

REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance.

ITC Limited has been one of the frontrunners in India to have put in place a formalised system of Corporate Governance.

THE COMPANY'S GOVERNANCE PHILOSOPHY

ITC defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth-generating capacity. Since large corporations employ a vast quantum of societal resources, ITC believes that the governance process should ensure that these resources are utilised in a manner that meets stakeholders' aspirations and societal expectations. This belief is reflected in the Company's deep commitment to contribute to the "triple bottom line", namely the development, nurture and regeneration of the nation's economic, ecological and social capital.

ITC's Corporate Governance structure, systems and processes are based on two core principles:

- (i) Management must have the executive freedom to drive the enterprise forward without undue restraints; and
- (ii) This freedom of management should be exercised within a framework of effective accountability.

ITC believes that any meaningful policy on Corporate Governance must empower the executive management of the Company. At the same time, Governance must create a mechanism of checks and balances to ensure that the decision-making powers vested in the executive management are used with care and responsibility to meet stakeholders' aspirations and societal expectations.

From this definition and core principles of Corporate Governance emerge the cornerstones of ITC's governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. ITC believes that the practice of each of these creates the right corporate culture that fulfils the true purpose of Corporate Governance.

Trusteeship recognises that large corporations, which represent a coalition of interests, namely those of the shareholders, other providers of capital, business associates and employees, have both an economic and a social purpose, thereby casting the responsibility on the Board of Directors to protect and enhance shareholder value, as well as fulfil obligations to other stakeholders. Inherent in the concept of trusteeship is the responsibility to ensure equity, namely, that the rights of all shareholders, large or small, are protected.

Transparency means explaining the Company's policies and actions to those to whom it has responsibilities. Externally, this means maximum appropriate disclosures without jeopardising the Company's strategic interests and internally, this means openness in the Company's relationship with its employees and in the conduct of its business. ITC believes transparency enhances accountability.

Empowerment is a process of unleashing creativity and innovation throughout the organisation by truly vesting decision-making powers at the most appropriate levels and as close to the scene of action as feasible, thereby helping actualise the potential of its employees. Empowerment is an essential concomitant of ITC's first core principle of governance that management must have the freedom to drive the enterprise forward. ITC believes that empowerment combined with accountability provides an impetus to performance and improves effectiveness, thereby enhancing shareholder value.

Control ensures that freedom of management is exercised within a framework of checks and balances and is designed to prevent misuse of power, facilitate timely management of change and ensure effective management of risks. ITC believes that control is a necessary concomitant of its second core principle of governance that the freedom of management should be exercised within a framework of appropriate checks and balances.

Ethical Corporate Citizenship means setting exemplary standards of ethical behaviour, both internally within the organisation, as well as in external relationships. ITC believes that unethical behaviour corrupts organisational culture and undermines stakeholder value. Governance processes in ITC continuously reinforce and help realise the Company's belief in ethical corporate citizenship.

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THE GOVERNANCE STRUCTURE

The practice of Corporate Governance in ITC is at three interlinked levels:

- i. Strategic supervision – by the Board of Directors
- ii. Strategic management – by the Corporate Management Committee
- iii. Executive management – by the Divisional / Strategic Business Unit (SBU) Chief Executives assisted by the respective Divisional / SBU Management Committees.

This three-tier governance structure ensures that:

- (a) Strategic supervision (on behalf of the shareholders), being free from involvement in the task of strategic management of the Company, can be conducted by the Board with objectivity, thereby sharpening accountability of management;
- (b) Strategic management of the Company, uncluttered by day-to-day tasks of executive management, remains focused and energised; and
- (c) Executive management of a Division or a Business, free from collective strategic responsibilities for ITC as a whole, focuses on enhancing the quality, efficiency and effectiveness of the business.

The core roles of the key entities flow from the structure. The core roles, in turn, determine the core responsibilities of each entity. In order to discharge such responsibilities, each entity is empowered formally with requisite powers.

