ITC Limited
Virginia House
37 J. L. Nehru Road
Kolkata 700 071, India
Tel. : 91 33 2288 9371
Fax : 91 33 2288 4016 / 1256 / 2259 / 2260

Enduring Value

30th July, 2018

The Manager
Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza,
Plot No. C-1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051

The General Manager
Dept. of Corporate Services
BSE Ltd.
P. J. Towers
Dalal Street, Fort
Mumbai 400 001

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

Dear Sirs,

107th Annual General Meeting – 27th July, 2018

We enclose a copy of the Chairman's Speech on **'ITC: In Pursuit of New Horizons – Creating Growing Value for Farmers, Consumers and Society'** delivered at the 107th Annual General Meeting of the Company held on 27th July, 2018 at Kolkata.

Yours faithfully,
ITC Limited

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

Encl. as above.



cc: Securities Exchange Commission
Division of Corporate Finance
Office of International Corporate Finance
Mail Stop 3-9
450 Fifth Street
Washington DC 20549
U.S.A.

cc: Societe de la Bourse de Luxembourg
35A Boulevard Joseph II
L-1840 Luxembourg

107th Annual General Meeting
ITC Limited
July 27, 2018

ITC: IN PURSUIT OF NEW HORIZONS
CREATING GROWING VALUE FOR FARMERS, CONSUMERS AND SOCIETY

Address by Chairman, Mr YC Deveshwar

Ladies & Gentlemen, over the last two months, reports published by the World Bank and the IMF reaffirm what economy watchers have been predicting for a while. India will sustain its mantle as the world's fastest growing major economy in 2018. This growth trajectory is expected to continue for a while powered by growing consumption demand and an expected upswing in private capital investment.

In the last two decades, your Company has indeed traversed a remarkable journey of transformation. A vibrant organisation has been built with immense vitality that today empowers millions of farmers, delights consumers in both rural and urban markets and enriches the nation in myriad ways. Building on these foundations, a promising tomorrow is unfolding. A future that is being shaped with the strength of assets and competencies nurtured over the years to secure enduring competitiveness of your Company.

In this address today, I would like to share with you some of my thoughts on the journey ahead, as your Company prepares to scale new horizons to create growing value for its stakeholders and the larger Indian society.

Sustainability Challenges : Role of Business

It is at once humbling and fulfilling to witness how ITC's Vision to serve a larger national purpose has now become the very soul of the enterprise -- A guiding force that has driven every thought, strategy and action to create an exemplary Indian enterprise.

Two decades ago, your Company embarked on a mission to transform itself into an engine of growth for the Indian economy, making the creation of larger societal value the bedrock of its corporate strategy. It is your Company's conviction that the ultimate purpose of business is to serve society. By pursuing economic objectives in a manner that serves a larger societal purpose, corporates make growth more enduring. It is then that shareholders can be rewarded with sustained wealth creation over the longer term.

Business cannot endure in societies that fail. The world over, income inequity, poverty, growing social unrest, extreme weather events born out of climate change and jobless growth

severely impede progress despite the path-breaking advancements in science and technology.

India's developmental challenges are even more daunting. India is home to a large share of the world's poor. Its resources, relative to its population, are meagre. With 17% of the world's population, India has only 2.4% of land area, 4% of freshwater and 1% of forest resources. In less than a decade from now, India's population is slated to outstrip that of China, further stretching the ecological and economic resources needed for development. Providing food, water, energy, education, health care and above all, livelihood security to the estimated 1.5 billion people will multiply the challenges manifold. Gainful livelihood opportunities need to be found for the millions of young people who enter the job market every year. **It is quite evident that challenges of this magnitude cannot be addressed by any single organ of society alone.** The need for collective action has never been more pressing.

It has been my belief that the managerial and innovative capacity of business can significantly contribute towards making a transformational change in society. **It is with this strength of conviction that your Company has pursued innovation in business models to synergise the creation of economic wealth with the formation of ecological and social capital as a unified strategy.** It is deeply satisfying that this strategy has enabled your Company to make a much larger and meaningful contribution. As a measure of stock taking, I would like to once again highlight your Company's triple bottom line contribution to the Indian economy.

