

Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations 2015).

ITC Limited has been one of the frontrunners in India to have put in place a formalised system of Corporate Governance. Its governance framework enjoins the highest standards of ethical and responsible conduct of business to create value for all stakeholders.

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 conservation and development of the nation's economic, social and environmental 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, ethical corporate citizenship, empowerment, control and

accountability. 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.

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.

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.

The cornerstones of ITC's governance philosophy are trusteeship, transparency, ethical corporate citizenship, empowerment, control and accountability.

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.

THE GOVERNANCE STRUCTURE

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

Strategic supervision	by the Board of Directors
Strategic management	by the Corporate Management Committee headed by the Managing Director
Executive management	by the Divisional Chief Executive assisted by the Divisional Management Committee

The three-tier governance structure ensures that:

- 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;
- Strategic management of the Company, uncluttered by the day-to-day tasks of executive management, remains focused and energised; and
- Executive management of the divisional business free from collective strategic responsibilities for ITC as a whole, remains focused on enhancing the quality, efficiency and effectiveness of the business to achieve best-in-class performance.

The core roles of the key entities flow from this 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 structure, processes and practices of governance are designed to support effective management of multiple businesses while retaining focus on each one of them.

The Governance Document that sets out the structure, policies and practices of governance within the organisation is available on the Company's corporate website www.itcportal.com.

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 aligned 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, as part and parcel of its functioning, annually reviews its role and also evaluates the performance of the Directors and the Board Committees.

Board Committees: The roles of the Board Committees are determined by the Board from time to time, details of which are provided below under the head 'Committees of the Board'.

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

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

The Executive Committee for Business Vertical within the Division is responsible to deliver comprehensive business results under the overall direction and supervision of the Divisional Chief Executive supported by the DMC.

Chairman: The primary role of the Chairman of the Company is to provide leadership to the Board. As the Chairman of the Board, he presides over its meetings and leads and assists the Board in setting and realising the Company's strategic vision and related short and long term goals. He is responsible, inter alia, for the working of the Board, for its balance of membership (subject to Board and Shareholder approvals) and for ensuring that all Directors are enabled and encouraged to play a full part in the activities of the Board. Based on information and feedback from the Managing Director,

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the Chairman ensures that all relevant issues are on the Board agenda and the Board is kept informed on all matters of importance. He presides over General Meetings of Shareholders.

The present Chairman, at the request of the Nomination & Compensation Committee and the Board, recognising the need for orderly transition in a company of ITC's size and complexity, agreed to continue as Chairman in non-executive capacity and also play the role of Mentor to the executive management. Providing mentorship to the executive management and support towards management of critical external stakeholders' relationships, accordingly, form part of the role of the present Chairman.

Managing Director: The Managing Director carries total responsibility for the strategic management of the Company and accordingly heads the CMC. His primary role is to provide leadership to 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 CMC, for ensuring that all relevant issues are on the agenda and that all CMC Members are enabled and encouraged to play a full part in its activities.

Non-Executive Director: Non-Executive Directors, including Independent 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.

Executive Director: The Executive Director assists the Board in realising its role of strategic supervision of the Company in pursuit of its purpose and goals. As a member of the CMC, Executive Director contributes to the strategic management of the Company's businesses within Board approved direction / framework.

An Executive Director accountable to the Board for a business, assumes overall responsibility for its strategic management, including governance processes and top management effectiveness. As Director accountable to the Board for a corporate function, the overall strategic responsibility for its performance, including governance processes and senior management effectiveness, forms part of the Executive Director's role.

CMC Member: The CMC Member contributes to the strategic management of the Company's businesses within Board approved direction / framework. A CMC Member accountable for a business, assumes

responsibility for its strategic management, including governance processes and top management effectiveness. Where accountable for a corporate function, the overall strategic responsibility for its performance, including governance processes and senior management effectiveness, forms part of the CMC Member's role.

Divisional Chief Executive: The Divisional Chief Executive for a business has the executive responsibility for its day-to-day operations and to provide leadership to the DMC in its task of executive management of the business and the Verticals within the Division.

The Chief Operating Officer - Business Vertical is responsible for providing leadership to the Vertical and realising the tactical and strategic objectives of the respective business area.

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 Shareholders.

Composition

The ITC Board is a balanced Board, comprising Executive and Non-Executive Directors. The Non-Executive Directors include the Chairman and independent professionals. At least one-third of the total strength of the Board is required to comprise Independent Directors.

In terms of the Articles of Association of the Company, the strength of the Board shall not be fewer than five nor more than eighteen. The present strength of the Board is thirteen, including the Managing Director, two other Executive Directors and six Non-Executive Independent Directors, of which two are Women Directors.

