ITC and Sustainability

Baragur Venkateshiah Krishnamurthy
Chief Academic Officer and Distinguished Professor of Strategy and International Business

Dilshad D Jahnawalla, Assistant Professor,
RAMAIAH INSTITUTE OF MANAGEMENT STUDIES, BANGALORE, India

ABSTRACT
ITC is a major Indian conglomerate, with a presence in diverse fields such as Paperboards and Packaging, Apparel, Foods, Hotels, Information Technology and Tobacco Products. The company claims to have achieved the triple bottom line encompassing economic, social and environmental parameters. Indeed, the company has been recognized and rewarded for its sustainability initiatives. This case examines some of the initiatives taken up by the company in the area of sustainability and balances the company’s claims with the criticisms made by scholars and independent groups.

“The earth, the air, the land, and the water are not an inheritance from our forefathers but on loan from our children. So we have to hand over to them at least as it was handed over to us.” - Mahatma Gandhi

INTRODUCTION
Y C Deveshwar, Chairman and CEO of ITC limited was at his eloquent best. Addressing the shareholders during the centenary year of the company, he claimed that the 100 inspiring years had been marked by an overarching Vision to save a larger national purpose, to live by the strong Values of trusteeship and to nourish internal Vitality to create superior value for all stakeholders. He added that it was a matter of pride that the amalgam of vision, values and vitality had enabled ITC to attain hallmarks of excellence in sustainability – the only corporation of its size to be carbon positive, water positive, and waste recycling positive even as it had created sustainable livelihood opportunities for over 5 million people.

Deveshwar emphasized the twin challenges facing humankind – global poverty and income inequalities on the one hand, and the widespread destruction of the environment on the other. Arguing that global economic models premised on a one-dimensional pursuit of material wealth creation had left a deferred cost burden on future generations, giving rise to social unrest including terrorism. He recalled the defining moment in ITC’s history when it dawned on decision makers that shareholder value ought to be a reward for societal value creation. According to Deveshwar, committed corporations created societal value by serving their customers through competitively superior value propositions, while simultaneously pursuing innovative strategies that nurtured the environment and maximized sustainable livelihood creation. This triple bottom line approach to creating larger ‘stakeholder’ value was crucial to ensure the perpetuity of the planet.

Very noble intentions, thought Sunita Narain, Director of the Centre for Science and Environment (CSE), New Delhi, a non governmental agency advocating causes of national interest as she participated in a television debate soon after the speech had ended. She chose her words carefully while responding to the anchor, “We should appreciate what ITC has done in the last 2-3 years in terms of their triple bottom line approach. But, I strongly object to their misrepresenting facts and claiming to have achieved global standards in energy consumption. All these claims can be rebutted with facts and figures.”

HISTORY
The Imperial Tobacco Company of India Limited was incorporated on August 24, 1910 in Calcutta (now Kolkata). For almost 15 years, the company’s focus was on tobacco products in general and on cigarettes in particular. It was only in 1925 that the company expanded through backward integration into the packaging and printing business.

With increased hostility towards the tobacco industry, the company started the process of a makeover in the mid-seventies. First it changed the name to India Tobacco Company Limited (I.T.C. Ltd) in 1974. The following year, through ITC-Welcomgroup, the company entered into a strategic alliance with the U.S. based Sheraton Corporation and made its foray into the hospitality industry. The venture kick-started by acquiring a property in Madras (now Chennai) in the South Indian state of Tamil Nadu and named the hotel Welcomgroup Chola Sheraton – the middle name being a reference to one of the celebrated dynasties of South India. The same year, the company ventured into the paperboards business by promoting ITC Bhadrachalam Paperboards Limited (IBPL) in the state of Andhra Pradesh. This was subsequently converted into a division of the company. The integrated pulp and paperboards facility commenced operations in 1979.

1985 saw I.T.C. Ltd’s first move outside India with the establishment of Surya Tobacco Co. in Nepal as an Indo-Nepalese-British venture. Again, after a few years, this company became a subsidiary under the name Surya Nepal Private Limited (Surya Nepal).