Creating Growing Value for Stakeholders: ITC's Triple Bottom Line Performance

Over the last 22 years, **Total Shareholder Returns grew at a compound annual rate of 22.4%**, double that of the Sensex at 11%. During the same period, your Company's **contribution to the Exchequer at the Central and State levels exceeded Rs 3,00,000 crores.**

Your Company's **non-cigarette businesses over this period have registered a 19-fold growth**, thereby constituting nearly **59% of net segment revenue** of your Company today. This radically transforming character of your Company is even more starkly evident in the deployment of ITC's operating capital and human resources. **Over 80% of the operating capital and about 90% of the employee base of the ITC group are now deployed in the non-cigarette businesses**. The enhanced vitality of your Company comprising world-class Human, Physical and Intellectual assets holds the prospect of an even larger triple bottom line contribution to the Indian society in time to come. The growth of the diversified businesses will also help in managing risk for the shareholders more effectively.

Historically, due to extended foreign subjugation of our country, the Indian market has been dominated by brands owned by overseas entities. As a result, there has been a large and perennial outflow of value on account of royalty and other payments. It is extremely challenging to build Indian brands in the now globalised Indian market in competition against well entrenched international players with many years of sustained consumer franchise. Any large-scale franchise for Indian brands would enable the creation and capture of larger value within the Indian economy with a much greater developmental multiplier. With this broader purpose in mind, **your Company has created 25 vibrant world-class Indian brands that today occupy a pride of place in the Indian market**. This has been accomplished by nurturing and deploying your Company's enterprise strengths encompassing superior agri-sourcing, state-of-the-art manufacturing, cutting edge R&D, cuisine expertise of ITC Hotels, world-class packaging, marketing prowess and extensive distribution infrastructure. This remarkable success has enthused your Company **to pursue an even more audacious vision of Rs 1,00,000 crores of revenue from these branded consumer goods by the year 2030**.

The stellar achievements of your Company as a global exemplar in sustainability is also a matter of immense pride. **Your Company's businesses and value chains today support over 60 lakh sustainable livelihoods**. **ITC is also the only company in the world to have achieved the rare distinction of being 'water positive' for 16 years in a row, 'carbon positive' for 13 years and 'solid waste recycling positive' for 11 years**, despite its expanding manufacturing base and possessing in its portfolio a large-scale water and energy intensive Paperboards Business. Nearly **43% of your Company's energy consumption is today met from renewable sources**. Your Company's growing green building footprint encompasses factories, hotels, offices and employee housing. **23 such buildings have been certified at the highest LEED Platinum level. ITC Hotels chain has the unique distinction of being the greenest in the world** with all its properties certified at the highest LEED Platinum level.

I would like to make a special mention of your Company's recently commissioned project that has **enabled production of Bleached Chemi-Thermo Mechanical Pulp for the first time in India. This development, apart from saving foreign exchange in perpetuity, has provided an income multiplier to farmers through Agro Forestry,** further adding to the green cover.

Your Company's impressive triple bottom line performance over the years has indeed built a formidable foundation that will serve to multiply growth in the years ahead. Let me now turn to some of the areas where your Company can aspire to make a growing contribution.

ITC: Creating Growing Value for Farmers

Agriculture provides sustenance to nearly half of our country's workforce. Rural India is not only home to a majority of the country's poor, but also the most vulnerable to the threat of climate change. Several of your Company's businesses are closely connected to agriculture.

This provides a unique opportunity to engage extensively with farmers across the country to help address some of the core challenges confronting this sector. At the heart of your Company's agri-intervention is the **ITC e-Choupal, recognised globally for its trailblazing contribution to farmer empowerment**. Over the years, the e-Choupal has helped enhance income for millions of farmers by raising productivity, providing efficient market linkages whilst contributing to making agriculture more sustainable and resilient to climate change.

Your Company is indeed privileged to be able to make a multidimensional contribution to this critical sector of the Indian economy. As the fastest growing among the large Food companies in India, **ITC's world-class brands such as Aashirvaad, Sunfeast, B Natural, Bingo!, YiPPee! among others anchor large-scale supply chains. This creates opportunities for your Company to infuse competitiveness in the agri-value chains thereby enhancing farmer incomes.** Efficient procurement of commodities through the ITC e-Choupal network reduces transaction cost whilst access to markets enables farmers to better align production with consumer demand. ITC's leading Education & Stationery brand **'Classmate'**, together with your Company's Paperboards and Packaging Business support extensive agro-forestry by farmers using high yielding disease resistant clonal saplings developed by ITC's R&D thereby supplementing farmer incomes. **Your Company's Social Investments Programme generates sustainable livelihoods through animal husbandry services, integrated watershed development, women empowerment and vocational training programmes, among others.** These interventions have now grown to a significant scale transforming lives and landscapes in rural areas.