Composition of the Board as on 31st March, 2018:

Category	No. of Directors	Percentage to total no. of Directors
Executive Directors	3	25
Non-Executive Independent Directors	6	50
Other Non-Executive Directors	3	25
Total	12	100

Director	Category	No. of other Directorship(s)	No. of Membership(s) / Chairmanship(s) of Audit Committee / Stakeholders Relationship Committee of other Indian public limited companies
Y. C. Deveshwar	Chairman & Non-Executive Director	5	Nil
S. Puri *	Chief Executive Officer & Executive Director	4	Nil
N. Anand	Executive Director	8	1
R. Tandon	Executive Director & Chief Financial Officer	9	3 [all as Chairman]
S. Banerjee	Independent Director	Nil	Nil
A. Duggal	Independent Director	6	5 [including 1 as Chairman]
S. B. Mathur	Independent Director	11	9 [including 3 as Chairman]
N. Rao	Independent Director	5	2
S. S. H. Rehman	Independent Director	Nil	Nil
M. Shankar	Independent Director	3	2
S. B. Mainak	Non-Executive Director - Representative of Life Insurance Corporation of India as Investor	6	3 [including 2 as Chairman]
D. R. Simpson	Non-Executive Director - Representative of Tobacco Manufacturers (India) Limited, a subsidiary of British American Tobacco p.l.c.	2	Nil

* Re-designated as Managing Director w.e.f. 16th May, 2018, subject to the approval of the Shareholders.

Meetings and Attendance

The Company's Governance Policy requires the Board to meet at least five times a year. The intervening period between two Board meetings was well within the maximum gap of 120 days prescribed under the Listing Regulations 2015. The tentative 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 at least seven days prior to the Board meeting.

Information placed before the Board

In addition to matters required to be placed before the Board under the Governance Policy of the Company, the following are also tabled for the Board's periodic review / information:

- External Audit Management Reports (through the Audit Committee).
- Status of safety and legal compliance.
- Status and effectiveness of risk management systems and processes.
- Succession to senior management (through the Nomination & Compensation Committee).
- Show cause / demand / prosecution / 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.
- 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.
- Product liability claims of a substantial nature, if any.
- Default, if any, in payment of dues to any major creditor.
- Write-offs / disposals (fixed assets, inventories, receivables, advances etc.) on a half-yearly basis.
- Significant development in Human Resources / Industrial Relations.
- Material non-compliance of any regulatory or listing requirements and in relation to shareholders' services.
- All other matters required to be placed before the Board for its review / information under the Listing Regulations 2015 and other statutes.

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, the Board Committees, the CMC and the DMCs.

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Details of Board Meetings during the financial year

During the financial year ended 31st March, 2018, six meetings of the Board were held, as follows:

Sl. No.	Date	Board Strength	No. of Directors present
1	11th April, 2017	14	12
2	26th May, 2017	15	14
3	27th July, 2017	15	13
4	28th July, 2017	15	13
5	27th October, 2017	13	12
6	19th January, 2018	13	13

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

Director	No. of Board meetings attended	Attendance at last AGM
Y. C. Deveshwar	6	Yes
S. Puri	6	Yes
N. Anand	6	Yes
R. Tandon	6	Yes
S. Banerjee	6	Yes
A. Duggal	6	Yes
S. B. Mainak	6	Yes
S. B. Mathur	6	Yes
N. Rao	4	No
S. S. H. Rehman	6	Yes
M. Shankar	6	Yes
D. R. Simpson	6	Yes
Z. Alam ¹	4	Yes
A. Malik ²	3	Yes
P. B. Ramanujam ³	0	No

1. Resigned as Non-Executive Director w.e.f. 20th March, 2018.

2. Appointed Non-Executive Director w.e.f. 11th April, 2017 and resigned w.e.f. 1st August, 2017.

3. Resigned as Non-Executive Director w.e.f. 1st August, 2017.

COMMITTEES OF THE BOARD

Currently, there are five Board Committees – the Audit Committee, the Nomination & Compensation Committee, the Securityholders Relationship Committee, the CSR and Sustainability Committee and the Independent Directors Committee. The terms of reference of the Board Committees are determined by the Board from time to time, other than the Independent Directors Committee the terms of reference of which have been adopted as prescribed under law. Meetings of each Board Committee are convened by the respective Committee Chairman. Matters requiring the Board's attention / approval, as emanating from the Board Committee meetings, are placed before the Board with clearance of the Committee Chairman. Minutes of Board Committee meetings are placed before the Board for its information. 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 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 role of the Committee includes the following:

- To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- To recommend the appointment, remuneration, terms of appointment and removal of Statutory Auditors;
- To recommend the appointment, remuneration and removal of Cost Auditors, where necessary;
- To approve transactions of the Company with related parties, including modifications thereto;

- (e) To review and monitor the Statutory Auditors' independence and performance, and effectiveness of the audit process;
- (f) To evaluate the Company's internal financial controls and risk management systems;
- (g) To review with the management the following:
 - (i) Annual financial statements and Auditors' Report thereon before submission to the Board for approval;
 - (ii) Quarterly financial statements before submission to the Board for approval;
- (h) To review the following:
 - (i) Management discussion and analysis of financial condition and results of operations;
 - (ii) Adequacy of internal control systems and the Company's statement on the same prior to endorsement by the Board, such review to be done in consultation with the management, Statutory and Internal Auditors;
 - (iii) Reports of Internal Audit and discussion with Internal Auditors on any significant findings and follow-up thereon;
 - (iv) System for storage, retrieval, security etc. of books of account maintained in the electronic form;
 - (v) Functioning of Whistle Blower mechanism in the Company.

