

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 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 should 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 & accountability and control. 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 & accountability and control.

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

Report on Corporate Governance

Managing Director: The Managing Director carries total responsibility for the strategic management of the Company and provides 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.

The present Managing Director, Mr. S. Puri, has been appointed also as the Chairman of the Company with effect from 13th May, 2019.

Non-Executive Director: Non-Executive Directors, including Independent Directors, play a critical role in imparting balance to the Board processes by bringing 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, the 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. Similarly, as Director accountable to the Board for a corporate function, the overall strategic responsibility for its performance forms part of the Executive Director's role. In the context of the multi-business character of the Company, an Executive Director is in the nature of a Managing Director for those businesses and functions reporting to him.

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. Similarly, where accountable for a corporate function, the overall strategic responsibility for its performance 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 provides 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 independent professionals. At least one-third of the total strength of the Board was required to comprise Independent Directors, as on 31st March, 2019.

The Governance Policy of the Company, inter alia, requires that Non-Executive Directors be drawn from amongst eminent professionals, with experience in business / finance / law / public administration and enterprises. The Board Diversity Policy of the Company requires the Board to have balance of skills, experience and diversity of perspectives appropriate to the Company. The skills, expertise and competencies of the Directors as identified by the Board, are provided in the Annexure forming part of this Report. These skills, expertise and competencies are available in the present mix of the Directors of the Company.

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 Chairman & Managing Director, three other Executive Directors and six Non-Executive Independent Directors, of which two are Women Directors.

Composition of the Board as on 31st March, 2019:

Category	No. of Directors	Percentage to total no. of Directors
Executive Directors	4	29
Non-Executive Independent Directors	6	42
Other Non-Executive Directors	4	29
Total	14	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	6	Nil
S. Puri [§]	Managing Director	4	Nil
N. Anand	Executive Director	8	1
B. Sumant	Executive Director	1	Nil
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 3 as Chairman]
S. B. Mathur	Independent Director	9	8 [including 2 as Chairman]
N. Rao	Independent Director	2	1
S. S. H. Rehman	Independent Director	Nil	Nil
M. Shankar	Independent Director	3	2
H. Bhargava	Non-Executive Director - Representative of Life Insurance Corporation of India as Investor	14	Nil
J. Pulinthanam	Non-Executive Director - Representative of General Insurers' (Public Sector) Association of India as Investor	1	Nil
D. R. Simpson	Non-Executive Director - Representative of Tobacco Manufacturers (India) Limited, a subsidiary of British American Tobacco p.l.c. as Investor	3	Nil

[#] Passed away on 11th May, 2019.

[§] Appointed also as the Chairman of the Company with effect from 13th May, 2019.

* Details with respect to other Directorships of the Directors are provided under the section 'Your Directors' in the Report and Accounts, other than for Mr. Y. C. Deveshwar who amongst others was an Independent Director of Air India Limited, debt securities of which are listed on recognised stock exchange(s).

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 seven to fourteen 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:

- Annual operating plans & budgets and periodic review of the Company's businesses.
- Quarterly performance including business-wise financials.
- External Audit Management Reports (through the Audit Committee).
- Status of safety and legal compliance.
- Status and effectiveness of risk management plans.
- Succession to senior management (through the Nomination & Compensation Committee).
- Statutory compliance reports from business units / corporate functions.
- 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.

Report on Corporate Governance

Details of Board Meetings during the financial year

During the financial year ended 31st March, 2019, eight meetings of the Board were held, as follows:

Sl. No.	Date	Board Strength	No. of Directors present
1	13th April, 2018	12	11
2	16th May, 2018	12	11
3	26th July, 2018	12	12
4	27th July, 2018	12	11
5	10th August, 2018	13	12
6	26th October, 2018	13	11
7	15th November, 2018	13	12
8	23rd January, 2019	14	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 ¹	8	Yes
S. Puri	8	Yes
N. Anand	8	Yes
B. Sumant ²	1	N.A.
R. Tandon	8	Yes
S. Banerjee	8	Yes
H. Bhargava ³	4	N.A.
A. Duggal	8	Yes
S. B. Mathur	8	Yes
J. Pulinthanam ⁴	2	No
N. Rao	6	Yes
S. S. H. Rehman	8	Yes
M. Shankar	8	Yes
D. R. Simpson	8	Yes
S. B. Mainak ⁵	0	N.A.