I.T.C. Ltd set up its International Business Division for the export of agricultural commodities in 1990. The same year saw the company acquiring Tribeni Tissues Limited, a specialty paper manufacturing company and one of the major suppliers of tissue paper to the cigarette industry.
Again, after a few years, Tribeni Tissues Limited was merged with ITC Bhadrachalam Paperboards Limited (IBPL).

E-choupal, an initiative started by ITC Limited’s Agricultural Business Division in June 2000, is a unique web portal aimed at strengthening the Indian agricultural sector which is plagued by fragmented farms, weak infrastructure, and numerous intermediaries in the farming community. The website which can be accessed through village internet kiosks called “Sanchalaks” offers valuable information on the weather, the latest scientific farming practices, accurate market prices and market trends to Indian farmers in several Indian languages. E-choupal also facilitates the supply of high quality agricultural inputs to farmers at fair prices as well as the sale of finished products. E-choupal’s services today reach out to over a million farmers cultivating a range of crops in over 40,000 villages through 6500 internet kiosks across ten states. Apart from the challenge of imparting the requisite skills to the first time internet/computer user, inadequate power supply, telecom connectivity and poor bandwidth in remote areas of rural India are obstacles in making this a nationwide movement to lift small and marginal farmers out of poverty and into prosperity.

Kitchens of India (August 2001) is the name of the “Ready-to-eat” product range of ITC Limited. The “Ready-to-eat” dishes are a selection of authentic Indian recipes prepared by ITC’s “master chefs” and packaged in imported four layer retort pouches which can be micro waved, boiled or emptied out and heated in a pan before consumption. The recipes range from Indian curries to rice dishes called Biryani and desserts. The serving size of a single pouch is usually 2 to 3. It also offers conserves, cooking sauces and accompaniments called chutneys all in a “Ready-to-serve” format. Frozen meals and snacks are another variety sold around the globe - in India, USA, Canada, Brazil, Mauritius, and Germany.

In the last decade, the company has diversified into several areas – Lifestyle Retailing under the Wills Lifestyle brand, premium leisure wear for men and women under the Wills Sport brand, Information Technology through a subsidiary ITC InfoTech India Limited, Confectionary (Mint-O and Candyman brands), wheat flour (Aashirvad Atta), Incense Sticks (Mangaldeep), biscuits (Sunfeast), men’s wear (John Players), Personal Care Products (Essanza Di Wills), soaps, shampoos and creams (Fiama Di Wills), a range of fashion brands for the young woman (Miss Players), and safety matches (synergy in distribution).

A significant milestone occurred in 2001 when the company changed its name to ITC Limited (no full stops and no specific meaning attributed to the alphabets).

For the financial year 2010-11, ITC Limited reported a gross income of Rs. 314.23 billion (an increase of 16.92% over the previous year), a profit before tax of Rs. 74.40 billion (an increase of 20.81 over the previous year), and a profit after tax of Rs. 50.70 billion (an increase of 22.89 over the previous year).

THE TRIPLE BOTTOM LINE APPROACH – EMBEDDING SUSTAINABILITY IN STRATEGY

It is estimated (Source: World Bank) that 800 million people in India survive on less than $2 per day. Such a high level of deprivation and abject poverty renders societies unstable and leads to instability in business. Hence, a key part of strategy has to be the creation of sustainable livelihoods.

ITC claims that at the heart of its innovative strategies is the creation of unique business models that combine the creation of long-term shareholder value with the enhancement of societal capital. As an example, the E-choupal initiative has empowered small and marginal farmers through cloned propagation programs greened over 100,000 hectares and created cumulative employment of 48 million person days. The plantations provide a constant and reliable source of wood pulp for the company’s paper business. Such sustainable forestry measures have secured for ITC the membership of the Global Forest Trade Network of the WWF, a first-of-its-kind achievement for India. The company believes that the integration of larger societal goals into the company’s business models would foster a strong foundation for the future sustainability of the company and also ensure that societal benefits are more scalable and impactful.