Composition

The Audit Committee presently comprises four Non-Executive Directors, three of whom are Independent Directors. The Chairman of the Committee is an Independent Director. The Executive Director & Chief Financial Officer, the Head of Internal Audit and the representative of the Statutory Auditors are Invitees to meetings of the Audit Committee. The Head of Internal Audit, who reports to the Audit Committee, is the Coordinator, and the Company Secretary is the Secretary to the Committee. The representatives of the Cost Auditors are invited to meetings of the Audit Committee whenever matters relating to cost audit are considered. All members of the Committee are financially literate; three members, including the Chairman of the Committee, have accounting and financial management expertise.

The names of the members of the Audit Committee, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

Meetings and Attendance

Details of Audit Committee Meetings during the financial year

During the financial year ended 31st March, 2018, eight meetings of the Audit Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	8th May, 2017	5	4
2	26th May, 2017	5	4
3	27th July, 2017	5	4
4	18th August, 2017	5	5
5	27th October, 2017	5	4
6	14th December, 2017	5	3
7	19th January, 2018	5	5
8	24th March, 2018	4	4

Attendance at Audit Committee Meetings during the financial year

Member	No. of meetings attended
S. B. Mathur	8
A. Duggal	7
S. B. Mainak ¹	5
S. S. H. Rehman	8
Z. Alam ²	5
P. B. Ramanujam ³	0

1. Appointed Member w.e.f. 2nd August, 2017.

2. Ceased to be Member w.e.f. 20th March, 2018.

3. Ceased to be Member w.e.f. 1st August, 2017.

II. NOMINATION & COMPENSATION COMMITTEE

The Nomination and Remuneration Committee of the Board, under the nomenclature 'Nomination & Compensation Committee', inter alia, identifies persons qualified to become Directors and formulates criteria for evaluation of performance of the Directors and the Board as a whole. The Committee's role also includes recommending to the Board the appointment, remuneration and removal of Directors, CMC Members and managers one level below that of Executive Director. This Committee also has the responsibility for administering the Employee Stock Option Schemes of the Company.

Composition

The Nomination & Compensation Committee presently comprises the Chairman of the Company and four other Non-Executive Directors, three of whom are Independent Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.

The names of the members of the Nomination & Compensation Committee, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

Meetings and Attendance

Details of Nomination & Compensation Committee Meetings during the financial year

During the financial year ended 31st March, 2018, six meetings of the Nomination & Compensation Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	11th April, 2017	5	5
2	26th May, 2017	5	5
3	27th July, 2017	5	5
4	28th July, 2017	5	5
5	27th October, 2017	5	5
6	19th January, 2018	5	5

Attendance at Nomination & Compensation Committee Meetings during the financial year

Member	No. of meetings attended
S. Banerjee	6
Y. C. Deveshwar	6
S. B. Mainak	6
S. S. H. Rehman	6
M. Shankar	6

Remuneration Policy

ITC's remuneration policy 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.

The Policy on remuneration of Directors, Key Managerial Personnel and other employees of the Company is available on the Company's corporate website www.itcportal.com and is also provided in the Annexure forming part of this Report.

Remuneration of Directors

Remuneration of the Managing Director and the other Executive Directors is determined by the Board, on the recommendation of the Nomination & Compensation Committee, subject to the approval of the Shareholders. The Managing Director and the other Executive Directors are entitled to performance bonus for each financial year up to a maximum of 300% and 200% of their basic / consolidated salary, respectively, as may be determined by the Board, on the recommendation of the Nomination & Compensation Committee. Such remuneration is linked to the performance of the Company inasmuch as the performance bonus is based on various qualitative and quantitative performance criteria.

Non-Executive Directors, including Independent Directors, are entitled to remuneration by way of commission for each financial year, presently ranging between ₹ 30,00,000/- and ₹ 60,00,000/- individually, as approved

by the Shareholders. Non-Executive Directors' commission is determined by the Board based, inter alia, on Company performance and regulatory provisions and is payable on a uniform basis to reinforce the principle of collective responsibility. Mr. Y. C. Deveshwar, Chairman and Non-Executive Director effective 5th February, 2017, in view of his enlarged role, is entitled to additional remuneration and benefits as approved by the Shareholders, apart from the remuneration as applicable to the other Non-Executive Directors of the Company. Non-Executive Directors are also entitled to sitting fees for attending meetings of the Board and its Committees, the quantum of which is determined by the Board. The sitting fees to Non-Executive Directors as determined by the Board are ₹ 1,00,000/- for each meeting of the Board, ₹ 50,000/- for each meeting of the Audit Committee, Nomination & Compensation Committee, CSR and Sustainability Committee and Independent Directors Committee, and ₹ 10,000/- for each meeting of the Securityholders Relationship Committee. Non-Executive Directors are also entitled to coverage under Personal Accident Insurance.

