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20th July, 2022

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The General Manager
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BSE Ltd.
P. J. Towers
Dalal Street
Mumbai 400 001

The Secretary
The Calcutta Stock
Exchange Ltd.
7, Lyons Range
Kolkata 700 001

Dear Sirs,

111th Annual General Meeting of the Company - 20th July, 2022

We enclose a copy of the address by the Chairman on 'ITC: **Building a Competitive, Future Tech, Climate Positive and Inclusive Enterprise**' delivered at the 111th Annual General Meeting of the Company held on 20th July, 2022.

Yours faithfully,
ITC Limited

(R. K. Singhi)
Executive Vice President &
Company Secretary

Encl: as above.



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Enduring Value

111TH ANNUAL GENERAL MEETING

**ITC LIMITED
JULY 20, 2022**

**ITC:
BUILDING A COMPETITIVE,
FUTURE TECH,
CLIMATE POSITIVE
AND INCLUSIVE ENTERPRISE**

**ADDRESS BY CHAIRMAN & MD
MR SANJIV PURI**



Ladies and Gentlemen, we meet today as the world traverses a very challenging journey. While it is heartening that India has responded to the pandemic with admirable resilience, global risks have got accentuated with geo-political tensions and severe economic stress caused by untamed inflation and supply-side disruptions. The recessionary trends and debt crisis in certain geographies are also of concern for the global economy. Worsening food and energy security, together with the growing inequities world-wide, poses new threats to society. Amidst all this, the stark sustainability challenges continue unabated, with climate change becoming an existential threat, and livelihood generation a daunting task for nations across the world.

Yet, never before has so much transformation taken place in such less time. The pandemic indeed fast-tracked the journey into the future in ways unimagined. A tectonic shift is being driven by an exponential pace of digital adoption and futuristic innovation. The way people collaborate, work and engage has got profoundly redefined. The emerging geo-economic realities, the need to find newer ways to build resilience and adaptation; adoption of green technologies, mobility and infrastructure; redefined supply chains as well as rapid digital advancements will drive unprecedented change in the years to come.

In such a volatile global environment, it is heartening that India demonstrated admirable resilience and achieved robust recovery driven by the Government's proactive policy measures. Notwithstanding the global headwinds, the promise of the India story is still intact and the economy is poised to remain one of the fastest growing in the world. It is indeed commendable that the Government, while astutely addressing the near-term challenges, has continued to focus on pathbreaking reforms and policy interventions to enhance competitiveness of the economy. The Prime Minister's visionary Gati Shakti scheme to redefine infrastructural development, the Digital India initiative, as well as the announcements made by the Finance Minister in the last Union Budget to enhance public expenditure to crowd in private investments, targeted initiatives to support the rural & agri sector and FPOs are indeed farsighted measures to usher in a new paradigm of socio-economic progress. In addition, the PLI scheme aimed at fostering manufacturing investments and the proactive steps to encourage startups have unleashed entrepreneurial spirits to build a New India.

While there are near-term challenges, your Company is optimistic about the prospects of the Indian economy. ITC's future-ready and purpose-driven Businesses and Brands are well poised to seize the emerging opportunities and make a meaningful contribution to national priorities.

Building Competitiveness with Robust Triple Bottom Line Performance

Your Company's pursuit of 'Responsible Capitalism' has inspired our vision to build an extremely competitive enterprise that contributes in equal measure to people, planet and profit. This abiding vision is embedded in your Company's credo of 'Nation First: *Sab Saath Badhein*'. Over the years, innovative business models have been crafted and focussed investments made to build strategic national assets in the true spirit of *Atmanirbhar Bharat*. These vibrant assets anchor inclusive value chains, enable import substitution, enrich



environmental capital and support large-scale livelihoods whilst also creating unique sources of competitive advantage. They are manifest in the state-of-the-art integrated manufacturing facilities established across the country; in the thousands of MSMEs that we engage with & hundreds of production facilities that support local entrepreneurship; in iconic hospitality properties that enhance the country's tourism landscape; in cutting-edge intellectual property assets and in the empowerment of farmers, local communities and partners who are the lifeline of the economy. The opportunities arising out of India's growth story have also encouraged us to invest in 5 new manufacturing facilities that will be commissioned in the near term in areas such as agri & food processing, as well as packaging, among others. These assets are deeply aligned to the country's 'Make in India' and 'Digital India' vision as well as to the endeavours to 'Double Farmers' Income'.