ITC further claims that its sustainability efforts are strengthened by its program ‘Mission Sunehra Kal’ (literally meaning a golden tomorrow). This vehicle empowers rural communities by facilitating the adoption of sustainable practices that enable them to be economically competitive and socially secure. The initiative has two broad objectives (1) Diversify farming systems as a strategy for sustainable agriculture and climate change mitigation by broad basing the farm based livelihood’s portfolio of the poor (2) Expanding off farm income opportunities to reduce the disproportionate dependence of rural households on land. ITC’s integrated watershed development program is reported to have created fresh water potential covering 50,000 hectares in water starved areas. The company’s integrated animal husbandry services are reported to have reached out to 400,000 milk animals creating avenues for nonfarm based incomes. 200,000 children have attended the company’s rural supplementary education centers and over 20,000 women entrepreneurs have been created through 1000 self help groups. Mission Sunehra Kal has engaged with several state governments to deliver quality projects of high social value through Public-Private-People partnerships. The company is associated with the United Nations’ Global Compact, the world’s largest global corporate citizenship initiative.

A second pillar on which ITC claims to have achieved significant success is in the area of climate change by ensuring a low carbon future. Large scale afforestation initiatives are supposed to sequester twice the carbon emitted from the company’s operations. The propagation of sustainable agricultural practices and watershed development mitigate effects of climate change particularly for the poor in India who are more vulnerable to the effects
of extreme fluctuations in temperature and humidity. These actions are sought to be further complimented by continuously enhancing energy efficiency and to invest in cleaner and renewable energy sources. ITC claims that one third of its energy requirements are met through renewable sources. More investments in wind energy and “green boilers” (that use bio mass as fuel) have been planned to improve the migration towards renewable sources. As proof of its commitment to a low carbon philosophy the company points to the ITC Hotel Gardenia in Bangalore which has received the platinum LEED certification making it the largest hotel in the world to achieve the milestone.

ITC has eight registered projects under the UN’s framework convention on climate change under the Clean Development Mechanism (CDM). These projects have already started earning carbon credits. Other projects are at different stages of registration. The company proposes to conduct detailed Life Cycle Analysis of some of its businesses to help enhance its environmental responsibility efforts. It will also extend some of the sustainability practices to supply chain network partners in the near future.

ITC’s competitive vitality (the third pillar) is based on deep consumer insights, robust brands, contemporary marketing practices, a world class distribution network, formidable human capital, and endearing commitment to society. It is also based on a set of values that determine its corporate governance initiatives focusing on trusteeship, empowerment, transparency, accountability and ethical corporate citizenship. Significant investments have been made in R&D to create innovative products and services that would enhance the company’s competitive advantage.

To inculcate the concept of sustainability in the corporate world ITC has collaborated with the Confederation of Indian Industry (CII) to set up the CII-ITC centre of excellence for sustainable development to promote sustainable practices. ITC now prepares its annual reports in accordance with the G3 guidelines of the Global Reporting Initiative. The report is independently assured by Ernst & Young.

SUSTAINABILITY CHALLENGES AND RESPONSES / MITIGATING INITIATIVES:

1. **Discriminatory rates of taxation:** The Company claims that although cigarettes account for just 15% share of consumption, they contribute more than 85% of the Indian Government’s tax revenues from the tobacco sector. ITC plans to mitigate this challenge by engaging with policymakers for a balanced fiscal and regulatory framework that addresses the concerns of all stakeholders. ITC also plans to leverage multiple drivers such as branding, packaging, agri-sourcing and marketing to strengthen its cigarette business.

2. **Frequent changes in policies governing the agricultural sector:** Policies that are formulated by the country’s Central Bank (Reserve Bank of India) are claimed to have an adverse impact on initiatives such as E-choupals due to the distortions and restrictions on distribution. Here again, the Company’s response is to engage with policy-makers for a pragmatic framework that addresses the unique needs of the agricultural sector. A second response is to move away from traditional internet kiosks and towards mobile telephony as the primary means of communication (India’s mobile telephones have crossed the 700 million mark). Third, E-choupals (version 3) are now being transformed from an era of customization to an era of personalization in terms of the services being provided by them.