Performance Evaluation of Directors

Performance evaluation of the Board, the Board Committees and individual Directors was carried out in accordance with the Policy approved by the Nomination & Compensation Committee in this regard, synopsis of which is provided in the 'Report of the Board of Directors & Management Discussion and Analysis' in the Report and Accounts.

Details of Remuneration paid to the Directors during the financial year ended 31st March, 2018

(₹ in Lakhs)

Director	Basic/ Consolidated Salary/ Remuneration	Perquisites/ other Benefits	Performance Bonus/ Commission	Sitting Fees	Total
Y. C. Deveshwar	1200.00	729.36	1045.67 #	10.50	2985.53
S. Puri	144.00	33.49	229.14	-	406.63
N. Anand	96.00	67.73	192.00	-	355.73
R. Tandon	96.00	23.04	192.00	-	311.04
S. Banerjee	-	-	40.00	9.50	49.50
A. Duggal	-	-	40.00	10.00	50.00
S. B. Mainak	-	-	40.00 *	13.00	53.00
S. B. Mathur	-	-	40.00	10.50	50.50
N. Rao	-	-	39.23	6.00	45.23
S. S. H. Rehman	-	-	40.00	14.10	54.10
M. Shankar	-	-	40.00	11.00	51.00
D. R. Simpson	-	-	7.01	7.50	14.51
Z. Alam ¹	-	-	17.21 *	7.00 *	24.21
A. Bajjal ²	-	-	29.92	-	29.92
A. V. Girija Kumar ³	-	-	12.38 *	-	12.38
R. E. Lerwill ⁴	-	-	8.99	-	8.99
A. Malik ⁵	-	-	-	3.00	3.00
P. B. Ramanujam ⁶	-	-	40.00	-	40.00
K. Vaidyanath ⁷	-	-	13.04	-	13.04

Includes ₹ 1039.64 Lakhs paid towards performance bonus as Executive Chairman till 4th February, 2017.

* Paid to the Public Financial Institution the Director represents / represented.

1. Resigned as Non-Executive Director w.e.f. 20th March, 2018.

2. Ceased to be Non-Executive Director w.e.f. 30th December, 2016.

3. Ceased to be Non-Executive Director on conclusion of the 105th AGM held on 22nd July, 2016.

4. Resigned as Non-Executive Director w.e.f. 22nd June, 2016.

5. Appointed Non-Executive Director w.e.f. 11th April, 2017 and resigned w.e.f. 1st August, 2017.

6. Resigned as Non-Executive Director w.e.f. 1st August, 2017.

7. Ceased to be Non-Executive Director w.e.f. 29th July, 2016.

Note: Disclosure with respect to Non-Executive Directors - Pecuniary relationship or transaction: None.

Inherent in the concept of trusteeship is the responsibility to ensure equity, namely, that the rights of all shareholders, large or small, are protected.

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Employee Stock Option Schemes

The Company granted 65,03,860 Options during the financial year to the eligible employees and Directors of the Company, other than Independent Directors, and eligible employees of some of its subsidiary companies.

Each Option entitles the holder thereof to apply for and be allotted ten Ordinary Shares of the Company of ₹ 1/- 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 such vesting.

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

Director	No. of Ordinary Shares of ₹ 1/- each held (singly / jointly) as on 31st March, 2018	No. of Options granted during the financial year
Y. C. Deveshwar	10,15,000	10,000
S. Puri	1,00,000	2,70,000
N. Anand	29,475	1,35,000
R. Tandon	2,89,750	1,35,000
S. Banerjee	Nil	Nil
A. Duggal	Nil	Nil
S. B. Mainak	Nil	Nil
S. B. Mathur	1,70,500	Nil
N. Rao	Nil	Nil
S. S. H. Rehman	17,732	Nil
M. Shankar	Nil	Nil
D. R. Simpson	Nil	Nil

Note: Options were granted at 'market price' as defined under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

Service Contract, Severance Fee and Notice Period

The appointment of the Managing Director and the other Executive Directors is governed by resolutions passed by the Board and the Shareholders of the Company, which cover 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. Letters of appointment have been issued by the Company to the Independent Directors, incorporating their roles, duties, responsibilities etc., which have been accepted by them.

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. With respect to notice period of Directors, the statutory provisions will also apply.

III. SECURITYHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee of the Board, under the nomenclature 'Securityholders Relationship Committee', oversees redressal of shareholder and investor grievances and, inter alia, approves transmission of shares, sub-division / consolidation / renewal of share certificates, issue of duplicate share certificates etc. and allotment of shares upon exercise of Options under the Company's Employee Stock Option Schemes.