Your Company has, in recent years, put in place an extensive strategy reset to architect structural drivers to shape the next horizon of growth and competitiveness with sharp focus on agility, innovative capacity, digital transformation, structural cost optimisation, sustainability and empowered talent to create enduring value for all our stakeholders.

The year gone by was marked by heightened volatility in the operating business environment, especially in the first half. Despite these challenges, which were also compounded by severe inflationary headwinds, Gross Revenue of your Company grew by 22.7% to over Rs 59,000 crores whilst EBITDA rose to nearly Rs 19,000 crores with an increase of 22%. It is indeed heartening that, notwithstanding the near-term challenges, your Company continues to deliver robust growth across all business segments, though inflation remains a key monitorable. As valued shareholders, you will also take pride that your Company achieved several milestones in its sustainability journey with global distinctions in climate action, enhanced capacity in green infrastructure and new dimensions in inclusive growth.

FMCG

Your Company has built and nurtured a portfolio of 25 world-class Indian brands in a short span of time with a superordinate vision to create and retain larger value in India. ITC is today the largest incubator of FMCG brands in India, anchoring competitive and inclusive value chains in wheat, potato, fruits and vegetables, dairy, aqua, forestry among others, that empower millions of farmers. These innovative purpose-led brands are at the forefront of raising awareness on contemporary social issues such as women empowerment, health & hygiene, mental wellness, nutrition, sustainability and so on. Today, it is immensely encouraging that your Company's newer FMCG Businesses have garnered an annual consumer spend of Rs 24,000 crs. The carefully selected portfolio, with substantial headroom to grow, is estimated to have a total addressable market potential of Rs 5,00,000 crores by 2030, which is amongst the highest in the Indian FMCG space.

ITC launched 110 products during the year, indeed a testimony to your Company's consumer centricity, agility, innovative capacity and digital transformation. It also reflects the ITC Next strategy to fortify and scale up our mega brands such as Aashirvaad, Sunfeast, Bingo! and Yippee!, leverage some of these power brands to address value-added adjacencies and invest in categories of the future. Today, Aashirvaad which is a strong centre-of-plate brand



encompassing a range of staples has been extended to Organic, Frozen Breads & Vermicelli; Sunfeast beyond Biscuits to Cakes and Savlon to Surface Disinfectant Sprays and so on. Your Company is also investing in categories of the future with some segments being progressively scaled up such as natural-action Nimyle floor cleaners and ITC Master Chef frozen snacks. We continue to incubate new engines of growth to create beachheads in areas that hold promise for the future. In addition, value-accretive acquisitions like Sunrise spices and investments in tech-enabled startups like Mother Sparsh and Mylo, in fast-evolving spaces like mother and childcare, will provide new vectors to accelerate growth.

As we achieve scale for your Company's FMCG portfolio, it is also our aspiration to take these world-class brands to overseas markets. In recent years, we have established distribution arrangements abroad enabling appreciable progress of exports of ITC's 'Proudly Indian' brands to over 60 countries. Over time, such exports will make a substantial contribution to the growth of your Company's value-added FMCG portfolio.

The FMCG landscape and consumer access points are transforming rapidly. To stay ahead of the curve, your Company continues to invest in future-ready capabilities to develop new routes to market with strategic partnerships, whilst expanding the breadth, depth and effectiveness of its distribution infrastructure. Today, your Company's products are available in nearly 70 lakh outlets through our vibrant omni-channel network.

Your Company has built state-of-the-art Integrated Consumer Goods Manufacturing and Logistics (ICML) facilities across the country to create structural advantages with leaner operations and smart manufacturing leveraging Industry 4.0, enabling a higher level of product freshness, best-in-class quality, market servicing, agility and efficiency. During the year, a new plant was commissioned at Medak, Telangana, taking the total to 10 such modern facilities. In addition, 3 co-located automated logistics centres have been established which together with next generation agile supply chains will enable superior and efficient fulfilment.

It is also heartening that women comprise a large majority of the workforce in the new ICMLs, reflecting your Company's commitment to foster Diversity and Inclusion. Recently, your Company has also created an inclusive panel with 60 visually impaired evaluators as fragrance experts for the Mangaldeep brand of agarbattis.

