

## 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 vast quantum of societal resources, ITC believes that the governance process should ensure that these resources are utilised in a manner that meets stakeholder aspirations and societal expectations.

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 provide empowerment to the executive management of the Company, and simultaneously create a mechanism of checks and balances which ensures that the decision-making powers vested in the executive management are not only not misused, but used with care and responsibility to meet stakeholder aspirations and societal expectations.

From the above 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 leads to the creation of the right corporate culture that enables the Company to be managed in a manner that fulfils the 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 enabling actualisation of 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.

## 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 the day-to-day tasks of executive management, remains focused and energised; and
- (c) Executive management of the divisional business, free from collective strategic responsibilities for ITC as a whole, gets focused on enhancing the quality, efficiency and effectiveness of its 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 enables focus on the Corporate purpose while simultaneously facilitating effective management of the diverse 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 at the Company's corporate website [www.itcportal.com](http://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. They

set strategic goals and seek accountability for their fulfilment. They provide direction and exercise appropriate control to ensure that the Company is managed in a manner that fulfils stakeholder 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 superintendence and control of the Board.

**Executive Chairman :** The Executive 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 play a critical role in imparting balance to the Board processes by 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 latter including independent professionals. Executive Directors, including the Executive 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, 2004:

Category	No. of Directors	Percentage of 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 (**)
<b>Executive Directors</b>			
Y. C. Deveshwar	Chairman	3	1 (as Chairman)
S. S. H. Rehman		10	2 (including 1 as Chairman)
A. Singh		3	Nil
K. Vaidyanath		9	7 (including 3 as Chairman)
<b>Non-Executive Directors</b>			
B. Sen	Independent Director	3	1
Ram S. Tarneja	Independent Director	13	9 (including 4 as Chairman)
B. Vijayaraghavan	Independent Director	Nil	Nil
Y. P. Gupta	Independent Director - Representative of Life Insurance Corporation of India as Investor	4	4 (including 1 as Chairman)
Ajeet Prasad	Independent Director - Representative of Unit Trust of India as Investor	7	7 (including 3 as Chairman)
P. B. Ramanujam	Independent Director - Representative of General Insurance Corporation of India and its subsidiaries as Investor	3	Nil
C. R. Green		Nil	Nil
J. B. Stevens		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, Investors Grievance Committee and Remuneration Committee.

## 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 four 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 issues included in the agenda 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, 2004, seven meetings of the Board were held, as follows:

Sl. No.	Date	Board Strength	No. of Directors present
1	23rd May, 2003	13	12
2	25th July, 2003	12	11
3	25th July, 2003	12	11
4	29th October, 2003	12	11
5	16th November, 2003	12	10
6	30th January, 2004	12	12
7	24th March, 2004	12	11

### 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	7	Yes
S. S. H. Rehman	7	Yes
A. Singh	7	Yes
K. Vaidyanath	7	Yes
C. R. Green	6	Yes
Y. P. Gupta	7	Yes
T. M. Nagarajan*	1	NA
Ajeet Prasad	7	Yes
P. B. Ramanujam	7	Yes
B. Sen	7	Yes
J. B. Stevens	1	No
Ram S. Tarneja	7	Yes
B. Vijayaraghavan	7	Yes

\* Ceased to be a Director of the Company w.e.f. 12th June, 2003.

## COMMITTEES OF THE BOARD

Currently, there are four Committees of the Board – 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 Company, 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;

- (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 amendments, if any, from time to time, to the Listing Agreement, Companies Act and other statutes.

### Composition

The Audit Committee comprises four Non-Executive Directors, with three of them being 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.

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, 2004, ten meetings of the Audit Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	19th May, 2003	5	3
2	23rd May, 2003	5	4
3	7th June, 2003	5	4
4	25th July, 2003	4	3
5	10th September, 2003	4	3
6	22nd October, 2003	4	3
7	29th October, 2003	4	3
8	6th January, 2004	4	2
9	30th January, 2004	4	4
10	24th March, 2004	4	3

#### Attendance at Audit Committee Meetings held during the financial year

Director	No. of meetings attended
P. B. Ramanujam	10
Y. P. Gupta	9
T. M. Nagarajan*	2
J. B. Stevens	1
B. Vijayaraghavan	10

\* Ceased to be a Member of the Audit Committee w.e.f. 12th June, 2003.