3. **Climate Change Risk:** The Indian agricultural sector is heavily dependent on the monsoon (rainy season) and changes in rainfall patterns can have an adverse impact on agricultural production. The absence of balancing reservoirs means that even during years when there is excess rainfall, water shortage is a looming threat (excess water reaches the sea in a matter of hours.) The Company’s assets in the coastal areas are subject to risks from natural disasters such as cyclones and storms. ITC’s initiatives to mitigate these risks include (a) moves to reduce the carbon footprint (b) reduce water intensity and create watershed development initiatives (c) create sustainable livelihoods and (d) protect assets from natural disasters through the use of technology, early-warning systems and emergency response mechanisms.

4. **Environmental Degradation Risk:** India has 17% of the world’s population but only 1% of global forest resources and 4% of global fresh water resources. ITC’s efforts towards augmentation include (a) investments in R&D to create disease resistant cloned saplings (b) creating a green cover of over 100,000 hectares (c) minimizing the consumption of freshwater per unit of output (d) treatment and recycling of all effluents and (e) maximizing the use of external wastes as raw materials. Recognizing the importance of its paper business, the Company collected over 25,000 tonnes of waste paper last year and recycled the waste.

5. **Poverty and Income Inequities:** Since 2 out of 3 Indians live under $2 a day as per World Bank estimates, ITC has developed unique business models. Its Triple Bottom Line approach supports over 5 million Indians live. The E-choupal initiative has benefitted 4 million farmers. ITC has also tried to improve the quality of life for the weakest segments of society through its primary education, health, and sanitation initiatives.

TRIPLE BOTTOM LINE: SUMMARY

**ECONOMIC:**
- Multiple drivers of growth encompassing FMCG, paperboards and packaging, agribusiness, hotels and information technology
- Turnover of US $ 6 billion and a market capitalization of US $ 30 billion
- Total shareholder returns (dividends & market capitalization) has grown at an annual compounded rate of 24% over the last 15 years
- FMCG businesses support the competitiveness, technology up gradation and market reach of 150 small and medium enterprises (SMEs)
The group provides direct employment to 30,000 people.

SOCIAL:
- ITC’s businesses generate livelihoods for over 5 million people.
- Globally recognized E-choupal initiative is the world’s largest rural digital infrastructure benefiting 4 million farmers.
- Social and farm forestry initiative has generated 1,00,000 hectares creating an estimated 48 million person days of employment.
- Watershed development initiative brings potable water to 54,000 hectares of dry lands and moisture-stressed areas.
- Sustainable community initiative include women’s empowerment, supplementary education and integrated animal husbandry schemes.

ENVIRONMENTAL:
- Carbon positive for five years in a row (sequestering/storing twice the amount of CO2 that the company emits).
- Water positive for eight consecutive years (creating three times more rain water harvesting potential than ITC’s net consumption).
- Water recycling positive for the last 4 years.
- One third of total energy consumed is from renewable sources.
- ITC’s Royal Gardenia and ITC Green Centre are two of the world’s largest LEED Platinum rated green buildings.
- Environment, Health and Safety management systems conform to international standards.

KEY FACTS ABOUT ITC’S SUSTAINABILITY INITIATIVES

1. CARBON POSITIVE IMPRINT

ITC’s manufacturing and freight operations generated total CO2 emissions of 1704 Kilotonnes (KT) in 2009-10. Higher CO2 emissions as compared to the previous year are attributed to significant growth in most businesses and increased pulp production for substituting imported wooden pulp. The company’s social and farm forestry initiatives added 13,333 hectares of plantations during 2009-10. Total plantations as on March 31, 2010 stood at 103,466 hectares. The social forestry initiatives have served two purposes:

1. A sustainable source of raw material for the paperboards and specialty papers business.
2. Helped sequester 4785 KT of CO2 and provided 48 million person days of employment.