Your Company's interventions in the newer FMCG Businesses have enabled robust growth of 25% in Revenue during the last two years of the pandemic, reaching nearly Rs 16,000 crs in FY22. Despite the unprecedented inflationary headwinds, your Company sustained EBITDA margins last year and also improved margins by 650 basis points over the last 5 years. As part of the ITC Next strategy, the FMCG Businesses continue to create structural competitive advantages and enhance profitability through a gamut of interventions. These include investments in the brand portfolio, science-led innovation, a smart connected ecosystem as well as in building structural advantages in the supply chain and multi-channel distribution. Over time, these investments together with the unique synergy of your Company's enterprise strengths will increasingly contribute to growth and profitability, in spite of the gestation costs associated with scaling up nascent categories and new facilities.



The traditional business segment of Cigarettes also recovered during the year with normalisation of economic activity and is now ahead of pre-pandemic levels. The legal cigarette industry has been severely impacted by smuggled and tax-avoided products over the years and a relatively stable tax regime is expected to enable the industry to claw back volumes over time. To counter the menace of illegal cigarettes and reinforce market standing, your Company will continue to fortify the product portfolio with focus on innovation, premiumisation and superior on-ground execution.

Agri Business

Your Company is a trailblazer in farmer empowerment with deep engagement in agriculture that spans over a century. Today, your Company's Agri Business sources over 40 lakh tonnes of agri-commodities from 22 States & 20 agri-value chains and is a leading exporter to over 95 countries across the globe.

Agriculture is the lifeline of the Indian economy. Although nearly half of the country's workforce is dependent on this sector, it contributes to less than 19% of the country's GVA, reflecting the challenges of low productivity, investments and incomes. Even though India is blessed with strong endowments in agriculture, its share of global trade is only 3%, whilst less than 10% of the country's agri produce is processed. Agricultural productivity and incomes are today seriously threatened by climate change and depleting natural resources, even as the rising population calls for enhanced food and livelihood security.

Global food demand is expected to increase anywhere between 59% to 98% by 2050 according to an article in the Harvard Business Review. A report by the HLEG set up by the 15th Finance Commission has highlighted that India's agri-food exports can double over the medium term, given that the country possesses the largest tracts of arable land in the world as well as diverse agro-climatic zones. Strategic partnerships developed along the lines of the 'Food Security Corridor Initiative' signed as part of the India-UAE CEPA can go a long way in promoting India's potential. Undoubtedly, this will call for higher levels of production, building of competitive agri value chains, crop diversification to value-added products and scaling up of food processing to serve emerging consumer needs for products that are sustainable and identity preserved particularly in the health, nutrition and organic space.

It is therefore imperative to usher in Next Generation Agriculture by orchestrating an orbit-shift from the conventional production-centric supply chains to demand-responsive value chains anchored by market players. Your Company is committed to make a meaningful contribution to this new era of agricultural transformation. The strategic focus will therefore be on strengthening its value-added portfolio, expanding regenerative agriculture initiatives through its climate smart programmes and accelerating adoption of advanced technologies through ITCMAARS to create new and scalable revenue streams, whilst benefitting farmers. At the core, is your Company's endeavour to restructure the backend into a robust network of vibrant FPOs to aggregate farmer effort and enhance efficiencies. Over time, your Company will engage and empower over 4,000 FPOs, thereby benefitting more than 1 crore farmers.



To power next generation agriculture, your Company has launched ITCMAARS, an acronym for Meta Market for Advanced Agricultural Rural Services, as a crop agnostic integrated 'phygital' eco-system, which is embedded with a full stack AgriTech platform with FPOs as the pivot. This platform provides farmers with AI/ML driven personalised and hyperlocal crop advisories, access to good quality inputs and market linkages as well as allied services like pre-approved loans. It also offers advanced technologies like real-time soil testing, quality assaying and precision farming at the doorstep of farmers. ITCMAARS has now been launched in 7 States with 40,000+ farmers grouped in 200+ FPOs and will be progressively scaled up across the country. Given the size of the agri and allied sectors, ITCMAARS has the potential to become a considerable segment of your Company's Agri Business besides strengthening its agri-sourcing expertise over time. This defining initiative will make a substantial contribution to the national priorities of multiplying farmers' income and enhancing livelihood opportunities.