The rich experience gained from intensive engagement with farmers is now driving newer avenues of value creation in agriculture.

ITC: Multiplying Farm Incomes - New Horizons

(A) *ITC's "Baareh Mahine Hariyali" Programme*

Recognising the need to find innovative approaches to substantially raise farmer incomes and in a sustainable manner, your Company has launched an integrated programme titled *'Baareh Mahine Hariyali'* (maximising farm utilisation over 12 months of the year) to give a new dimension to the complex task of multiplying farmer incomes. This initiative, which is customised to locations and crops, is being piloted in select areas of your Company's operations, progressively **reaching out to over 10 lakh farmers.**

In a short span of time since its implementation, the programme has already demonstrated encouraging results. For example, in Uttar Pradesh, the pilot was implemented in 4 districts reaching out to nearly Two Lakh farmers. It is heartening that **around 30,000 farmers, who adopted all the elements of the integrated programme reported** a **doubling of income**. **Even among those who implemented the**

programme partially, income rose between 30% and 75% demonstrating the potential of this programme.

High yielding varieties of wheat and short-duration paddy were introduced to enhance productivity to enable better income realisation. Climate smart agricultural practices were imparted through intensive demonstrations under the ITC Choupal Pradarshan Khet programme. Practices like zero tillage not only improved productivity and enabled timely sowing but also minimised environmental pollution by eliminating burning of residues. In addition, your Company also enriched the potato value chain in UP by introducing better quality seed potato and upgrading crop to chip-grade thereby improving realisation for the farmer. Income supplementation was also achieved by introducing value-added crops such as high density guava and jamun plantations. Livestock development and agro-forestry further augmented incomes.

Over time, your Company plans to progressively multiply the learnings from these experiences to other States. The early success of the programme gives your Company the confidence that this initiative can be substantially scaled up and strengthened further with effective public-private-people partnerships.

(B) ITC: Development of Cold-Chain Infrastructure - Reducing Agri Wastages

The colossal agri wastages, estimated at Rs 92,000 crores, deprive farmers of a potentially large source of income. For long, it has been highlighted that the development of an extensive climate-controlled supply-chain is an essential prerequisite to effectively address the problem of wastage of perishable commodities. The high cost of energy-intensive cold-chains has severely constrained the widespread deployment of such infrastructure. The larger markets are unable to bear the increased cost of such value addition. **Recognising the crucial need to unlock the lost value trapped in agri-wastage, your Company is actively pursuing a long-term strategy to build a cost effective cold-chain that will contribute to raising rural incomes and lend a new growth driver to your Company's Agri Business**.

Your Company's ongoing investment in setting up **the Integrated Consumer Goods Manufacturing and Logistics facilities (ICML) across the length and breadth of the country provide a unique opportunity to co-locate a distributed network of cold-chain infrastructure at a shared marginal cost.**

The ICMLs, which comprise state-of-the-art food processing plants, are being established at strategic locations close to markets. The large areas of ICMLs together with the built-up rooftops of the factories and warehouses can be utilised for **solar power generation that can reduce the cost of cold chain operations including that of transportation through electric vehicles**. The potential benefits of such a

distributed low cost cold chain infrastructure to the rural economy are so attractive as to encourage your Company to take this initiative forward in the right earnest.

Your Company will be establishing the feasibility of this approach through a pilot in the not too distant future. The scaling up will take place together with the establishment of additional mega food processing plants, taking the total number to 20 of such facilities over the next 5-10 years, covering the length and breadth of the country.

Your Company's recent foray into the perishables segment is a step in this direction. Several products are being progressively introduced in the market in Fresh, Dehydrated, Puree and Frozen formats. Some of the recent launches in this segment include apples and potatoes under the **Farmland** brand, and frozen prawns under the **ITC Master Chef** brand.