The structures, processes and practices of governance enable focus on the Corporate purpose while simultaneously facilitating effective management of the wider portfolio of businesses.

The Governance Document that sets out the structures, policies and practices of governance, of the various entities within the organisation, is available on the Company's corporate website www.itcportal.com for general information.

ROLES OF VARIOUS ENTITIES

Board of Directors (Board) : The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic supervision of ITC, its wholly owned subsidiaries and their wholly owned subsidiaries. As trustees, the Board ensures that the Company has clear goals

relating to shareholder value and its growth. The Board sets strategic goals and seeks accountability for their fulfilment. The Board also provides direction and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. The Board periodically reviews its own functioning to ensure that it is fulfilling its role.

Corporate Management Committee (CMC) : The primary role of the CMC is strategic management of the Company's businesses within Board approved direction/framework. The CMC operates under the strategic supervision and control of the Board.

Chairman : The Chairman of ITC is the Chief Executive of the Company. He is the Chairman of the Board and the CMC. His primary role is to provide leadership to the Board and the CMC for realising Company goals in accordance with the charter approved by the Board. He is responsible, inter alia, for the working of the Board and the CMC, for ensuring that all relevant issues are on the agenda and for ensuring that all Directors and CMC members are enabled and encouraged to play a full part in the activities of the Board and the CMC. He keeps the Board informed on all matters of importance. He is also responsible for the balance of membership of the Board, subject to Board and Shareholder approvals. He presides over the General Meetings of Shareholders.

Divisional Management Committee (DMC) / SBU Management Committee (SBU MC) : The primary role of the DMC / SBU MC is executive management of the Divisional / SBU business to realise tactical and strategic objectives in accordance with Board approved plan.

Executive Director : The Executive Directors, as members of the CMC, contribute to the strategic management of the Company's businesses within Board approved direction / framework. As Directors accountable to the Board for a business / corporate function, they assume overall responsibility for its strategic management, including its governance processes and top management effectiveness. As Directors accountable to the Board for a wholly owned subsidiary and its wholly owned subsidiary, they act as the custodians of ITC's interests and are responsible for their governance in accordance with the charter approved by the Board.

Non-Executive Director : Non-Executive Directors, including Independent Directors, play a critical role in imparting balance to the Board processes by

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bringing an independent judgement on issues of strategy, performance, resources, standards of Company conduct etc.

Divisional / SBU CEO : The Divisional / SBU CEO is the Chief Operating Officer for a business with executive responsibility for its day-to-day operations and provides leadership to the DMC / SBU MC in its task of executive management of the Divisional / SBU business.

BOARD OF DIRECTORS

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

Composition

The ITC Board is a balanced Board, comprising Executive and Non-Executive Directors. The Non-Executive Directors include independent professionals. Executive Directors, including the Chairman, do not generally exceed one-third of the total strength of the Board.

The Governance Policy requires that the Non-Executive Directors be drawn from amongst eminent professionals with experience in business / finance / law / public enterprises. Directors are appointed / re-appointed with the approval of the Shareholders for a period of three to five years or a shorter duration in accordance with retirement guidelines as determined by the Board from time to time. All Directors are liable to retire by rotation. One-third of the Directors retire by rotation every year and are eligible for re-election. In terms of the Articles of Association of the Company, the strength of the Board shall not be less than five nor more than eighteen. The present strength of the Board is twelve of which four are Executive Directors.

The following is the composition of the Board as on 31st March, 2005:

Category	No. of Directors	Percentage to total no. of Directors
Executive Directors	4	33
Non-Executive Independent Directors	6	50
Other Non-Executive Directors	2	17
Total	12	100