Composition

The Securityholders Relationship Committee presently comprises three Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the Secretary to the Committee.

The names of the members of the Securityholders Relationship Committee, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

Meetings and Attendance

Details of Securityholders Relationship Committee Meetings during the financial year

During the financial year ended 31st March, 2018, fourteen meetings of the Securityholders Relationship

Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	28th April, 2017	3	2
2	15th May, 2017	3	2
3	29th June, 2017	4	2
4	27th July, 2017	4	3
5	28th August, 2017	3	2
6	18th September, 2017	3	2
7	27th October, 2017	3	3
8	21st November, 2017	3	2
9	14th December, 2017	3	2
10	19th January, 2018	3	3
11	1st February, 2018	3	2
12	16th February, 2018	3	2
13	6th March, 2018	3	2
14	24th March, 2018	3	3

Attendance at Securityholders Relationship Committee Meetings during the financial year

Member	No. of meetings attended
S. S. H. Rehman ¹	6
S. Puri	13
R. Tandon	13
P. B. Ramanujam ²	0

1. Appointed Member w.e.f. 26th May, 2017 and Chairman of the Committee w.e.f. 2nd August, 2017.

2. Ceased to be Member and Chairman of the Committee w.e.f. 1st August, 2017.

IV. CSR AND SUSTAINABILITY COMMITTEE

The role of the CSR Committee of the Board, under the nomenclature 'CSR and Sustainability Committee', is inter alia to review, monitor and provide strategic direction

to the Company's CSR and sustainability practices towards fulfilling its triple bottom line objectives. The Committee seeks to guide the Company in integrating its social and environmental objectives with its business strategies and assists in crafting unique models to support creation of sustainable livelihoods. The Committee formulates & monitors the CSR Policy and recommends to the Board the annual CSR Plan of the Company in terms of the Companies Act, 2013.

Composition

The CSR and Sustainability Committee presently comprises the Chairman of the Company and five other Non-Executive Directors, two of whom are Independent Directors. The Chairman of the Company is the Chairman of the Committee. The Company Secretary is the Secretary to the Committee.

The names of the members of the CSR and Sustainability Committee, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

Meetings and Attendance

Details of CSR and Sustainability Committee Meetings during the financial year

During the financial year ended 31st March, 2018, three meetings of the CSR and Sustainability Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	11th April, 2017	6	5
2	26th May, 2017	6	6
3	27th October, 2017	6	5

The structure, processes and practices of governance are designed to support effective management of multiple businesses while retaining focus on each one of them.

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Attendance at CSR and Sustainability Committee Meetings during the financial year

Member	No. of meetings attended
Y. C. Deveshwar	3
S. B. Mainak	3
N. Rao	3
M. Shankar	3
D. R. Simpson	3
Z. Alam ¹	1
A. Malik ²	N.A.

1. Ceased to be Member w.e.f. 20th March, 2018.

2. Member of the Committee from 26th May, 2017 to 31st July, 2017.

V. INDEPENDENT DIRECTORS COMMITTEE

The statutory role of the Independent Directors Committee of the Board is to review the performance of the non-Independent Directors including the Chairman of the Company, and the Board and also to assess the quality, quantity and timeliness of flow of information between the Company management and the Board.

Composition

The Independent Directors Committee comprises all the Independent Directors of the Company, whose names are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

Meetings and Attendance

Details of Independent Directors Committee Meeting during the financial year

During the financial year ended 31st March, 2018, one meeting of the Independent Directors Committee was held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	11th April, 2017	7	6

Attendance at Independent Directors Committee Meeting during the financial year

Member	No. of meeting attended
S. Banerjee	1
A. Duggal	1
S. B. Mathur	1
N. Rao	1
S. S. H. Rehman	1
M. Shankar	1
P. B. Ramanujam ¹	0

1. Ceased to be Member w.e.f. 1st August, 2017.

CORPORATE MANAGEMENT COMMITTEE

The primary role of the CMC is strategic management of the Company's businesses within Board approved direction/framework and realisation of Company goals. The CMC, inter alia, formulates the Company's business plans and organisational policies, systems & processes, reviews business performance against approved plans and operates under the strategic supervision and control of the Board.

Composition

The CMC presently comprises the Managing Director, the other Executive Directors and six senior members of management. The Managing Director is the Chairman of the Committee. The composition of the CMC is determined by the Board on the recommendation of the Nomination & Compensation Committee. The Company Secretary is the Secretary to the CMC.

The names of the members of the CMC, including its Chairman, are provided under the section 'Board of Directors and Committees' in the Report and Accounts.

Meetings and Attendance

Matters requiring the Board's attention / approval are placed in the form of notes from the relevant Executive Director / CMC Member, backed by comprehensive background information, along with DMC's recommendation / approval, where applicable. Minutes of CMC meetings are placed before the Board for its information.