Bottom line: Consolidated ITC’s position as a ‘Carbon-positive’ company for the fifth year in a row.
2. WATER POSITIVE IMPRINT

A. Normalized production versus Freshwater intake comparison for Bhadrachalam paper and paperboards unit

- Base year 1998-99, taken as 100

B. Specific Freshwater intake in Tribeni Mill (KL/Tonne)

- 54.8% reduction in specific freshwater intake since 1998-99

C. Specific Freshwater intake in Kovai unit (kl/tonne)
3. **ENERGY MANAGEMENT**

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<tr>
<td>Energy directly from fossil fuels</td>
<td>21.01</td>
<td>17.31</td>
<td>15.31</td>
<td>13.1</td>
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<tr>
<td>Energy from renewable sources</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Energy purchased from state utilities</td>
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**Renewable energy sources in ITC:**

- Black liquor waste (carbon neutral) from the pulping process in Bhadrachalam paperboards unit
- Waste wood biomass from chipping operations
- Locally sourced chip/sawdust and de-oiled bran (carbon neutral) as boiler fuel in Kovai
- Wind energy farms for the packaging and printing and the hotels businesses
- Solar Thermal systems for preheating boiler feed water and canteen hot water in a number of units

37.6% reduction in freshwater intake since 2006-07 at Kovai unit
Water balance at ITC

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<tr>
<td>Fresh water intake</td>
<td>24.10</td>
<td>22.48</td>
<td>24.98</td>
<td>25.58</td>
<td>25.79</td>
<td>27.46</td>
<td>32.72</td>
<td>29.96</td>
</tr>
<tr>
<td>Treated effluents discharged</td>
<td>14.64</td>
<td>14.04</td>
<td>19.55</td>
<td>20.96</td>
<td>19.58</td>
<td>18.92</td>
<td>24.52</td>
<td>23.41</td>
</tr>
<tr>
<td>% of treated effluent utilized for irrigation by farming community</td>
<td>**</td>
<td>**</td>
<td>86.9</td>
<td>86.8</td>
<td>80.5</td>
<td>79.4</td>
<td>72.3</td>
<td>84.8</td>
</tr>
<tr>
<td>Net water consumption</td>
<td>9.49</td>
<td>8.44</td>
<td>5.43</td>
<td>4.62</td>
<td>6.21</td>
<td>8.54</td>
<td>8.20</td>
<td>6.55</td>
</tr>
<tr>
<td>RWH potential created within ITC units</td>
<td>0.24</td>
<td>0.39</td>
<td>0.34</td>
<td>0.61</td>
<td>0.47</td>
<td>0.42</td>
<td>0.50</td>
<td>0.42</td>
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<tr>
<td>RHW potential created through watershed projects (cumulative for that year)</td>
<td>12.50</td>
<td>15.67</td>
<td>16.52</td>
<td>18.99</td>
<td>23.12</td>
<td>25.42</td>
<td>19.43</td>
<td>20.18</td>
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<tr>
<td>Total RWH potential created (for the year)</td>
<td>12.74</td>
<td>16.06</td>
<td>16.86</td>
<td>19.60</td>
<td>23.59</td>
<td>25.84</td>
<td>19.93*</td>
<td>20.60*</td>
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All figures in million kilo liters, except percentage
RWH – Rain Water Harvesting
* After adjusting for silt deposits
** Not Available

Energy Consumption within ITC across Businesses:

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<tbody>
<tr>
<td>Offices</td>
<td>0.2%</td>
</tr>
<tr>
<td>Foods &amp; Personal Care Products</td>
<td>0.9%</td>
</tr>
<tr>
<td>Packaging</td>
<td>1.2%</td>
</tr>
<tr>
<td>Hotels</td>
<td>2.0%</td>
</tr>
<tr>
<td>Leaf</td>
<td>2.2%</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>2.3%</td>
</tr>
<tr>
<td>Paper</td>
<td>91.2%</td>
</tr>
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- 2.5% reduction in specific energy consumption over the previous year at the Bhadrachalam unit
- 9% reduction in specific energy consumption at the Tribeni unit over the previous year
- 4.8% reduction in specific energy consumption at the Kovai unit over the previous year

4. EFFLUENT DISCHARGE

- 19.5% reduction in specific wastewater at Bhadrachalam unit over previous year
- 14.8% reduction in specific wastewater at Kovai unit over previous year
- 7.9% reduction in specific wastewater at Tribeni unit over previous year
- Adsorbable Organic Halides (AOX) (applicable only to Bhadrachalam unit)