## II. REMUNERATION COMMITTEE

The Remuneration Committee of the Company, 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, with three of them being 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.

## Meetings and Attendance

### Details of Compensation Committee Meetings held during the financial year

During the financial year ended 31st March, 2004, four meetings of the Compensation Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	23rd May, 2003	5	4
2	25th July, 2003	5	4
3	28th October, 2003	5	4
4	29th January, 2004	5	4

### Attendance at Compensation Committee Meetings held during the financial year

Director	No. of meetings attended
B. Sen	4
C. R. Green	4
Y. P. Gupta	4
J. B. Stevens	-
Ram S. Tarneja	4

## 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 Executive 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, subject to the approval of the Shareholders, 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 also entitled to 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, 2004

(Rs. in Lakhs)

Director	Consolidated Salary	Perquisites and other benefits	Performance Bonus / Commission	Sitting Fees	Total	Options Granted during the year (Nos.)
Y. C. Deveshwar	96.00	15.55	57.60	—	169.15	42,359
S. S. H. Rehman	42.00	17.02	25.20	—	84.22	18,532
A. Singh	42.00	8.43	25.20	—	75.63	18,532
K. Vaidyanath	33.00	8.03	19.80	—	60.83	14,560
C. R. Green	—	—	4.00 *	—	4.00	—
Y. P. Gupta	—	—	4.00 *	1.40	5.40	8,824
T. M. Nagarajan **	—	—	0.79 *	0.20	0.99	8,824 #
Ajeet Prasad	—	—	4.00 *	0.65 *	4.65	8,824
P. B. Ramanujam	—	—	4.00 *	2.10 *	6.10	8,824
B. Sen	—	—	4.00	2.50	6.50	8,824
J. B. Stevens	—	—	4.00 *	—	4.00	—
Ram S. Tarneja	—	—	4.00	0.85	4.85	8,824
B. Vijayaraghavan	—	—	4.00	1.25	5.25	8,824 #

\* Payable to the Institution / Company the Director represents.

\*\* Ceased to be a Director of the Company w.e.f. 12th June, 2003.

# Options lapsed under the Employee Stock Option Scheme.

### Employee Stock Option Scheme

The Company granted 9,99,115 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. 679.90 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, 1,55,751 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 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

#### Shareholding of the Directors in the Company as on 31st March, 2004

Director	No. of Ordinary Shares of Rs.10/- each held singly and / or jointly
Y. C. Deveshwar	27,503
S. S. H. Rehman	11,103
A. Singh	4,369
K. Vaidyanath	993
C. R. Green	Nil
Y. P. Gupta	Nil
Ajeet Prasad	Nil
P. B. Ramanujam	Nil
B. Sen	Nil
J. B. Stevens	Nil
Ram S. Tarneja	328
B. Vijayaraghavan	Nil

#### 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 Company, 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, with two of them being 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, 2004, thirty seven meetings of the Investor Services Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	9th April, 2003	3	2
2	16th April, 2003	3	2
3	28th April, 2003	3	2
4	3rd May, 2003	3	2
5	19th May, 2003	3	2
6	23rd May, 2003	3	3
7	2nd June, 2003	3	2
8	16th June, 2003	3	2
9	24th June, 2003	3	3
10	5th July, 2003	3	2
11	14th July, 2003	3	2
12	21st July, 2003	3	2



Sl. No.	Date	Committee Strength	No. of Members present
13	25th July, 2003	3	3
14	4th August, 2003	3	2
15	18th August, 2003	3	2
16	20th August, 2003	3	2
17	27th August, 2003	3	2
18	24th September, 2003	3	2
19	13th October, 2003	3	2
20	23rd October, 2003	3	3
21	29th October, 2003	3	3
22	3rd November, 2003	3	2
23	10th November, 2003	3	2
24	16th November, 2003	3	3
25	1st December, 2003	3	2
26	13th December, 2003	3	3
27	22nd December, 2003	3	2
28	6th January, 2004	3	3
29	12th January, 2004	3	2
30	30th January, 2004	3	3
31	9th February, 2004	3	2
32	16th February, 2004	3	2
33	25th February, 2004	3	2
34	1st March, 2004	3	2
35	8th March, 2004	3	2
36	15th March, 2004	3	2
37	24th March, 2004	3	3

#### Attendance at Investor Services Committee Meetings held during the financial year

Director	No. of meetings attended
B. Sen	33
P. B. Ramanujam	17
A. Singh	34

## IV. NOMINATIONS COMMITTEE

The role of the Nominations Committee of the Company is primarily to recommend to the Board on senior level succession and appointments viz. the membership of the Board, the Corporate Management Committee and the seniormost level of executive management one level below the Board.