Details of Corporate Management Committee Meetings during the financial year

During the financial year ended 31st March, 2018, thirty nine meetings of the CMC were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	28th April, 2017	10	10
2	15th May, 2017	10	10
3	28th June, 2017	10	8
4	7th & 8th July, 2017	10	8
5	12th & 13th July, 2017	10	9
6	18th July, 2017	10	9
7	22nd & 23rd August, 2017	10	9
8	21st & 22nd September, 2017	10	10
9	12th & 13th October, 2017	10	10
10	23rd October, 2017	10	9
11	22nd & 23rd November, 2017	10	9
12	20th December, 2017	10	9
13	9th January, 2018	10	10
14	17th January, 2018	10	9
15	6th February, 2018	9	8
16	6th February, 2018	9	8
17	12th February, 2018	9	8
18	13th February, 2018	9	7
19	15th February, 2018	9	8
20	15th February, 2018	9	8
21	19th February, 2018	9	8
22	22nd February, 2018	9	9
23	22nd February, 2018	9	9
24	27th February, 2018	9	9
25	27th & 28th February, 2018	9	9
26	5th March, 2018	9	9
27	5th March, 2018	9	9
28	8th, 9th, 12th, 13th & 14th March, 2018	9	9
29	9th March, 2018	9	9
30	14th March, 2018	9	8
31	19th March, 2018	9	8
32	19th March, 2018	9	8
33	21st March, 2018	9	9
34	22nd March, 2018	9	9
35	22nd March, 2018	9	9
36	26th March, 2018	9	9
37	26th March, 2018	9	9
38	26th March, 2018	9	9
39	30th March, 2018	9	9

Attendance at Corporate Management Committee Meetings during the financial year

Member	No. of meetings attended
S. Puri	39
N. Anand	38
R. Tandon	39
C. Dar	37
S. K. Singh	35
S. Sivakumar	39
R. Sridhar	39
B. Sumant	29
K. S. Suresh	37
B. B. Chatterjee ¹	11

1. Ceased to be Member on retirement w.e.f. 4th February, 2018.

RISK MANAGEMENT COMMITTEE

The role of the Risk Management Committee, constituted pursuant to the Listing Regulations 2015, is inter alia to approve the strategic risk management framework of the Company, and review the risk mitigation strategies and results of risk identification, prioritisation & mitigation plans for all businesses / functions.

Composition

The Risk Management Committee presently comprises the Managing Director, the other Executive Directors and senior members of management. The Managing Director is the Chairman of the Committee. The Chief Risk Officer is the Secretary to the Committee.

The names of the members of the Risk Management Committee, including its Chairman, are provided below.

Meetings and Attendance
Details of Risk Management Committee Meetings during the financial year

During the financial year ended 31st March, 2018, two meetings of the Risk Management Committee were held, as follows:

Sl. No.	Date	Committee Strength (including Invitees)	No. of Members & Invitees present
1	30th October, 2017	7	7
2	26th February, 2018	7	7

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Attendance at Risk Management Committee Meetings during the financial year

Member	No. of meetings attended
S. Puri (Chairman)	2
N. Anand	2
R. Tandon	2
S. Sivakumar	2
B. Sumant	2
Invitee	No. of meetings attended
R. Parasuram	2
S. K. Singh	2

SUBSIDIARY COMPANIES

All subsidiaries of the Company are managed by their respective Board of Directors in the best interest of those companies and their shareholders. Pursuant to the Listing Regulations 2015, the minutes of Board meetings of subsidiary companies and details of significant transactions and arrangements entered into by them are placed before the Board of Directors of the Company. The financial statements of the subsidiary companies are reviewed by the Audit Committee of the Company. Performance review reports of wholly owned subsidiaries are also placed before the Board of Directors of the Company on a half-yearly basis.

The Company does not have any material subsidiary. The Company's Policy for determination of a material subsidiary may be accessed on its corporate website at <http://www.itcportal.com/about-itc/policies/policy-on-material-subsidiaries.aspx>.

FAMILIARISATION PROGRAMME FOR DIRECTORS

ITC believes that a Board, which is well informed / familiarised with the Company and its affairs, can contribute significantly to effectively discharge its role of trusteeship in a manner that fulfils stakeholders' aspirations and societal expectations. In pursuit of this, the Directors of the Company are updated on changes / developments in the domestic / global corporate and industry scenario including those pertaining to statutes / legislations & economic environment and on matters affecting the Company, to enable them to take well informed and timely decisions. Visits to Company facilities are also organised for the Directors. Further details may be accessed on the Company's corporate website at <http://www.itcportal.com/about-itc/leadership/board-of-directors.aspx>.

DISCLOSURES

- Details of non-compliances, penalties and strictures by Stock Exchanges / SEBI / Statutory Authorities on any matter related to capital markets during the last three years:
None
- Inter-se relationships between Directors and Key Managerial Personnel of the Company:
None
- Materially significant related party transactions which may have potential conflict with the interests of the Company at large:
None
- Material financial and commercial transactions of senior management, where they may have had personal interest, and which had potential conflict with the interests of the Company at large:
None

The CSR and Sustainability Committee provides strategic direction to the Company's CSR and Sustainability practices towards fulfilling its Triple Bottom Line objectives.

