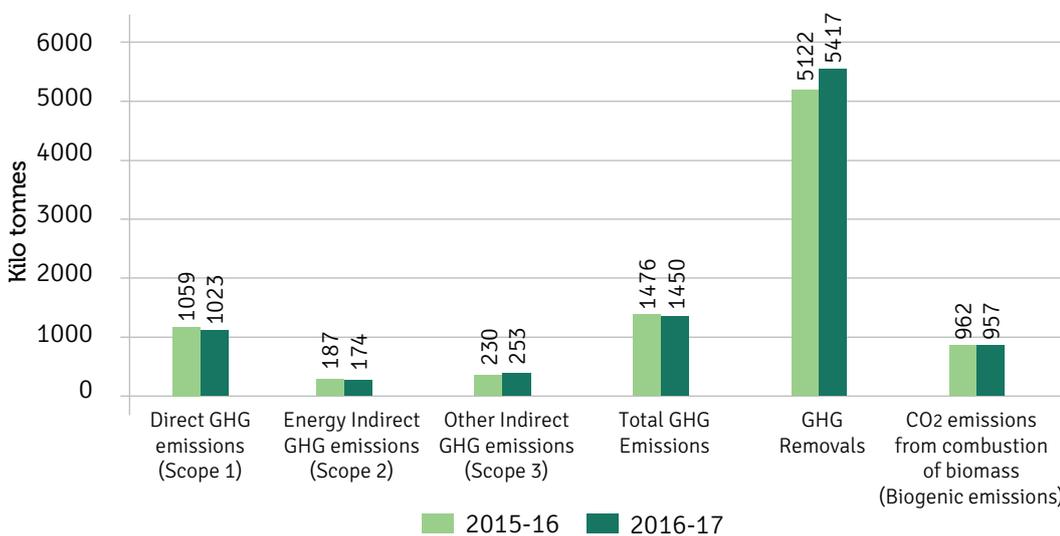
Units of Paperboards and Specialty Papers Division, Tiruvottiyur Unit of Packaging and Printing Division, Pune Unit of Cigarette Division and Malur Unit of Foods Division.

ITC's Greenhouse Gases Snapshot

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 2016-17 with that for 2015-16:

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 2016-17 GHG inventory has been verified by EY at the 'Reasonable Assurance' level.

ITC's GHG Performance





utilisation of wind electricity in the units of Paperboards and Specialty Papers Division.

- Decrease in energy consumption through various energy savings initiatives.

Decrease in Energy Indirect GHG (Scope 2) emissions

- Displacement of grid electricity by captive wind electricity at several Units of ITC.
- Decrease in energy consumption through various energy savings initiatives.

Increase in Other Indirect GHG (Scope 3) emissions

- Due to significant increase in business at Agri Business Division, its emissions from transport increased leading to an increase in scope 3 emissions.

Both scope 1 and scope 2 GHG emissions have registered a decline over the previous year, mirroring the reduction in overall energy consumption, together with the growing contribution from renewable energy. The reduction in GHG emissions is primarily attributable to the following factors:

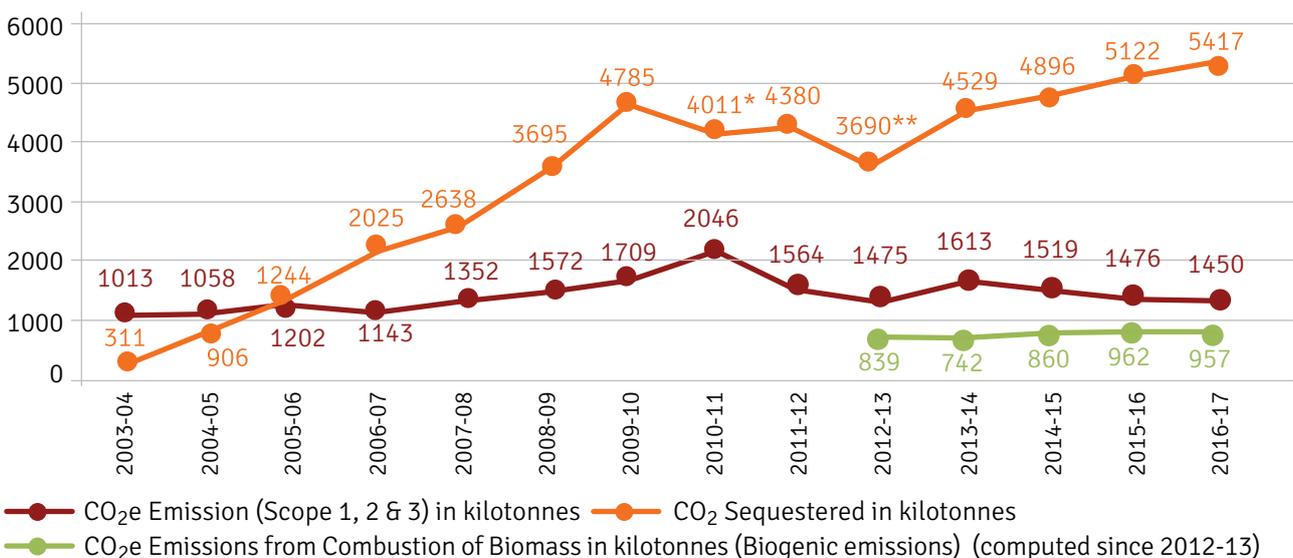
Decrease in Direct GHG (Scope 1) emissions

- Decrease in fossil fuel utilisation in cogeneration plants due to increased

Carbon Positive

- 63,314 acres of plantations added during 2016-17 under Social and Farm Forestry Initiatives
- Total plantations as on March 31, 2017 at 6,20,025 acres
- 54,17,078 tonnes of CO₂ sequestered in this year
- ITC Carbon Positive for 12 years in a row

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.

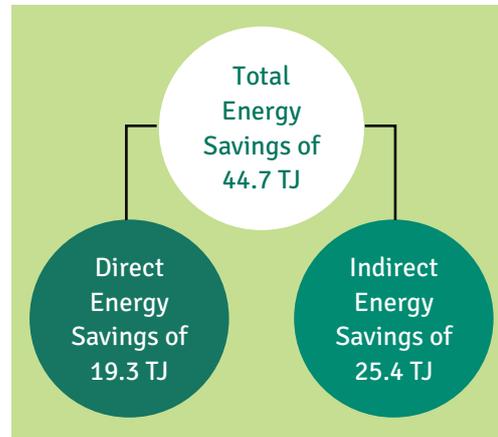
Savings of Energy and Reduction of GHG within ITC

Substantial improvements in specific energy performance were achieved by many units through implementation of various energy conservation measures identified from rigorous audits. As a result of implementation of energy conservation measures, a total saving of 44.7 TJ in energy consumption was achieved in 2016-17.

Energy conservation measures are mentioned in the Annexure to the Director's report in Annual report.

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 significant amount 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. In 2016-17, six ITC Units have sourced more than 90% of their electrical energy requirements from renewable sources.



ITC's continual efforts in reducing energy consumption and increasing renewable energy share across various Units have helped control GHG emissions. In 2016-17, 8,104 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.


In order to continually improve on our performance, ITC Businesses have specific energy and GHG emissions reduction targets

Case Study: Installation of efficient boiler and turbine system

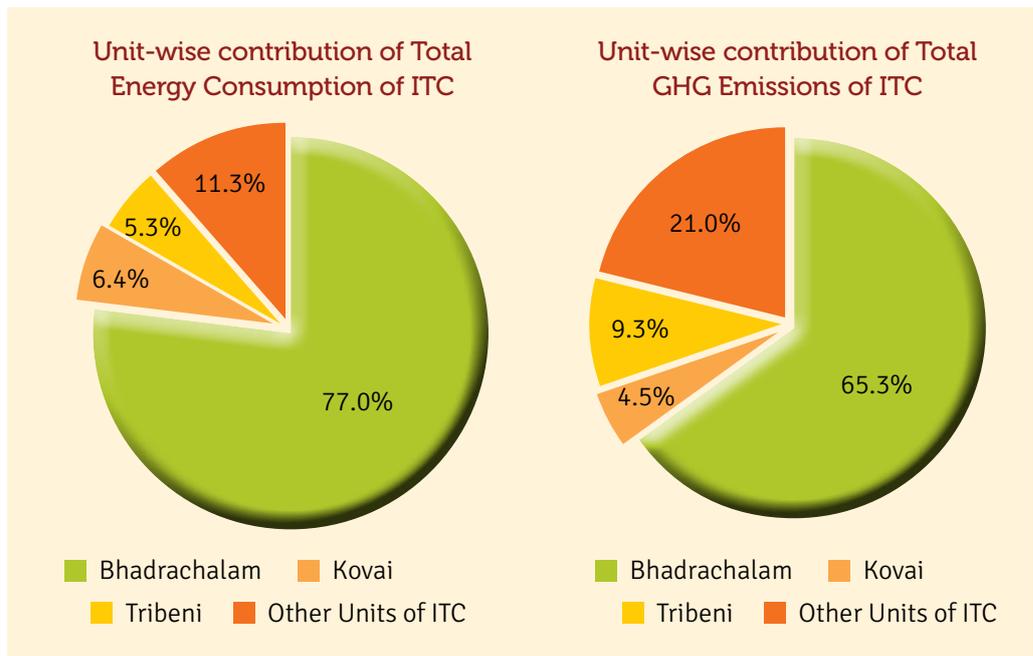
PSPD Bhadrachalam Cogeneration plant had nine boilers and seven steam turbine generators installed to meet the steam and power demand of the plant. The steam generated from boilers is passed through a battery of turbo generators to generate power and exhaust steam is used for the process. The addition of boilers and turbines over the years to meet growing operational requirements created the opportunity to improve overall Cogeneration efficiency.

PSPD commissioned a new 36 MW Cogeneration Power Plant at Bhadrachalam Unit during December 2016 with a 220 TPH Circulating Fluidised Bed Combustion (CFBC) type boiler designed to generate high pressure steam. This led to three older lower efficiency boilers and turbines becoming redundant. This has resulted in improvement in overall efficiency of Co-generation plant with potential coal savings of about 80,000 tonnes per annum.

Target and Performance

In order to continually improve on our performance, ITC Businesses have specific energy and GHG emissions reduction targets. Accordingly, targets have been allocated at the Unit level for achieving business level and overall ITC targets.

Since the three Units (Bhadrachalam, Kovai and Tribeni) of Paperboards and Specialty Papers Division (PSPD) together account for about 89% of ITC's total energy consumption and 79% of total scope 1 and scope 2 GHG emissions, greater focus is directed towards the energy performance of these Units. The share of these Units in ITC's total energy consumption is shown on the next page.

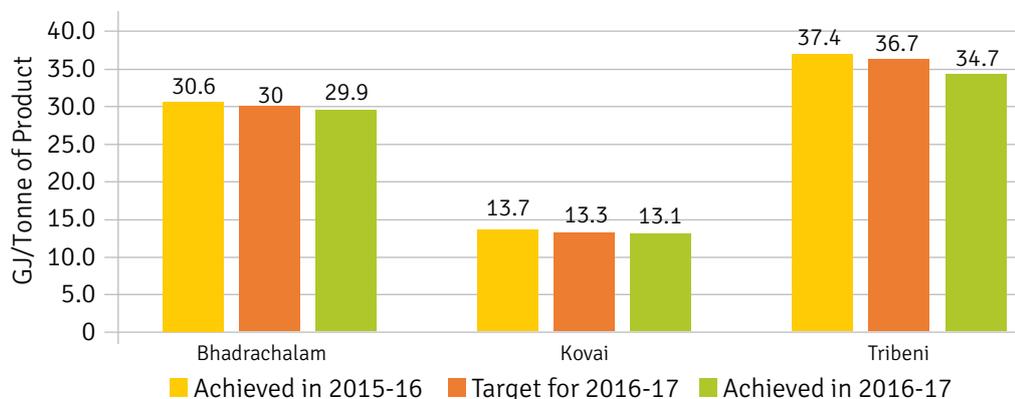


Performance of three Units of Paperboards and Specialty Papers Division against the target presented on the next page.

Energy:

Bhadrachalam, Kovai and Tribeni Units improved in specific energy consumption from last year by 2.3%, 4.4% and 7.2% respectively. Reduction in energy consumption by these three Units were the major reason for reduction in overall energy consumption at ITC Level.

Specific Energy Consumption



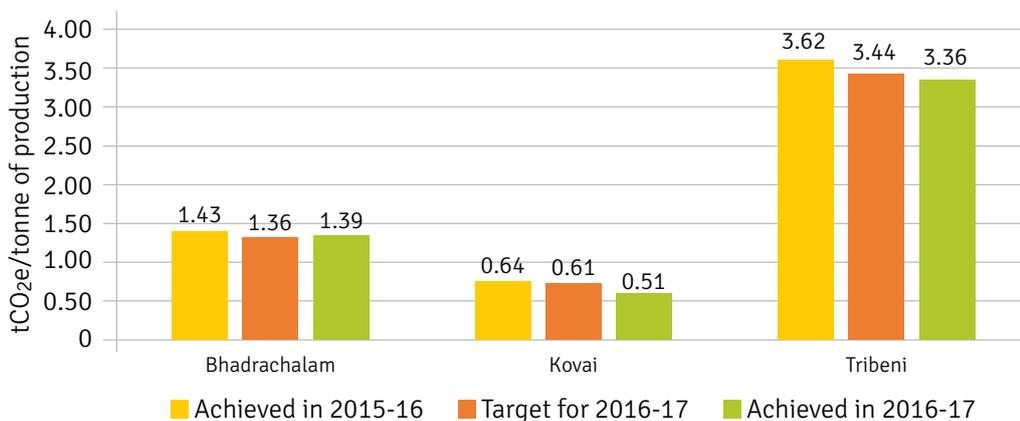
Major reasons for reduction in energy consumption by these three Units is presented below.

Bhadrachalam	Kovai	Tribeni
<ul style="list-style-type: none"> • Improvement in efficiency of cogeneration through upgradation of boiler and steam turbine system. • Optimal electricity mix from wind power and cogeneration plant. • Through energy saving initiatives such as optimisation of refiners, automation and control of equipment such as pumps, motors, etc. 	<ul style="list-style-type: none"> • Improvement in efficiency of cogeneration units through utilisation of wind electricity. • Process steam optimisation through improvement in condensate recovery, and installation of efficient steam traps. 	<ul style="list-style-type: none"> • Improved utilisation of the steam through process optimisation.

GHG Emissions:

Bhadrachalam, Kovai and Tribeni Units improved in specific GHG emissions (Scope 1 and Scope 2) from last year by 3%, 21% and 7% respectively. Reduction in GHG emissions by these three Units is the major contribution towards reduction in overall GHG emissions at ITC Level.

Specific GHG Emissions



Kovai Unit has significantly reduced its specific GHG emissions. This was achieved by increasing utilisation of biomass and taking various energy saving initiatives.



Beyond boundary

ITC's accounting of its Energy and GHG emissions performance outside the boundary is as presented below. The boundary will be progressively expanded in the years to come, based on deepening of our engagement with the supply chain members.

Energy Consumption outside the organisation

Inbound transportation of raw materials	Outbound transportation of products and wastes	Employee commuting	Employee business travel by air	Pick-up and drop-off 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
---	--	--------------------	---------------------------------	---	---



With an objective to evaluate the impacts in the value chain and to identify additional areas for improvement, ITC continues to carry out life-cycle assessment (LCA) studies of its products/services

During the year 2016-17, 2,949 TJ of energy was consumed outside the Organisation. Further, GHG Scope 3 emissions, i.e. outside the Organisation, for the reporting period were 253,206 tCO₂e which includes emissions from the energy sources listed above as well as emissions from fertiliser application in farm forestry programmes.

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.

Trade Marketing and Distribution, which manages logistics of ITC's FMCG Businesses, has optimised its distribution logistics to control its Scope 3 GHG emissions in 2016-17. Specific Scope 3 emissions

from transportation, i.e. tonnes of CO₂e emission per tonne of product transported, of FMCG products (Cigarettes, Personal Care and Foods) in 2016-17 were reduced by around 8% as compared to the previous year. This was achieved by 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.

With an objective to evaluate the impacts in the value chain and to identify additional areas for improvement, ITC continues to carry out life-cycle assessment (LCA) studies of its products/services. During the reporting year, one LCA study was carried out which indicates some possible opportunities for improvements.

The Road Ahead

Moving towards 50% renewable energy share by 2020

1. 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).
2. Redesign of strategy if warranted according to the dynamics of the economy.

Addressing impacts in the Value Chain

1. Progressive accounting of goods and services along the value chain within the sustainability reporting boundary.
2. Engagement with supply chain members for improvement of environmental performance.
3. Reduction of environmental impacts 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

Air pollution is one of the problems directly linked to rapid industrialisation and urbanisation that is severely impacting human health. According to the International Energy Agency¹, combustion of coal and oil are major source of air pollution with combustion of coal being responsible for majority of Sulphur Dioxide (SO₂) emissions. Further, vehicular exhaust emissions contribute more than half of the global Nitrogen Oxides (NO_x) emissions. Both SO₂ and NO_x forms secondary pollutants leading to respiratory problems.

Industrial and vehicular emissions are the top causes of air pollution in India. Advancement in processes and air pollution control equipment, and use of alternate sources of energy contributes to reduction in industrial air emissions. Vehicular emissions are, however, steadily increasing due to rising number of vehicles along with traffic congestion. According to World Bank²

estimates, about 3% of the GDP in India is being lost due to effects of air pollution.

India has taken a number of steps to address the concerns of increasing air pollution by enacting stricter emissions norms on industries and improving vehicular emissions standards among others. India has also developed its own Air Quality Index (AQI) covering major pollutants: Nitrogen Dioxide (NO₂), SO₂, Carbon Monoxide (CO), Ozone (O₃), Ammonia (NH₃), Lead (Pb) and Particulate Matter (PM) emissions. Though a number of steps are being taken by the Government, air pollution remains a challenge as 21 out of 56 cities are falling under poor or below poor air quality category³.

ITC's approach of energy conservation and increasing utilisation of energy from alternate sources such as wind and solar contribute to reduction in air emissions. ITC appropriately invests in state-of-the-art pollution control equipment and a robust system of monitoring, measurement and reporting is in place to conform with environmental standards.

¹ <http://www.iea.org/publications/freepublications/publication/WorldEnergyOutlookSpecialReport2016EnergyandAirPollution.pdf>

² <http://documents.worldbank.org/curated/en/220721468268504319/pdf/700040v10ESW0P0box0374379B00PUBLIC0.pdf>

³ Bulletin of Ambient Air Quality National Ambient Air Quality Monitoring Programme (NAMP) Manual monitoring system, May 2016, prepared by Central Pollution Control Board. (http://www.cpcb.nic.in/AQI_NAMP_Rep_Mar2016.pdf)

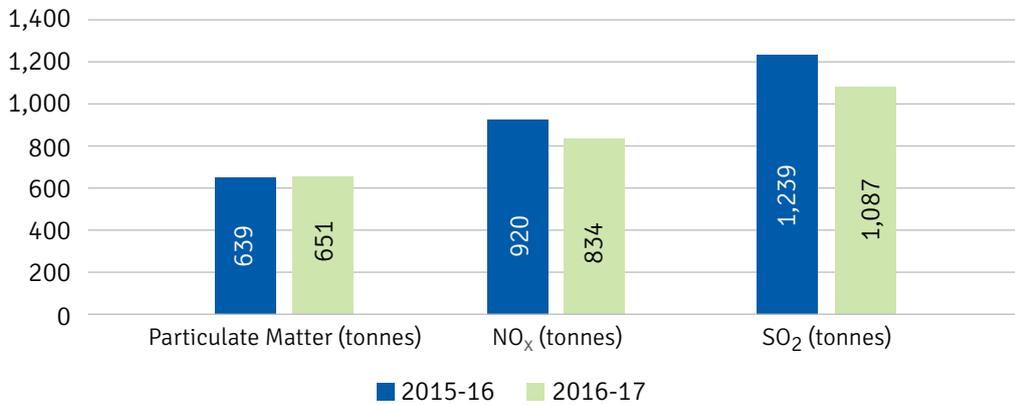
ITC's Performance

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 approach of energy conservation and increasing utilisation of energy from alternate sources such as wind and solar contribute to reduction in air emissions

ITC's Overall Air Emissions



In 2016-17, ITC reduced its total NO_x and SO₂ emissions but there was an increase in total PM emissions. Reduction in overall NO_x emissions was due to better control of processes and among others, Tribeni Unit contributed significantly in the reduction. Tribeni Unit also contributed significantly in reduction of total SO_x emissions due to improvement in coal quality. Sulphur in coal, which is the major source of ITC's SO₂ emissions, had reduced leading to lower emissions and here also Tribeni Unit contributed significantly in the reduction. The increase in total PM emissions at Bhadrachalam Unit significantly contributed to overall increase, though these emissions were well within the statutory limits.

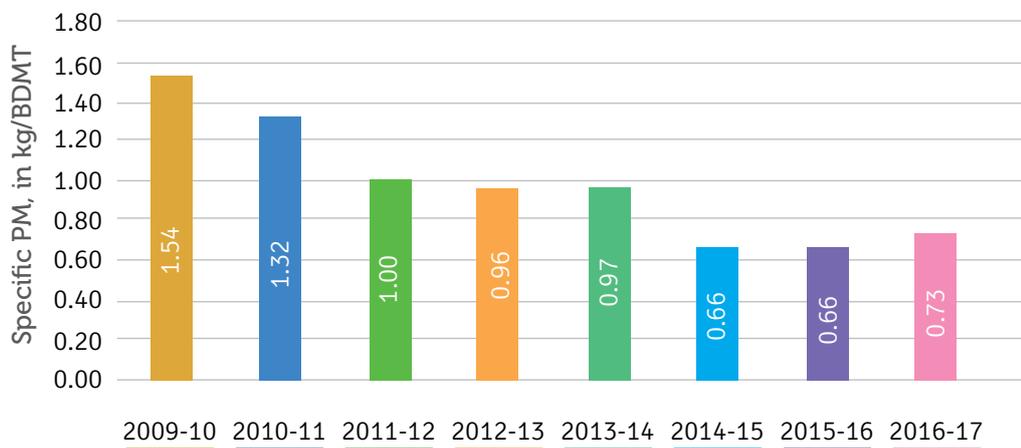
Snapshot of Bhadrachalam Unit's performance

Bhadrachalam Unit of Paperboards and Specialty Papers Division is not surprisingly a major contributor to our total air emissions. Air emissions data, especially for Bhadrachalam Unit, is being reviewed on a regular basis and compared with industry benchmarks, snapshot of which is presented below.

Particulate Matter

Though PM emissions, both total and specific, from Bhadrachalam Unit increased in 2016-17 as compared to previous year due to issues with soda recovery boilers' Electro Static Precipitator (ESP) performance, it was within the limits prescribed by the pollution control board.

Specific PM Emissions



BDMT stands for Bone Dry Metric Tonne



NO_x and SO₂ emissions

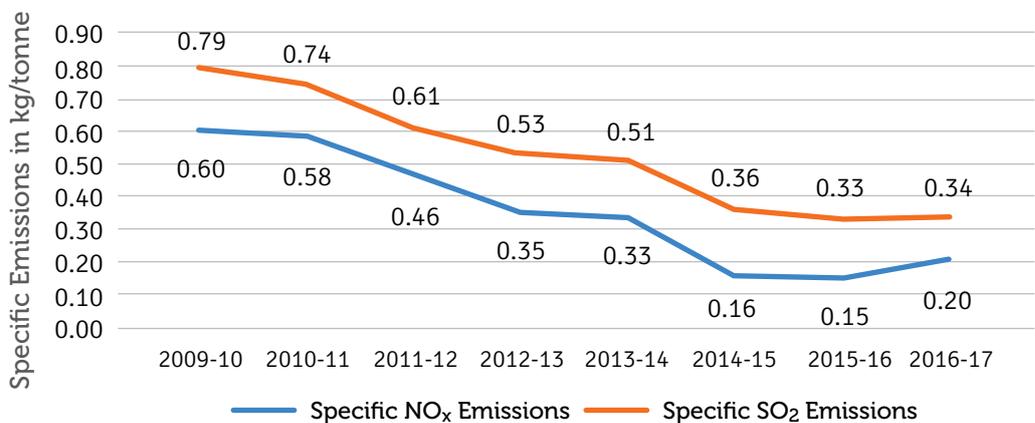
During 2016-17, both specific NO_x and SO₂ emissions increased as compared to previous year. Though boilers and steam turbines were operating at lower load due to utilisation of wind electricity, air required for fluidisation in the boilers being constant resulted in higher oxygen concentrations and correspondingly higher NO_x emissions.