(C) ITC: Accelerating Adoption of Agro-Forestry

In my earlier addresses, I had highlighted the potential of Renewable Forestry in enhancing farmer incomes and in supporting large-scale sustainable livelihoods. ITC's expanding Social & Farm Forestry initiative, that has won global acclaim for environmental stewardship, is a case in point. Over the years, **this pioneering initiative has greened over 6,80,000 acres, generating 125 million person days of employment**. Forestry supports wood-based industries ranging from furniture, construction materials, home & office interiors, sports goods, to fibre for the paper industry and even bio-mass energy and bio-chemicals.

Despite the potential that farm forestry holds, its growth is limited by the conflicting demand on land use for food, fodder, fuel, fibre, dwellings and factories. **Agro-forestry presents an innovative way to address this conflict by synergising tree growing with traditional crop production. Currently, over 1,00,000 acres have been covered under agro-forestry, providing farmers with additional incomes from their limited land resources**. Your Company is progressively scaling up this initiative.

ITC's Life Sciences & Technology Centre is engaged in developing higher yielding second generation clones with enhanced attributes for pest & disease resistance. In addition, intensified efforts are under way for location based identification of crops that can be cultivated along with tree plantations to maximise value from agro-forestry.

(D) ITC: Enabling Climate Resilience of Farmers

Agriculture is vulnerable to the threat of climate change. Over the years, your Company has implemented an extensive programme for Natural Resources Management and Sustainable Agriculture to enable farmers address the risk of climate change. Taking this further to the next horizon, ITC has joined hands with the internationally renowned

CGIAR -- Consultative Group for International Agricultural Research-- to develop Climate-Smart Villages. This partnership is aimed at assessing risks and building climate resilience of farmers. Progressively, this initiative will cover 6 states and encompass the promotion of climate-smart technologies and practices, value-added weather services, weather-based insurance options and capacity building in climate change adaptation.

This programme will go a long way in enabling farmers to withstand extreme climate events more effectively.

ITC: Value Added Consumer Products - Enhancing Value to Farmers

It is your Company's endeavour to develop differentiated value-added products that, in addition to offering superior benefits to consumers, help enlarge farmer incomes through value addition and expansion in markets. Your Company's internationally benchmarked R&D Centre plays a pivotal role in science-based product development.

Let me now turn to some of the consumer offerings of your Company that provide a multiplier benefit to farmers.

(A) ITC: Replacing 'Concentrates' with Pulp Based Juices

Many packaged juices marketed in India are produced with imported concentrates as opposed to natural fruit pulp obtained from Indian farmers. As a result, **the benefits of the growing Indian juice market accrue to farmers overseas, depriving the Indian farmer of this opportunity**. Your Company is engaged in creating superior products made from natural pulp, prepared from fruits sourced from local farmers. **This opportunity to support Indian farmers has inspired your Company to migrate the entire portfolio of 'B Natural' brand away from 'concentrate' based products to that made from Indian fruit pulp.** Your Company has **substantially invested in enlarging its agri-sourcing capabilities by building new competitive fruit value-chains that will multiply opportunities for the Indian farmers**. As the 'B Natural' brand gains more franchise, both the Indian consumer and the Indian farmer will benefit.

(B) ITC: Developing & Marketing Value-Added Potatoes - Low Sugar and Rich in Antioxidants

ITC's fruits and vegetables foray, with a unique range of potatoes, once again leverages your Company's R&D capabilities. Together with the expertise resident in ITC's subsidiary, Technico, a world leader in early generation potato seeds, **your Company launched value-added and differentiated potato varieties including two**

with reduced sugar and enhanced antioxidants. This will enlarge opportunities for the Indian farmer by expanding the market with the introduction of newer value-added segments.

(C) ITC: Developing & Marketing Super Safe Spices

Almost every Indian home uses a variety of spices in its daily preparation of food items. Contamination of such spices through pesticides or other chemicals poses a huge undetected risk, specially for children, that over time has adverse implications on health and wellbeing. To provide consumers a variety of super safe products, **your Company has partnered with farmers to grow food safe spices with an 'Integrated Crop Engagement' approach that ensures complete traceability from seed to plate**. Moreover, by subjecting the spices to stringent tests that **check for more than 470 contaminants** under international quality guidelines, your Company is able to offer **super safe products in the Indian market** as well, which otherwise were available only to consumers in the more advanced countries such as the US and the European Union. The **'ITC Master Chef' Super Safe Spices** is yet another superior consumer offering that benefits farmers through value-addition.