- Compliance Officer under the Listing Regulations 2015:
R. K. Singhi, Executive Vice President & Company Secretary
- Information with respect to 'Commodity Price Risk or Foreign Exchange Risk and Hedging Activities' is provided in the 'Report of the Board of Directors & Management Discussion and Analysis' and in the 'Notes to the Financial Statements', forming part of the Report and Accounts.

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 from the end of the quarter. Audited annual results along with the results for the fourth quarter were announced within sixty days from the end of the financial year. Extract of these results were published, inter alia, in 'The Times of India' and 'Bartaman' / 'Sangbad Pratidin' from Kolkata, and on an all India basis in major newspapers, and also in 'Luxemburger Wort', Luxembourg; annual results were also published in 'Financial Times', London. Further, quarterly results, shareholding pattern and other important information relating to the Company were submitted to the Stock Exchanges through NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre, for dissemination on their respective websites. As in the past, the Company will publish its quarterly, half-yearly and annual financial results and also post such results on the Company's corporate website **www.itcportal.com**. The Company's presentations on the results, quarterly results updates along with FAQs are made available on the Company's corporate website.
- The Company's corporate website provides comprehensive information on ITC's portfolio of businesses, CSR and Sustainability initiatives, EHS performance, shareholding pattern, key Company Policies, and contact details of Company's employees

responsible for assisting investors & handling investor grievances. The website has entire sections dedicated to ITC's profile, history and evolution, its core values, corporate governance and leadership. An exclusive section on 'Shareholder Value' serves to inform and service Shareholders, enabling them to access information at their convenience. The entire Report and Accounts as well as quarterly, half-yearly and annual financial results are available in downloadable formats under the section 'Shareholder Value' on the Company's corporate website as a measure of added convenience to investors. The 'Media Centre' section includes all major media releases from the Company and relevant media reports.

- The Report of the Board of Directors, forming part of the Report and Accounts, includes all aspects of Management Discussion and Analysis as required under the Listing Regulations 2015.

ITC CODE OF CONDUCT

The ITC Code of Conduct, adopted by the Board of Directors, is applicable to Directors, senior management and employees of the Company. The Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct in relation to the Company's business and reputation. The Code covers ITC's commitment to CSR and 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.

Declaration as required under the Listing Regulations 2015

All Directors and senior management of the Company have affirmed compliance with the ITC Code of Conduct for the financial year ended 31st March, 2018.

Gurugram, 16th May, 2018.

S. Puri
Managing Director

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WHISTLEBLOWER POLICY

Synopsis of the Whistleblower Policy of the Company is provided in the 'Report of the Board of Directors & Management Discussion and Analysis' in the Report and Accounts. The Whistleblower Policy is also available on the Company's corporate website.

POLICY ON RELATED PARTY TRANSACTIONS

The Policy may be accessed on the Company's corporate website at <http://www.itcportal.com/about-itc/policies/policy-on-rpt.aspx>.

ITC CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING - 2015

The ITC Code of Conduct for Prevention of Insider Trading - 2015, approved by the Board of Directors, inter alia, prohibits trading in securities of the Company by Directors and employees while in possession of unpublished price sensitive information in relation to the Company.

DISCRETIONARY REQUIREMENTS UNDER THE LISTING REGULATIONS 2015

The status of compliance with the discretionary requirements under the Listing Regulations 2015 is provided below:

- Separate posts of Chairman and Chief Executive Officer:** The Company has a Chairman in non-executive capacity and a Managing Director.
- Chairman's Office:** Chairman's Office is maintained by the Company and expenses towards performance of the Chairman's duties are borne by the Company / reimbursed to him.

- Shareholder Rights:** The quarterly, half-yearly and annual financial results of the Company are posted on the Company's corporate website and extract of these results are published in newspapers on an all India basis. Significant events are also posted on the Company's website under the 'Media Centre' section. The complete Annual Report is sent to every Shareholder of the Company.
- Audit Opinion:** It has always been the Company's endeavour to present financial statements with unmodified audit opinion. The Statutory Auditors have issued an unmodified audit opinion on the Company's financial statements for the year ended 31st March, 2018.
- Internal Audit:** The Head of Internal Audit reports to the Audit Committee of the Board.

GENERAL SHAREHOLDER INFORMATION

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

CONFIRMATION OF COMPLIANCE

As required under the Listing Regulations 2015 –

- It is confirmed that the Company has complied with the requirements prescribed under Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations 2015.
- The Statutory Auditors' Certificate that the Company has complied with the conditions of Corporate Governance is annexed to the 'Report of the Board of Directors & Management Discussion and Analysis'.

Notes:

- Reference to Division / Divisional Business includes Strategic Business Unit (SBU), Business Vertical and Shared Services.
- Reference to Divisional Management Committee includes SBU Management Committee, Shared Services Management Committee and Executive Committee for Business Vertical.
- Reference to Divisional Chief Executive includes Heads of SBU, Business Vertical and Shared Services.