SO₂ emissions are due to sulphur content in fuel as well as pulp cooking process. Increase in specific SO₂ emissions was due to higher

capture and destruction of non-condensable gases as well as high sulphidity in pulp cooking process; sulphidity increase in pulp cooking process improves the quality of the pulp. Specific NO_x and SO₂ emissions are given in the graph below.

According to the Sustainability Report 2013 report of Confederation of European Paper Industry (CEPI)⁴, the average specific emissions were calculated as 0.73 kg/tonnes of NO_x and 0.157 kg/tonnes of SO₂. Bhadrachalam Unit's performance was comparable to those with European Paper Industry.

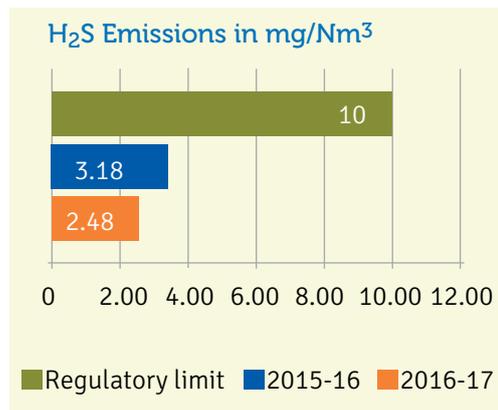
Specific NO_x and SO₂ Emissions



⁴ Specific emissions in 2012 are calculated using the data provided in Sustainability Reports 2013 and 2005. Sustainability Report 2013 provides reduction in specific emissions from 2002 to 2012 and Sustainability Report 2005 provides specific emissions in 2002.

Hydrogen Sulphide (H₂S) Emissions

The primary source of H₂S 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. H₂S emissions reduced in 2016-17 when compared to 2015-16 levels due to greater destruction in soda recovery boiler and remains well within the regulatory limit.



Ozone Depleting Substances (ODS)

ITC's ODS Phase-out Plan

Procurement of new equipment which are free of Chlorofluorocarbons (CFC), Halons and Methyl Chloroform (MCF)

Monitoring and reducing consumption of ODS

Replacement of all the existing equipment using ODS well before the stipulated phase-out period

Recovery of all the ODS from the equipment being replaced for recycling or safe disposal

In 2016-17, the total consumption of ODS by all ITC Units was 69.7 kg of CFC-11 equivalent.

The Road Ahead

Reduction in Air borne pollutants

- Energy conservation measures through audits, benchmarking and target setting for progressively reducing energy as well as air emissions.
- Investment in alternate energy sources, such as wind and solar.
- Investment in state-of-the-art pollution control equipment to conform with environmental standards.
- Monitoring, measurement and reporting of our air emissions.





Water Management



Management Approach

Water is a basic human necessity. According to the World Economic Forum (WEF) Report on Global Risks 2017, water crisis is one of the top risks that plague the world today. Today 40% of global population is affected by water scarcity and this figure is projected to rise¹. Rising urban population, coupled with poor planning and rising income levels, have placed an unprecedented pressure on urban infrastructure severely stressing available water reserves. As per 2030 Water Resources Group Report, projected water demand would exceed the existing sustainable water supply by 40%². The world will not be able to strengthen the pillars of sustainable development that is - human development, liveable cities, food security and energy security, without improving the management of water resources and ensuring reliable access to water.

India echoes many of the global challenges like environmental degradation, water crisis, poverty, social inequalities, unemployment,

and food crises. In addition to it, India is also being confronted with multitude of problems arising out of climate change like floods, droughts, sea water ingress in coastal areas etc. According to a 2030 Water Resources Group Report², India would face 50% aggregate gap between projected demand and existing water supply in 2030 due to high growth in agricultural, municipal and domestic demand. The gap may further worsen due to risks posed by climate change. With around 55% of net sown area meeting its water requirements from rainwater³, the agri-sector is especially vulnerable to extreme weather phenomena like droughts and shifting rainfall patterns, brought about by climate change. On the other hand, India's water supply remains constrained owing to inefficient use of water, over exploitation of ground water reserves and variations in surface water availability.

For ITC, water forms a crucial input and has impacts in the entire value chain. Therefore, ITC has sought to engage actively with agencies like Alliance for Water Stewardship (AWS), World Business Council

¹<http://www.un.org/en/sections/issues-depth/water>

²Charting our Water Future, Report by 2030 Water Resources Group, 2009

³Prioritisation of Rainfed Areas in India, Planning Commission Report, February 2012

for Sustainable Development (WBCSD), World Resources Institute (WRI), International Water Management Institute (IWMI), etc., to share experiences and also improve the understanding of the complex social and technical issues related to water. While ITC has achieved a unique position by creating an overall positive water footprint through well-crafted strategies, efforts are now channelised to achieve water security for all stakeholders within defined catchment areas, for units located in highly water stressed areas. It is carrying out comprehensive

studies through reputed agencies in assessing water use and implementing specific interventions which will help to improve water usage efficiencies and augment the supply for all stakeholders within the catchment areas. (Please refer to 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' chapter of this Report for more information on ITC's interventions at watershed level).

Based on this evolving water scenario, ITC has mapped its challenges and the actions being taken.

Challenges from Water Stress

- With continuous decline in ground water levels and drying rivers, it has become even more challenging for businesses to meet their requirements of water.
- Regulatory limits on water withdrawal for the businesses.
- Agriculture plays a crucial role in India's economy. Over 48% of the workforce depend on agriculture as their principal means of livelihood.
- Around 55% of India's total sown area meets its water requirements from rainwater alone. Any significant disruption in rainfall patterns resulting from climate change may lead to considerable adverse impacts on agricultural yield.
- Since, water is a crucial input for agricultural supply chain and production, smooth operation of the business may get affected due to potential disruption in water availability.
- India's water supply remains constrained owing to inefficient use of water, over exploitation of ground water reserves without adequate recharge and variations in surface water availability.
- Deteriorating water quality requires additional treatment and additional expenses before it can become usable.

ITC Action Items

- Continuous monitoring of water use efficiency by progressively reducing specific water intake (water per unit of product/service).
- Focus on recycling/reusing of all treated effluents within or outside ITC premises.
- Continued rainwater harvesting within and outside Company premises.
- Conducting water security studies and hydrogeological assessments for operating units located at high water stressed areas. ITC has also made water security assessment an integral part of greenfield/brownfield project design and development.
- The implementation of recommendations of water security studies.
- 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.
- Engagement with external stakeholders for assessment and mitigation of water related risks 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



ITC's Performance Water intake by source

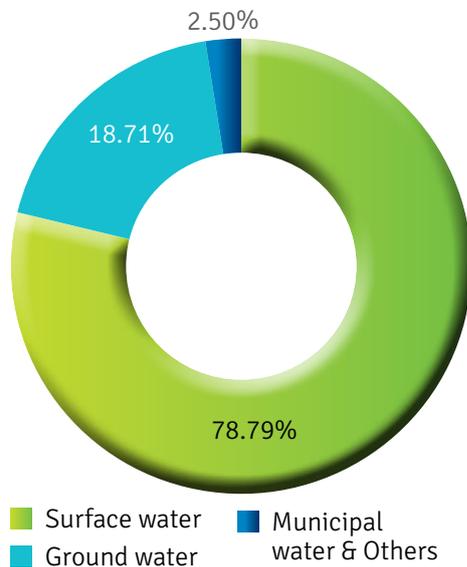
In 2016-17, ITC's total water intake was 31.29 million kilolitres (kl) a decrease of 7.43% over the previous year (33.80 million kl in 2015-16). This performance is primarily attributable to the on-going initiatives undertaken towards water conservation across ITC Units.

Of the 31.29 million kl of total water intake, 78.79% of water resources was sourced from surface water, 18.71% from ground water

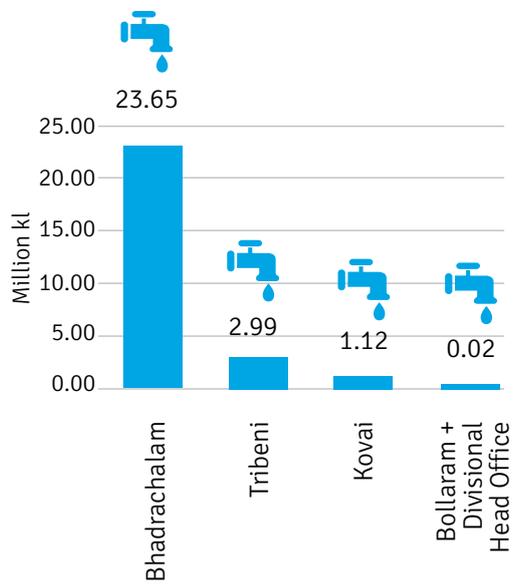
sources and only 2.50% from municipal and other water sources.

In order to continually improve performance in resource conservation, all ITC Units have developed systems to monitor the specific water intake (total water intake per unit of product/service). Considering the fact that three Units of Paperboards and Specialty Papers Division (PSPD) together accounted for around 88.8% of total water intake of ITC, efforts have been focused on the performance of these Units (as given in the following section) under this Business.

Sources of 31.29 million kl of Total Water withdrawn by ITC in 2016-17



Total Water Intake of PSPD Units



Paperboards Unit at Bhadrachalam

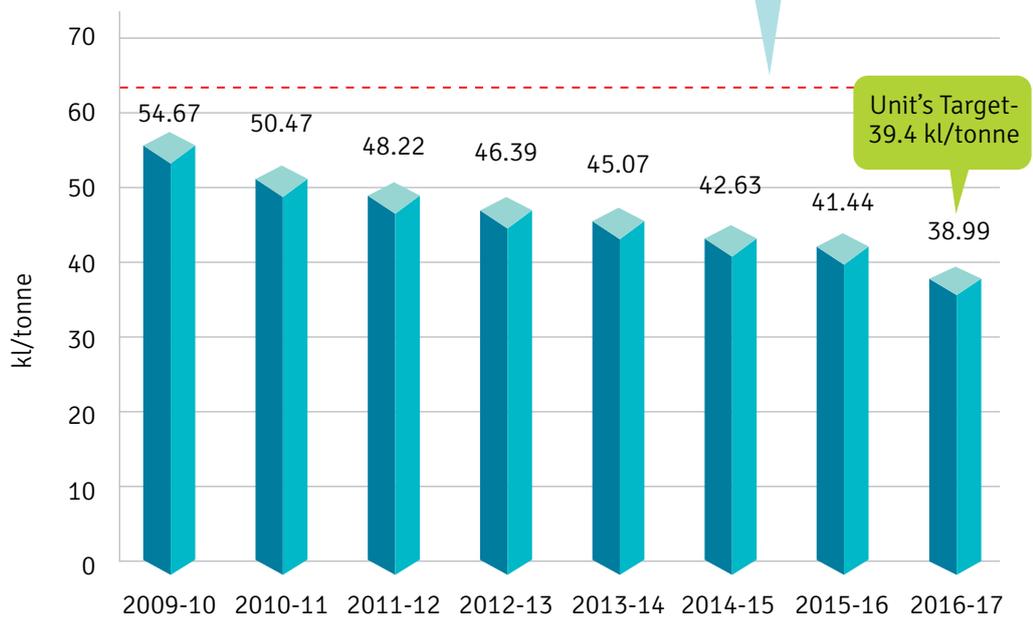
India's largest integrated pulp and paperboards mill accounted for 75.58% of the total water intake by ITC. For the year 2016-17, Bhadrachalam Unit set a target of 39.4 kl per tonne of product for its specific water intake. The Unit achieved specific water intake of 38.99 kl/tonne, well within the target set and a reduction of 5.9% over

the previous year's 41.44 kl/tonne. This was primarily due to following water conservation measures undertaken by the Unit:

- The reuse of excess white water in various stages of pulp dilution in new fibre lines as well as in paper machines.
- Treated effluent utilisation for cooling tower make-up.
- Use of back water for floor cleaning in paper machine areas.

Specific water intake of PSPD, Bhadrachalam

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).

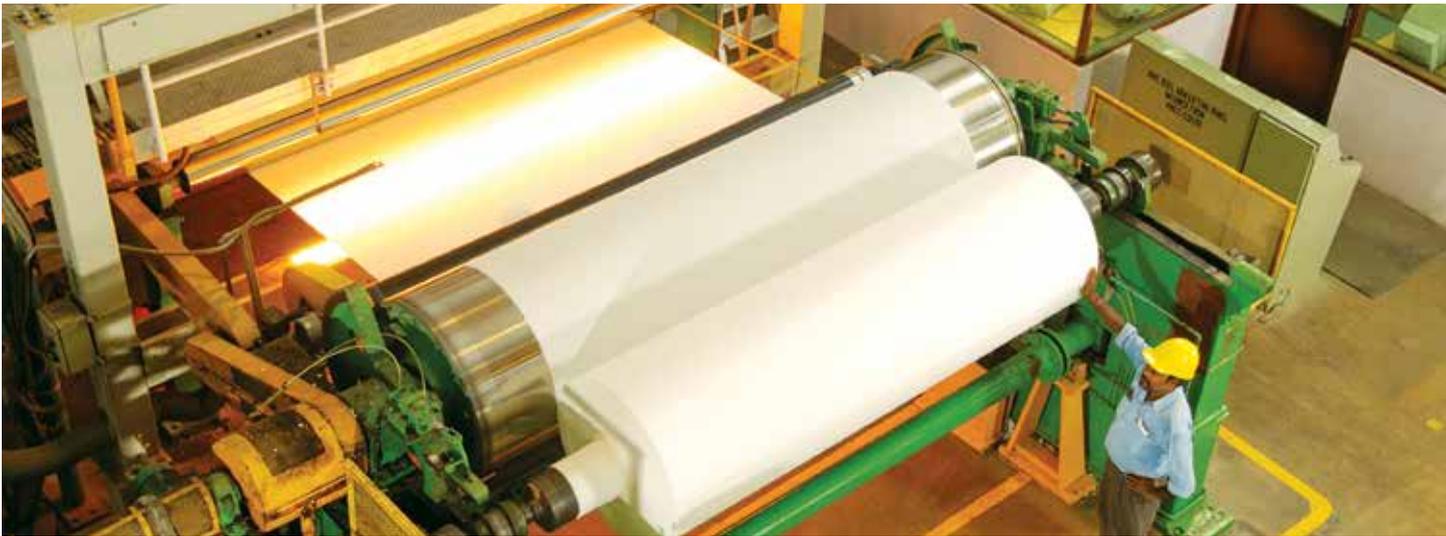


Case Study: Reduction of specific water intake in PSPD, Bhadrachalam

PSPD Bhadrachalam is India's largest integrated pulping and paperboard manufacturing unit. Since Pulp & Paper Industry is highly water intensive, significant investments have been made in the last two decades to address this aspect.

- In 2016-17, the Unit engaged Andritz, a renowned technology provider in pulp & paper sector from Europe and implemented the recommendation of using treated waste water for pulping process. This led to a 4.8% reduction of specific water intake for pulping process. (33.2 kl/tonne of specific water intake in 2015-16 to 31.6 kl/tonne of specific water intake in 2016-17).
- The Unit initiated a Focused Improvement Project to evaluate the characteristics of process water and waste water generated from various processes. Accordingly, several interventions have been undertaken to optimise the reuse of waste water as process water.

Technological interventions and intensive in-house efforts have resulted in reduction in overall specific water consumption by 5.9%.



Specialty Papers Unit at Tribeni

Tribeni Unit manufactures specialty paper, which uses a water intensive process. For the year 2016-17, Tribeni Unit had set a target of 60 kl/tonne for its specific water intake, as per the norms issued by regulatory agencies. In 2016-17, the Unit achieved 58.58 kl/tonne which is a significant 28.84% reduction over 2015-16.

Case Study: Reduction of specific water intake in PSPD, Tribeni

The Unit has implemented the following measures on the basis of 3R (Reduce, Reuse and Recycle) principle to achieve significant reduction in specific water intake.

Reduce:

- Modification of showers in paper machine to reduce water consumption.
- Optimisation of water pressure in sealing water system.
- Replacement of conventional gland packing pumps by mechanical seal pumps.
- Installation of automatic back wash system for filters in process water treatment.

Reuse:

- Reuse of water from the hydraulic cooling system by installing cooling towers.
- Reuse of cooling water from steam condenser in paper making process.

Recycle:

- Recycling of tertiary treated waste water in process applications such as vacuum pump sealing water, cooling tower make-up, ash quenching, cleaning during grade change and non-process applications such as floor cleaning, toilet flushing etc.

Specific water intake of PSPD, Tribeni



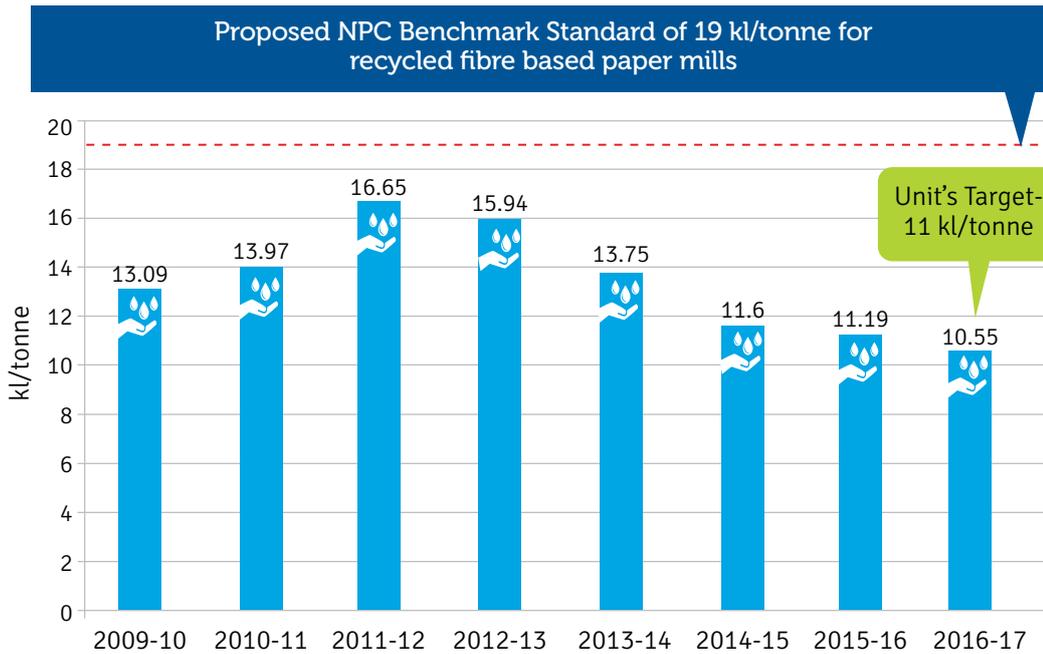
Note: There is no specific NPC benchmark standard for Specialty Paper Manufacturing

Paperboards Unit at Kovai

Water conservation measures undertaken at paper mill and utilities areas led to the reduction in specific water intake from 11.19 kl/tonne in 2015-16 to 10.55 kl/tonne in 2016-17. The following measures undertaken by the Unit enabled it to meet its 2016-17 specific water intake target of 11 kl/tonne.

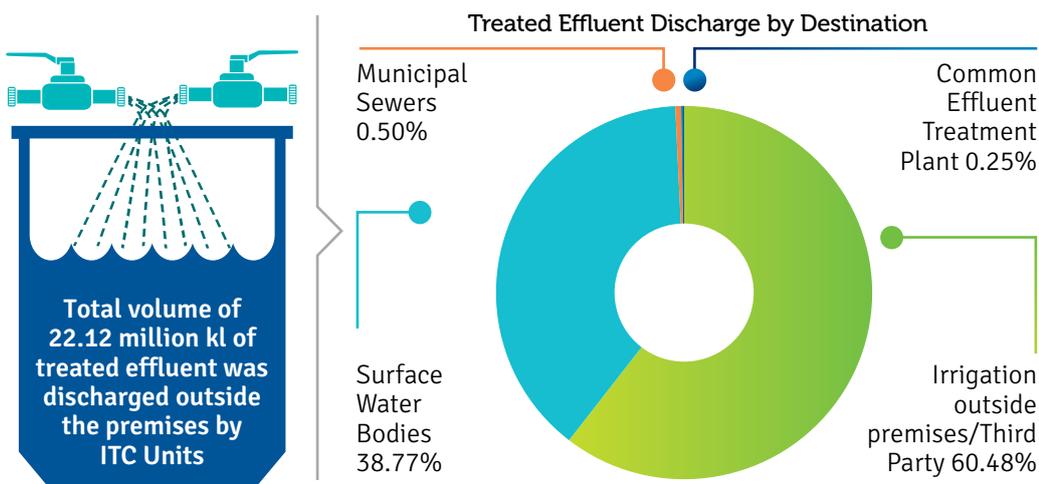
- Usage of electricity from wind in place of electricity generated from cogen, leading to lower consumption of demineralised water in boiler.
- Usage of treated waste water in paper machine as well as for cooling tower make-up.
- Reuse of cooling tower blowdown water and ultra filtration reject water in process areas.

Specific water intake of PSPD, Kovai



All ITC Units met the regulatory requirements of discharge quality and quantity in 2016-17

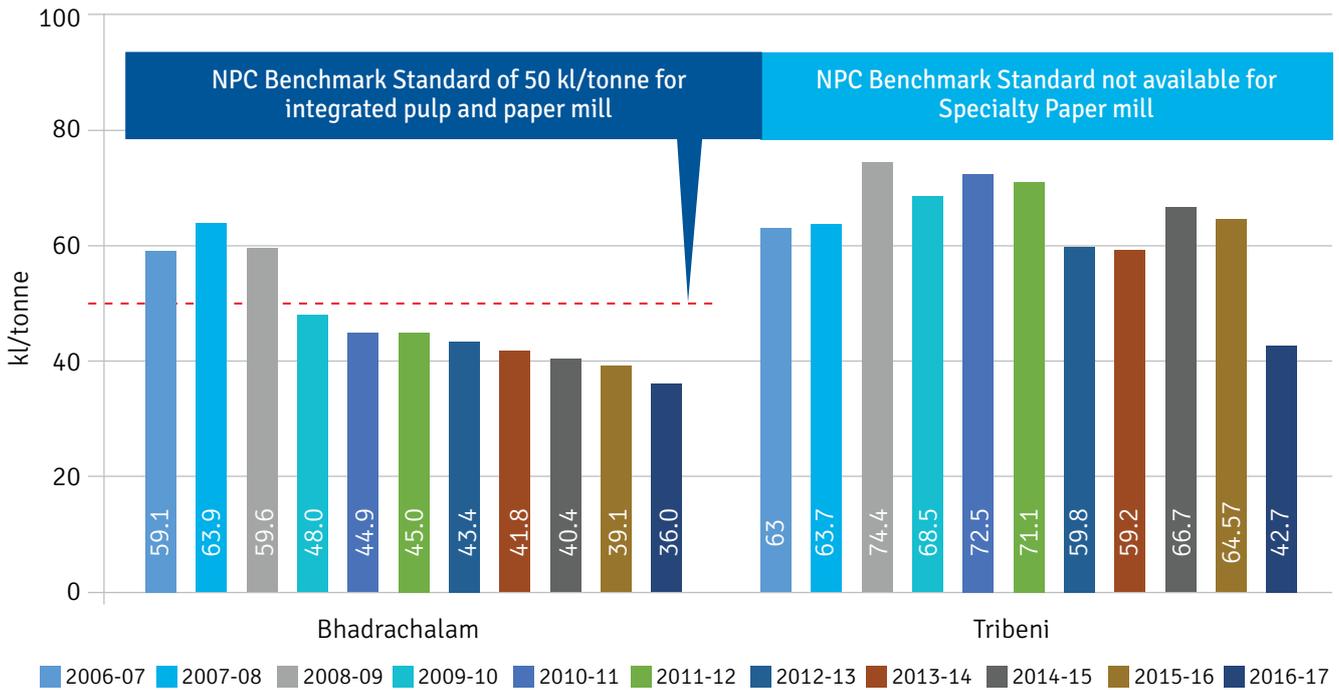
Effluent Discharge



All ITC Units met the regulatory requirements of discharge quality and quantity in 2016-17. The two Paperboards and Specialty Papers Units at Bhadrachalam and Tribeni accounted for 98.58% of total treated waste water discharged outside Unit premises in ITC, out of which overall 60.67% 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.