In the year gone by, your Company's Agri Business demonstrated stellar performance with strong export growth in wheat, rice, spices and leaf tobacco. The investments made over the years in ensuring high quality and superior sustainability performance also aided robust exports of leaf tobacco. Segment Revenue increased by nearly 29% and Segment Results by around 26%. The superior sourcing expertise of the Business continues to create sustainable competitive advantage for ITC's FMCG portfolio. Going forward, the strategic focus on value-added crops, ITCMAARS and climate smart agriculture will drive new vectors to sustain growth and profitability in this area of national priority.

Paperboards, Paper & Packaging

I draw immense satisfaction that your Company's Paperboards & Paper Business is an exemplar in triple bottom line contribution with industry-leading performance, environmental stewardship and inclusive growth models that support millions of livelihoods.

The ITC Next vision envisages a strategic focus on promising vectors of growth by scaling up value-added paperboards and pioneering Next Generation sustainable packaging solutions. Investments in Industry 4.0, together with an intensified focus on technological excellence, integrated & renewable fibre value chain and import substitution are enhancing competitiveness by setting new benchmarks in productivity, quality and strategic cost management. Your Company is developing innovative sustainable packaging solutions on the laminated board and moulded fibre platforms and has recently launched several B2B brands to provide innovative options to the food & beverages and takeaway segments, amongst others. Given the heightened consumer and regulatory pressures to substitute single-use plastics, this area offers immense potential and your Company is committed to make a growing contribution to this sector.

As valued shareholders, you will draw immense satisfaction that your Company's Paperboards Business contributes to several areas of national priority. Enabling large-scale climate action, import substitution and livelihood support, your Company has anchored an extensive afforestation programme. Cumulatively, the programme has covered 9.5 lakh acres, supporting over 170 million person days of employment. It was the first in India to receive the



Forest Stewardship Council-Forest Management (FSC®-FM) certification and is today the leading provider of FSC®-certified paper and paperboards in the country. Your Company has also invested in India's first and only Bleached Chemical Thermo Mechanical Pulp Mill to substitute imported softwood pulp through innovative technologies and support additional livelihoods along the pulp value-chain. Scaling new heights in environmental leadership, investments were recently made in a state-of-the-art High Pressure Recovery Boiler at Bhadrachalam which will significantly reduce emissions and costs whilst enhancing pulp productivity.

A stellar performance was achieved this year with 36% growth in Segment Revenue and nearly 55% in Segment Results. The strategic thrust on product mix enrichment, structural cost management, sustainable packaging and Industry 4.0 will continue to drive competitively superior performance in the years ahead.

Hotels

Your Company's hospitality business has over the years made a significant contribution to enriching the tourism landscape of India with iconic properties, signature cuisine brands and international standards of service excellence. With 113 properties, your Company's Hotels Business remains amongst the country's fastest growing hospitality chains. ITC Hotels has redefined sustainability with its credo of 'Responsible Luxury'. I take immense pleasure in sharing with you two significant milestones in this journey. ITC Hotels and Welcomhotels achieved, much ahead of time, the 2030 carbon emission targets envisaged in the COP21 Paris agreement. In addition, ITC Grand Chola at Chennai, ITC Gardenia and ITC Windsor at Bengaluru became the first 3 hotels in the world to receive the LEED® Zero Carbon certification.

To accelerate growth, your Company has adopted an 'asset-right' strategy that provides greater thrust on management contracts through the refreshed Welcomhotel brand as well as the launch of two new brands - 'Mementos' in the luxury segment and 'Storii' for curated experiences. Your Company has launched 9 hotels this year and has a healthy pipeline of new properties which will be opened over the next few quarters. Your Company will shortly unveil ITC Narmada, our signature property in Ahmedabad, as a befitting tribute to the rich heritage and vibrant culture of the State of Gujarat.

Undoubtedly, the last two years have been the most challenging for the travel and hospitality sector world-wide. Your Company's Hotels Business responded with commendable agility to tap alternate customer cohorts and garner new revenue streams. The segment revenue for the year doubled whilst segment PBIT turned positive in the second half of FY22. The resurgent trend in domestic tourism, MICE and banqueting highlight the immense opportunities for trusted brands like ITC Hotels in a post pandemic era.

Your Company's implementation of the 'asset-right' strategy, together with strategic interventions in recent years, investments in digital technologies and pursuit of alternate structures in line with industry recovery dynamics, position it well to scale the next horizon of growth.