Director	Category	No. of other Directorship(s) (*)	No. of Membership(s)/ Chairmanship(s) of Board Committees of other companies (**)
Executive Directors			
Y. C. Deveshwar	Chairman	4	Nil
S. S. H. Rehman		8	Nil
A. Singh		4	Nil
K. Vaidyanath		7	4 (including 3 as Chairman)
Non-Executive Directors			
B. Sen	Independent Director	3	3
Ram S. Tarneja	Independent Director	13	7 (including 4 as Chairman)
B. Vijayaraghavan	Independent Director	Nil	Nil
Y. P. Gupta	Independent Director - Representative of Life Insurance Corporation of India as Investor	7	3 (including 2 as Chairman)
Ajeet Prasad	Independent Director - Representative of Unit Trust of India as Investor	6	3 (including 1 as Chairman)
P. B. Ramanujam	Independent Director - Representative of General Insurance Corporation of India and its erstwhile subsidiaries as Investor	2	Nil
J. P. Daly		Nil	Nil
C. R. Green		Nil	Nil

* Excludes Directorships in Indian Private Limited Companies, Foreign Companies, Memberships of Managing Committees of Chambers of Commerce / Professional Bodies and Alternate Directorships.

** Represents Memberships / Chairmanships of Audit Committee and Investors Grievance Committee of Indian Companies.

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Meetings and Attendance

The Company's Corporate Governance Policy requires the Board to meet at least six times in a year. The intervening period between two board meetings was well within the maximum gap of three months prescribed under Clause 49 of the Listing Agreement. The annual calendar of meetings is broadly determined at the beginning of each year.

Board Agenda

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers are generally circulated seven working days prior to the meeting of the Board.

Information placed before the Board

Apart from the items that are required to be placed before the Board for its approval, both under the statutes and the Governance Policy, the following are also tabled for the Board's periodic review / information:

- Quarterly performance against plan, including business-wise financials in respect of revenue, profits, cash flow, balance sheet, investments and capex.
- Half-Yearly summary of all long-term borrowings made, bank guarantees issued and investments made.
- Treasury Policy, both domestic & forex, as and when changes take place.
- Internal Audit findings and External Audit Management Reports (through the Audit Committee).
- Status of safety, security and legal compliance.
- Status of business risk exposures, its management and related action plans.
- Company's management development processes and succession of senior management (through the Nominations Committee).
- Show Cause, demand, prosecution and adjudication notices, if any, from revenue

authorities which are considered materially important, including any exposure that exceeds 1% of the Company's net worth, and their outcome.

- Default, if any, in payment of interest and repayment of principal on any public deposit, dues to any major creditor or Financial Institution.
- Product liability claims of a substantial nature, if any.
- Information on strikes, lockouts, retrenchment, fatal accidents etc., if any.
- Significant court judgement or order passing strictures, if any, on the conduct of the Company or a subsidiary of the Company or any employee, which could negatively impact the Company's image.
- Terms of reference of Board Committees.
- Policy on Shareholder Disclosures.
- Incident of theft / fraud / dishonesty of a significant nature, if any.
- Write-offs / disposals (fixed assets, inventories, receivables, advances etc.) on a half-yearly basis.

Post-meeting follow-up system

The Governance processes in the Company include an effective post-meeting follow-up, review and reporting process for action taken / pending on decisions of the Board, Board Committees and the Corporate Management Committee.

Details of Board Meetings held during the financial year

During the financial year ended 31st March, 2005, eight meetings of the Board were held, as follows:

Sl. No.	Date	Board Strength	No. of Directors present
1	23rd April, 2004	12	9
2	28th May, 2004	12	12
3	30th July, 2004	12	12
4	30th July, 2004	12	12
5	25th August, 2004	12	9
6	29th October, 2004	12	10
7	21st January, 2005	12	11
8	26th March, 2005	12	10

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Attendance of Directors at Board Meetings and at Annual General Meeting (AGM) held during the financial year

Director	No. of Board Meetings attended	Attendance at last AGM
Y. C. Deveshwar	8	Yes
S. S. H. Rehman	8	Yes
A. Singh	8	Yes
K. Vaidyanath	8	Yes
J. P. Daly*	1	NA
C. R. Green	6	Yes
Y. P. Gupta	5	Yes
Ajeet Prasad	7	Yes
P. B. Ramanujam	8	Yes
B. Sen	7	Yes
J. B. Stevens**	4	Yes
Ram S. Tarneja	7	Yes
B. Vijayaraghavan	8	Yes

* Appointed as a Director of the Company w.e.f. 21st January, 2005.