Specific Treated Effluent Discharge



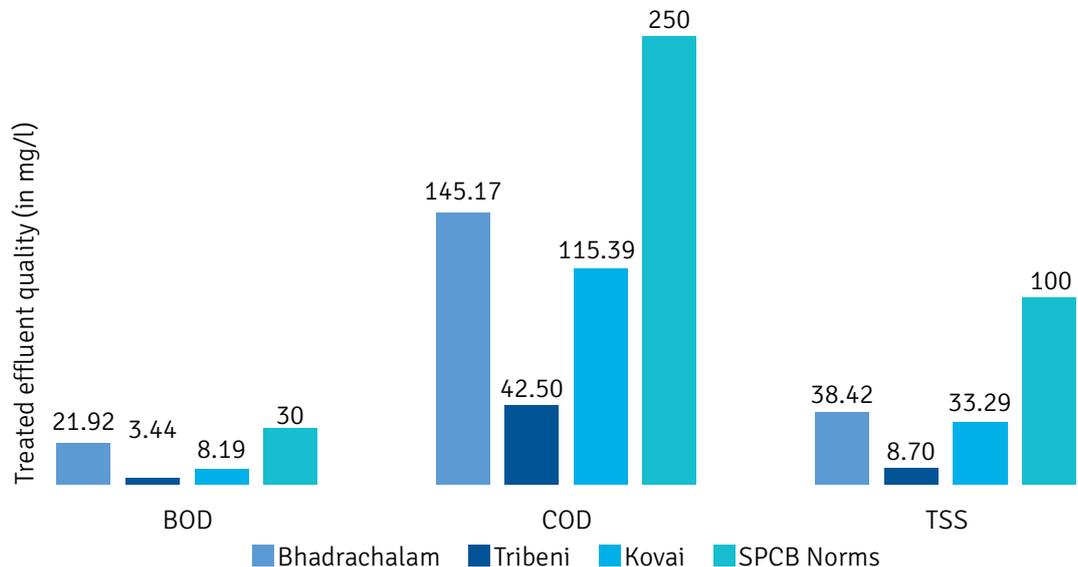
Both for Bhadrachalam Unit (from 2011-12 onwards) and Tribeni Unit (from 2014-15 onwards), there is a continually decreasing trend of specific treated effluent discharged.

The specific treated effluent discharged for PSPD Bhadrachalam is 38.3 kl/Bone Dry Metric Tonne (BDMT) which is superior compared to benchmark figure of 47 kl/BDMT of European pulp and paper industry⁴.

Since 2010-11, the wastepaper-based pulp and paper mill at Kovai has not discharged any treated effluent outside its premises. In 2016-17, the specific treated effluent discharged (within the unit for irrigation) is 5.9 kl/tonne, which is significantly lower than the proposed NPC standard of 15 kl/tonne.

The quality of the treated effluent from Paperboards and Specialty Papers Units has been maintained at levels superior to the stipulated norms by the State Pollution Control Board (SPCB).

Treated effluent quality: Annual Average (2016-17) ITC Paperboards & Specialty Paper Units



⁴Technical EIA Guidance Manual for Pulp and Paper Industries- IL&FS Environment

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 2016-17 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 in Kg/ tonne of finished product
Bhadrachalam Unit	-	0.0092
MoEFCC standard	http://www.moef.nic.in	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, December 10, 2007.	0.25





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 2016-17, the total water intake for ATC Limited (an associate Company), and two exclusive Third Party Manufacturers for the Cigarettes Business, together was 26,093 kl. In the coming years ITC intends to include its supply chain members within the reporting boundary.

As on March 31, 2017, ITC's Integrated Watershed Development Projects, covering 7,76,316 acres of land, support the Water Positive status of the Company for the 15th 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 the net water consumption by its operations.



ITC's continued interventions in rainwater harvesting both in the Company premises and socially relevant watershed areas have enlarged our water positive footprint

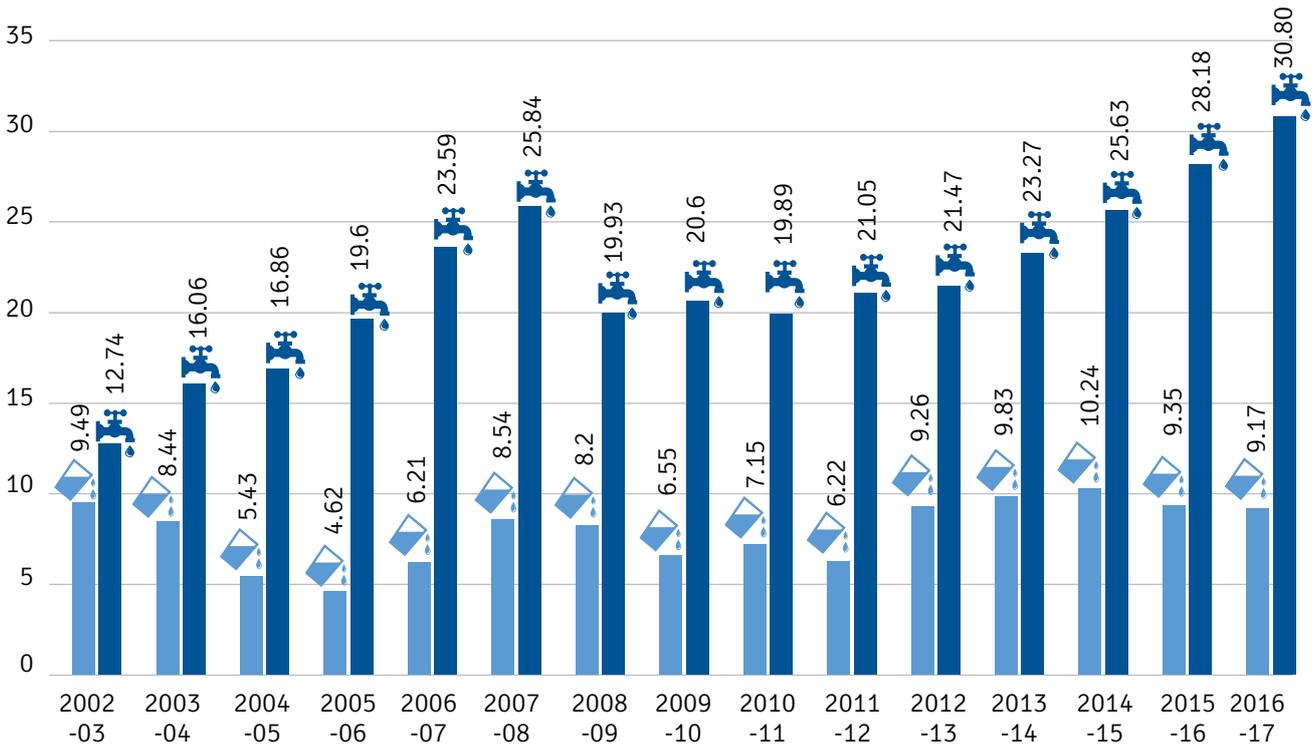
Enlarging Water Positive Footprint

The Company's continued interventions in rainwater harvesting both in the Company premises and socially relevant watershed areas have enlarged its water positive footprint. Details on these interventions are available in the 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' section of this Report.

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

Water Balance

Million kl



 Net Water Consumption = Fresh Water Intake - Treated Effluents Discharged

 Total RWH potential created for the year = RWH potential created within ITC Units + RWH potential created through watershed projects cumulative for that year

From 2008-09, a factor based on sample measurement is being used to account for reduction in storage capacity due to siltation. This applies to all RWH surface storage bodies created inside and outside the Company premises.

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 its operating Units.

Addressing water challenges in the catchment

1. Expand coverage of the water security projects in identified production units which are located in water stressed areas.
2. Identification of water security issues at the local watershed level, to be progressively made an integral part of greenfield/ brownfield project design and development.

Mitigation of water risks to own operations

1. Monitoring and review of performance against KPIs and targets set through internal as well as external benchmarking.
2. Ensure implementation of recommendations of the studies and review of the same to achieve water security for the Units and stakeholders.

Leadership commitment on water stewardship

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

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



Waste Management



Management Approach

With increasing population, rapid and unplanned urbanisation and rising consumption levels, waste generation in India has gone up considerably whereas the infrastructure required to collect and process the waste remains lagging creating a huge problem of waste disposal. Absence of source segregation has compounded the problem. According to Central Pollution Control Board (CPCB)¹, only 27% of the total collected waste is being treated and remaining waste is sent to landfills which creates burden on the environment. Unmanaged waste is not

only an environmental but also a health hazard besides being an enormous waste of resources. In an effort to address the waste management issue, a number of regulations such as Solid Waste Management (SWM) Rules, 2016, Plastic Waste Management (PWM) Rules, 2016 have been notified.

Plastics today are an integral part of modern life and have made it possible to reach the benefits of development to the poorest and needy. Its economic and environmental utility in providing insulation, protecting product integrity when used as packaging, etc. have been transformational. Plastic waste though constituting only 7% of total Municipal Solid Waste (MSW), has attracted

¹ Annual review report 2014-15 on Municipal Solid Waste (MSW)

significant public attention because it is not being managed properly.

Recognising the concerns of plastic waste, the Plastic Waste Management Rules, notified in 2016, adopted the concept of Extended Producer Responsibility (EPR) for plastic packaging which makes Producers, Importers and Brand Owners who introduce products with plastic packaging in the market responsible. ITC believes that the issue of plastic waste management 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. In the Indian context, where the unorganised sector has a significant scale and is estimated to contribute around 2/3rd of the Fast Moving Consumer Goods (FMCG) sector

volumes, effectiveness of an EPR approach based on developed country models is unlikely to be effective. The key to success of a comprehensive MSW management system is the ability to achieve collection of segregated waste streams, which is fundamental for value realisation from each waste stream and to prevent littering/landfilling.

Within the boundary of ITC Units, focused efforts are made towards resource conservation by minimising waste generation and improving efficiencies through waste segregation & recycling/reuse. ITC also has direct experience in MSW management through its Well-being Out of Waste (WOW) Programme and Mission Sunehra Kal (MSK) Programmes, which are operating as Corporate Social Responsibility (CSR) initiatives. Our WOW Programme, which covers 6.4 Million households, and MSK solid waste management programme, which covers 61,200 households, focus on source segregation as the key strategy to manage waste.

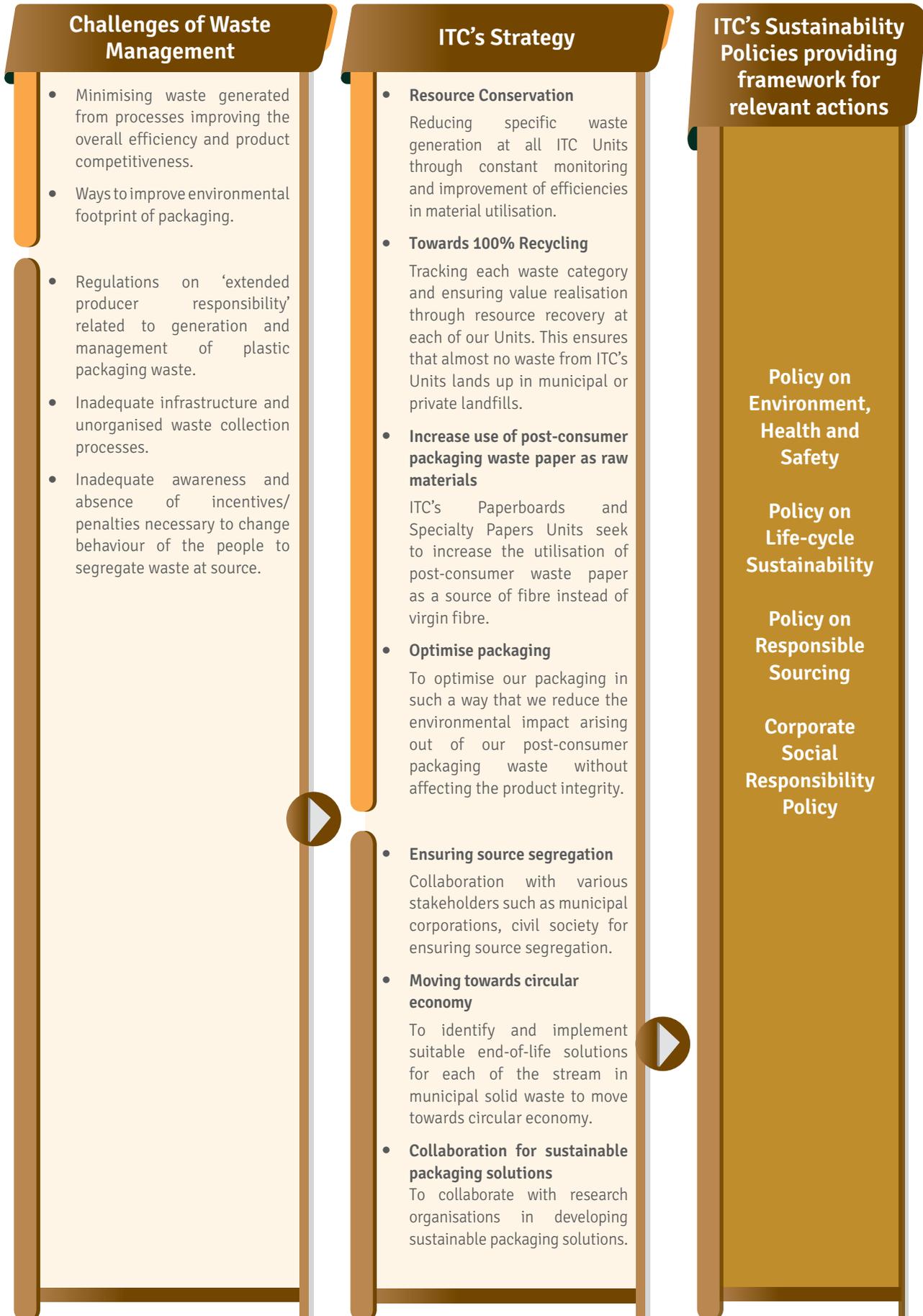


ITC's WOW Programme, which covers 6.4 Million households, and MSK solid waste management programme, which covers 61,200 households, focus on source segregation as the key strategy to manage waste





Based on learning's from experience, ITC has crafted the following approach on waste management.



Challenges of Waste Management

- Minimising waste generated from processes improving the overall efficiency and product competitiveness.
- Ways to improve environmental footprint of packaging.
- Regulations on 'extended producer responsibility' related to generation and management of plastic packaging waste.
- Inadequate infrastructure and unorganised waste collection processes.
- Inadequate awareness and absence of incentives/penalties necessary to change behaviour of the people to segregate waste at source.

ITC's Strategy

- **Resource Conservation**
Reducing specific waste generation at all ITC Units through constant monitoring and improvement of efficiencies in material utilisation.
- **Towards 100% Recycling**
Tracking each waste category and ensuring value realisation through resource recovery at each of our Units. This ensures that almost no waste from ITC's Units lands up in municipal or private landfills.
- **Increase use of post-consumer packaging waste paper as raw materials**
ITC's Paperboards and Specialty Papers Units seek to increase the utilisation of post-consumer waste paper as a source of fibre instead of virgin fibre.
- **Optimise packaging**
To optimise our packaging in such a way that we reduce the environmental impact arising out of our post-consumer packaging waste without affecting the product integrity.
- **Ensuring source segregation**
Collaboration with various stakeholders such as municipal corporations, civil society for ensuring source segregation.
- **Moving towards circular economy**
To identify and implement suitable end-of-life solutions for each of the stream in municipal solid waste to move towards circular economy.
- **Collaboration for sustainable packaging solutions**
To collaborate with research organisations in developing sustainable packaging solutions.

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

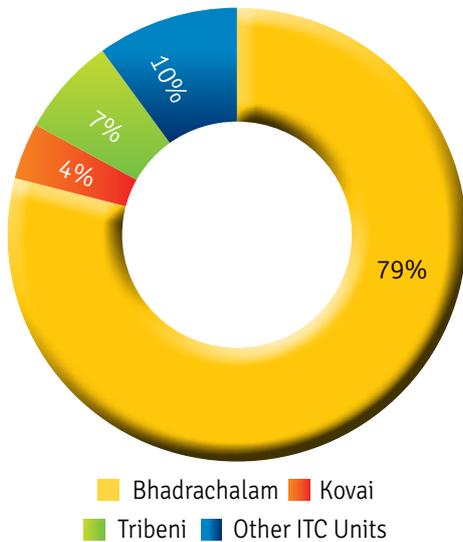
Waste Generation

In 2016-17, ITC Units generated 7,11,411 tonnes of waste whereas 7,45,149 tonnes were generated in 2015-16. This 4.5% decrease in total waste generated over last year was primarily due to reduction in fly ash waste in Bhadrachalam Unit of the Paperboards and Specialty Papers Division. This Unit, which accounted for 79% of the total waste generated in ITC during 2016-17, reported a decrease of 5.4% in waste generation as compared to previous year.

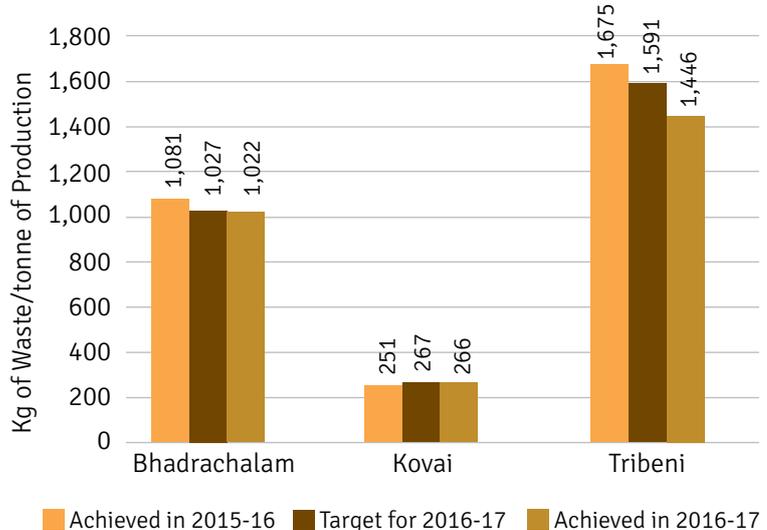
In order to continually improve performance in resource conservation, all ITC Units have developed systems to track and monitor the specific waste generation (waste generated per unit of product/service). Out of the total waste generated, combined contribution of Bhadrachalam, Kovai and Tribeni is about 90%. Therefore, significant attention was given to these three Units.



Contribution of PSPD Units in ITC's Total Waste Generation



Specific Waste Generation



Specific waste generation targets were given to monitor and track the performance of all Units. Performance of these three Units of PSPD in terms of specific waste generation is given in the next column.

All three Units have achieved the targets of specific waste, with Bhadrachalam and Tribeni Units significantly reducing waste generation from previous year. Reduction in waste generation in these Units were primarily due to reduction in ash generation which was attributed to reduction in coal consumption through various energy saving initiatives.

Historically, due to limited options for recycling, most of lime sludge (a waste generated from chemical recovery process in Bhadrachalam Unit) was stored in lagoons within the premises, incorporating adequate precautions to prevent adverse impacts on soil and ground water. In 2014-15, the Unit has formally tied up with cement plants to use lime sludge as an alternate raw material. Continuing with this partnership, the Unit recycled 79,000 tonnes of waste in 2016-17. About 1.01 lakh tonnes of lime sludge is remaining in the lagoons which will be disposed in the next 2 years.



Segregation of Waste and its Destination

Of the total waste generated by ITC in 2016-17, only 3.7% by weight can be categorised as hazardous waste as per Indian statutes. 95% of the hazardous waste sent out was recycled by authorised external agencies, and the balance 5% was disposed using alternate means 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 2016-17, apart from hazardous wastes transported to authorised external treatment sites by authorised transport agencies as applicable, no hazardous wastes were shipped out of ITC locations.

The table below depicts the final destinations of the total hazardous wastes generated during 2016-17:

Total hazardous waste and its Destination (2016-17) (in tonnes)

Total hazardous waste generated	26,246
Hazardous waste carried over from previous year and disposed in 2016-17	33*
Recycled	24,939
Incineration + Landfill	1,294
On-site storage	46

* Last year, 9 tonnes of battery waste was sent to an authorised recycler, but was incorrectly reported under on-site storage.

During 2016-17, out of the total non-hazardous waste generated in ITC Units, 99.96% waste was reused/recycled. The details of the destinations for the major waste categories, which contributed to more than 85% of the total non-hazardous waste generated in ITC Units in 2016-17, are given below:

Non-hazardous waste category	Generated	Quantity of generation (Tonnes)	Waste destination
Fly ash generated from the boilers	Units of Paperboards & Specialty Papers and Leaf Tobacco Businesses	2,94,458	Used by cement and brick manufacturers
Lime sludge	Bhadrachalam Unit of Paperboards & Specialty Papers Business	2,27,821	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	37,446	Used for brick manufacturing and filling of low-lying areas
Wood waste from chipping operation	Bhadrachalam Unit of Paperboards & Specialty Papers Business	23,945	Used as a fuel in an in-house boiler



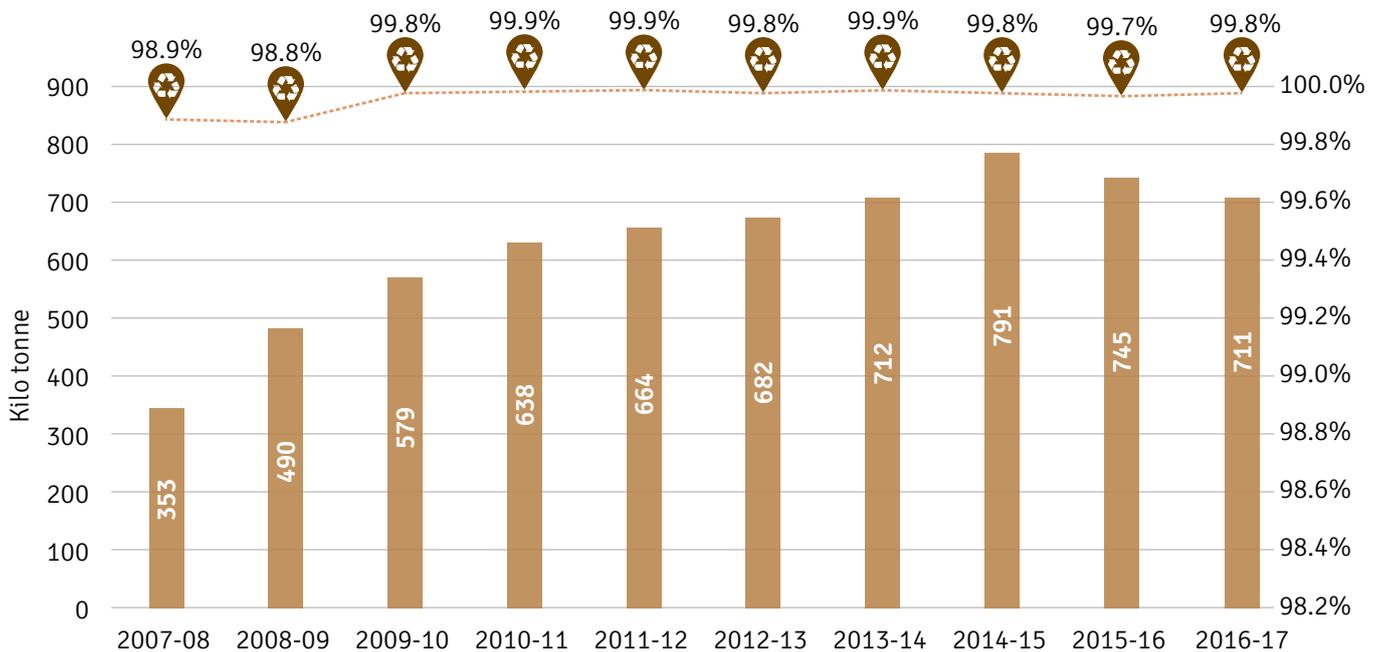
ITC strives to maximise resource efficiency encouraging all its Units to take steps to eliminate the creation of waste

Waste Recycling

ITC strives to maximise resource efficiency encouraging all its Units to take steps to eliminate the creation of waste. 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 their final disposal helped us to recycle 99.8% of the total waste generated within the units, during 2016-17.