The ITC Code of Conduct is derived from three interlinked fundamental principles – good corporate governance, good corporate citizenship and exemplary personal conduct.

ANNEXURE TO THE REPORT ON CORPORATE GOVERNANCE

Remuneration Policy

ITC's Remuneration Strategy is designed to attract and retain high quality talent, that gives each of its businesses a unique competitive advantage and enables the Company achieve its objectives.

ITC's Remuneration Strategy is a key and integral component of the broader Human Resource Strategy of the Company and, whilst focusing on remuneration and related aspects of performance management, is aligned with and reinforces the employee value proposition of a superior quality of work life, that includes an enabling work environment, an empowering and engaging work culture and opportunities to learn and grow.

The Compensation approach endeavours to align each employee with the Company's Superordinate goal and enables a congruence between individual aspirations and the Company's mission and vision.

Policy

It is ITC's policy:

1. To ensure that its Remuneration practices support and encourage meritocracy.
2. To ensure that Remuneration is market-led and takes into account the competitive context of each business.
3. To leverage Remuneration as an effective instrument to enhance performance and therefore, to link a significant component of remuneration to both individual and collective performance outcomes.
4. To adopt a comprehensive approach to Remuneration in order to support a superior quality of personal and work life, combining both cash and non-cash components / benefits, in a manner so as to judiciously balance short term with long term priorities.
5. To design Remuneration practices such that they reinforce ITC's values and culture and to implement them in a manner that complies with all relevant regulatory requirements.

Remuneration of Executive Directors, Key Managerial Personnel and Senior Management

1. Remuneration of Executive Directors, Key Managerial Personnel and Senior Management is determined and recommended by the Board Nomination & Compensation Committee and approved by the Board. Remuneration of Executive Directors is also subject to the approval of the shareholders.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. Since the market for Board-level and senior leadership talent is global, remuneration of top management of global corporations as well as Indian corporations of comparable size is considered. The review also cognises for the Company's diverse multi-business portfolio and its unique strategy of organisation.
3. Apart from fixed elements of remuneration and benefits / perquisites, Executive Directors, Key Managerial Personnel and Senior Management are also eligible for Performance Bonus and Employee Stock Options that are linked to their individual performance and the overall performance of the Company. These elements of compensation design, facilitate alignment of the priorities of Executive Directors, Key Managerial Personnel and Senior Management with the long-term interests of stakeholders.

Remuneration of Non-Executive Directors and Chairman

Remuneration of Non-Executive Directors is in the form of annual commission, which is determined by the Board within the limit stipulated under the Companies Act, 2013 and approved by the shareholders. Commission is based, inter alia, on Company performance and is generally payable on a uniform basis to reinforce the principle of collective responsibility. Individual performance may be taken into account in exceptional circumstances. Non-Executive Directors are also entitled to sitting fees for attending meetings of the Board and Committees thereof, the quantum of which is determined by the Board. Non-Executive Directors, who are not Independent Directors, are also eligible for Stock Options as approved by the shareholders.

The present Chairman, at the request of the Nomination & Compensation Committee and the Board, recognising the need for orderly transition in a company of ITC's size and complexity, agreed to continue as Chairman in non-executive capacity and also play the role of Mentor to the new executive management, and is entitled to additional remuneration and benefits, as determined by the Board within the limit stipulated under the Companies Act, 2013 and approved by the shareholders.

Remuneration of Management Staff

1. Remuneration of Management Staff is business-specific and approved by the Corporate Management Committee on the recommendation of the Business and Corporate Human Resources.
2. Remuneration is reviewed and revised periodically, when such a revision is warranted by the market. The quantum of revision is linked to market trends, the competitive context of the business, as well as the track record of the individual manager.
3. Variable Pay in the form of Annual Performance Bonus cognises for the performance rating of the individual manager, the performance of the Business and the overall performance of the Company.
4. The Nomination & Compensation Committee may grant Stock Options under the Company's Employee Stock Option Schemes to managers at middle and senior levels, linked to their performance and potential, with benefits vesting in phases over a period of time.

Remuneration of Non-Management Employees

1. Remuneration of non-management employees is market-led, business specific, leverages performance and is approved by the Management Committee of the Business.
2. Remuneration of non-management unionised employees is determined through a process of negotiations with the recognised union/s or employee representatives, through a long-term agreement.
3. The collective bargaining process is anchored in mutuality of interests, characterised by industrial democracy and partnership with enlightened trade unions, aimed at enhancing the competitiveness of the unit and business, and thereby improving the quality of life of the workforce through fair and equitable compensation.
4. Remuneration, comprising fixed and variable components, is arrived at based on benchmarking with region-cum-industry practices and cognizing for market dynamics, competitiveness of the unit / plant, overall performance of the business, availability of skills, inflation / cost of living and the impact of cost escalation and productivity gains on present and future competitiveness.