(D) ITC: **Marketing Super Safe Prawns**

A few months ago, your Company launched super safe prawns under the **'ITC Master Chef'** brand as part of its perishables portfolio. **These prawns are preferred, by far, for their quality by the Master Chefs of ITC Hotels and are individually quick frozen to retain their freshness and original taste, without the use of any preservatives**. ITC has been exporting these products to the most discerning markets of the world including the US, Europe and Japan for many years now.

Your Company will continue to strengthen its existing FMCG portfolio whilst entering newer categories and segments. **Your Company aims to launch multiple new products every year to address more closely, preferences of the discerning Indian consumer**. Such value-addition in the market place has favourable implications on agri value-chains and in turn, on income of farmers.

ITC: Multiplying Social Impact through Partnerships

Amidst the multidimensional contribution of your Company, what gives me, personally, the greatest satisfaction is the journey that your Company has traversed to become a global exemplar in sustainability. ITC's environmental distinctions have given us a pride of place not only in India but also in the global community. Your Company's social interventions have transformed lives and enabled millions to fulfil their aspirations. Your Company will continue to strengthen these initiatives as it moves ahead to help create an even more secure, sustainable and inclusive future.

It is now possible to envision that ITC will be able to support over 100 lakh sustainable livelihoods by the year 2030. This is the goal that your Company has adopted and will leave no stone unturned to achieve.

Your Company's record of exceptional outcomes from its social investments programme has made it a partner of choice for various State and Central Government agencies. Your Company has, in the recent past, formed as many as **49 Public-Private-People partnerships covering areas of national priorities** such as watershed development, sustainable agriculture, solid waste management and financial inclusion.

Your Company values these partnerships as they create much more impactful outcomes by bringing together a broader synergy of resources, diverse skill sets and closer involvement of stakeholders. Another partnership that gives ITC an opportunity to make an impactful contribution was **recently signed with the NITI Aayog to progressively train 20 lakh farmers in 25 districts under the Aspirational Districts Programme**. The programme aims to disseminate sustainable agricultural practices, thereby scaling up productivity and increasing net returns from farming.

Over the years, your Company has gained precious experience in implementing **watershed development projects in 14 states, bringing soil & moisture conservation to over 9,00,000 acres, thereby creating over 5.7 million person days of employment**. This expertise is now getting extended to implement **4 large-scale river basin regeneration projects for aquifer recharge and year round environmental flows** in select sub-basins in Maharashtra, Tamil Nadu, Telangana and Madhya Pradesh to strengthen water security – one of the most important priorities for our country.

Your Company's flagship programme, **Wellbeing Out of Waste,** has demonstrated encouraging results in a range of interventions covering **10 States, 562 Municipal wards, benefitting 77 lakh citizens**. This programme has established new benchmarks by effectively streamlining the entire value chain from segregation at source, collection, sorting to reuse or recycling. Given the encouraging response and its impact, this programme will be scaled up in the years to come.

ITC's sustainability journey will hopefully light a beacon and inspire many others to traverse a largely uncharted path to build larger societal value as an integral part of corporate strategy. In that lies the hope for the sustenance of future generations.

In Conclusion

Today, it gives me immense pride that your Company has truly emerged as an exemplary national institution. It is indeed fulfilling to witness the enormous value that your Company has created across so many dimensions. However, as I have always said, the best is yet to

come. The foundations are in place. A dedicated team of entrepreneurial professionals, nurtured over the years, is today driving the growth of your Company. I am confident that they will take this organisation to even greater heights. We must traverse the journey ahead with unwavering faith in our conviction, remain resilient in the face of every adversity and continue to innovate with vigour and passion to take this Company to an even higher horizon of excellence - to serve our society, and you, our shareholders.

As always, I would like to convey my deepest appreciation of the relentless efforts put in by Team ITC. Indeed, the impressive milestones achieved so far are a tribute to their dedication.

On behalf of the ITC Board, may I also thank you, our valued shareholders, for your continued support and encouragement.

Thank you, Ladies & Gentlemen.