Progress on Waste Recycling



**Units that recycled more than 99% of generated waste**

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 and R&D Centre, Rajamundry.
Personal Care Business Units at Haridwar.	ITC Green Centre at Gurugram.
Foods Business Units at Haridwar, Pune, Dhulagarh and Munger.	ITC 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 WelcomHotel Sheraton New Delhi, and Fortune Resort Bay Islands.
Classic Golf & Country Club.	
ITC Infotech India Limited.	
Packaging and Printing Unit at Munger.	

Waste Used as Raw Materials

To further expand the Company's waste recycling footprint, our Kovai and Bhadrachalam Units of the Paperboards and Specialty Papers Division 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 Papers Units, have helped the Company to maintain its solid waste recycling positive status for the 10th 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	2016-17 [#]
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	7,11,411
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	7,09,817
% Recycled	98.9	98.8	99.8	99.8	99.9	99.8	99.9	99.8	99.7	99.8
Un-recycled waste (tonnes)	3,706	5,893	1,099	953	818	1,276	854	1,592	2,606	1,704
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	1,15,074
Waste recycling footprint (%) [*]	145	124	122	119	117	117	115	114	115	116

[#] 110 Tonnes of waste, carried over from previous year was disposed in 2016-17 but not included in 'total waste generated'

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

ITC has also been collaborating with various stakeholders such as municipal corporations, civil society members to work on sustainable management of community waste. Performance of 'Well-being Out of Waste (WOW)' Programme and Waste Management Programme under MSK initiative are detailed in ITC Mission Sunehra Kal for Sustainable & Inclusive Growth section of the Report.

company. Performance of these units is detailed below.

ITC plans to progressively expand the boundary to cover more supply chain partners. Through close monitoring and reporting of waste performance data and sharing experience and good practices, ITC influences its supply chain partners to improve their waste performance.

Waste from Supply Chain

ITC's supply chain boundary covers Third Party Manufacturing (TPM) units catering to Education and Stationery Products Business, two exclusive TPMs of Cigarette Business and ATC Limited, an associate

Supply Chain Members	Total Waste Generated (in tonnes)	% Recycled
Exclusive TPM Units for Notebook segment	3,094	94.9
Exclusive TPM Units for Cigarette Business	1,086	99.4
ATC Limited	1,212	99.8





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 off-set from appropriate EPR programme should be allowed with phased targets. We will continue to engage with the Government in making these Rules implementable for a holistic solution.

We will continue to focus on plastic waste, and specifically multi-layered laminates, to explore its end-of-life solutions that are environmentally friendly and financially sustainable. While energy recovery from multi-layered laminates has been established

as an end-of-life solution, we are also working to develop Recycled Plastic Lumber (RPL) as another viable end-of-life solution for multi-layered laminates.

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 light weight 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. Energy recovery from these plastic wastes can be achieved by using them as an alternative fuel (replacing coal/coke) in cement industry. While this 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 obtain value realisation based on their quality and calorific value. Apart from energy recovery solution, we are also working to develop Recycled Plastic Lumber (RPL) as an alternate end of life treatment solution for multi-layered laminates.

c) Use of wet organic waste for production of bio-gas, with manure as a by-product, also needs further development. 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 waste 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 main stakeholders, particularly those involved in collection, handling, sorting and management of waste. 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 calibrating its strategy for tackling the issue of post-consumer waste management in partnership with government, municipal corporations, NGOs, communities and other stakeholders.



ITC is calibrating its strategy for tackling the issue of post-consumer waste management in partnership with government, municipal corporations, NGOs, communities and other stakeholders

Optimising Packaging

- To conduct LCA study to evaluate of impacts from packaging and identify opportunities for improvement.
- To optimise packaging to ensure that environmental impacts are reduced without affecting the product integrity.
- To identify alternate packaging material which has lower environmental impact.
- To identify suitable end-of-life solutions of the packaging waste.

Source Segregation

- Work with various stakeholders such as municipal corporation, civil society to educate and encourage waste generators and other stakeholders (e.g. waste pickers) on source segregation.

Sustainable Solutions

- Identify sustainable end-of-life solutions which are financially viable, environmentally sound and improving livelihood of waste collectors and segregators in both formal and informal sector.



Raw Materials



Management Approach

All ITC Units continue to pursue efficient use of raw materials through extensive process management initiatives focused on waste elimination/reduction. The Company has unique opportunities to continuously improve natural resources usage efficiencies as most of ITC's Businesses are vertically integrated (please refer Supply Chain section for details). This helps in optimum utilisation of raw materials, recycling of wastes as well as efficient logistic operations.

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.
- Significant variation in rainfall patterns resulting from climate change may lead to considerable adverse impacts on agricultural yields and 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 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-independence India. In order to maximise agri-productivity while ensuring social equity, a new framework of laws and regulations are necessary.
- Furthermore, absence of crop and weather insurance reduce the risk-taking capability of the small farmers for investment in alternate crops or new technologies.

ITC Action Plans

- Maximise resource use efficiency through rigorous process controls and continuous evaluation of opportunities for improvement.
- Life-cycle assessment studies for identifying broad areas for improvements (Please refer 'Supply Chain' section 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. Investment in multiple sourcing models from different geographies to spread risks.
- Grassroots capacity building for proper governance in agricultural water usage, self-sustenance of integrated watershed development programmes, infrastructure improvement, etc.
- e-Choupal network coupled with the 'Choupal Pradarshan Khet' programme facilitating small and marginal farmers in access to customised knowledge on scientific farm practices.
- Engage, through industry associations, and other appropriate forums 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 2016-17, ITC processed 21,29,068 tonnes of materials, out of which around 95% (20,23,548 tonnes) were from renewable sources like agriculture and forestry. Only those raw materials, which constitute more than 10% of the total consumed in any manufacturing Unit or have significant environmental importance, have been considered in reporting this aspect.



Responsible Sourcing of Wood Fibre

The Paperboards and Specialty Papers Business contributes to over 73% of the total raw materials procured by ITC. 17,02,890 tonnes of materials were processed by the Paperboards and Specialty Papers Business in 2016-17, out of which 99.6% were renewable.

Wood is a major source of fibre for the paper and paperboards industry. Availability of wood remains a critical challenge in India, which has limited productive forest resources. National Forest Policy 1988 brought in a strategic policy shift by putting conservation in the forefront of the objectives for forest management in India. The Policy also emphasised the need for tree plantations outside the forests, to meet fuel wood, fodder and industrial wood requirements, to reduce pressure on forests. ITC has contributed immensely towards the objectives of the National Forest Policy, by establishing a partnership with farmers through farm forestry and social forestry initiatives, which have led to

massive afforestation and has benefitted millions of farmers as well as ensured responsible sourcing of wood fibre for its manufacturing requirements.

Approximately 55% of the total fibre requirement of ITC's Paperboards and Specialty Papers Division (PSPD) is met by pulp manufactured at Bhadrachalam, another 17% comes from recycled fibre, processed at Kovai and Bhadrachalam and the balance 28% is imported pulp used at Bhadrachalam and Tribeni Units. Approximately 83% 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. Overall, 100% of the fibre used by this business division is of known and legal origin.

ITC's Social and Farm Forestry initiatives have greened over 6,20,000 acres of land as on March 31, 2017. In the current year, over 120 million high yielding, site specific, disease resistant eucalyptus and subabul saplings developed in-house have been distributed to farmers.

Apart from the obvious benefits of increasing the green cover, afforestation 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

Paperboards and Specialty Paperboards Division achieved the prestigious Forest Stewardship Council™ (FSC™) Chain of Custody Certification in 2009, which is valid till 2020. To ensure responsible wood sourcing, all domestic wood procurement sources have been certified as per standards of FSC™ - Controlled Wood and over 81,500 acres have been covered under the FSC™ - Forest Management (FM) Certification. Nearly 55,000 tonne of FSC FM certified wood has been procured during the year, which has been used in manufacturing of FSC™ certified products.

FSC™ is an independent, non-governmental, not-for-profit organisation established to promote 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 122 countries around the world and is the most widely accepted and respected certification amongst forest product certification schemes. 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 this Business 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 line with ITC's Board approved Policies on Life-cycle sustainability and Responsible Sourcing, systems and procedures will be progressively implemented across Businesses. In the coming years, ITC plans to carry out more life-cycle assessment studies of select products/services to evaluate the environmental impacts at various life-cycle stages, which would help in identifying opportunities for further improving their environmental attributes in the value chain.



Approximately 83% of the fibre produced in Bhadrachalam is from wood sourced from ITC's Social and Farm Forestry Initiatives





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. Biodiversity provides varied ecosystem services to agriculture including recycling of nutrients, control of local micro-climate, regulation of local hydrological processes and regulation of the quantum of undesirable organisms. Decoupling of agriculture 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 several of ITC's Businesses depend on natural capital, which includes soil, 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 Agri Business areas.

Biodiversity Conservation - Progress

ITC has successfully established biodiversity conservation plots as part of its Natural Resources Management projects to enhance floral and faunal biodiversity as well as ensure adequate livelihood and employment generation to local communities. The focus was broadly on two aspects: (a) To revive ecosystem services provided to agriculture by nature, which has witnessed considerable erosion in recent decades; and (b) To motivate the communities to make productive use of degraded common lands through biodiversity conservation. Till now, under this programme, ITC has developed 308 biodiversity plots involving farmers and community members covering a total area of 11,803 acres in 15 districts. The initiative has also helped in conserving myriad species of floral and faunal diversity, 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.

Biodiversity Conservation in Agriculture

The Biodiversity Risk and Opportunity Assessment (BROA), is being implemented by the Agri Business Division in the crop growing regions covering Karnataka (Mysuru district) and Andhra Pradesh (West Godavari, Prakasam and Guntur district). 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. Over the past two years it has helped the Business in building strategy and action plans to embed biodiversity conservation in agriculture and plantation practices.

The Company's aim in biodiversity management is on embedding biodiversity conservation across its business value chain and helping farmers to adopt best agricultural practices for sustainable agriculture. 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. Consequently, the following key initiatives were implemented in 2016 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 2016, around 14,307 acres were covered under the soil conservation programme in the states of Andhra Pradesh, Karnataka, Telangana and Rajasthan.
- **Toxic Waste Management to Protect the Ecosystem:** Farmers were educated



The Company's aim in biodiversity management is on embedding biodiversity conservation across its business value chain and helping farmers to adopt best agricultural practices for sustainable agriculture





on safe disposal of empty pesticide containers by setting up toxic waste collection centres in villages. In 2016, the Company had established around 43 toxic waste collection centres in 43 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.

the Forest Managed Units (FMU) considered under the scope of certification. Methods for enhancing biodiversity potential of the planted areas like retention of old growth/ snag trees, retention of large woody debris, creation of water bodies, etc., were practiced. Native trees (like neem, nauli) were retained and encouraged.



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

Biodiversity Conservation in Pulpwood Plantations

A significant proportion of ITC's pulpwood plantations and procurement is registered under the Forest Stewardship Council™ (FSC™) certification wherein risks associated with biodiversity are identified and monitored. The FSC audit report found that documentation of High Conservation Value Forests and Environmental Impact Assessment studies were in place, which showed no rare, threatened and endangered species within

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 Kothejala and Nanjanayakanahalli watershed areas in Mysuru (Karnataka), Ramnagar, Bilkisganj, Kolans-Kalan watershed in Sehore district and Atarikhejda watershed of Vidisha district, both in Madhya Pradesh and Potlapadu watershed in Prakasam (Andhra Pradesh) spread over 65,000 acres. These

assessments were done by Kalpataru and Vidarbha Nature Conservation Society (VNCS), which have considerable experience in the areas of biodiversity conservation and satellite mapping. Based on the study recommendations, biodiversity conservation action plans were prepared in all the watersheds and work has been initiated. Interventions included large-scale awareness generation and community participation, protection and conservation of existing old trees in the area, plantation of native species on farm-field bunds and *in situ* conservation of commons.

Sustainable Agriscapes for Future

A partnership was launched during the year with International Union for Conservation of Nature (IUCN) to develop 'Sustainable Agriscapes for Future' in Munger (Bihar). The main objectives of this study are to establish

linkages between services provided by the neighbouring ecosystems and natural resource based local livelihoods. This would provide crucial insights into priority ecosystem services that need to be revived, managed and conserved. The concept works around ecologically responsible agriculture with focus on Biodiversity and Ecosystem Services (BES) of surrounding ecosystems and their linkages with Agriculture and NRM based livelihoods. To identify the linkages between ecosystem services prevailing in Munger landscape, three distinct clusters - Sadar, Kharagpur and Asarganj - have been identified. Each of the cluster is dominated by a distinct ecosystem such as riverine, forest and lake and pond (lacustrine) ecosystems.

To ensure that such an approach is not restricted to only the project area but can be replicated elsewhere, the study findings and the proposed plan of action will be used to develop a template for implementation of ecologically responsible agriculture in diverse landscapes.





**SOCIAL
PERFORMANCE**

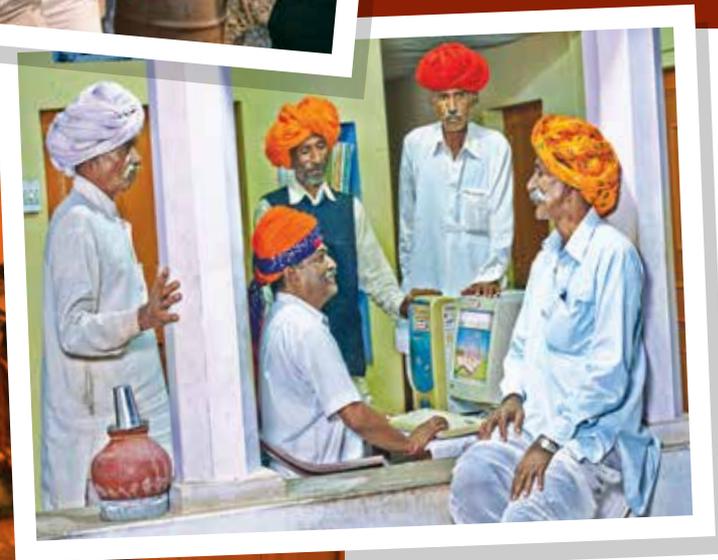


● Labour Practices & Decent Work and Human Rights

● Occupational Health & Safety

● ITC Mission Sunehra Kal for Sustainable & Inclusive Growth

● Product Responsibility





Labour Practices & Decent Work and Human Rights

Snapshot - Labour and Employment			
Year	2015	2016	2017
Total Workforce	32115	32138	32337
Total Female Employees	3414	3490	3602
Total New Hires	5224	5884	6609
Total Attrition Percentage	16%	19%	18%
Total Training Mandays	142547	149264	121653

Management Approach

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

At ITC, we firmly believe that it is our people who strengthen the Organisation and make it exceptional, both in driving world-class performance and in nurturing and enhancing its reputational capital. We operate in a diversified, global and highly competitive landscape where success demands that we proactively pursue higher levels of commitment to human rights and world-class talent management systems and processes. ITC has not only survived for over a century, but has created a unique identity based on the culture of excellence founded on values that are imbibed and visibly demonstrated. Over the years, ITC has created a remarkable Organisation by nurturing a talent pool that is highly motivated, trained and ably supported by various initiatives and a purposive agenda.

We continue to be customer-focused, competition-differentiated, performance-driven and future-capable through a mandate of distributed leadership and differentiated people policies and initiatives. Our commitment to this mandate is demonstrated by our compliance to the processes and rigour of implementation.

Our Talent Paradigm

ITC's talent management strategy is premised on creating business relevant capabilities to facilitate speedy response to future opportunities. 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. ITC is committed to an integrated and customised talent management approach spanning recruitment, continuous engagement, capability building, leadership development, employee well-being and total rewards. By offering diverse experiences and challenges in various business contexts, ITC has an unparalleled advantage in people practices.

In FY 2016-17, ITC employed 32,337 full-time employees out of which 2329 employees in the Leaf Tobacco Business were engaged on a seasonal basis due to the nature of the business. In addition, 21,841 employees were engaged from service providers in this period.

Building Business Leaders

ITC's talent brand of 'Building Winning Businesses. Building Business Leaders. Creating Value for India' is embodied in our talent management initiatives. Business 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. Our Talent Management strategy is focused on building a high quality 'future-ready' pool of managers, specialists and business leaders. Our talent brand exemplifies our commitment to developing managers with functional expertise, leadership capability and a desire to contribute to a larger purpose. As a result of our unique employee centric policies, ITC featured in top 25 places to work in a



ITC's talent brand of 'Building Winning Businesses. Building Business Leaders. Creating Value for India' is embodied in our talent management initiatives



Through concentrated efforts towards enabling capability and talent development, ITC focuses on career conversations, skill building and leadership development

survey conducted by the leading magazine, Business Today in 2016-17. ITC also ranked among the top 10 companies that MBA students in India want to work with, according to an employer branding survey conducted by Universum Global. The latest Randstand Employer Branding Research 2017 survey recognised ITC as the most attractive employer in FMCG sector. During the year under report, 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 agenda of building business leaders.

Attrition

The overall attrition (voluntary separation, retirement, termination and abandonment of services) across management and non-management employees for 2016-17 was 18.6%. The attrition for management level employees was 16% whereas the attrition for non-management employees

was 19.6%. The gender-wise attrition was at 16.6% and 33.9% for male and female employees respectively. Our efforts are aligned to mitigate attrition in the Organisation by instituting contemporary policies and benchmarking to market best practices. This has led to significant investments towards development and growth of employees, with a market driven and competitive remuneration approach and a renewed focus on performance management.

Learning & Development

In FY 2016-17 we continued to enhance our learning and development processes to create empowered experiences at the workplace. Through concentrated efforts towards enabling capability and talent development, ITC focused on career conversations, skill building and leadership development. Multiple forums for learning include classroom training, e-learning, on-the-job training, inclusion in taskforces and projects, mentoring and deploying organisation-wide IT platforms to enable

sharing of best practices. All learning and development initiatives undertaken are aligned to our Vision, Mission, Strategic Agenda and our three horizon growth strategy.

In FY 2016-17, 1,21,653 person days of formal training was undertaken for employees organisation-wide. Customised training curricula were developed for employees across each skill set to build capabilities, thus facilitating them with the necessary skills to succeed. Gurukul, ITC's state-of-the-art technical training facility located in Ranjangaon is a significant milestone in its skilling journey for manufacturing set ups and is the first integrated facility catering to its FMCG businesses. Gurukul was conferred the 'Best Corporate University Award', instituted by Leapvault in partnership with the Tata Institute of Social Sciences.

Employee Well-being

Employee Well-being is a core component of our organisational philosophy and we make consistent efforts to ensure that all aspects of an employee's life – physical, mental, emotional and spiritual are positively influenced. Our approach focuses on creating a work environment that enables winning performance with a caring and compassionate work ethos. Full-time 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, maternity leave for women employees and retirement benefits, among others. In addition, most Units have a wellness centre and a resident doctor. Out of the 60 women employees who availed maternity leave benefit in FY 2016-17, 46 have rejoined work within the year, resulting in a return to work rate of 76.7%. Various proactive measures were undertaken such as periodic health/medical camps, awareness programmes on a healthy lifestyle, yoga workshops and the development of wellness plans at business unit locations.

Employees also have the opportunity to volunteer for various social programmes through ITC's CSR initiatives. ITC Hotels offers its employees a confidential counselling service to seek professional help in a safe and secure environment in dealing with issues such as developing coping skills to meet life challenges, making important decisions or exploring new avenues for change and growth. Sports and recreational activities for employees and their families are organised periodically. ITC's Agri Business Division – ILTD encourages employees to take individualised health objectives based on BMI and strength and endurance tests. Our TM&D organisation conducts 'Parenting Workshops' so as to address essential needs around child care, nurturing and



Results of our employee engagement survey, 'iEngage', conducted in 2016 revealed that 93% of ITC employees were proud to work for ITC – a score which is among the highest globally





development. ITC offers best-in-class accommodation, club membership, guest houses, transit flats and holiday home facilities to its employees and their families across locations. Committed to building awareness on occupational diseases, ITC maintains good ergonomics and safety at the workplace.

Employee Voice and Engagement

To capture 'employee voice', a critical component in ensuring employee well-being, Units conduct periodic employee engagement surveys wherein employees share their views about the workplace. Results of our employee engagement survey, 'iEngage', conducted in 2016 revealed that 93% of ITC employees were proud to work for ITC – a score which is among the highest globally. The response rate for the organisation wide survey was at a healthy 96% with 100% completion of survey questionnaire by all participants. Improvement areas in managerial capabilities and performance barriers were pursued with focus on building interventions to support and enhance these aspects. Positive organisation-wide changes were accelerated with ownership and action from top management and business leadership.

Organisation. Our commitment to human rights is long standing and it reflects in our Code of Conduct and is a cornerstone of our corporate policies. During 2016-17, nearly ₹ 1650 crores out of total capex cash flow of ₹ 3095 crores was incurred on machinery and technology, sourced from reputed global suppliers/vendors. Approximately ₹ 883 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.

As a large multi-business enterprise, ITC recognises the responsibility in proactively encouraging high standards of human rights across its supply chain too. As a first step in raising awareness, the ITC Code of Conduct for Vendors and Service Providers is shared with supply chain partners and accepted by identified service providers. A step wise iterative approach is envisaged to establish adherence to Policy on Human Rights, Labour Practices and Decent Work Environment for service providers. During 2016-17, there were 1556 service providers of which 1405 operated within the Company's premises and 151 worked off-site.



As a large multi-business enterprise, ITC recognises the responsibility in proactively encouraging high standards of human rights across its supply chain

Human Rights

Guided by fundamental principles of human rights, ITC is committed to protection, respect and elevation of human rights in the

100% of service contracts with these service providers include clauses in line with ITC Human Rights Policies and EHS guidelines.

Prohibition of Child Labour and Forced Labour

It is ensured that no person below the age of eighteen years is employed in the workplace and forced labour is prohibited in all Units. The Company does not engage vendors and suppliers who resort to using child and/or forced labour.

Inclusive Workplace

Our policies and work environment are supportive to differently abled employees with focus on creating awareness and opportunities. ITC Hotels Division has been proactively creating awareness on the opportunities for employing differently abled employees among its potential employees. In this endeavour, ITC now employs 78 differently abled persons across business, and continues to guide industry action in creating inclusive workplaces.

Freedom of Association

At ITC, the rights of freedom of association and collective bargaining are recognised and respected. In FY 2016-17, ITC entered into collective bargaining settlements with around 10,809 employees in India.

Diversity and Equal Opportunity

With a diverse and agile workforce across the geographies in India, we are strongly

committed to diversity and equality to ensure opportunities based on merit and ability. Our policies ensure a work environment that is free from any form of discrimination in terms of 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. ITC has put in place suitable processes and mechanisms to ensure issues such as sexual harassment, if any, are effectively addressed. All employees undergo sensitisation training and internal redressal committees are set up across businesses to handle issues.

Grievance Redressal

ITC Units have appropriate systems and processes in place to ensure compliance with these policies and with statutory provisions, including processes to redress grievances. The implementation of these policies are ensured by Divisional Chief Executives, through members of the respective Management Committees. The Company has established suitable processes and mechanisms to ensure that grievances are effectively addressed. The Grievance Redressal Procedure is intended to facilitate open and structured discussions on grievances related to labour practices and human rights to ensure that these are dealt with in a fair and just manner. In FY 2016-17, 445 grievances were received from employees on matters pertaining to policy, welfare and administration and 383 of them have been since resolved.





Occupational Health and Safety



Management Approach

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 & safety enhance the Company's overall performance. It helps in attracting and retaining quality talent, and also in enhancing the brand of the Company as a responsible Corporate. ITC ensures that Environment, Health and Safety (EHS) standards at all Units are continuously ahead of legislation and benchmarked with the best international practices and standards.

ITC's approach towards best-in-class occupational health and safety standards is articulated in the Board approved EHS Policy. It is based on an EHS management system which emphasises on continual improvement supported by continued investments in state-of-the-art technology and quality human resources.

ITC's Journey in Safety

ITC's journey in safety has evolved from 'compliance driven by standards and guidelines' to a 'behaviour centric - safety culture'. ITC believes that the positive transformation of employees' attitude and perception towards safety through inculcation of ownership would help ITC in its journey to achieve the goal of 'Zero Accidents'. Accordingly, behaviour based safety programmes have been initiated in manufacturing Units and Divisional Head Quarter (DHQ) of Paperboards and Specialty Papers Business.