** Ceased to be a Director of the Company w.e.f. 21st January, 2005.

COMMITTEES OF THE BOARD

Currently, there are four Board Committees – the Audit Committee, the Compensation Committee, the Investor Services Committee and the Nominations Committee. The terms of reference of the Board Committees are determined by the Board from time to time. Meetings of each Board Committee are convened by the respective Committee Chairman. Signed minutes of Board Committee meetings are placed for the information of the Board. Matters requiring the Board's attention/approval are placed in the form of notes to the Board from the respective Committee Chairman. The role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

I. AUDIT COMMITTEE

The Audit Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures:

- efficiency and effectiveness of operations, both domestic and overseas.
- safeguarding of assets and adequacy of provisions for all liabilities.

- reliability of financial and other management information and adequacy of disclosures.
- compliance with all relevant statutes.

The Audit Committee is empowered, pursuant to its terms of reference, inter alia, to:

- investigate any activity within its terms of reference and to seek any information it requires from any employee;
- obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The role of the Committee includes the following:-

- (a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- (b) Recommending the appointment and removal of external auditors, fixation of audit fee and approval of payment of fees for any other services rendered by the auditors;
- (c) Reviewing with the management the financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices
 - Major accounting entries based on exercise of judgement by management
 - Qualifications in draft audit report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with Stock Exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. transactions of the Company of material nature with the top management or their relatives, with shareholders with large holdings in the Company or their subsidiaries etc., that may have potential conflict with the interests of the Company at large;
- (d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems and the Company's statement on the same prior to endorsement by the Board;

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- (e) Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- (f) Reviewing reports of internal audit and discussion with internal auditors on any significant findings and follow-up thereon;
- (g) Reviewing the findings of any internal investigations by the internal auditors and the executive management's response on matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board;
- (h) Discussion with the external auditors, before the audit commences, on nature and scope of audit, as well as after conclusion of the audit, to ascertain any areas of concern and review the comments contained in their management letter;
- (i) Reviewing the Company's financial and risk management policies;
- (j) Looking into the reasons for substantial defaults, if any, in payment to the depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors;
- (k) Considering such other matters as may be required by the Board;
- (l) Reviewing any other areas which may be specified as role of the Audit Committee under the Listing Agreement, Companies Act and other statutes, as amended from time to time.

Composition

The Audit Committee comprises three Non-Executive Directors, all of whom are Independent Directors. The Director responsible for the Finance function, the Head of Internal Audit and the representative of the Statutory Auditors are Permanent Invitees to the Audit Committee. The Head of Internal Audit is the Co-ordinator and the Company Secretary is the Secretary to the Committee. The representative of the Cost Auditors is invited to meetings of the Audit Committee whenever matters relating to cost audit are considered. The Chairman of the Committee is a Non-Executive Independent Director having accounting and financial management expertise and the other members are financially literate.

The names of the members of the Audit Committee, including its Chairman, are provided elsewhere in the Report and Accounts.

Meetings and Attendance

Details of Audit Committee Meetings held during the financial year

During the financial year ended 31st March, 2005, nine meetings of the Audit Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	17th May, 2004	4	3
2	28th May, 2004	4	4
3	18th June, 2004	4	3
4	30th July, 2004	4	4
5	27th September, 2004	4	3
6	29th October, 2004	4	3
7	21st January, 2005	4	2
8	4th February, 2005	3	2
9	26th March, 2005	3	2

Attendance at Audit Committee Meetings held during the financial year

Director	No. of meetings attended
P. B. Ramanujam	9
Y. P. Gupta	5
J. B. Stevens*	3
B. Vijayaraghavan	9

* Ceased to be a Member of the Audit Committee w.e.f. 21st January, 2005.