- A comparison

<table>
<thead>
<tr>
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<th>AOX (kg/tonne)</th>
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<tr>
<td>Bhadrachalam Mill</td>
<td>0.0051</td>
</tr>
<tr>
<td>Indian paper / Paperboards Mills</td>
<td>0.41 – 0.80</td>
</tr>
<tr>
<td>European paper industries</td>
<td>0.029 (Confederation of European Paper Industries)</td>
</tr>
<tr>
<td>World Bank Standard</td>
<td>0.20 (Guidelines for new paper mills)</td>
</tr>
</tbody>
</table>

ITC is committed to achieving zero effluent discharge, by treating/recycling all the wastewater generated in its units and by harnessing all rainwater incident on its properties. The cigarette factories at Bangalore and Saharanpur, leaf processing plants at Anaparti and Chirale, the packaging and printing unit at Tiruvottiyur, research centre at Bangalore and Rajahmundry, the paperboards unit at Ballaram and ITC Green Centre at Gurgoan have already reached this goal by recycling all their treated effluents within their centers.

The paperboards and specialty paper business faces the most serious challenge in effluent quality and quantity. Even here, ITC’s plants have performed much better than the National Standard limits.
HONORS AND AWARDS DURING LAST TWO YEARS

- Chairman Y C Deveshwar was conferred the ‘Padma Bhushan’ the third highest civilian award by the President of India. He was also conferred the US Global leadership Award by the US India business council of the US chamber of commerce.
- ITC was presented the FICCI award for outstanding achievement in rural and community development.
- 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.
- ITC’s social and farm forestry program won the 2nd NASSCOM social innovation honors 2010 for bringing about social change and development through technology.
- ITC’s sustainability report 2009 was adjudged as one of the best global reports in the ‘Carbon Disclosure’ category in CRRA’10 (Corporate Responsibility Reporting Award’10) the only global body to evaluate corporate responsibility reports.
- ITC became the first Indian company to gain membership with WWF GFTN for responsible forestry.
- ITC InfoTech received the prestigious Social Accountability (SA) 8000:2008 certification.
- Two world star awards for packaging and printing business.
- ITC Sonar received the ‘Green Initiative of the year’ award from Hotelier India, for its CDM project on reduction of CO2 emissions.
- ITC received six national awards for corporate communications from the public relations society of India (PRSI).
- ITC unit Kovai received the award for ‘Excellent water efficient unit’ for the 3rd year at the sixth national awards for excellence in water management organized by the CII Sohrabji Godrej Green Business centre, Hyderabad.

EHS AWARDS AND CERTIFICATIONS

- 5 star rating and sword of honor (safety) by British Safety Council, UK – paperboards and specialty paper unit at Bhadrachalam.
- 5 star rating (safety) by British Safety Council – Packaging and printing units of Tiruvottiyur, Munger and Hardwar.
- 5 star rating (Environment by British Safety Council, UK) – paperboards and specialty paper unit, Bhadrachalam.
- Excellent Energy Efficient unit award 2009 by CII: paperboards and specialty papers unit at Bhadrachalam.
- Energy Efficient Unit Award by CII – cigarette unit at Saharanpur.
- National Award for excellence in waste management 2009-10 by CII: Kovai, Saharanpur and Bhadrachalam units.
- Eco friendly hotel by India Today Travel Plan: ITC Maurya.
- Gold: Paperboard unit at Bhadrachalam, ITC Hotel Mughal.
- Silver: ITC Hotel Kakatiya, Sheraton Rajputana.
- Greentech Safety Gold Award by Greentech Foundation: ITC Hotel Grand Central.
CRITICISM
There has been a fair deal of criticism of the claims made by ITC as also some of its much-proclaimed initiatives. The major criticism is that despite the diversification into several areas, ITC is and perceived to be essentially a cigarettes and leaf tobacco business, both of which have extensively been researched as being detrimental to human health. With half the reserves coming from this business, the company’s claims about responsible business appear rather hollow. In other words, the initiatives taken up by the company are seen as a smokescreen for its hazardous businesses. The second charge made against ITC is that the initiatives are often self-serving. For example, the social forestry initiative has essentially ensured a steady source of raw materials for the paperboards and specialty papers business. Similarly, the E-choupal initiative is seen as a clear strategy to strengthen ITC’s own agri-business division.