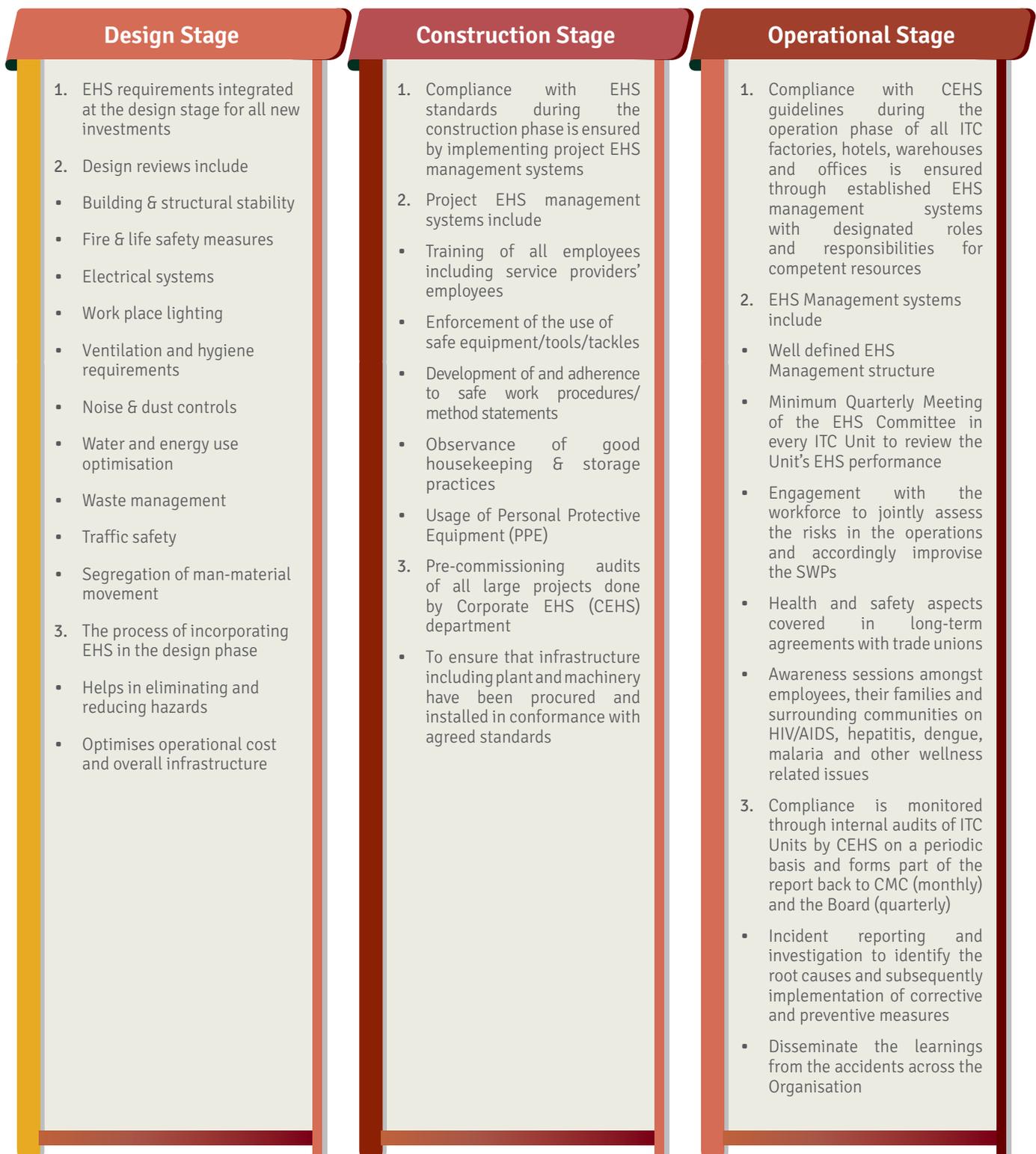
ITC has identified the risk management framework as one of the integral steps towards building a robust safety management system. Accordingly, the risk assessment process involves the workforce to identify the risks in their operations, assess them and identify control measures that constitute the Safe Work Procedures (SWPs). Planned Job Observations (PJOs) and plant safety inspections enable the Unit/Management team to monitor the level of compliance

and effectiveness of SWPs. Tailor made risk assessment workshops are conducted for the employees so that they can identify and assess risks on their own and develop control measures. Such interventions equip them to take individual ownership and enhance accountability of their actions.

Structured conversations are also carried out by employees with their peers and supervisors on Safe and Unsafe Acts (SUSA). These conversations are periodically reviewed and analysed to improve quality of engagement. This collaborative approach leads to positive behavioural change by reinforcing positive behaviour and correcting unsafe behaviour. This when repeatedly practiced, is expected to bring about the desired cultural change.

Organisational Framework of EHS activities

The key activities carried out to ensure robust EHS standards across all the stages are depicted below.





On-site Safety Performance

In ITC, on-site refers to the place of work i.e. factory, hotel, office, etc. which is under direct operational control of ITC. In 2016-17, the total number of on-site Lost Time Accidents (LTA) was 16 (against 18 in 2015-16). Out of these 16 accidents, 6 accidents occurred to ITC employees and balance 10 to the service providers' employees. All of these accidents occurred to male employees. There was one unfortunate fatal accident in 2016-17 to a service provider's employee who sustained burn injuries during a boiler start up.

Detailed investigations are carried out for all accidents, injuries, near misses and dangerous occurrences to identify the root causes. Further analysis of the root causes of the accidents have identified the need for strengthening the process of risk assessments and planned job observations

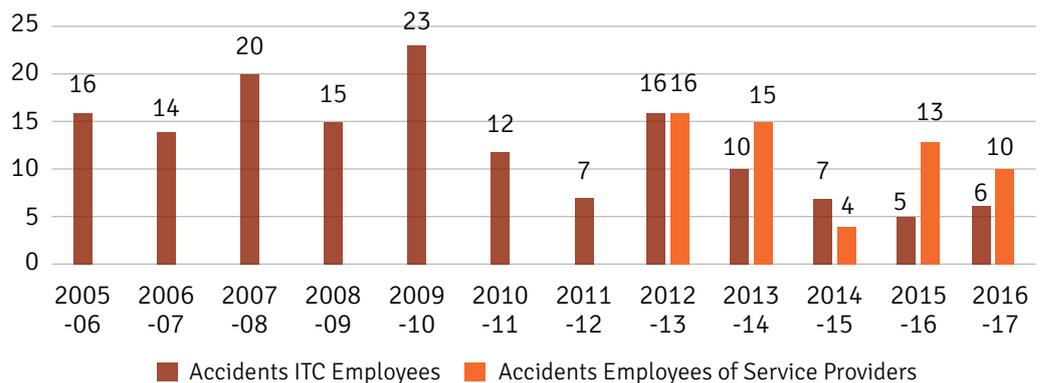
and improvement in the supervision of service providers' employees. Accordingly, necessary corrective and preventive measures have been implemented across the Units.

Since 2012-13, ITC has started reporting safety performance of its service providers' employees working within ITC premises.

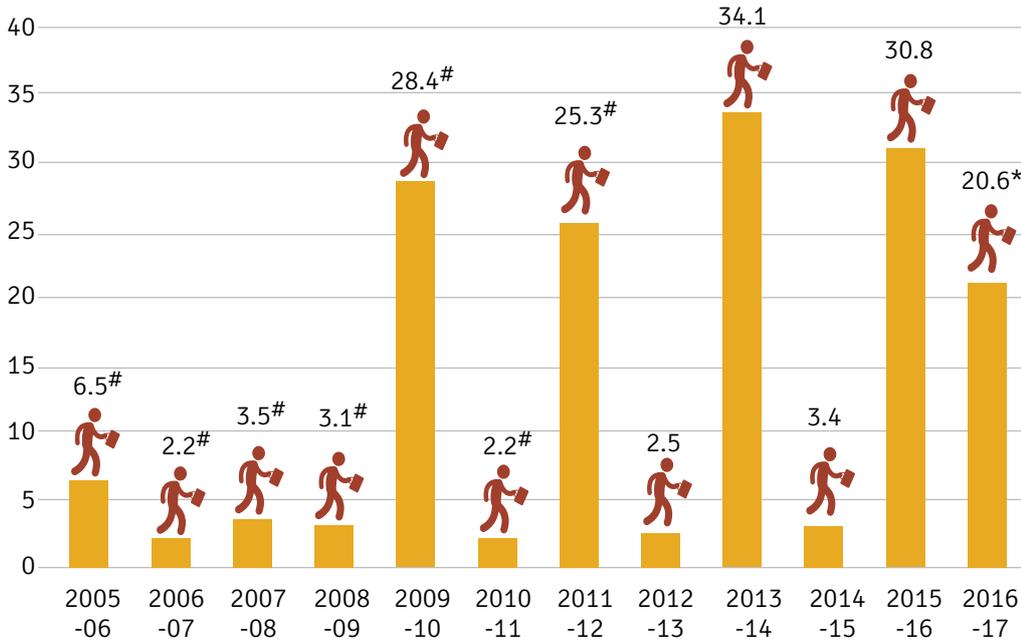
Loss Time Accident (LTA) is defined as accident due to which the injured does not return to work in the next scheduled shift. As can be seen from the following graph, total LTA (including service providers' employees) reflect a reducing trend despite a significant increase in number of manufacturing units and total employees.

Lost Day Rate (LDR) is defined as the number of man days lost due to accidents for every 2,00,000 man hours worked. As can be seen from the graph (on the next page), though there has been a drop in the LDR during 2016-17, it remains an area of concern and ITC is committed to continually improve upon this performance.

Lost Time Accidents



Lost Day Rate

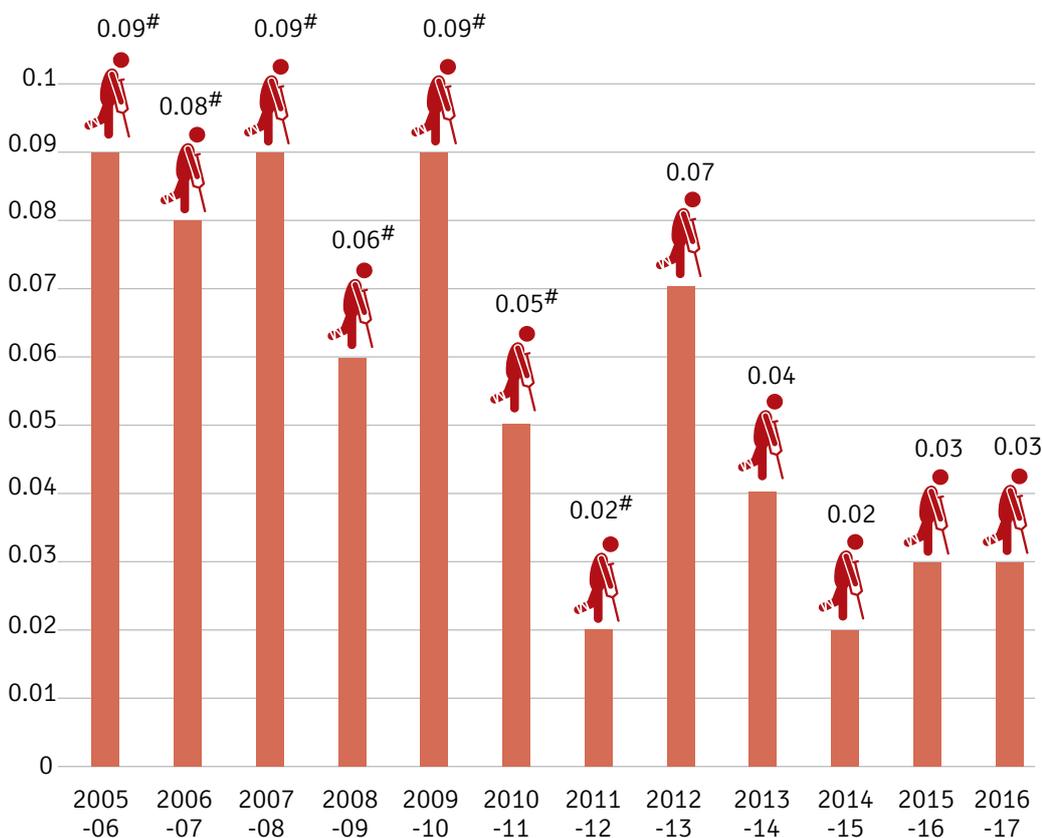


The period from 2005-06 to 2011-12 shows Lost Day Rate for ITC employees only. From 2012-13 onwards, the graph shows Lost Day Rate for the combined workforce that is ITC employees and service providers' employees.

* There was one fatal accident in 2016-17, wherein a loss of 6000 man-days is required to be accounted for as per IS 3786:1983

Injury Rate (IR) is defined as the frequency of LTA in relation to total time worked. Though there has been an improvement in the performance, it is of utmost concern that ITC still had a fatal accident in one of its factories. ITC accordingly, has been revalidating its entire approach to safety and is focused on creating a culture of safety across the Organisation.

Injury Rate



The period from 2005-06 to 2011-12 shows Injury Rate for ITC employees only. From 2012-13 onwards, the graph shows Injury Rate for the combined workforce that is ITC employees and service providers' employees.



Formal Agreements with Trade Unions

In ITC, long-term agreements signed with Trade Unions include health and safety topics to encourage better participation and involvement from workers. During 2016-17, 3 long-term agreements with trade unions have been signed. Some of the health and safety topics that are included in the agreement are mentioned below:

- Existence of EHS committees
- Participation of worker representatives in EHS inspections, audits and accident investigations
- Provision of PPE
- Training and Education of the workers

Zero Accident Units

The following ITC Units achieved ‘Zero On-site Lost Time Accident’ status in 2016-17.

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

Over the years, the number of Units delivering ‘Zero On-site Lost Time Accident’s performance has progressively increased and more importantly, have held on to their performance.

Off-site Safety Performance

In ITC, off-site is defined as all places other than the premises where posted, which includes official duty and also commuting to and from residence to place of work. In

2016-17, the total number of off-site LTA was 30 (against 24 in 2015-16). Out of these 30 accidents, 25 were road accidents in which 17 accidents involved two-wheeler riders and 2 accidents involved four-wheeler users. There was one fatal road accident to an ITC employee while he was returning from work on his two-wheeler.



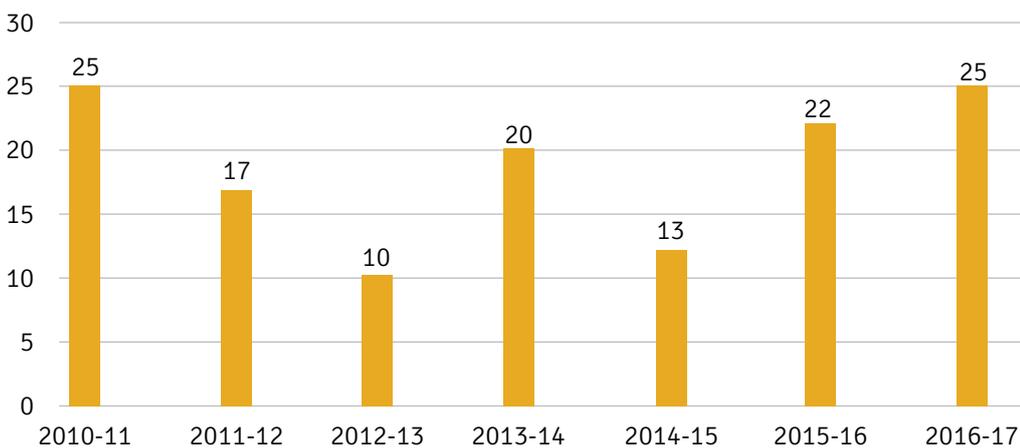
As a standard practice, off-site accidents are also investigated. The learnings from these accidents are disseminated across the Organisation and there is a constant reinforcement of the message to employees for exercising extreme care and being vigilant on the road.

The graph below shows Road Accidents Trend for ITC employees. The figures are on an increasing trend and this area remains a cause for concern.

Though road infrastructure and traffic management outside premises are well beyond ITC's control, ITC believes that improved awareness and adoption of

'defensive road safety techniques' helps reduce risks. ITC has accordingly initiated training and awareness sessions for its employees and supply chain members. Since over the years, majority of the road accidents have involved two-wheeler riders, a user interactive two-wheeler rider's safety programme was rolled out in 2011-12 for employees and in 2015-16, for ITC's Trade Marketing & Distribution (TM&D) supply chain members. The user interactive modules have been translated into vernacular languages to extend coverage and acceptance. During 2015-16, ITC also developed a similar user interactive training module for four-wheeler users.

Road Accidents Trend





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 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.

As part of ITC's preventive medical programme, various categories of employees based on age and exposure to occupational

hazards undergo periodic medical check-ups. Accordingly, in 2016-17, 12,892 employees underwent preventive medical examinations and there were no occupation related illnesses identified in any of ITC's Business Units.

Serious Diseases and Wellness Programmes

ITC remains committed to protecting its employees from the threat posed by various serious diseases including HIV/AIDS, hepatitis, dengue, malaria etc. During 2016-17, the awareness/counselling sessions conducted for the employees and communities around ITC's Units covered a total of 9,790 people, out of which 6,872



A healthy workforce is an important contributor to ITC's competitiveness and sustainability

were employees of the Company, while the remaining were local community members. Awareness sessions are also conducted regarding the other off-the-job safety aspects such as home safety and safe use of LPG in kitchen and road safety.

The Road Ahead

In line with the Company's EHS policy, the approach is to institutionalise safety as a value-led concept with focus on inculcation of ownership at all levels, leading to the creation of a cohesive 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'.

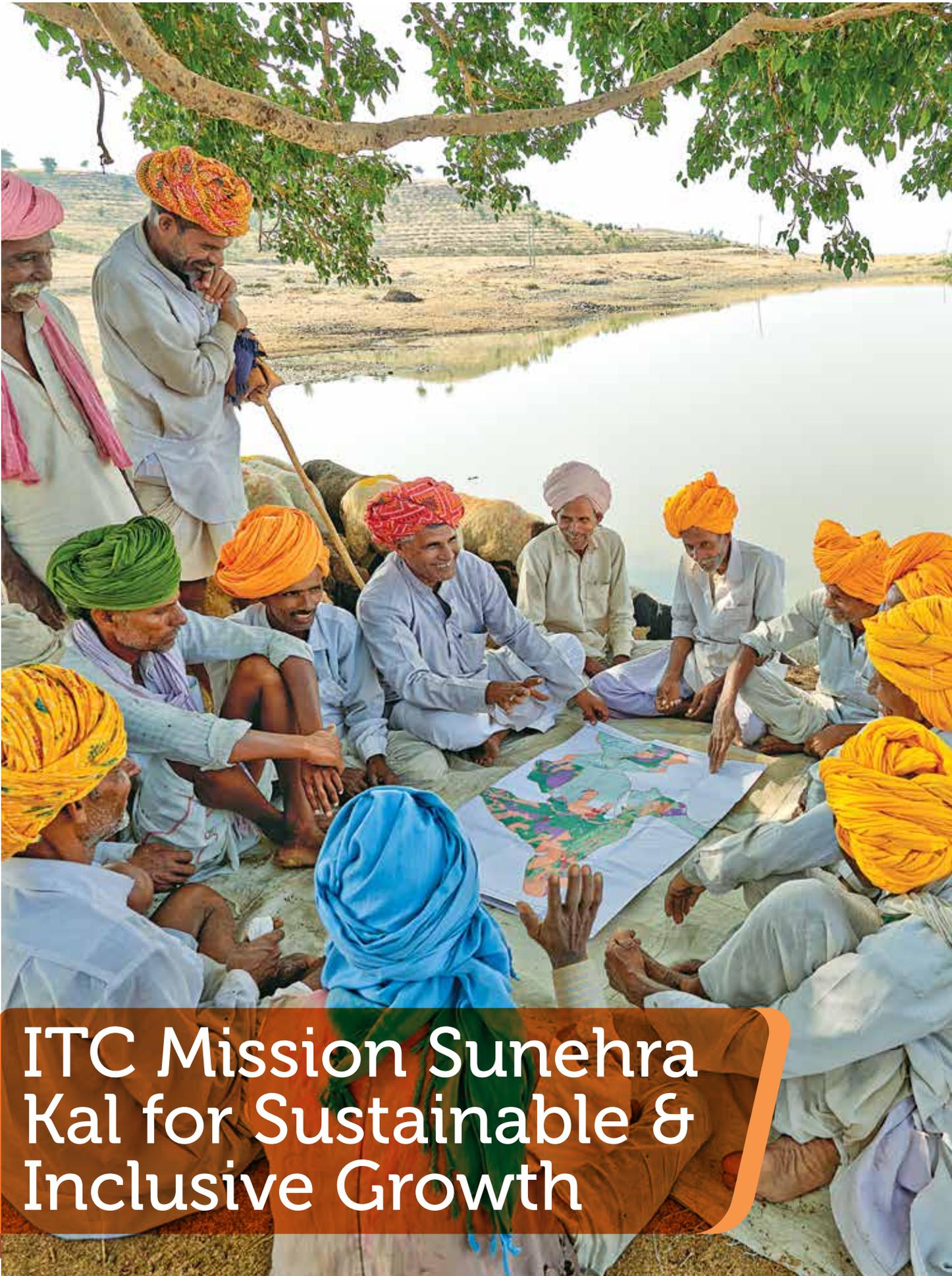
ITC will continue to take efforts to create a safe working environment and strong safety

culture through the following interventions.

- Strengthening of engineering control measures through 'design for safety', pre-commissioning and operational audits during design, construction and operational stage respectively.
- More businesses will be covered under various behavioural based safety initiatives including custom-made risk management programmes that facilitates engagement for collaborative work on improving safety performances.
- Adoption of safety 'Key Stone Behaviour' in Units.

ITC will continue to evaluate its safety performance through requisite mix of leading and lagging indicators and course correct accordingly. The objective remains to achieve 'Zero Accident' status in the coming future.





ITC Mission Sunehra Kal for Sustainable & Inclusive Growth

5 year trend of Key Performance Indices

Objective	Initiatives	UoM	2012-13	2013-14	2014-15	2015-16	2016-17
Horizon I - Sustainable Livelihoods Today							
De-risk poor rural households by diversifying farm portfolios through the promotion of tree-based farming	Social Forestry	Acres	22,868	33,932	50,298	49,761	38,916
	Agro-forestry	Acres	1,216	9,509	22,835	26,328	21,553
Integrate diverse elements of the rural portfolio of initiatives into a Climate Smart Village approach	Area under crop development	Acres	3,502	15,305	45,969	1,43,580	1,50,835
Ensure water security for all stakeholders through watershed development & managed aquifer recharge	Watershed Area	Acres	65,821	80,710	1,27,005	1,45,455	1,36,190
	Structures	Nos.	470	833	1,490	1,534	2,101
	Storage Potential	Lakh CuM	20.8	22.5	32.2	35.7	34.1
	Biodiversity Conservation	Acres	770	2,529	1,250	1,803	2,060
Actively promote non-farm livelihood opportunities to diversify income portfolios of poor households	Women covered cumulatively	Nos.	41,756	42,568	44,239	52,871	54,731
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.	39,871	30,341	36,000	45,823	49,392
	Schools covered	Nos.	46	47	147	164	160
Align skills training to market demand to maximise employment of youth from our core areas	Youth enrolled	Nos.	627	2,443	13,180	11,872	12,338
Reduce morbidity, especially amongst women and children, by promoting a clean and healthy environment	Toilets constructed	Nos.	352	829	3,578	7,175	8,550
	SWM - households covered	Nos.	9,365	9,702	27,164	42,159	61,200



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

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 healthy, educated and skilled communities which looks to the future with confidence and determination.

To actualise this, the Company is committed to:

- Deepen engagement in identified core operational geographies to promote holistic development, designed to respond to the most prominent development challenges of the Company's stakeholder groups.
- Strengthen capabilities of Non-Government Organisations (NGOs)/Community Based Organisations (CBOs) in all the project catchments for participatory planning, ownership and sustainability of interventions.
- Drive the development agenda in a manner that benefits the poor and marginalised communities in our catchments thereby significantly improving Human Development Indices (HDI).

