



ITC LIMITED FOODS DIVISION'S STRATEGY FOR AFFORDABLE & ACCESSIBLE PRODUCTS

Being a responsible organization, ITC Foods Division fully understands and supports the role of balanced diets and healthier food products that influence the nutritional and health status of the consumers by helping address the challenges of all forms of malnutrition (obesity, diet-related diseases and micronutrient deficiencies).

Pricing of food products, is one of the key factor that contributes significantly to impact the level of undernutrition, micronutrient deficiencies and obesity at a community level, as many low-income consumers lack both the access as well as the purchasing power to include nutritious foods in their daily diets. Providing these consumers with appropriately priced and accessible healthier products will encourage healthier eating behavior.

ITC Foods Division supports access of affordable & healthier products and commits to continuously evaluate and provide the low-income consumers a wider access to such food products, through multiple strategies like:

- Innovation & Renovation strategies e.g.: using locally available nutritious ingredients, fortification of healthier portfolio at affordable pricing etc.,
- Mapping of specific price points to enable wider adoption.
- Operational capabilities e.g. local manufacturing, closer to market production units, lean processes, digital stores etc.
- Local & wide spread distribution system via traditional (e.g. Chaupal Sagars) and digital means (e.g. ITCStore)

Definitions:

Healthier Products

Healthier products within ITC Foods product portfolio are identified basis compliance with internal NPS (Nutrition Profiling System) with a special focus on enhancing nutrition quotient of specific product portfolio which cater to special nutrition needs at specific life stages/health conditions basis fortification, enrichment, value- addition etc.

The NPS is applicable to almost all/majority of the company's food portfolio and only excludes products that are exported, are semi-finished products, intermediary to final dish, products not meant for direct sale to consumers, products with no nutrition information panel and products with inherently negligible nutritional contribution to a balanced diet.

Thus, this strategy is applicable to all products (almost all/ majority of foods portfolio) that are evaluated under NPS. In fact, some products that maybe excluded from NPS would still fall under this strategy under other approaches for affordability.

Low Income Group (LIG):

While there are certain definitions which are provided as guidance from Government of India/ Living Standard Measure/ Rangarajan Report on Poverty etc.

LIG (Low Income Group) is defined basis New Consumer Classification System (NCCS), which is commonly used. NCCS is used to classify households in India. It was co-developed by

Market Research Society of India (MRSI) and Media Research Users Council (MRUC) and classifies households on two variables - education of the chief wage earner and the number of consumer durables owned by the household from a predefined list.

This has been used instead of income as there were chances of people both understating and overstating the income. Also, there were genuine cases where the families being reported forgot to mention certain sources of income. NCCS overcame this drawback by using durable ownership as a proxy for income. More the ownership, higher the income.

Hence, low Income group is defined as population in the Sec C, D, E & F categories.

EDUCATION OF CWE							
No. of Durables Owned	Illiterate	Literate but no formal school/ School upto 4 yrs	School- 5 to 9 years	SSC/ HSC	Some College (incl Diploma) but not Grad	Grad/ PG: General	Grad/ PG: Professional
	1	2	3	4	5	6	7
None	E3	E2	E2	E2	E2	E1	D2
1	E2	E1	E1	E1	D2	D2	D2
2	E1	E1	D2	D2	D1	D1	D1
3	D2	D2	D1	D1	C2	C2	C2
4	D1	C2	C2	C1	C1	B2	B2
5	C2	C1	C1	B2	B1	B1	B1
6	C1	B2	B2	B1	A3	A3	A3
7	C1	B1	B1	A3	A3	A2	A2
8	B1	A3	A3	A3	A2	A2	A2
9	B1	A3	A3	A2	A2	A1	A1

It is critical to note that the SEC wise proportions for All Indian Urban + Rural is predominantly towards the Low Income Group population, as below:

	Total (Mn)	SEC: A	SEC: B	SEC: C	SEC: D/E
Households	317.74	11%	16%	22%	51%

Affordability:

Affordability of products is extremely important to make sure that healthier products can reach the population that genuinely requires the nutritious offerings. ITC remains committed to provide essential food products in markets worldwide. Our affordable healthier products contribute towards addressing common deficiencies and nutrition gaps. Pricing at affordable

price points also enables wider distribution and penetration into markets used by low-income consumers. Together, this enhances access to nutritious foods for vulnerable consumers.

Affordable, healthier products within ITC Foods product portfolio are defined basis few vectors like: products with MRP less than a specific price point, fortification without price increase, price per serve and improved distribution of products, recipes, free dietitian consultations and balanced high fibre meal plans. The specific price points that are generally common in India are Rs. 1/2/5/10 etc., due to multiple factors of currency denomination available, comparative market analysis and benchmarking and type of products available. At ITC Foods division few specific price points (at & below) have been taken as a marker for affordability basis data available through 3rd party research agencies on consumers consumption profiles and purchase + usage behaviour of household panels (on monthly basis). This connects directly with the definition as laid for the low-income groups (LIG).

Therefore, based on a robust methodology and mechanism of determining healthier product portfolio via internal nutrition profiling system + clear definition of low-income group (SEC C/D/E/F) and a definitive price point-based definition of affordable products clearly defines and supports the fundamentals of ITC Food Division's strategy of Affordable & Accessible products.

Accessibility:

It is defined as distribution and penetration basis the products which are affordable & healthier being easily available. One of the ways at ITC Foods we map is the number of pin codes that we service and hence are able to provide our offerings directly to the consumers. Almost 24323 pin-codes are serviced currently across the country and thereby enabling the consumers to have easy access to affordable, nutritious offerings. We also have Chaupal Sagar, a physical infrastructure hub that comprises collection and storage facilities and a unique rural hypermarket that offers multiple services under one roof.

Current Status basis 2022-23 FY data:

1. 88% of our total applicable portfolio is healthier[^].
2. 20% of the healthy product portfolio is affordable basis internal mapping*.
3. 99% of the Flour (staple) category are healthier and affordable.

[^]Basis internal NPS

*Basis specific price point of MRP Rs.10 & below

Target for Improving affordable, healthier Portfolio at ITC Foods*:

- To increase the affordable healthier product portfolio by 20% by 2025.

*Basis the current economic conditions, regulatory environment & product-pricing models.

*Basis increase in overall sales of affordable healthier products