II. REMUNERATION COMMITTEE

The Remuneration Committee of the Board, under the nomenclature 'Compensation Committee', inter alia, recommends to the Board the compensation terms of Executive Directors and the seniormost level of management immediately below the Executive Directors. This Committee also has the responsibility for administering the Employee Stock Option Scheme of the Company.

Composition

The Compensation Committee comprises five Non-Executive Directors, of whom three are Independent Directors. The Chairman of the Committee is a Non-Executive Independent Director.

The names of the members of the Compensation Committee, including its Chairman, are provided elsewhere in the Report and Accounts.

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Meetings and Attendance

Details of Compensation Committee Meetings held during the financial year

During the financial year ended 31st March, 2005, two meetings of the Compensation Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	28th May, 2004	5	5
2	30th July, 2004	5	5

Attendance at Compensation Committee Meetings held during the financial year

Director	No. of meetings attended
B. Sen	2
C. R. Green	2
Y. P. Gupta	2
J. B. Stevens*	2
Ram S. Tarneja	2

* Ceased to be a Member of the Compensation Committee w.e.f. 21st January, 2005.

Remuneration Policy

ITC's remuneration strategy aims at attracting and retaining high calibre talent. The remuneration policy, therefore, is market-led and takes into account the competitive circumstance of each business so as to attract and retain quality talent and leverage performance significantly.

Remuneration of Directors

Remuneration of Executive Directors is determined by the Compensation Committee comprising only Non-Executive Directors. The recommendations of the Compensation Committee are considered and approved by the Board subject to the approval of the Shareholders. The Chairman and Executive Directors are entitled to Performance Bonus for each financial year up to a maximum of 85% and 75% of their consolidated salary, respectively, and as may be determined by the Board on the recommendation of the Compensation Committee.

Remuneration of Non-Executive Directors by way of annual commission is determined by the Board subject to the approval of the Shareholders. Non-Executive Directors are entitled to coverage under Personal Accident Insurance, and sitting fees for attending meetings of the Board and Committees thereof, which are presently Rs. 15,000/-, Rs. 10,000/-

and Rs. 5,000/- for each meeting of the Board, Audit Committee and other Board Committees, respectively.

Details of Remuneration of the Directors for the financial year ended 31st March, 2005

(Rs. in Lakhs)

Director	Consolidated Salary	Perquisites and other Benefits	Performance Bonus / Commission	Sitting Fees	Total
Y. C. Deveshwar	120.00	18.42	102.00	—	240.42
S. S. H. Rehman	57.00	17.02	42.75	—	116.77
A. Singh	57.00	11.90	42.75	—	111.65
K. Vaidyanath	45.00	8.46	33.75	—	87.21
J. P. Daly ⁺	—	—	0.77 *	—	0.77
C. R. Green	—	—	4.00 *	—	4.00
Y. P. Gupta	—	—	4.00 *	1.35	5.35
Ajeet Prasad	—	—	4.00 *	1.10 *	5.10
P. B. Ramanujam	—	—	4.00 *	2.85 #	6.85
B. Sen	—	—	4.00	3.30	7.30
J. B. Stevens**	—	—	3.23 *	—	3.23
Ram S. Tarneja	—	—	4.00	1.20	5.20
B. Vijayaraghavan	—	—	4.00	2.15	6.15

⁺ Appointed as a Director of the Company w.e.f. 21st January, 2005.

* Payable to the Institution / Company the Director represents.

** Ceased to be a Director of the Company w.e.f. 21st January, 2005.

Includes Rs. 1.25 lakhs paid to the Institution the Director represents.

Employee Stock Option Scheme

The Company granted 8,57,208 Options during the financial year to the eligible employees of the Company and those of the Company's subsidiary companies, at a price of Rs. 880.45 per Option, being the closing market price of the Ordinary Share of the Company on the National Stock Exchange on the date of grant of the Options. Of these, 1,35,947 Options were granted to the Directors of the Company.

Each Option entitles the holder thereof to apply for and be allotted One Ordinary Share of the Company of the nominal value of Rs.10/- each, upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of five years from the date of grant of the Options.