ITC Infotech

Your Company's subsidiary ITC Infotech has demonstrated encouraging progress in recent years with its abiding commitment to deliver 'Business Friendly' solutions.

Building on its substantive expertise in Product Lifecycle Management services, ITC Infotech has recently acquired a substantial portion of PTC Inc's PLM professional services business. This makes it one of the largest organisations in this segment and reinforces its position as a leader in Digital Manufacturing whilst enlarging its global presence.

Targeted investments in chosen domains, technologies and focus on customer and employee centricity, position it well as a future-ready global business with immense promise to be a significant value creator.

Sustainability

I am sure you will continue to draw immense satisfaction in your Company's journey as a global exemplar in sustainability. ITC is now carbon positive for 17 years, water positive for 20 years and solid waste recycling positive for 15 years. Your Company sustained its 'AA' rating by MSCI-ESG for the 4th successive year. In addition, CDP has rated ITC at the 'Leadership Level' score for both Climate Change and Water Security. Your Company continues to be included in the Dow Jones Sustainability Emerging Markets Index. This year, continuing our stewardship in promoting a circular economy, an important milestone was achieved with the Company exceeding its commitment on plastic neutrality, collecting and managing more than 54,000 tonnes of plastic waste across 35 States and Union Territories. I will discuss some of the far-reaching initiatives in a subsequent section.

Building a Future Tech Enterprise

Your Company is on a mission to build a Future Tech enterprise with investments in purposeful consumer-centric innovation, technology, a digitally-enriched smart ecosystem and sustainability. Whilst I have earlier highlighted the integration of future tech in our business strategy, I would now like to dwell on some of the foundational layers of this journey.

Your Company's vibrant portfolio of future-ready brands reflects the strength of purposeful and agile innovation that is resident in the market-aligned R&D platforms of ITC-LSTC. To delight consumers and contribute to resolving some of the critical challenges facing society, innovations are being nurtured in high impact areas such as nutrition, wellness, hygiene, convenience foods, agriculture and sustainability. Today with over 900 patents filed, the ITC-LSTC has been ranked as the top private sector innovator in the country. Your Company is also actively engaging with over 30 startups besides collaborating with renowned institutions in India and overseas to build scalable solutions.

Recognising that malnutrition is one of India's serious developmental challenges, the Government has established Mission Poshan 2.0 to contribute to the UN SDGs. Focussing on this national nutrition priority, your Company has launched a comprehensive programme called 'Help India Eat Better'. This is powered by a 4-pillar strategic model encompassing the development of a 'good-for-you' product portfolio, implementation of sustainable food



systems, catalysing support to building healthy societies and enhancing consumer as well as employee awareness.

Your Company's 'good-for-you' portfolio is aimed at enhancing the nutrient value of products to address concerns arising out of anaemia, digestive health, diabetes, immunity, lactose & gluten intolerance and so on. For example, your Company's Aashirvaad multi-grain atta and the Farmlite range of biscuits provide goodness of fibre to aid digestive health. Enhancing consumer awareness on such issues, a dedicated content marketing platform 'Happy Tummy' has been created with blogs, expert videos, nutritionist consultations and high fibre recipes. Your Company has added micro-nutrients in a range of affordable FMCG offerings and launched a unique fortified +F portfolio of milk and atta, amongst others. Recognising that 7 out of 10 Indians are protein deficient, your Company has launched innovative products such as the Sunfeast Protein shake. The B Natural Nutrilite ABC beverage has been specially crafted with proprietary extracts to boost immunity. Drawing from the insight that 30% of people in West Bengal are lactose intolerant, the Aashirvaad Svasti Easy Digest Milk was launched in pouches, making it accessible for consumers.

Your Company's endeavour to strengthen sustainable agri-food systems is anchored on the Next Generation agriculture interventions highlighted earlier, as well as on the development of climate resilient varieties and innovative products. These include planet-friendly and micronutrient rich millet-based products marketed under the Aashirvaad Nature's Super Foods brand. We have developed a range of innovative products which will be launched as the country celebrates the International Year of Millets in 2023. Your Company also introduced sustainable plant-based protein products for consumers under the ITC Master Chef IncrEdible brand. Recognising that building community awareness is crucial, dedicated programmes like 'Project Samposhan' have been initiated in select Aspirational Districts to address the critical concern of anaemia.