### Composition

The Nominations Committee comprises the Executive Chairman and all the Non-Executive Directors 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, 2004, two meetings of the Nominations Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	23rd May, 2003	10	9
2	30th January, 2004	9	9

#### Attendance at Nominations Committee Meetings held during the financial year

Director	No. of meetings attended
Y. C. Deveshwar	2
C. R. Green	2
Y. P. Gupta	2
T. M. Nagarajan*	1
Ajeet Prasad	2
P. B. Ramanujam	2
B. Sen	2
J. B. Stevens	1
Ram S. Tarneja	2
B. Vijayaraghavan	2

\* Ceased to be a Director of the Company w.e.f. 12th June, 2003.

## 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 the Committee is the Executive 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 Executive 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, 2004, thirty meetings of the Corporate Management Committee were held, as follows:

Sl. No.	Date	Committee Strength (including Permanent Invitees)	No. of Members/ Permanent Invitees present
1	2nd May, 2003	7	7
2	16th May, 2003	7	7
3	7th July, 2003	7	6
4	21st July, 2003	7	6
5	31st July & 1st August, 2003	7	7
6	25th & 26th August, 2003	7	5
7	16th & 17th October, 2003	7	7
8	20th & 21st November, 2003	7	7
9	22nd & 23rd December, 2003	7	7
10	13th January, 2004	7	7
11	2nd February, 2004	7	7
12	2nd February, 2004	7	7

Sl. No.	Date	Committee Strength (including Permanent Invitees)	No. of Members/ Permanent Invitees present
13	2nd February, 2004	7	7
14	3rd February, 2004	7	7
15	3rd February, 2004	7	7
16	17th February, 2004	7	7
17	18th February, 2004	7	7
18	19th February, 2004	7	7
19	19th February, 2004	7	7
20	25th February, 2004	7	7
21	26th February, 2004	7	7
22	26th February, 2004	7	7
23	15th March, 2004	7	7
24	15th March, 2004	7	7
25	16th March, 2004	7	7
26	16th March, 2004	7	7
27	17th March, 2004	7	5
28	20th March, 2004	7	7
29	20th March, 2004	7	7
30	22nd March, 2004	7	5

### Attendance at Corporate Management Committee Meetings held during the financial year

Member / Permanent Invitee	No. of meetings attended
Y. C. Deveshwar	30
S. S. H. Rehman	27
A. Singh	28
K. Vaidyanath	30
K. S. Vaidyanathan	28
A. Nayak	30
R. Srinivasan	29

### 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

## 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 the end of each quarter and the 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 'Anandabazar Patrika' from Kolkata, and on an all India basis in major newspapers. Such results, including the entire Report & 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.
- Other information relating to shareholding pattern, compliance with requirements of corporate governance etc. are also posted on SEBI's EDIFAR website.
- The Company's corporate website [www.itcportal.com](http://www.itcportal.com) is a comprehensive referencer on ITC's portfolio of businesses, its social responsibility activities and EHS performance. There are dedicated sections on ITC's profile, history and evolution, its core values, corporate governance and its leadership. Two exclusive sections on 'Shareholder Value' and 'Investor Relations' serve to inform and service Shareholders. The entire Report & Accounts as well as quarterly and half-yearly financial results are now 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 PROFESSIONAL CONDUCT

The ITC Code of Professional Conduct delineates the principles governing the conduct of employees, including Directors, with all the stakeholders of the Company. The Code covers transparency, legal compliance, concern for occupational health, safety and environment and a gender friendly workplace 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.

## CORPORATE GOVERNANCE RATING

ITC was the first company in India to get itself voluntarily rated for Corporate Governance. ICRA has assigned a CGR2 rating to the Corporate Governance practices of ITC, which denotes a 'High Level of Corporate Governance'. CGR2 implies that the Company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance. Your Company believes that your Company's standards of Corporate Governance are comparable to the finest global benchmarks.

## 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 along with the Annual Return of the Company.