Exercise of Options is presently permitted during the period from the 1st to the 10th day of each month, except from April to August, during which

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period exercise is permitted from 21st June to 10th August.

The vesting period for conversion of Options is as follows:

On completion of 12 months from the date of grant of the Options : 30% vests

On completion of 24 months from the date of grant of the Options : 30% vests

On completion of 36 months from the date of grant of the Options : 40% vests

Shares and Options of Directors in the Company

Director	No. of Ordinary Shares of Rs.10/- each held singly and / or jointly as on 31st March, 2005	No. of Options Granted during the financial year 2004-05
Y. C. Deveshwar	16,775	40,888
S. S. H. Rehman	16,648	19,421
A. Singh	11,039	19,421
K. Vaidyanath	3,258	15,333
J. P. Daly	Nil	—
C. R. Green	Nil	Nil
Y. P. Gupta	Nil	6,814
Ajeet Prasad	Nil	6,814
P. B. Ramanujam	Nil	6,814
B. Sen	Nil	6,814
Ram S. Tarneja	328	6,814
B. Vijayaraghavan	3,200	6,814

Service Contracts, Severance Fees and Notice Period

The appointment of the Executive Directors is governed by resolutions passed by the Board and the Shareholders of the Company, which covers the terms and conditions of such appointment read with the service rules of the Company. A separate Service Contract is not entered into by the Company with those elevated to the Board from the management cadre, since they already have a Service Contract with the Company.

There is no separate provision for payment of severance fee under the resolutions governing the appointment of Executive Directors who have all been drawn from amongst the management cadre. The statutory provisions will however apply. In terms

of the Articles of Association of the Company, a notice of one month is required to be given by a Director seeking to vacate office, and the resignation takes effect upon the expiration of such notice or its earlier acceptance by the Board.

III. INVESTORS GRIEVANCE COMMITTEE

The Investors Grievance Committee of the Board, under the nomenclature 'Investor Services Committee', oversees redressal of shareholder and investor grievances, and approves sub-division / transmission of shares, issue of duplicate share certificates etc.

Composition

The Investor Services Committee comprises three Directors, of whom two are Independent Directors. The Chairman of the Committee is a Non-Executive Independent Director.

The names of the members of the Investor Services Committee, including its Chairman, are provided elsewhere in the Report and Accounts.

Meetings and Attendance

Details of Investor Services Committee Meetings held during the financial year

During the financial year ended 31st March, 2005, forty six meetings of the Investor Services Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	5th April, 2004	3	2
2	10th April, 2004	3	2
3	15th April, 2004	3	2
4	23rd April, 2004	3	2
5	6th May, 2004	3	2
6	17th May, 2004	3	2
7	28th May, 2004	3	3
8	1st June, 2004	3	2
9	10th June, 2004	3	2
10	14th June, 2004	3	2
11	22nd June, 2004	3	2
12	1st July, 2004	3	2
13	12th July, 2004	3	2
14	21st July, 2004	3	3
15	22nd July, 2004	3	2
16	4th August, 2004	3	2
17	16th August, 2004	3	2

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Sl. No.	Date	Committee Strength	No. of Members present
18	23rd August, 2004	3	2
19	31st August, 2004	3	2
20	7th September, 2004	3	2
21	14th September, 2004	3	2
22	20th September, 2004	3	2
23	23rd September, 2004	3	3
24	4th October, 2004	3	2
25	8th October, 2004	3	2
26	14th October, 2004	3	2
27	25th October, 2004	3	2
28	29th October, 2004	3	3
29	9th November, 2004	3	2
30	15th November, 2004	3	2
31	27th November, 2004	3	3
32	6th December, 2004	3	2
33	20th December, 2004	3	2
34	30th December, 2004	3	2
35	3rd January, 2005	3	2
36	17th January, 2005	3	3
37	21st January, 2005	3	3
38	31st January, 2005	3	2
39	15th February, 2005	3	2
40	23rd February, 2005	3	3
41	28th February, 2005	3	2
42	7th March, 2005	3	2
43	17th March, 2005	3	2
44	21st March, 2005	3	2
45	26th March, 2005	3	3
46	31st March, 2005	3	2