Your Company continues to build an insight-driven Future Tech enterprise with a connected smart eco-system across every node of the value chain encompassing digital marketing, digital commerce, digital products and digital operations. Your Company is today a pioneer in adoption of digital technologies across strategic impact areas spanning intelligent new-age insights that reimagine Consumer Experience, Business Model Transformation, Smart Operations and Employee Experience. Initiatives such as 'Young Digital Innovators Lab' and 'DigiNext' are driving a data-driven and 'digital first' culture across the organisation and empowering teams to explore, experiment, adopt and scale up cutting-edge technology interventions.

ITC is also redefining consumer experience by providing them customisation options with initiatives like the 'Meri Chakki' atta and Classmateshop.com. Unique personalised solutions are being offered with the 'Engage Fragrance Finder' and the 'Dermafique' Smart Skin Advisor. The 'Mangaldeep' App also offers a range of engaging content in the devotional space. The consumer-connect initiatives and campaigns, led by the 6th Sense Marketing Command Centre, have been recognised with more than 85 awards during the year. Deployment of Industry 4.0, AI & ML technologies across the supply chain is leading to a



higher order of efficiency and superior market servicing. The 'UNNATI' app, that covers over 3 lakh outlets, and programmes like 'PACE' have enhanced effectiveness of last mile execution. In the Hotels Business, digital investments continue to be leveraged towards facilitating customer acquisition, enhancing guest experience, enabling smart revenue management and driving operational efficiency through a mobile-first approach with a full-stack ITC Hotels App.

Your Company's 'ITC e-Store' is growing from strength to strength and is now operational in 15 cities, with 45+ categories and 700 products. Overall sales through e-Commerce channels grew by 3x over FY 20.

We recognise that digital is a megatrend of the decade which will profoundly impact as well as disrupt conventional models. Therefore, your Company continues to invest in a smart connected eco-system to significantly sharpen competitive edge and pursue new opportunities that lie at the intersection of digital, sustainability and its enterprise strengths.

Building a Climate Positive and Inclusive Enterprise

Let me now turn to a few issues that are of immense concern to every nation in the world. Climate change has today emerged as an unprecedented existential crisis. Although heightened commitments were made by most countries at COP26, the unfortunate reality is that a 2-degree rise seems inevitable by the middle of the century, even if all current pledges are delivered. This can be catastrophic for living systems on this planet. The last few days have itself witnessed devastating wildfires & record-breaking heatwaves in Europe, leading to authorities issuing 'Danger to Life' warnings. A spate of cloudbursts in India in the last fortnight have also spelt unfortunate disaster. It is abundantly clear that radical and most urgent measures need to be taken to avert the impending calamity.

The world will no doubt need a revolution of innovative solutions not only for 'hard to abate' sectors but also to rapidly progress action on 'possible to abate' areas. While doing so, it would be important that such climate action ensures a 'just transition' to a greener economy. To my mind, emerging countries will need greater access to green finance and appropriate green instruments to facilitate this transition, particularly to support climate vulnerable agri value chains. In the years ahead, growing consumer and regulatory pressures as well as the institution of a National Carbon Market will provide an impetus to decarbonisation efforts across all sectors.

Perhaps the biggest threat today is the impact of climate change on food systems and livelihoods of poor farmers. According to a recent FAO report, several agri-commodities can be impacted by adverse weather conditions. It was reported that 70 percent of the winter wheat area in the United States, soyabean in Argentina, Brazil and Paraguay, sugar in Brazil and milk in El Salvador has faced output losses due to climate change. Closer home, the unprecedented heatwaves are likely to cause a 3% drop in wheat output. Building climate resilience of agriculture is critical since it addresses the major concern of food and livelihood security.



As overwhelming as the challenges are, it is your Company's unshakeable belief that businesses possess immense capability to make a transformational contribution. When corporates make sustainability the bedrock of their business strategy, it spurs innovation to deliver extreme competitiveness, sustainable and inclusive growth in a unified dimension. This philosophy of Responsible Capitalism has been our guiding beacon, manifest in our credo of 'Nation First: Sab Saath Badhein', leading to exemplary performance across the triple bottom line. **It is your Company's firm resolve to scale newer heights in creating a Climate Positive and Inclusive Enterprise that can contribute meaningfully towards the transition to a net-zero economy.**

Given the enormity of the challenges that confronts us today, your Company has now articulated an even more ambitious Sustainability 2.0 (S2.0) vision that builds on its inspiring sustainability journey of two and a half decades. The goals envisaged in the S2.0 vision will further strengthen your Company's multi-dimensional efforts to combat climate change, enable water stewardship, scale up nature-based solutions, create an effective circular economy and expand programmes that support sustainable livelihoods.