Gene Campaign’s Suman Sahay has termed ITC’s rural initiatives as a “wholesale holocaust.” He argues that in the absence of any legally enforceable regulation, the partnership between two wholly unequal partners – where one is a large corporation and the other may be a local, illiterate tribal community – can be highly detrimental to both the overall food security of the country and to local farming communities. Vandana Shiva of Navdanya echoes the view and feels that large retailers invariably drive down prices whenever they enter the fray, and therefore, will not benefit the farmers. “Corporations like ITC want to do away with the Mandy (rural market) system so that they can influence farmers and get away with giving them lower rates. Hindustan Lever Limited (a division of Unilever) has turned self-help groups across the country into their marketing arms. Thus, the farmers get trapped in vicious circles of purchasing, a condition fostered by unchecked corporate involvement in the rural sector.”

THE FUTURE
ITC was one of the first 10 companies in the world and the first from India to publish its Sustainability Report in compliance with the G3 Guidelines of the GRI (Global Reporting Initiative). Chairman Deveshwar also received the Sustainable Asset Management (SAM) / Sustainable Performance Group (SPG) Sustainability Leadership Award

Third, the scalability aspect of the initiatives has seriously been questioned. The rural marketing initiative has penetrated a mere 5% of districts and that too primarily in the soya bean and wheat belts of India. ITC has a major task on its hands in replicating the model to the rest of the country. Unless the business shows scale, success would be limited. Also, limiting the initiatives to soya bean and wheat has been primarily due to ITC’s interests in the agricultural exports business and internal consumption for branded food business. Further, ITC’s claim of being carbon positive is questionable. Sunita Narain of the Centre for Science and Environment (CSE), an independent think-tank argues that ITC uses the afforestation program to claim carbon credits. Since the trees are cut frequently (every 4-5 years), the gains from afforestation would be negated by the wood being consumed either as a raw material for making paper or as a fuel. Since new areas were not being brought under the program in a significant way, the claim for carbon credits might be a grand illusion. ITC has countered this criticism by saying that there is no single universal method for calculating carbon credits and that it has based a method that is found to be suited to the context. Similarly, it has defended its inability to expand the rural market initiatives to “bureaucratic problems and time involved in land acquisition and usage.”

Fifth, the company’s claims on energy consumption and water efficiency have also been questioned. The Centre for Science and Environment (CSE) estimates that the energy consumption of ITC’s paper mills is in reality twice that of similar mills in the developed countries. Similarly, CSE has calculated water usage at the paper plants, though lower than other paper mills in the country, to be 30-40% more than that of similar plants in the OECD countries. For his leadership in developing and implementing sustainability initiatives at ITC, Recently, the company has extended its E-choupal operations into South India. The company’s Vision 2020 includes the opening of 700+ choupal Supermarkets (in the rural areas). Whether these initiatives create new value for the stakeholders remains to be seen.

EXHIBIT: KEY ECONOMIC INDICATORS

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<tr>
<td>Contribution to Govt/Exchequer</td>
<td>10768</td>
<td>11233</td>
<td>13633</td>
<td>15845</td>
</tr>
<tr>
<td>Cost of bought out goods and services</td>
<td>8668</td>
<td>9901</td>
<td>10696</td>
<td>11052</td>
</tr>
<tr>
<td>Employee wages and salaries</td>
<td>733</td>
<td>891</td>
<td>1003</td>
<td>1159</td>
</tr>
<tr>
<td>Payments to providers of capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Interest &amp; Dividend</td>
<td>1324</td>
<td>1415</td>
<td>3872</td>
<td>3443</td>
</tr>
<tr>
<td>-Retained Earnings</td>
<td>1577</td>
<td>1634</td>
<td>(391)</td>
<td>549</td>
</tr>
<tr>
<td>Community Investments</td>
<td>57</td>
<td>61</td>
<td>40</td>
<td>45</td>
</tr>
</tbody>
</table>

Rupess in Crores (1 Crore = 10 Million)