Attendance at Investor Services Committee Meetings held during the financial year

Director	No. of meetings attended
B. Sen	42
P. B. Ramanujam	14
A. Singh	45

IV. NOMINATIONS COMMITTEE

The primary role of the Nominations Committee of the Board is to make recommendations on appointments to the Board, the Corporate Management Committee and the seniormost level of executive management one level below the Board. The Committee also clears succession plans for these levels.

Composition

The Nominations Committee comprises the Chairman and all the Non-Executive Directors of the Company. The Chairman of the Committee is the Chairman of the Company.

The names of the members of the Nominations Committee, including its Chairman, are provided elsewhere in the Report and Accounts.

Meetings and Attendance

Details of Nominations Committee Meetings held during the financial year

During the financial year ended 31st March, 2005, one meeting of the Nominations Committee was held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	21st January, 2005	9	7

Attendance at Nominations Committee Meetings held during the financial year

Director	No. of meetings attended
Y. C. Deveshwar	1
J. P. Daly*	NA
C. R. Green	1
Y. P. Gupta	Nil
Ajeet Prasad	1
P. B. Ramanujam	1
B. Sen	1
J. B. Stevens**	Nil
Ram S. Tarneja	1
B. Vijayaraghavan	1

* Appointed as a Member of the Nominations Committee w.e.f. 21st January, 2005.

** Ceased to be a Member of the Nominations Committee w.e.f. 21st January, 2005.

CORPORATE MANAGEMENT COMMITTEE

The primary role of the Corporate Management Committee is strategic management of the Company's businesses within Board approved direction / framework.

Composition

The Corporate Management Committee comprises all the Executive Directors and three or four key senior members of management. The Chairman of

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the Committee is the Chairman of the Company. The composition of the Corporate Management Committee is determined by the Board, based on the recommendation of the Nominations Committee.

The names of the members of the Corporate Management Committee, including its Chairman, are provided elsewhere in the Report and Accounts.

Meetings & Attendance

The meetings of the Corporate Management Committee are convened and chaired by the Chairman of the Company. Decisions at Corporate Management Committee meetings are taken by simple majority. Minutes of Corporate Management Committee meetings are placed before the Board for its information. However, matters requiring the Board's attention / approval are placed in the form of notes from the relevant Executive Director / Corporate Management Committee Member, backed by comprehensive background information, alongwith Divisional / SBU Management Committee's recommendation / approval, where applicable. Agenda papers are generally circulated at least three days prior to the meeting.

Details of Corporate Management Committee Meetings held during the financial year

During the financial year ended 31st March, 2005, thirty eight meetings of the Corporate Management Committee were held, as follows:

Sl. No.	Date	Committee Strength (including Permanent / Special Invitees)	No. of Members & Permanent / Special Invitees present
1	9th April, 2004	7	6
2	13th May, 2004	7	7
3	25th May, 2004	7	7
4	14th June, 2004	7	6
5	19th July, 2004	7	6
6	23rd & 24th August, 2004	8	8
7	25th August, 2004	8	5
8	20th & 21st September, 2004	8	8
9	14th & 15th October, 2004	8	7
10	23rd November, 2004	8	8
11	8th December, 2004	8	7
12	4th January, 2005	8	8
13	20th January, 2005	8	4
14	9th February, 2005	8	8
15	10th February, 2005	8	8
16	10th February, 2005	8	8