India's rural sector is home to two-thirds of the country's population. Therefore, to empower rural communities and transform the agri sector, your Company has implemented a mosaic of initiatives based on a 2-horizon approach. While the first horizon aims at securing and strengthening the dominant sources of livelihood through extensive programmes for farmer empowerment, the second focuses on building capabilities for the future in areas such as primary education, vocational training, women empowerment, healthcare and so on. It is a matter of immense satisfaction that over the years, women are playing a larger role in ITC's Social Investments Programme and form the core of village grassroots institutions. Your Company's women empowerment initiative catalyses a range of gainful opportunities including high-impact programmes such as financial literacy mobilising over 13 lakh women.

Decarbonisation and Green Infrastructure

Pursuing a proactive strategy of decarbonisation, your Company is increasing its renewable energy footprint, enhancing green infrastructure, scaling up carbon sequestration and ensuring best-in-class standards in specific energy consumption. Today, around 42% of ITC's total energy requirements is met from renewable sources despite a growing footprint of operations. Recent investments in the high pressure recovery boiler and in solar farms will also contribute to ITC's Sustainability 2.0 goals of achieving 50% of total energy consumption and 100% of electricity requirements from renewable sources by 2030.

Your Company is at the forefront of the Green Infrastructure movement with as many as 39 buildings receiving the highest-level Platinum certification by the USGBC or IGBC. These include luxury hotels, factories, office and residential complexes as well as a data centre.

ITC's Social and Farm Forestry initiative contributes to your Company sequestering over 2 times the emissions from its operations. Your Company is also scaling up its Biodiversity programme, which today covers over 1.3 lakh acres across 29 districts and will be progressively expanded to over 10 lakh acres by 2030.



Climate Smart Villages

Leveraging your Company's extensive experience in promoting sustainable agriculture, we are now scaling up the Climate Smart Villages (CSV) programme in collaboration with CGAIR to build climate resilience and adaptation. A suite of interventions has been launched across 2500 villages in 11 States. The first pilot at scale in Madhya Pradesh has demonstrated encouraging results with yields going up by 15% to 38%, net incomes by 46% to 93% and GHG emissions reducing by 13% to 66%. The success of this initiative has encouraged us to extend the programme to 30 lakh acres by 2030.

Water Stewardship

Over 54% of the country faces acute water stress. Your Company's integrated watershed development programme today covers over 13 lakh acres, creating rainwater harvesting potential that is nearly 4 times the net water consumed by our operations. The 'More Crop per Drop' programme for demand side efficiency continues to be scaled up, achieving upto 40% water savings across 14 crops. Moving to the next horizon of water stewardship, ITC has undertaken a large-scale river basin regeneration project on the Ghod river in Maharashtra. In a span of 5 years, the Ghod Basin turned water positive, encouraging us to extend such work to 3 other river basins. Your Company was awarded the first AWS Platinum certification in India for its Paperboards unit at Kovai, and is now working towards certifying all units in high water stress areas. It will also be our endeavour to scale up rainwater harvesting potential equivalent to over 5 times the net water consumption by 2030.

In Conclusion

Your Company takes humble pride that its synergistic portfolio of businesses across agriculture, manufacturing and services enables it to make a meaningful and growing contribution to the Nation and our stakeholders. The ITC Next Strategy lends new wings to your Company to achieve higher levels of competitiveness in a volatile economic environment. As we scale greater heights in the future, I draw immense strength from the energy, passion and dedication of Team ITC and am deeply heartened to witness their commitment to contribute to growth that is competitively superior, yet sustainable and inclusive. Your Company is also privileged to receive the unwavering support from all our valued stakeholders including our consumers and customers, farmers, local communities, partners and many others. On behalf of the Board, and my own, I would like to convey our deepest appreciation to all of them for partnering us in traversing this eventful journey.

As I end, I would like to sincerely thank our valued shareholders and reiterate that I will look forward to your continued support and encouragement. Given that the pandemic is not yet behind us, I will once again urge all of you and your families to remain safe and secure.

Thank you, Ladies & Gentlemen.