- Move beyond mere asset creation to behaviour change through focus on demand generation for all interventions, thereby enabling participation, contribution and asset creation for the community.
- Continue to strive for scale by leveraging government partnerships and accessing the most contemporary knowledge/technical know-how.

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 the sustainability of their production system.
- Communities residing in close proximity to our manufacturing 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 to enable significant improvements in their Human Development Indices.

Core operational areas and dominant needs of the area:

A comprehensive survey was undertaken in 2015-16 to re-evaluate the socio-economic profile of our stakeholders and their development challenges. The review covered a total of 103 clusters comprising 902 villages/wards, which form the core operational geographies for the Company's Social Investments Programme.

Key Insights: The information from the needs assessments, combined with the survey data of households, gave a clear representation of the changing nature of development challenges confronting our stakeholder communities:

- While people aspire for improvements in the quality of their lives, the more urgent concern is for their children to grow into a healthy, educated and skilled resource to enable participation in the employment markets of tomorrow.
- Poverty is a challenge in the core areas requiring focus on the poor, the marginalised and women-headed households.



ITC believes that the performance of business enterprises must be measured in terms of the value they create for society





- Farming is the mainstay of rural households, which, being dominated by small holder agriculture, necessitates building their resilience to climate change through adoption of sustainable natural resource management practices.
 - Like the rest of India, more than half of agriculture in our core area is rain-fed, calling for the development of water resources as a major priority area.
 - Off-farm opportunities are circumscribed, demanding focus on reduction in youth unemployment, maximising enrolment, minimising drop-outs and significantly improving the quality of learning in primary schools.
- Two Horizons Approach:** From the comprehensive survey conducted in 2015-16 it is clear that 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. The findings thus validated the 2-Horizon strategy put in place a few years earlier comprising an integrated response to development:

Horizon	Objectives	Initiatives & Interventions
Horizon 1: Strengthen today’s dominant source(s) of livelihoods	Build resilience & reduce risks in the current portfolio of economic activities	ON-FARM: Sustainable management of natural capital & farms to strengthen agriculture
		OFF-FARM: Create non-farm livelihood opportunities, especially for women
Horizon 2: Create capabilities for tomorrow	Improve habitats to reduce morbidity and ensure a healthy community	Invest in social infrastructure
	Enable the youth to develop skills for gainful employment	Focus on quality learning in schools
		Promote skills aligned to market demand

Desired Outcomes – Adarsh Habitations: Investing in such a holistic manner 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 (Table 1).

Table 1: Outcome Indicators for ‘Adarsh’ Habitations

Outcomes for ‘Adarsh’ Habitations	Indicator	Benchmark	SDG Alignment
End to extreme poverty & hunger	Under-weight children	National SDG goal – 26%	
Sustainable agriculture	Soil organic carbon	0.75 – 1%	
Universal primary education	Enrolment	All	
	Drop-outs	Mean years of schooling – 7	
Women economic empowerment	Financial inclusion of women	100%	
Improvement in health status	Maternal mortality ratio	National SDG goal – 109*	
	Infant mortality ratio	National SDG goal – 27**	
Fuel & fodder security	Area under biomass	33% of total geographical area	
Water security	Ground water recharge	Safe category	

* Deaths per 1 lakh live births ** No. of Deaths of infants less than 1 year old per thousand live births



Targets & Timelines

Based on the 2 Horizons strategy, a number of interventions were designed in line with Adarsh gram objectives, each with its own measurable indices to achieve the desired goals. These are detailed in the Table 2 along with the estimated time it would take to achieve these targets.

Table 2: Performance against Targets for 2030

Objective	Initiatives	UoM	Achieved till 15-16	Target 2030	Achieved in 2016-17	Balance Target
Horizon I - Sustainable Livelihoods Today						
De-risk poor rural households by diversifying farm portfolios through the promotion of tree-based farming	Social Forestry	Acres	2,16,647	3,45,665	38,916	3,06,750
	Agro-forestry	Acres	60,704	1,74,207	21,553	1,52,654
Integrate diverse elements of the rural portfolio of initiatives into a Climate Smart Village approach	Sustainable agriculture	Acres	1,43,580	27,68,597	1,50,835	26,17,761
Ensure water security for all stakeholders through watershed development & managed aquifer recharge	Watershed Area	Acres	6,40,126	16,08,431	1,36,190	14,72,241
	Structures	Nos.	7,998	19,301	2,101	17,200
	Storage Potential	Lakh CuM	266.77	295	34.05	261
	Biodiversity Conservation	Acres	9,743	47,911	2,060	45,851
Actively promote non-farm livelihood opportunities to diversify income portfolios of poor households	Women covered	Nos.	51,027	98,987	3,704	95,283
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.	4,64,395	2,49,051	49,392	1,99,659
	Schools covered	Nos.	1,322	1,467	160	1,307
Align skills training to market demand to maximise employment of youth from our core areas	Youth enrolled	Nos.	31,367	2,50,693	12,338	2,38,355
Reduce morbidity, especially amongst women and children, by promoting a clean and healthy environment	Toilets constructed	Nos.	15,429	1,15,671	8,550	1,07,121
	SWM - households covered	Nos.	42,159	2,18,017	61,200	1,56,817

Responsibilities

Consultations on 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; and (2) Assessment of 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. During the year, such assessments were carried out in 3 new locations. The main points that emerged from this exercise have been detailed in the section on stakeholder engagement.

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 in mind the Company's focus areas, emerging needs of the catchment and funds available.

These plans are then aggregated and presented to the Management Committee of the Social Investments Programme (SIP) which scrutinises the proposals and forwards them 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 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 SIP acquires knowledge/technical know-how, promotes partnerships and fosters inclusive development in the Company's core operational geographies.

Coverage

The projects promoted under the Social Investments Programme are spread over in 182 districts of 26 States/Union Territories.

Horizon I:

Sustainable Livelihoods Today

ITC's e-Choupal

The ITC e-Choupals were designed to deliver enhanced value to all participants in the value chain, including farmers by leveraging the power of Information Technology. With a judicious blend of click and mortar capabilities, ITC e-Choupals have triggered a virtuous cycle of higher productivity, higher incomes and enhanced capacity for farmer risk management, larger investments and better quality.





Village internet-kiosks managed by lead farmers, called 'sanchalaks', facilitate information access 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. Such crucial information and inputs enhance the ability of farmers to take informed decisions, align their farm output with market demand and ensure 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.

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.

Commenced in 2001-02, the Programme has covered over 1.82 lakh acres under pulpwood plantation and over 73,000 acres under energy plantation (Table 3). To date, the Farm and Social Forestry Programmes have greened over 6.20 lakh acres, generating over 11.29 crores person-days of employment.



Table 3: Social Forestry

Activity	2015-16	2016-17	Cum to 2016-17
Coverage			
No. of new villages	813	276	4,809
No. of new beneficiaries	15,634	10,823	96,524
Plantation Area			
Pulpwood (acres)	24,912	22,345	1,82,457
Energy (acres)	24,849	16,570	73,104
Saplings Planted (Lakh)	785	760	5,560
Agro-Forestry Area (acres)	26,328	21,553	82,255

Table 4: Wood Harvest

Description	2015-16	2016-17
Area (acres)	7,561	8,126
Farmers (No.)	3,290	3,167
Volume harvested (MT)	1,42,539	1,48,236
Total Income (₹ Lakh)	6,382	5,705
Repayment to committee/NGO (₹ Lakh)	34.67	74.19
Earnings/Household (₹)	1,93,967	1,80,145
Earnings/acre (₹)	84,396	70,208

During the year, 1,48,236 lakh MT of wood was harvested (Table 4), of which 12% (17,460 MT) was FSC certified wood, which benefits farmers through premium payment. Total wealth generation was ₹ 57.05 crores for poor and marginal farmers.

Agro-Forestry (AF) continued to be given emphasis, accounting for more than 92% of area under eucalyptus. Its rising popularity, especially with smallholders, is because it optimises land-use for such farmers (see Box 1). Given the sizeable area under agro-forestry (82,255 acres), and to drive improvement in farm economics from intercropping, ITC partnered with the World Wide Fund for Nature, India (WWF India) to implement 'Better Cotton Initiative' in three districts of Telangana - Khammam, Warangal and Nalgonda - impacting over 1,800 farmers.



The Social Forestry Programme is aimed at providing food, fuel and fodder security through plantations by enabling financial, technical and marketing support to small and marginal farmers. The Programme has covered over 1.82 lakh acres under pulpwood plantation and over 73,000 acres under energy plantation

Smallholders Prefer Agro-forestry to Just Agriculture

Impact Assessment: Agro-forestry in Andhra Pradesh & Telangana

Box 1

The study undertook crop-wise details of costs of cultivation, yields and revenue from agro-forestry plots of farmers and found that it “not only helps the farming community in terms of assured and sustainable livelihood from per unit of land but also will help in conservation of soil, water and environment”.

1. Agro-forestry model allows small & marginal farmers to utilise their field for tree plantations but brings in dual benefits of regular income from field crops and lump-sum income from tree crops.
2. Average annual net returns per hectare from agro-forestry was ₹ 36,000 compared to ₹ 25,000 from pure block plantations and ₹ 21,000 from pure field crops.
3. Based on the findings, the study has recommended promotion of more than one crop per season, cross-learning between different project locations to understand different inter-crop options and to introduce new crops that are not currently cultivated but are suitable for the agro-climatic zones.

Findings of study by Transgraph Consulting Services Pvt. Ltd., November 2016



Sustainable Agriculture

The primary objective of Sustainable agriculture practices is to de-risk farming operations from erratic weather events through the promotion of climate smart agriculture premised on dissemination of relevant package of practices, adoption of appropriate mechanisation and provision of institutional services.

Choupal Pradarshan Khets (CPK), demonstration farms, disseminate scientific and technological research to the farmer comprising best practices, improved seed varieties and better production practices. The initiative covered around 1.50 lakh acres and directly benefitted more than 69,000 farmers with a multiplier effect through its wide-spread adoption.



The primary objective of Sustainable agriculture practices is to de-risk farming operations from erratic weather events through the promotion of climate smart agriculture

Table 5: Sustainable Agriculture

Activity	2015-16	2016-17	Cum to 2016-17
Minor Irrigation			
Group Irrigation (Nos.)	138	24	832
Sprinklers (Nos.)	581	1,001	3,650
Sustainable Agriculture			
Demonstration plots (Nos.)	2,464	2,602	39,144
Area under Demonstration Plots (acres)	2,799	3,009	35,072
Compost Units (Nos.)	7,314	3,931	34,799
Farmer Field Schools (Functional Nos.)	764	1,280	1,280
Farmer Field Students (Functional Nos.)	16,969	29,343	29,343
Agri Business Centres			
No. of ABCs (Functional Nos.)	228	326	326
Farmers Serviced (Functional Nos.)	18,987	36,573	36,573

Conservation Agriculture Technologies Increase Productivity & Decrease Inputs Costs

Box 2

Yield improvement:

- Data from Bihar showed 32% higher yield through Zero Tillage technique compared to Broadcasting methods.
- Data from Madhya Pradesh showed that per hectare yield of soya was 21% higher through Broad Bed Furrow as compared to conventional line sowing.

Cultivation costs:

- A detailed analysis of each cost component for wheat cultivation in Bihar showed that per hectare cost of production in Zero Tillage is 32% lower than broadcasting method.
- A survey of soya farmers from MP showed that BBF technique had 6% lower cost of cultivation per hectare as compared to the line sowing method.

Project data, April-October 2016

In addition, 1,280 Farmer Field Schools (FFS) and 326 Agri Business Centres (ABCs) continued to give extension services (Table 5), promoted advanced agri-practices, arranged agri-credit linkages and established collective input procurement and agricultural equipment on hire, together impacting over 44,933 farmers. To enhance participation of women in decision-making related to agriculture, 134 women led FFS were formed with 3,920 women farmers while 85 agri-enterprises run by women were active in the year.

Towards our long-term pursuit of improving Soil Organic carbon, 3,931 compost units were constructed during the year taking the cumulative total to 34,799 (Table 5). In addition, a variety of technologies were introduced to reduce cultivation costs and usage of water like zero tillage in wheat and broad bed furrow in soya. The adoption of zero tillage is now widely accepted in the project areas as is evident from the wheat acreage of the last two years. The broad bed furrow method, piloted last year, also saw a significant increase in area under soya during the year, mainly because of the benefits of *in situ* moisture conservation.

Soil & Moisture Conservation (SMC) towards Water Security

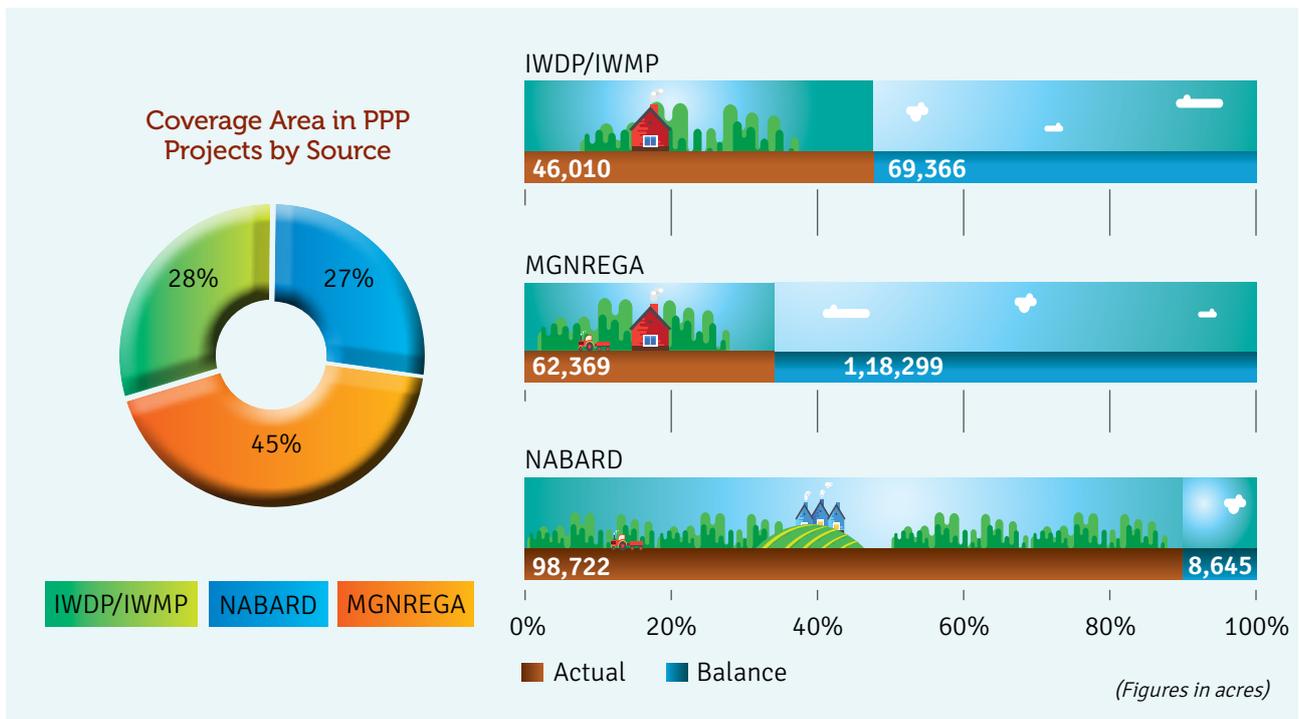
This Programme champions water security for all stakeholders through scientific water-balance assessments and community-based participation in planning and execution.

This initiative covered over 1.36 lakh acres (Table 6) in 2016-17, taking the total area under SMC to over 7.76 lakh acres. Cumulatively, 10,099 water harvesting structures have been constructed, creating fresh water-harvesting potential of 300.82 lakh CuM. Going forward, one of the major challenges is to bring about greater inclusion and equity (see Box 3 on the next page).

PPP projects, with various state governments and NABARD, have traditionally formed a significant part of the total watershed projects implemented by MSK. In 2016-17, a new MoU was signed with MGNREGS in Pali district (Rajasthan) to cover 12,358 acres under watershed development. With this, the total target area under such PPP projects in Andhra Pradesh, Madhya Pradesh, Rajasthan and Maharashtra is over 4.03 lakh acres. Of the total, work on 51% of the area has been completed so far. Projects in partnership with NABARD are near completion since they are the earliest amongst the PPPs signed, with nearly 92% of the total target having been achieved to date.

Table 6: Water Stewardship

Activity	2015-16	2016-17	Cum to 2016-17
Water-harvesting			
Minor Structures (No.)	1,186	1,621	6,942
Major Structures (No.)	348	480	3,157
Total Structures	1,534	2,101	10,099
Watershed Area			
Area Treated (acres)	1,03,029	89,708.90	5,16,367
Critical Irrigation Area (acres)	42,426	46,481.59	2,59,949
Total Watershed Area (acres)	1,45,455	1,36,190.49	7,76,316
Water Storage Capacity (Lakh CuM)	35.74	34.05	300.82
Direct Beneficiaries (No.)	44,287	45,835	2,51,253
Empl. persondays (Lakh)	4.76	3.43	55.52



Equitable Access to Common Pool Resources, a Challenge in Watershed Projects

Findings from two studies of Watershed Projects in Rajasthan & Madhya Pradesh

Box 3

Water governance to ensure equitable distribution of benefits has been a matter of concern in most watershed projects. Being alive to this issue, the Company commissioned two studies on rights over natural resources and benefit sharing among communities in Rajasthan and Madhya Pradesh.

The overall observations of the studies were that the watershed programmes had improved the water situation in project villages, which led to the emergence of multi-cropping systems. At many places, landless villagers also benefitted as daily wages had increased. The two studies, however, raised valid questions on the quality of governance and therefore its impact on inclusive development. It was found that:

- The ridge-to-valley approach mainly benefited large & medium farmers since lands adjacent to the channels generally belong to these two groups, thus excluding the small, marginal & landless.
- While the governance structure tried to ensure participation of women, they were not able to participate freely due to social inhibitions. Men, as executive members, were also not sensitised on this issue.
- Landless were largely missing as primary stakeholders since irrigation benefits flow to landowners only. Usage of machines for earthworks deprived wage labour to the landless. Some indirect benefits, like increased wages benefited the landless, but the quantum was negligible to make difference.
- Negative externalities emerged for resource poor families and pastoralists due to restrictions on open grazing and collection of fodder from common lands. Fodder harvested was auctioned by the committee and its proceeds were not used for compensating livelihoods of the poor and pastoralists.

Based on the findings, the studies made the following recommendations, which are being actioned:

- Gender appropriate mechanisation or pooling of labour from women headed households so as to be more inclusive of this category.
- Shift of focus from irrigation led development approach to sustainable resource use approach through judicious use of water resources and exploring good cultivation practices with limited water assurance.
- Formal rules on groundwater distribution and management to prevent excess withdrawal. Also awareness creation for cultivating less water intensive crops in rain-fed regions and water withdrawal from large water harvesting structures so as to maintain a positive water balance.
- Planning interventions such that the livelihood concerns of the poor and pastoralists are built into the project so that watershed development becomes more equitable and livelihood-oriented.

Studies by Samarthan (Madhya Pradesh) & Development Support Centre (Rajasthan), October – December 2016



Included in this overall plan are 4 water-security projects at selected factory sites. ITC is collaborating with reputed institutions to assess the current water balance in the chosen locations and recommend solutions to achieve a Water Positive status for the project areas as a whole. The recommendations include watershed development, demand side management of water use, river basin revival and managed aquifer recharge. The current status of work at these units is shown in Table 7.

Table 7: Unit-wise Water Security Plan

Factory Location	River Basin	Progress update
Ranjangaon, Pune and Ahmednagar districts (Maharashtra) – ITD & FBD factories	Ghod river basin	Water Balance study going on by ACWADAM & CII. Field work for supply side management of water and demand side savings initiated in 6 of the 28 watersheds in the basin.
Coimbatore (Tamil Nadu) - PSPD factory	Bhawani river - Sub basin	Water Balance study initiated with WWF and inception report submitted. Field work for supply side management of water and demand side savings initiated in 1 of the 5 watersheds in the basin
Bhadrachalam, Khammam district (Telangana) - PSPD factory	Mureru river - tributary of Godavari	Water Balance completed by IWMI in 2015-16. Field work initiated – work on 8 of the 117 tanks completed as per recommendations.
Maluru, Kolar district (Karnataka) FBD factory	Four watersheds around factory	Groundwater assessment study completed by URDHWAM. Another study underway by GEOVALE to map the aquifers. Field interventions have also been initiated with farmers in all 4 watersheds.

Biodiversity Conservation

2,060 acres was covered under biodiversity conservation through *in situ* regeneration of native species in 2016-17, thus taking the cumulative total to 11,803 acres. The focus was on reviving ecosystem services provided to agriculture by nature, which has witnessed considerable erosion in recent decades (details are provided in the section on biodiversity). With direct impacts on agriculture, such an approach makes farmers stakeholders in the conservation effort, thus enhancing the probability of success significantly.

Towards this end, a partnership was launched during the year with IUCN to develop a template for the implementation of ecologically responsible agriculture in diverse landscapes in Munger district (Bihar). IUCN has identified three distinct ecosystem clusters in Munger: Sadar - riverine; Kharagpur - forest & lake and Asarganj - pond (lacustrine).

Animal Husbandry Services

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

extension services, including breeding, fodder propagation and training of farmers to increase their incomes through enhanced productivity of milch animals in 25 districts. During the year 2.28 lakh Artificial Inseminations were carried out which led to the birth of 1.01 lakh cross-bred progeny.

In addition, pilot projects on indigenous breed promotion were initiated during the year in Madhya Pradesh in partnership with 13 existing gaushalas. 'Dugdh Choupal' in Kapurthala (Punjab) demonstrates the



Table 8: Animal Husbandry Services

Activity	2015-16	2016-17	Cum to 2016-17
CDC Centres (Functional Nos.)	238	223	223
Breed Improvement			
No. of AIs (Lakh)	2.29	2.28	20.19
No. of pregnancies (Lakh)	1.21	1.23	9.72
No. of calving (Lakh)	0.92	1.01	6.72
Vaccination & Health (Lakh)	0.84	1.29	7.60

CDC distribution by State



commercial viability of having cattle farms with indigenous breeds with the intent of encouraging them to preserve indigenous cattle varieties. Working with lead farmers and other agencies, the endeavour is to enhance farmer economics through contemporary practices and access to quality dairy services.

Women's Economic Empowerment

This initiative is designed to provide a range of gainful entrepreneurial opportunities to poor women supported with financial assistance by way of loans and grants. Strong market linkages are attempted to ensure long-term sustainability.

Ultra-Poor Women: Initiated in 2014, a holistic intervention currently supports 10,200 ultra-poor women to promote their socio-economic mainstreaming. The Programme is currently operational in 8 districts of Bihar, West Bengal, Madhya Pradesh, Telangana, Rajasthan and Assam and has cumulatively impacted 13,800 women (Table 9). 3,600 women out of total, graduated during the year with significant progress on



Table 9: Ultra-Poor Women Progress (Nos.)

Beneficiaries	2016-17	Cumulative
Women Selected*	10,200	13,800
Women Trained*	10,200	13,800
Women Provided Assets*	10,200	13,800
Women Graduated	3,600	3,600
Enterprise (Asset distribution)		
On-Farm Assets	4,799	5,597
Off-Farm Assets	4,199	6,106
Mixed	1,202	2,097
Social Security		
Women having Savings Account	10,174	11,512
Women able to write names and numbers	10,189	11,554
Women with access to formal health services	10,173	11,031

Note:* Figures in the first three parameters under 'Beneficiaries' contain 6,600 women from 2015-16 continuing in 2016-17

On the Road to Economic Empowerment & Life of Dignity Jhunu Rajbangshi of Mangaldoi, Assam

Box 4

Jhunu was married early and became a mother in her teens. She and her family led a hard life devoid of money and comforts. Things started to fall apart when her husband was diagnosed with a severe liver ailment. In order to feed her husband and two daughters, Jhunu started working as a housemaid. However, that was not enough to give her family a decent living.

Things changed for the better when she enrolled in the ITC-MSK-Bandhan Programme, where she got to run her grocery cum tea stall on a state highway, just outside Mangaldoi. Soon her business started to bloom. And to attract more customers, she started cooking snacks and food as well.

Jhunu recently took a small shop on rent behind her tea stall to earn extra income. Here she keeps packed eatables and grocery items, and cooks meals too. Jhunu is happy that her kids have re-joined school and she is able to take care of her husband's medical expenses, and he now helps her in business too.