Sl. No.	Date	Committee Strength (including Permanent / Special Invitees)	No. of Members & Permanent / Special Invitees present
17	11th February, 2005	8	8
18	11th February, 2005	8	7
19	14th February, 2005	8	8
20	14th February, 2005	8	8
21	14th February, 2005	8	8
22	18th February, 2005	8	7
23	18th February, 2005	8	7
24	21st February, 2005	8	8
25	21st February, 2005	8	8
26	22nd February, 2005	8	8
27	23rd February, 2005	8	8
28	23rd February, 2005	8	8
29	2nd March, 2005	8	8
30	2nd March, 2005	8	8
31	2nd March, 2005	8	8
32	10th March, 2005	8	7
33	10th March, 2005	8	7
34	11th March, 2005	8	7
35	11th March, 2005	8	7
36	11th March, 2005	8	7
37	21st March, 2005	8	6
38	21st March, 2005	8	7

Attendance at Corporate Management Committee Meetings held during the financial year

Member & Permanent / Special Invitee	No. of meetings attended
Y. C. Deveshwar	38
S. S. H. Rehman	34
A. Singh	38
K. Vaidyanath	38
K. S. Vaidyanathan	24
A. Nayak	38
R. Srinivasan	36
R. G. Jacob	30

DISCLOSURES

Materially significant related party transactions which may have potential conflict with the interests of the Company at large.

None

Details of non-compliances, penalties, strictures by Stock Exchanges / SEBI / Statutory Authorities on any matter related to capital markets during the last three years.

None

Pecuniary relationships or transactions with Non-Executive Directors.

None

REPORT ON CORPORATE GOVERNANCE

MEANS OF COMMUNICATION

Timely disclosure of consistent, comparable, relevant and reliable information on corporate financial performance is at the core of good governance. Towards this end -

- The Quarterly results of the Company were announced within a month of completion of the quarter. Audited Annual results were announced within two months of the end of the financial year; such results were published, inter alia, in 'The Times of India' and 'Aajkal' from Kolkata, and on an all India basis in major newspapers. All these results, including the entire Report and Accounts, were posted on SEBI's Electronic Data Information Filing And Retrieval system (EDIFAR) website. As in the past, the Company will publish its quarterly, half-yearly and annual financial results in newspapers on an all India basis and will also post the same on SEBI's EDIFAR website.
- Information relating to shareholding pattern, compliance with corporate governance norms etc. is also posted on SEBI's EDIFAR website.
- The Company's corporate website www.itcportal.com provides comprehensive information on ITC's portfolio of businesses, its social responsibility activities and EHS performance. The website has entire sections dedicated to ITC's profile, history and evolution, its core values, corporate governance and leadership. Two exclusive sections on 'Shareholder Value' and 'Investor Relations' serve to inform and service Shareholders, allowing them to access information at their convenience. The entire Report and Accounts as well as quarterly and half-yearly financial results are available in downloadable formats under the section 'Shareholder Value' on the Company's website as a measure of added convenience to investors. The 'Newsroom' section includes all major press releases from the Company and relevant press clippings. Clarifications as and when provided to institutional investors and analysts, including presentations made to them, are posted on the Company's website.

- The Report of the Directors, forming part of the Report and Accounts, includes all aspects of the Management Discussion and Analysis Report.

ITC CODE OF CONDUCT

The Board of Directors of the Company adopted 'The ITC Code of Conduct' on 26th March, 2005, replacing the 'ITC Code of Professional Conduct'. This Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct and is applicable to all Directors, senior management and employees of the Company. The Code covers ITC's commitment to sustainable development, concern for occupational health, safety and environment, a gender friendly workplace, transparency and auditability, legal compliance, and the philosophy of leading by personal example. The Code is available on the Company's corporate website.

ITC CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

ITC has a Code of Conduct for Prevention of Insider Trading ('ITC Code') in the shares and securities of the Company. The ITC Code, inter alia, prohibits purchase / sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company. The ITC Code is available on the Company's corporate website.

GENERAL SHAREHOLDER INFORMATION

Provided in the 'Shareholder Information' section of the Report and Accounts.

COMPLIANCE CERTIFICATE OF THE AUDITORS

The Statutory Auditors' Certificate that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is annexed to the Report of the Directors & Management Discussion and Analysis.

This Certificate will be forwarded to the Stock Exchanges alongwith the Annual Report of the Company.