In her own words: "My life had become a living hell as I had an ill husband and two young daughters to look after. In a patriarchal society, it is very hard for a woman to step out of her home and work. Thanks to the ITC-MSK and Bandhan, my life has now changed completely. They gave me courage to run a business. I am not only taking good care of my family, but also expanding my business to secure our future. Today, people in my village give me more respect. From a 'kaamwali bai (maid)', I am a 'dukaan waali (shop owner)' now. No small feat indeed."

Income Jump: To ₹ 3,670 per month from the initial ₹ 1,500 per month

Initial Support: ₹ 10, 825

Savings: ₹ 4,590

Secondary Assets: The value of her enterprise asset has increased to ₹ 20,000/- and she has taken a shop on rent.

Takeaway: This woman demonstrates how with the right training and guidance, the most disadvantaged can excel in a profession largely dominated by men in rural India.



outcome indicators in the areas of financial inclusion, literacy, health, water, sanitation and nutrition, besides income. 56% of the graduating women are earning more than ₹ 60,000 per annum from a base of less than ₹ 15,000 per annum (see Box 4 for impacts).

Self-Help Groups (SHGs): 496 SHGs were formed during the year with a membership of 6,398 women. Over 46,000 women were linked to individual bank accounts under the Pradhan Mantri Jan Dhan Yojana and life insurance schemes under Pradhan Mantri Jeevan Jyoti Yojana (PMJJY) and Pradhan Mantri Suraksha Beema Yojana (PMSBY).

Micro-enterprise: 300 women in Chandauli district have been provided livelihood opportunities through a model that enables them to produce agarbattis at their homes itself along with easy access to quality raw material and market for their produce.



Horizon II: Creating Capabilities for Tomorrow

Primary Education

ITC's Education Programme is designed to provide children from weaker sections access to education with focus on learning outcomes and retention. Introduced in 2013-14 in 14 factory locations in 11 states, the Read India Plus programme continues to bring about significant improvements in the learning levels of children in reading, number recognition and basic maths operations (see Box 5 for impacts on learning outcomes).

In 2016-17, 49,392 children were covered under the Primary education initiative (Table 10). Over and above this, 210 Supplementary Learning Centres were operational with focus on mainstreaming weak students/ students from marginalised communities into regular schools.

Improvement in infrastructure at identified government primary schools/anganwadis is an important feature of the programme with the aim of creating an attractive and enabling learning environment through 'child friendly schools'. In 2016-17, 160 primary

schools were provided with infrastructure support taking the cumulative numbers till date to 1,482.

Sustainable Operations and Maintenance: The programme strengthened 276 School Management Committees (SMCs) to enable participation, ownership and involvement in sustainable maintenance of school infrastructure being provided by the Company. In several schools, contributions for sustainable operations and maintenance of infrastructure/sanitation facilities, creation of soap banks, capacity building

Table 10: Primary Education

Activity	2015-16	2016-17	Cum to 2016-17
Education			
Govt. Schools Infra support (Nos.)	164	160	1,482
Children covered in Pratham's Read India Plus Programme (Lakh)	0.46	0.49	5.14



ITC's Education Programme is designed to provide children from weaker sections access to education with focus on learning outcomes and retention



ITC's Vocational Training Programme focuses on providing market relevant skills so as to make potential job seekers industry-ready and employable

of Head Masters, teachers and Child Cabinet members has also been initiated. In addition, 215 child cabinets were formed and strengthened across locations to drive cleanliness and hygienic practices in the schools.

Vocational Training

ITC's Vocational Training Programme focuses on providing market relevant skills so as to make potential job seekers industry-ready and employable. The programme is being implemented around ITC's factories and Agri Business catchments in 29 districts of 17 states and has impacted 43,705 youth cumulatively. 39% of the youth were from the SC/ST communities and 35% were female students (Table 11).

The Programme offered courses in about 10 skills with the most sought after skills being hospitality, electrical, retail and bedside assistance which accounted for 66% of total enrolment. 71% of the students trained in 2016-17 have been placed so far with salaries ranging from ₹ 3,000 to ₹ 12,500 per month. The top four trades with highest placement records are hospitality, electrical, bedside assistance and computer skills.

The Company continues to work with the Welcomgroup Graduate School of Hotel

Table 11: Vocational Training

Activity	2015 -16	2016 -17	Cum to 2016 -17
Students Enrolled	11,872	12,338	43,705
Students Trained	9,447	11,344	31,169
Students Placed	6,452	8,084	19,013

Administration (WGSHA) together with Dr TMA Pai Foundation to cater to the ever growing need for professionally trained human resources in the hospitality industry. WGSHA 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, 63 trainee chefs in five batches have successfully completed the 6-months Programme wherein cooking skills are imparted to youth from the lower economic strata.



Box 5: Are Primary School-goers in our Projects Learning Well?
Impact of Read India Plus Programme

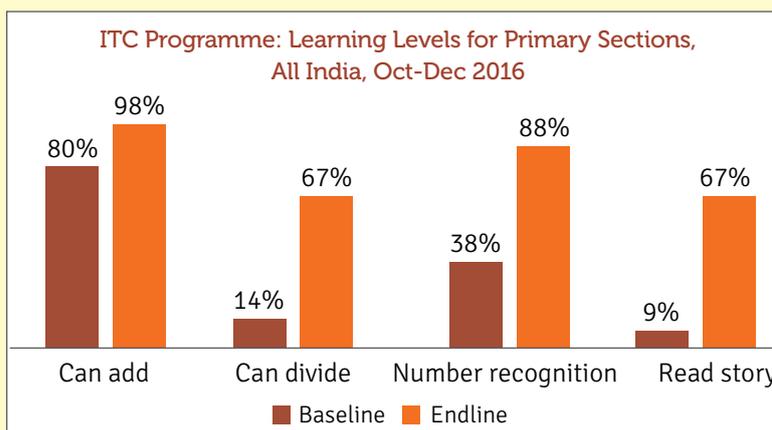
Box 5

The 'Annual Status of Education Report' (ASER) from Pratham is an annual survey on children's enrolment and basic learning levels for each district and state in India. It is the only annual source of information on children's learning outcomes available in India today.

Presented alongside are some of the key highlights of ASER 2016 report released in Jan 2017 for India as a whole and how the children in our project areas performed on the same parameters.

Data from Pratham project in ITC catchment areas, October - December 2016

Indicator	All India	ITC Project Areas
Percent of all children enrolled in Class V who could read simple English sentences	24.5%	67% could read stories
Percent children in Class V who could do basic division	26%	Can add: 98% Can divide: 67%



Sanitation

Individual Household Toilets

The objective of the Programme is to promote a hygienic environment through prevention of open defecation and reduction in incidence of water-borne diseases. ITC has promoted low cost toilets on a cost sharing basis, coupled with high impact awareness campaigns, to ensure higher levels of ownership and behavioural change (see Box 6). During the year, 8,550 Individual Household Toilets were constructed (Table 12) in 22 districts of 14 states, in collaboration with the government's flagship programme, Swachh Bharat Abhiyan, which provides a significant part of funds for toilet construction.

As a result of these efforts, by March 2017, 178 of the Project Core Villages/wards have been declared ODF by the government out of



Table 12: Household Toilets

Activity	2015-16	2016-17	Cum to 2016-17
Individual Household Toilets (IHHT) (Including Convergence)	7,175	8,550	23,979

Open Defecation Free Habitations not Possible without High Impact Campaigns on Behaviour Change

Evidence from Two Pan-India Studies of ITC Sanitation Projects

Box 6

The Programme has been equally focused on interventions to enhance awareness and impact behaviour change on Water, Sanitation and Hygiene (WASH). Independent studies, to assess usage of sanitation facilities constructed by ITC, largely validated our approach, with 91% usage at the household level and 95% by all adult members of the household (see table below). Lack of usage tended to be the highest for children in the age range of 5-12 years.

Toilet Usage by Age Groups and Gender								
Locations	Usage at Household level		By Members with age classification					
	Male	Female	Adults (above 18 years)		Adolescents (13-18 years)		Children (5-12 years)	
	Male	Female	Male	Female	Male	Female	Male	Female
All	90%	92%	95%	96%	90%	92%	86%	87%

Studies by iKOnet Research & Consultants Private Limited (for Andhra Pradesh, Telangana, Karnataka, Uttarakhand & W Bengal); We Care Society (for Tamil Nadu, Bihar, Maharashtra and Madhya Pradesh), October-December 2016

a total of 397 villages/wards where SIP has sanitation related interventions.

hygiene, family planning, diarrhoea prevention and nutrition.



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

Potable water: To make hygienic and healthy water available to local communities in 4 districts of Andhra Pradesh and Telangana, reverse osmosis water purification plants were set up in villages with poor quality water. The projects are run and maintained by the community in collaboration with the village panchayat, thereby making it a financially viable model. The beneficiaries pay for the water, which provides the revenues for the running and maintenance of the plant. 20 new RO plants were established in 2016/17 taking the total to 85, providing safe drinking water to over 1 lakh rural people.

Swasthya Choupal: The Company continued to enhance awareness on various health issues through a network of 300 women Village Health Champions (VHCs) who covered nearly 2 lakh women, adolescent girls and school children during the year. The programme is operational in 7 districts of Uttar Pradesh and 3 districts of Madhya Pradesh. The VHCs conducted over 5,000 village meetings and participated in over 2,000 group events, apart from making door-to-door visits focusing on aspects like sanitation, menstrual and personal

Hygienic practices: Through its 'Savlon Swasth India Mission', a mix of audio-visual aids, games and practical training was leveraged to encourage healthy hygiene habits amongst children. More than 9.5 lakh children from around 2,000 schools in 23 cities were covered during the year. Under the 'First Cry Programme', 60,000 mothers were made aware of hygienic practices in 1,500 hospitals.

Solid Waste Management

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 provide a sustainable source of livelihood for rag-pickers and waste collectors. During the year, in addition to Coimbatore, Chennai and Bengaluru, the programme was expanded to Hyderabad, Delhi, Tirupathi and Muzaffarpur. The programme covers over 64 lakh citizens, 25 lakh school children and 2,000 corporates. It creates sustainable livelihoods for 13,500 rag-pickers and waste collectors

Table 13: Solid Waste Management

Particulars	2014-15	2015-16	2016-17
Households Covered	27,164	42,159	61,200
Total Waste Collected (MT)	2,717	3,975	6,033
Waste Composted (MT)	1,914	2,656	4,161
Waste Sold as Recyclable (MT)	385	397	459
Waste going as Municipal Dump (%)	15%	23%	23%
Revenue (₹ Lakh)	67.07	66.77	93.54

by propagating source segregation at the household level and facilitating effective collection mechanisms in collaboration with municipal corporations. It has also created over 60 social entrepreneurs for sustaining the initiative.

Solid Waste Management: These programmes are operational in 10 districts of Andhra Pradesh, Bihar, Maharashtra, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal. The primary focus remains on source segregation and minimising waste to the landfills. Home composting was piloted to drive waste management close to the generator so as to minimise the environmental impact and associated costs. The projects together covered 61,200 households and handled 6,033 MT of waste during the year (Table 13). Only 23% of the total waste, which is untreatable, was dumped in landfills. The Projects earned ₹ 7,79,539 per month as revenue from household levy, sale of compost and recyclables, which went towards meeting part of the administration and overhead costs.



Demonstration of a Circular Economy in the Management of Temple Solid Waste

Mangaldeep Green Temple Initiative

Box 7

A new pilot on closed loop management of waste generated by a temple in Chennai was introduced during the year. Waste generated in the temple is processed to provide biogas to the kitchen and compost for its gardens. The waste generated is a mix of cow-dung from the temple gaushala and the offerings of flowers, milk, etc., from the devotees. The project envisioned making the temple premises zero-garbage by installing a 12 CuM biogas plant and bio-composter to manage the waste with community involvement and support of the temple authorities.

The project became operational in January 2017 with the bio-gas generated from temple waste used for cooking the prasad and the compost being used in the temple gardens. On an average, the bio-gas generated has replaced five commercial LPG cylinders per month leading to financial savings for the temple. The excess compost produced has the potential for sale and revenue generation.

From 100% of waste generated moving out of the temple prior to the intervention, currently approximately 73% of waste generated is recycled and reused within the temple, thus demonstrating a circular economy model of temple waste management.



Responsible Advocacy

The Policy on Responsible Advocacy provides the framework for the necessary interface with Government/Regulatory Authorities on matters concerning the various sectors in which the Company operates. The Company 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. The Company'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 actions.

Creating Enduring Institutions

CII-ITC Centre of Excellence for Sustainable Development

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

The 11th edition of CESD's flagship programme, the Sustainability Summit, was held on 14-15 September 2016 in New Delhi with focus on some of the key Sustainable Development Goals (SDGs) and on building our national competitiveness. Key dignitaries included late Mr Anil Madhav Dave, the then Minister for Environment, Forests and Climate Change, Mr Piyush Goyal, Minister for Power, New & Renewable Energy, Coal and Mines, Mr Amitabh Kant, CEO, NITI Aayog and Mr Yuri Afanasiev, UN Resident Coordinator & UNDP Resident Representative in India. The Summit was attended by over 56 speakers and 400 participants representing businesses, civil society, central and state governments, technocrats, academia, media and sustainability consultants.

The CII-ITC Sustainability Awards recognise and reward outstanding contributions by corporates to sustainable development in the country. In the last 11 years, these Awards have set benchmarks for excellence in sustainable business in India. In 2016, 96 companies applied for the Awards in the Corporate and Domain Excellence categories. Awards were declared at a ceremony on 5 December 2016 in Delhi, recognising 23 winners for excellence in sustainable business. Mr Prakash Javadekar, Union Minister for Human Resources presented the Awards to the winners.

CESD, in partnership with NITI Aayog, launched an initiative for improving the air quality in NCR on 17 November 2016 in New Delhi. The initiative was inaugurated by Mr Suresh P Prabhu, Union Minister for Railways, and Mr Amitabh Kant, CEO, NITI Aayog. It completed the 44 months project on greening Indian retailers' supply chain and facilitating resource efficient practices within the retailer's operation. Some of the outcomes of the project include increased energy efficiency and reduced operational costs of retail stores. The NGO assessment framework and methodology was also finalised after putting it to pilot test. It is now available for companies in India to use. The framework is uniquely designed to identify capacities and capabilities of the assessee, and accordingly provide guidance to the sponsoring company if it should work with that implementing agency or not.



The CII-ITC Centre of Excellence for Sustainable Development established by ITC in 2006 in collaboration with the Confederation of Indian Industry continues with its endeavours to promote sustainable business practices among Indian enterprises

CESD undertook several consultancy assignments with large and small Indian firms to design sustainability management frameworks, develop business responsibility reports, devise carbon neutral strategies, undertake accounting of greenhouse gases, develop sustainability reports and undertake biodiversity assessments. It is currently assisting the Delhi Metro Rail Corporation (DMRC) on design and implementation of Energy Management Systems on a few lines.

‘Small business - A big deal for biodiversity’, released during the year by CESD, helps SMEs to understand the concept of Biodiversity and Ecosystem Services. A consolidated disclosure report ‘Demonstrating Leadership in Biodiversity Management’ of 16 members of India Business & Biodiversity Initiative (IBBI) was published during the year, which highlights their collective achievement of the previous two years. A sectorial publication has also been developed by IBBI to showcase business and biodiversity linkages in the construction, drugs & pharmaceuticals, food & agriculture, mining, oil & gas, and power and tourism sectors. Two IBBI member companies (ITC and BioCare Ltd) participated in the Business and Biodiversity Forum organised by CBD COP 13, Mexico on 2nd and 3rd December 2016. The IBBI also released a case study publication ‘Reimagining

Business for Biodiversity Enhancement: Case Studies from Indian Industry’ and released a short film on three companies’ (ITC, Godrej and DSCL Sugar) cases from Agriculture and Furniture sector.

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, Padma Shri Ajoy Chakrabarty and Uday Bhawalkar. 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.



The ITC Sangeet Research Academy which was established in 1977, continues to be a true embodiment of ITC’s sustained commitment to a priceless national heritage





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 safety of 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	Initiatives for improvement of health and safety impacts of products/services
<p>Agri Business</p>	<p>The Business primarily engages in sourcing of agri-commodities like Wheat, Coffee, Potato, Prawns, Soyabean, Pulses, Rice, Maida and Processed Fruits. These commodities are sourced and supplied based on customer requirements of quality, quantity and packaging, both in the Domestic and Export markets. 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, as 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. <p>A number of certifications for Prawns such as Best Aquaculture Practices, British Retail Consortium as well as adherence to European, Japanese and US product standards apart from close monitoring of prawn production from ponds to the factory, ensure adherence to the most stringent norms of food safety.</p>
<p>Branded Packaged Foods</p>	<p>The Business meets its commitment to provide world-class products through product innovation, state-of-the-art manufacturing facilities and rigorous quality controls. 67 out of 78 manufacturing locations, including third party manufacturing units, which accounted for 93% of total production volume in 2016-17, are FSSC 22000/ISO 22000/ Hazard Analysis and Critical Control Point (HACCP) certified, ensuring that products use the best quality ingredients and utilise the highest quality processes. Remaining 11 units are newly commissioned and certification is planned in the coming financial year. With the objective of continuously providing consumers with products that not only 'Taste Good' but also 'Do Good', large investments have been made in R&D focusing on delivering specific formulations for identified health needs, like lower saturated fat, sodium & sugar, and free from trans fats & cholesterol. Further, none of the snacks products sold by ITC have added trans fat. Through such investments and R&D, a number of healthier products were launched. Some of them are:</p> <p>'Sunfeast Farmlite' biscuit range is made from Aashirvaad Atta and has 0% Maida. There is no cholesterol, no trans fat and no artificial sweetener which makes it a truly healthy biscuit. Recently launched, 'Sunfeast Farmlite Digestive All Good Biscuit' has additional benefits of no added sugar and a Low Glycemic Index of 37 which makes it suitable for diabetic consumers in the country.</p> <p>'Aashirvaad Sugar Release Control Atta' has higher protein & fibre content and a Low Glycemic Index.</p> <p>Sunfeast YiPPee! Atta Noodles using whole wheat as a major ingredient has also been introduced in the market.</p> <p>Further, based on our continuous efforts in research and development to formulate products enriched with micronutrients such as vitamins, minerals etc., a number of products are also available in the market such as Sunfeast Marie Light, Sunfeast Marie Light Oats, etc.</p>
<p>Cigarettes</p>	<p>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. The Business uses proprietary software to regularly monitor and review product specifications of all raw materials.</p>



Business	Initiatives for improvement of health and safety impacts of products/services
<p>Leaf Tobacco</p>	<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 undesired chemical residue studies are undertaken wherein all leaf samples from farmlands and packed cases of finished products are closely monitored for undesired chemical residues. Several additional measures were implemented across the value chain during the year towards minimisation of Non Tobacco Related Matter.</p> <p>In the Spices Business, special emphasis was given to food safety and quality for the entire value chain right from farmland to processing and sterilisation. ITC has adopted a holistic approach on 'Integrated Crop Engagement' covering not only pest management and crop management practices to ensure product meeting stringent specifications of US and EU but also profitability of the farmer.</p>
<p>Personal Care Products</p>	<p>The Business follows a comprehensive approach for improving the health and safety impacts of its products in each of the lifecycle 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 is 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.</p>
<p>Hotels</p>	<p>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). 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.</p>
<p>Education and Stationery Products</p>	<p>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.</p>
<p>Lifestyle Retailing</p>	<p>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) in the domestic apparel retail segment in India. 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.</p>

Business	Initiatives for improvement of health and safety impacts of products/services
<p>Packaging and Printing</p>	<p>Initiatives have been undertaken by the Business 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.</p>
<p>Paperboards and Specialty Papers</p>	<p>ITC has been a 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 US FDA standards and adherence 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>
<p>Matches and Agarbatti</p>	<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>
<p>Technico Agri Sciences Limited</p>	<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. The 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 as laid down by Ministry of Agriculture, Government of India for certification of TECHNITUBER® Seed.</p>



Product Information and Labelling

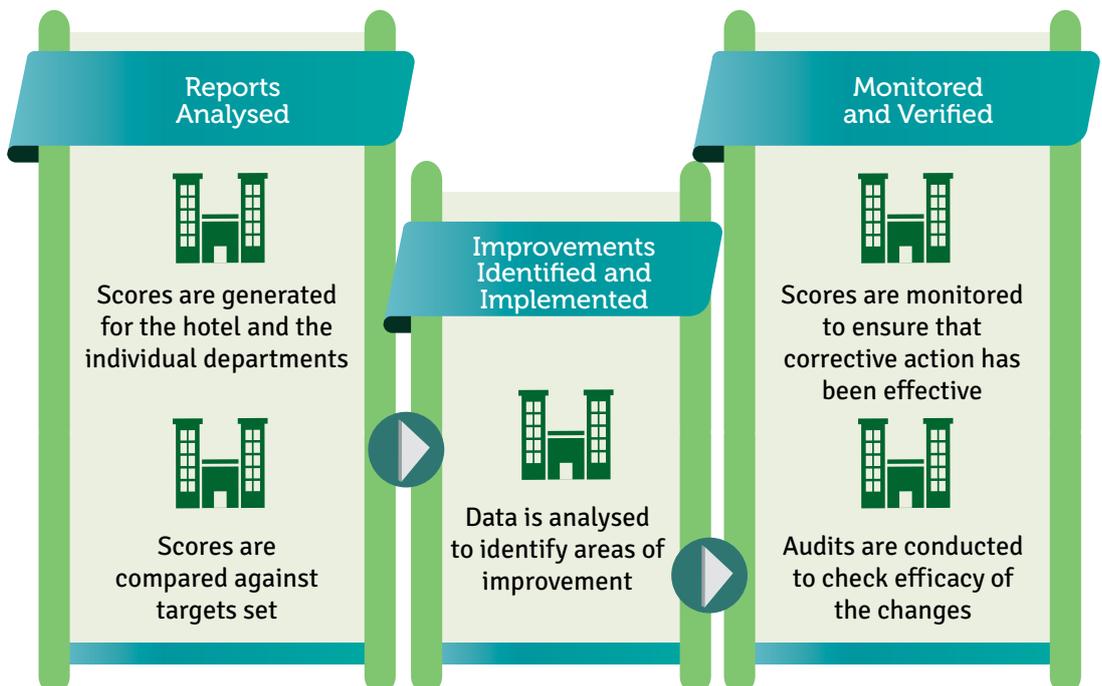
As an organisation committed to high standards of transparency and good governance, ITC's Business operations comply with every relevant law of the Nation. Systems have also been put in place to ensure compliance before the launch of any new category or product.

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 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. 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. 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

ITC's Board approved Policies on Sustainability 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 provided acceptance of ITC's 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



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.

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. Marketing and Advertising Communications of all ITC's Businesses are vetted by the internal legal team for compliances. Such process compliances are validated periodically by internal audit 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.

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.



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

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.

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.

Network Architecture and Information security controls of the Company's Information Technology Business under ITC Infotech Limited are driven by industry best practices. The Business has drafted a privacy

ITC's Hotels and Information Technology Businesses received no complaints regarding breach of customer privacy or loss of customer data in 2016-17. For the year the average WoW Ratio (Guest Satisfaction Index) for the Hotels Business was 91.60%.

Compliance

All Businesses/Divisions of ITC have well established systems, procedures and review mechanisms to identify and comply with the laws and regulations concerning their products and services.

ITC has established systems wherein every Business and Corporate Department has to submit a monthly 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 backed by appropriate monitoring and control systems maintained by each Unit/Business/Corporate function.

As per this system, no incidents of non-compliance were reported during 2016-17.

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 created 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.

Following are some of the specific areas that LSTC has been working on:

- Contemporary breeding programme for Casuarina & Subabul as pulp wood species which have the ability to biologically fix the nitrogen, enriching the soil in sustainable ways. Technology that improves the soil nitrogen fixation by increasing specific microbes in the soil microflora.
- Developing site specific and species specific nutrient management systems for a range of crops of ITC's interest with a focus on sustainability, farmer productivity and long-term soil health.
- Weight reduction of Corrugated Fiberboard Cartons and appropriate design of the structure that would enable use of these cartons multiple times.
- In order to grow crop plants efficiently in limited water conditions, cultivation of genetically inherent water use efficient (WUE) crop varieties is necessary. Research efforts from LSTC over the past few years in collaboration with University of Agricultural Sciences, Bengaluru leveraging the National facility of carbon isotope discrimination techniques along with in-house contemporary molecular breeding tools, have successfully led to the development of a water efficient tobacco variety with enhanced yield. The techniques developed in this program are generic and have much wider applicability for several crops beyond tobacco.
- Scalable production system in a greenhouse, for non-destructive extraction of bio actives from important medicinal/ aromatic plants is being developed. This technology platform will enable production of high value metabolites from plants under controlled conditions as opposed to open fields for value added applications in consumer good products. This technology, by virtue of its design, requires substantially reduced land and has significantly reduced environmental impact.
- Proactively redesigning products with reduced dependence on palm/palm kernel oils in Personal Care Products Business is another strategic initiative undertaken by LSTC.



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	-	-
G4-2	Description of key impacts, risks, and opportunities	*	36-44	-	-
ORGANISATIONAL PROFILE					
G4-3	Name of the organisation	*	11	-	-
G4-4	Primary brands, products, and services	*	14-21	-	-
G4-5	Location of the organisation's headquarters	*	48	-	-
G4-6	Number of countries where the organisation operates	*	12	-	-
G4-7	Nature of ownership and legal form	*	Report and Accounts 2017	-	-
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	128-129	-	-
G4-11	Percentage of total employees covered by collective bargaining agreements	Outcomes from implementation of Principle 3	133	-	-



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	60-61	-	Yes/ Independent Assurance Statement
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	*	197-198	-	-
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	Entities included in the organisation's consolidated financial statements with indication of coverage in the report	*	48-53	-	Yes/ Independent Assurance Statement
G4-18	Process for defining the report content and the Aspect Boundaries	*	44	-	Yes/ Independent Assurance Statement
G4-19	Material Aspects identified in the process for defining report content	*	45-47	-	Yes/ Independent Assurance Statement
G4-20	Description of Aspect Boundary within the organisation for each Material Aspect	*	48-51	-	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, 48-49, 92, 87-88, 97, 106-107, 115	-	Yes/ Independent Assurance Statement
G4-22	Explanation of the effect of any re-statement of information provided in the earlier Reports	*	92	-	Yes/ Independent Assurance Statement
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	*	48-51	-	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	*	48	-	-
G4-29	Date of most recent previous Report	*	48	-	-
G4-30	Reporting cycle	*	48	-	-
G4-31	Contact point for questions regarding the report or its contents	*	48	-	-



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	*	174-193	-	-
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	*	48-49	-	-
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	54-58	-	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	56-58	-	Yes/ Independent Assurance Statement
G4-36	Executive-level positions with responsibility for economic, environmental and social topics	Actions taken to implement Principles 1-10	54-58	-	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	56-58	-	Yes/ Independent Assurance Statement
G4-38	Composition of the highest governance body and its committees	Actions taken to implement Principles 1-10	56-58	-	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	58	-	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	55-58	-	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	58-59	-	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	56-58	-	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	58-60	-	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	58-60	-	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	60-61	-	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	60-61	-	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	44, 56-58	-	Yes/ Independent Assurance Statement
G4-49	Process for communicating critical concerns to the highest governance body	Actions taken to implement Principles 1-10	44	-	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	31-44	-	-
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	60	-	Yes/ Independent Assurance Statement
G4-52	Process for determining remuneration	*	60	-	-
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	*	Report and Accounts 2017	-	-
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)	*	60	-	-
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)	*	60	-	-



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 Principle 10	60 195	-	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 Principle 10	60	-	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 Principle 10	60	-	-
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)	*	65	-	-
G4-EC1	Direct economic value generated and distributed	*	65-72	-	-



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 reported as part of 2017 Climate Change Questionnaire of CDP, which will be available on their website in October 2017.	-
G4-EC3	Coverage of the organisation's defined benefit plan obligations	*	74-75	-	-
G4-EC4	Financial assistance received from government	*	73	-	-
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-DMA	Aspect-specific DMA	*	76-77	-	-
G4-EC7	Development and impact of infrastructure investments and services supported	*	77	-	-
G4-EC8	Significant indirect economic impacts, including the extent of impacts	*	142-163	-	-
MATERIAL ASPECT: PROCUREMENT PRACTICES					
G4-DMA	Aspect-specific DMA	*	72	-	-
G4-EC9	Proportion of spending on local suppliers	*	72	-	-



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 on Principles 7, 8, 9	81	-	-
MATERIAL ASPECT: MATERIALS					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principles 7, 8	118-119	-	-
G4-EN1	Materials used by weight or volume	Outcomes from Principles 7, 8	119-121	-	Yes/ Independent Assurance Statement
G4-EN2	Percentage of materials used that are recycled input materials	Outcomes from implementing Principle 8	119-121	-	-
MATERIAL ASPECT: ENERGY					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principles 7, 8, 9	82-85	-	-
G4-EN3	Energy consumption within the organisation	Outcomes from Principles 7, 8	86-87	-	Yes/ Independent Assurance Statement
G4-EN4	Energy consumption outside of the organisation	Outcomes from Principle 8	92	-	-
G4-EN5	Energy intensity	Outcomes from implementing Principle 8	90-91	-	Yes/ Independent Assurance Statement
G4-EN6	Reduction of energy consumption	Outcomes from Principles 8, 9	89	-	Yes/ Independent Assurance Statement
G4-EN7	Reductions in energy requirements of products and services	Outcomes from implementing Principles 8, 9	89-91	-	-
MATERIAL ASPECT: WATER					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principles 7, 8	98-99	-	-



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 Principles 7, 8	100-103	-	Yes/ Independent Assurance Statement
G4-EN9	Water sources significantly affected by withdrawal of water	Outcomes from implementing Principle 8	100-107	-	-
G4-EN10	Percentage and total volume of water recycled and reused	Outcomes from Principle 8	103-105	-	Yes/ Independent Assurance Statement
MATERIAL ASPECT: BIODIVERSITY					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 8	122-125	-	-
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	-			-
MATERIAL ASPECT: EMISSIONS					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principles 7, 8, 9	82-85	-	-
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Outcomes from Principles 7, 8	87	-	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 Principles 7, 8	87	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Outcomes from implementing Principles 7, 8	87	-	Yes/ Independent Assurance Statement; Independent Assurance Statement on GHG Inventory
G4-EN18	Greenhouse gas (GHG) emissions intensity	Outcomes on Principle 8	91	-	-
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Outcomes on Principles 8, 9	89	-	-
G4-EN20	Emissions of ozone-depleting substances (ODS)	Outcomes on Principles 7, 8	97	-	-
G4-EN21	NO _x , SO _x , and other significant air emissions	Outcomes on Principles 7, 8	96	-	Yes/ Independent Assurance Statement
MATERIAL ASPECT: EFFLUENTS AND WASTE					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 8	103, 108-109	-	-
G4-EN22	Total water discharge by quality and destination	Outcomes from Principle 8	103	-	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	111-115	-	Yes/ Independent Assurance Statement
G4-EN24	Total number and volume of significant spills	Outcomes from Principle 8	Nil	-	-
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 run-off	Outcomes from implementing Principle 8	98-107	-	-
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	89	-	-
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Outcomes from implementing Principle 8	-	We have used 1, 15, 074 Tonnes of post-consumer waste paper/ paperboard which contributed to 17% of total fibre 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	118-119, 121, 122-123	-	-
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	173	-	-
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 Principle 8	87-88, 92	-	-
<h1 style="color: #E67E22;">CATEGORY: SOCIAL</h1>					
<h2>Sub-Category: LABOUR PRACTICES AND DECENT WORK</h2>					
MATERIAL ASPECT: EMPLOYMENT					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principles 3, 4, 5, 6	128-129	-	-
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	128, 130	-	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	-	131-132	-	-
G4-LA3	Return to work and retention rates after parental leave, by gender	Outcomes from implementation of Principle 6	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: 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 a part of long-term agreements with employees	-	-
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Aspect-specific DMA	-	134-135	-	-
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 programmes	*	135, 138	-	-
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	*	136-140	-	Yes/ Independent Assurance Statement
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	*	140-141	-	-
G4-LA8	Health and safety topics covered in formal agreements with trade unions	*	138	-	-
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	130-131	-	Yes/ Independent Assurance Statement
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	*	130-131	-	-



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				
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Outcomes from implementation of Principle 6	130-131	-	-
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	56	-	-
MATERIAL ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISM					
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	*	133	-	-
Sub-Category: HUMAN RIGHTS					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principles 1, 2, 4, 5	128-129 132-133	-	-
MATERIAL ASPECT: NON-DISCRIMINATION					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Outcomes from implementation of Principle 6	132-133	-	-
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	Aspect-specific DMA		128-129 132-133	-	-
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	132-133	-	-
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	133	-	-



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	132-133	-	-
Sub-Category: SOCIETY					
MATERIAL ASPECT: LOCAL COMMUNITIES					
G4-DMA	Aspect-specific DMA	Actions to implement Principle 1	144-146	-	-
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Outcomes of implementation of Principle 1	146-163	-	Yes/ Independent Assurance Statement
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Outcomes of implementation of Principle 1	146-163	-	-
MATERIAL ASPECT: ANTI-CORRUPTION					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 10	60-61	-	-
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	60-61	-	-
G4-SO4	Communication and training on anti-corruption policies and procedures	Outcomes of implementation of Principle 10	60-61	-	-
G4-SO5	Confirmed incidents of corruption and actions taken	Outcomes of implementation of Principle 10	60-61	-	-
MATERIAL ASPECT: PUBLIC POLICY					
G4-DMA	Aspect-specific DMA	Actions taken to implement Principle 10	164	-	-



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	*	173	-	-
MATERIAL ASPECT: COMPLIANCE					
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	*	173	-	-
Sub-Category: PRODUCT RESPONSIBILITY					
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	Aspect-specific DMA	*	166, 173	-	-
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	*	167-169	-	-
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	*	173	-	-
MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING					
G4-DMA	Aspect-specific DMA	*	170-171	-	-
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	*	170-171	-	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	*	173	-	Yes/ Independent Assurance Statement
G4-PR5	Results of surveys measuring customer satisfaction	*	170-172	-	-
MATERIAL ASPECT: MARKETING COMMUNICATIONS					
G4-PR6	Sale of banned or disputed products	*	171-173	-	
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		172-173	-	Yes/ Independent Assurance Statement
MATERIAL ASPECT: CUSTOMER PRIVACY					
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	*	172-173	-	-
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	*	173	-	-
<p>* No direct requirement by UNGC - COP # UNGC - COP - United Nations Global Compact - Communication of progress</p>					



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	81	-	-
DMA	Minimising Toxicity	166-169	-	-
DMA	Fair Trade	All of ITC's trading partnerships are conducted in compliance with applicable legislations	-	-
DMA	Fair Compensation for Labour	129-130	-	-
DMA	Traceability	171	-	-
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	86, 93	-	-
Aspect: Procurement/Sourcing Practices – Indicators				
FP1	Percentage of purchased volume from suppliers compliant with Company's sourcing policy	22-23, 171	1. In line with our intent to progressively report on energy, GHG emissions, water and waste performance of significant supply chain members, we have included the performance of one Unit of our subsidiary, North Eastern Nutrients Private Limited (NEPNL), this year 2. Partially Reported in Supply Chain, Product Responsibility	
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognised responsible production standards, broken down by standard	22-23, 171		



Material Aspects - DMAs and Indicators	Description	Page Number/ Explanation	Reasons for Omissions	External Assurance
Aspect: Labour/Management Relations				
DMA		128-129	-	-
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs by country	Nil	-	
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	166-167	-	-
Aspect: Customer Health and Safety				
DMA			-	-
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards	167	-	
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars	167	-	
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives	167	-	
Aspect: Product and Service Labelling				
DMA	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	170	-	-
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 2017 to Business Responsibility Report (BRR) Principles to assess compliance with Environmental, Social and Governance (ESG) norms.

Principle	BRR Principles to assess compliance with ESG norms	Coverage in Section of Sustainability Report 2017
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 and Climate Change • Air Emissions • Water Management • Waste Management • Raw Materials • Supply Chain • ITC 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 Mission Sunehra Kal for Sustainable & Inclusive Growth
5	Businesses should respect and promote human rights	<ul style="list-style-type: none"> • Labour Practices & Decent Work and Human Rights
6	Businesses should respect, protect and make efforts to restore the environment	<ul style="list-style-type: none"> • Energy and Climate Change • Air Emissions • Water Management • Waste Management • Raw Materials • Biodiversity • ITC 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 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

The ITC 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.

The ITC Mission

To enhance the wealth generating capability of the enterprise in a globalising environment, delivering superior and sustainable stakeholder value.

ITC's Core Values

ITC's Core Values are aimed at developing a customer-focused, high-performance organisation which creates value 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 in turn 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 11.0, April 2016) issued by Central Electricity Authority, Government of India.

Total steam purchased (Activity data) is multiplied with the specific enthalpy to arrive at total energy purchased, which in turn is 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 'Road Transport Service Efficiency Study (India)-2005', conducted by the World Bank.

Transportation GHG emissions include, transportation of material, i.e. finished goods, raw materials and wastes, and guest travel at Hotels. Emissions from transportation of finished goods, raw materials and wastes from road, rail, air and ship are calculated as below:

Road–Activity data (tonne-km) is multiplied with the emission factors sourced from 'Road Transport Service Efficiency Study (India)-2005', conducted by the World Bank for each type of truck used.

Rail–Activity data (tonne-km) is multiplied with the calculated emission factor. Emission factor is calculated based on the information available from the Indian Railways Annual report 2013-14, Indian Railways Statistics 2013-14.

Air/Ship–Activity data (tonne-km) is multiplied with the emission factor sourced from '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.

Emissions from guest pickup and drop is calculated by multiplying Activity data, i.e. distance travelled, with the emission factor based on 'Emission Factor development for Indian Vehicles', Revision 4, 2008 published by Automotive Research Association of India.

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; Air transport emissions data published by DEFRA/DECC, Pulp and Paper Tool-2005; UNFCCC approved methodologies. These emissions are quantified once in three years and same value is replicated for the remaining two years. 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 electrical circuit breakers
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 and Affiliations

- Agricultural & Processed Foods Export Development Authority
- All India Association of Industries
- All India Food Processors Association
- All India Management Association
- All India Organisation of Employers
- Andhra Chamber of Commerce
- Asian Packaging Federation
- Associated Chambers of Commerce and Industry of Uttar Pradesh
- Association of Finance Professionals of India
- Audit Bureau of Circulations
- Bangalore Chamber of Industry and Commerce
- Bihar Chamber of Commerce & Industries
- Bihar Industries Association
- Bombay Management Association
- Bombay Chamber of Commerce and Industry
- British Safety Council
- Bureau of Indian Standards
- Calcutta Management Association
- Chemical and Allied Export Promotion Council of India (CAPEXIL)
- Central Institute of Plastics Engineering & Technology
- Coal Consumers Association of India
- Cochin Chamber of Commerce and Industry
- Coffee Board
- Coffee Exporters Association
- Coimbatore Management Association
- Confederation of Indian Industry
- Ecotourism Society of India
- Employers' Association of Northern India
- Employers' Federation of India
- European Society for Opinion and Marketing Research
- Fairtrade International (FLO), Germany
- Federation of Biscuits Manufacturers' of India
- Federation of Hotels & Restaurants Association of India
- Federation of Indian Export Organisations
- Federation of Indian Chambers of Commerce and Industry
- Federation of Industry & Commerce of North Eastern Region
- Federation of Jharkhand Chamber of Commerce & Industries
- Federation of Karnataka Chambers of Commerce & Industry
- Fire & Security Association of India
- Fragrances and Flavours Association of India
- Federation of MP Chambers of Commerce & Industry
- Hotel Association of India
- Hyderabad Management Association
- Indian Association of Tour Operators
- Indian Beauty and Hygiene Association
- Indian Beverage Association
- India International Chamber of Commerce
- Indian Chamber of Commerce
- Indian Coffee Trade Association
- Indian Confectionery Manufacturing Association
- India Convention Promotion Bureau
- Indian Flexible Packaging & Folding Carton Manufacturers Association
- Indian Home & Personal Care Industry Association



- Indian Institute of Corporate Affairs
- Indian Institute of Packaging
- Indian Institute of Material Management
- 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 Packaging Group
- Karnataka Planters Association
- Leatherhead Food Research
- Madras Management Association
- Madras Printers and Lithographers Association
- Maharashtra Economic Development Council
- Mahratta Chamber of Commerce, Industries & Agriculture
- Media Research Users Council
- Nagpur Chamber of Commerce Ltd.
- National Commodity & Derivatives Exchange Limited
- National HRD Network
- National Safety Council
- Oil Technologists' Association of India
- Pacific Asia Travel Association
- PHD Chamber of Commerce and Industry
- Protein Foods and Nutrition Development Association of India
- Ranjangaon Industries Association
- Retailers Association of India
- Seafood Exporters Association of India
- Tamil Nadu Electricity Consumers Association
- The Advertising Standards Council of India
- The Associated Chambers of Commerce & Industry of India
- The Bengal Chamber of Commerce & Industry
- The Coimbatore Productivity Council
- The Employers' Federation of Southern India
- The Energy and Resources Institute
- The Indian Chamber of Commerce and Industry Coimbatore
- The Indian Golf Union
- The Indian Society of Advertisers
- The Institute of Internal Auditors-India
- The Madras Chamber of Commerce & Industry
- The Marine Products Export Development Authority
- The Market Research Society
- The Solvent Extractors' Association of India
- The Soyabean Processors Association of India
- The Tobacco Institute of India
- The Utkal Chamber of Commerce & Industry Ltd.
- Travel Agents Association of India
- United States Tour Operators Association
- 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 for Nature - Global Forest and Trade Network



Ernst & Young LLP
5th Floor, Block B 2
Nirlon Knowledge Park
Off Western Express Highway
Goregaon (E), Mumbai-400 063, India

Tel : +91 22 6192 0000
Fax: +91 22 6192 3000
ey.com



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 2016-17.

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 2016 to 31st March 2017;
- ▶ 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; Packaging and Printing Business (PPB) DHQ at Chennai; Paperboards and Specialty Papers Division (PSPD) DHQ at Hyderabad and Leaf Tobacco Division (ILTD) DHQ at Guntur.
 - Site-level physical verification and desktop review at 13 and 17 units respectively, as listed below:
 1. ITD (Tobacco Division): Physical verification at Kidderpore; Desktop reviews of Pune, Bengaluru, Saharanpur and Munger;
 2. FBD (Foods Division): Physical verification at Haridwar; Desktop reviews of Pune, Dhulagarh and Malur;

I



3. PCPB (Personal Care Products Business): Physical verification at Haridwar; Desktop review of Manpura;
4. Hotels: Physical verification at ITC Sonar (Kolkata), ITC Grand Bharat (Gurgaon), ITC Maratha (Mumbai), My Fortune (Bengaluru); Desktop reviews of ITC Grand Central (Mumbai), ITC Mughal (Agra), ITC Maurya (New Delhi), ITC Windsor (Bengaluru) and ITC Grand Chola (Chennai);
5. PPB (Packaging and Printing Business): Physical verification at Haridwar and Tiruvottiyur; Desktop review of Munger;
6. PSPD (Paperboards and Specialty Papers Division): Physical verification at Bhadrachalam, Tribeni and Kovai; Desktop review of Bollaram;
7. ILTD (Leaf Tobacco Division): Physical verification at Chirala; Desktop reviews of Mysuru and Anaparti.

EY's multidisciplinary team of professionals visited the Company's aforementioned units and reviewed and verified the data and information in the Report, on the following General Standard Disclosures and Specific Standard Disclosures of the GRI G4 (2013) Guidelines:

General Standard Disclosures

- ▶ Identified Material Aspects and Boundaries (G4-14, G4-17 to G4-23)
- ▶ Stakeholder Engagement (G4-24 to G4-27)
- ▶ Governance (G4-34 to G4-49, G4-51)
- ▶ Ethics and Integrity (G4-56, G4-57)

Specific Standard Disclosures

- ▶ Environmental
 - Materials (EN1), Energy (EN3, EN5, EN6), Water (EN8, EN10), Emissions (EN15, EN16, EN17, EN21), Effluents and Waste (EN22, EN23)
- ▶ Social: Labour Practices
 - Employment (LA1), Occupational Health and Safety (LA6), Training and Education (LA9)
- ▶ Social: Society
 - Local Communities (SO1)
- ▶ Social: Product Responsibility
 - Product and Service Labeling (PR3, PR4), Marketing Communications (PR7)

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 2016 to 31st March 2017;
- ▶ 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 and desktop audits of the Company's corporate office, trade marketing and distribution office, divisional headquarters and manufacturing 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 on reduction of specific water consumption and creation of rainwater harvesting structures both within and outside the fence and their evaluated rainwater harvesting potential, while the solid waste recycling positive status of the Company is based on reduction of specific waste generated and usage of post-consumer wastes as raw material. The Company has also continued to demonstrate its commitment to creating shared value through its extensive social initiatives activities. There is further scope for streamlining data compilation through reinforcement of uniform guidance and strengthening internal controls.

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 the GRI G4 (2013) Guidelines and Food Sector Supplement (applicable to Foods Business) of the GRI and conforms to the GRI G4 'In Accordance - Comprehensive' disclosure criteria.



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

Chaitanya Kalia
Partner
01 August 2017
Mumbai

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.



Ernst & Young LLP
5th Floor, Block B 2
Nirlon Knowledge Park
Off Western Express Highway
Goregaon (E), Mumbai-400 063, India

Tel : +91 22 6192 0000
Fax: +91 22 6192 3000
ey.com



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 2017.

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, 5 Divisional Headquarters (DHQs), Trade Marketing & Distribution (TM&D) office and 30 manufacturing units and hotels spread across seven business divisions, as listed below:
 - 1) ITD (Tobacco Division): Kidderpore, Pune, Saharanpur, Bengaluru and Munger;
 - 2) FBD (Foods Division): Haridwar, Pune, Dhulagarh and Malur;
 - 3) PCPB (Personal Care Products Business): Haridwar and Manpura;
 - 4) Hotels: ITC Sonar (Kolkata), ITC Grand Bharat (Gurgaon), ITC Maratha (Mumbai), My Fortune (Bengaluru), ITC Grand Central (Mumbai), ITC Mughal

1



- (Agra), ITC Maurya (New Delhi), ITC Windsor (Bengaluru) and ITC Grand Chola (Chennai);
- 5) PPB (Packaging and Printing Business): Haridwar, Tiruvottiyur and Munger;
 - 6) PSPD (Paperboards and Specialty Papers Division): Bhadrachalam, Tribeni, Kovai and Bollaram;
 - 7) ILTD (Leaf Tobacco Division): Chirala, Mysore and Anaparti.

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 2016 to 31st March 2017.

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: 10,23,307 tonnes of CO₂e
- ▶ Scope 2 emissions: 1,73,657 tonnes of CO₂e
- ▶ Scope 3 emissions: 2,53,206 tonnes of CO₂e
- ▶ Biogenic emissions: 9,57,010 tonnes of CO₂
- ▶ GHG removals: 54,17,078 tonnes of CO₂

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



Chaitanya Kalia
Partner
29 June 2017
Mumbai

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.

ITC Limited: Championing Sustainable and Inclusive Growth



ITC : The only company in the world to be
Carbon Positive, Water Positive, Solid Waste Recycling Positive

ITC: Creating 6 million sustainable livelihoods



ITC e-Choupal

- Empowering 4 million farmers
- Covering 35,000 villages



Social & Farm Forestry

- Over 6,20,000 acres
- Over 110 million person days of employment



Watershed Development Programme

- Soil and moisture conservation for over 8,22,000 acres



Livestock Development

- Providing animal husbandry services to over 15,00,000 milch animals



Women Empowerment

- Over 55,000 sustainable livelihoods for rural women



Primary Education

- Reaching out to over 5,25,000 children



Vocational Training

- Benefitted 46,000 youth



Health & Sanitation

- Over 25,000 low cost sanitary units constructed



Renewable Energy

- Over 48% of energy consumption at ITC is from renewable sources



Responsible Luxury

- ITC Hotels: Trailblazer in Responsible Luxury
- All ITC's Premium Luxury Hotels are LEED® Platinum Certified



Promoting Sustainable Agricultural Practices

- Increasing farm productivity and farmer incomes



Recognised as a Global Exemplar in Sustainability