1. Passed away on 11th May, 2019.

2. Appointed Executive Director w.e.f. 16th November, 2018.

3. Appointed Non-Executive Director w.e.f. 28th July, 2018.

4. Appointed Non-Executive Director w.e.f. 16th May, 2018.

5. Resigned as Non-Executive Director w.e.f. 24th July, 2018.

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 Board Committees 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. All the recommendations made by Board Committees during the year were accepted by the Board. 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 and removal of Statutory and Cost Auditors;
- To approve transactions of the Company with related parties;
- To evaluate the Company's internal financial controls and risk management systems;
- To review with the management the following:
 - Annual financial statements and Auditor's Report thereon before submission to the Board for approval;

- (ii) Quarterly financial statements before submission to the Board for approval;
- (f) To review the following:
 - (i) Management discussion and analysis of financial condition & results of operations, and matters required to be included in the Directors' Responsibility Statement;
 - (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) Adequacy of internal control systems for compliance with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (iv) Reports of Internal Audit and discussion with Internal Auditors on any significant findings and follow-up thereon;
 - (v) Statutory Auditors' independence and performance, and effectiveness of the audit process;
 - (vi) System for storage, retrieval, security etc. of books of account maintained in the electronic form;
 - (vii) Functioning of Whistleblower mechanism in the Company;
 - (viii) Financial statements, including investments, of unlisted subsidiary companies;
 - (ix) Utilisation of loans and / or advances and investments by the Company to / in the subsidiary companies.

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 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, 2019, eight meetings of the Audit Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	3rd May, 2018	4	3
2	16th May, 2018	4	3
3	26th July, 2018	3	3
4	11th October, 2018	4	4
5	26th October, 2018	4	4
6	14th January, 2019	4	4
7	23rd January, 2019	4	4
8	14th March, 2019	4	4

Attendance at Audit Committee Meetings during the financial year

Member	No. of meetings attended
S. B. Mathur	8
H. Bhargava ¹	5
A. Duggal	8
S. S. H. Rehman	8
S. B. Mainak ²	0

1. Appointed Member w.e.f. 28th July, 2018.

2. Ceased to be Member w.e.f. 24th July, 2018.

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 includes recommending to the Board the appointment, remuneration and removal of the Directors and senior management. The Committee also has the responsibility for administering the Employee Stock Option Schemes of the Company.

Composition

The Nomination & Compensation Committee presently comprises three Independent Directors and the Chairman of the Company. 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, 2019, six meetings of the Nomination & Compensation Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	16th May, 2018	5	4
2	26th July, 2018	4	4
3	10th August, 2018	4	4
4	26th October, 2018	4	4
5	15th November, 2018	4	4
6	23rd January, 2019	4	4

Attendance at Nomination & Compensation Committee Meetings during the financial year

Member	No. of meetings attended
S. Banerjee	6
Y. C. Deveshwar ¹	6
S. S. H. Rehman	6
M. Shankar	6
S. B. Mainak ²	0

1. Passed away on 11th May, 2019.
2. Ceased to be Member w.e.f. 24th July, 2018.

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 Company adopts 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 which judiciously balances short term and long term priorities.

The Company's Policy on remuneration of Directors, Key Managerial Personnel and other employees, as approved by the Board, may be accessed on its corporate website at <https://www.itcportal.com/about-itc/policies/remuneration-policy.pdf>. There has been no change in the Policy during the year.

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, ranging between ₹ 70,00,000/- and ₹ 1,00,00,000/- 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, in view of his enlarged role, was entitled to additional remuneration and benefits as approved by the Shareholders. Non-Executive Directors are also entitled to sitting fees for attending the meetings of the Board and its Committees. The sitting fees 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.

Details of Remuneration paid to the Directors during the financial year ended 31st March, 2019

(₹ in Lakhs)

Director	Basic/ Consolidated Salary/ Remuneration	Perquisites / other Benefits	Performance Bonus/ Commission	Sitting Fees	Total
Y. C. Deveshwar ¹	1200.00	389.80	60.00	12.50	1662.30
S. Puri	144.00	40.00	432.00	-	616.00
N. Anand	101.87	68.70	192.00	-	362.57
B. Sumant ²	36.00	9.30	-	-	45.30 [#]
R. Tandon	96.00	32.22	192.00	-	320.22
S. Banerjee	-	-	60.00	11.50	71.50
H. Bhargava ³	-	-	-	7.00 *	7.00
A. Duggal	-	-	60.00	12.50	72.50
S. B. Mathur	-	-	60.00	12.50	72.50
J. Pulinthanam ⁴	-	-	-	2.60 *	2.60
N. Rao	-	-	60.00	7.50	67.50
S. S. H. Rehman	-	-	60.00	16.50	76.50
M. Shankar	-	-	60.00	13.00	73.00
D. R. Simpson	-	-	60.00	9.50	69.50
Z. Alam ⁵	-	-	58.03 *	-	58.03
S. B. Mainak ⁶	-	-	60.00 *	-	60.00
A. Malik ⁷	-	-	18.41 *	-	18.41
P. B. Ramanujam ⁸	-	-	20.05 [@]	-	20.05

[#] Subject to the approval of the Shareholders.

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

[@] Paid to Mrs. S. Ramanujam, spouse of Late P. B. Ramanujam.

1. Passed away on 11th May, 2019.

2. Appointed Executive Director w.e.f. 16th November, 2018.

3. Appointed Non-Executive Director w.e.f. 28th July, 2018.

4. Appointed Non-Executive Director w.e.f. 16th May, 2018.

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

6. Resigned as Non-Executive Director w.e.f. 24th July, 2018.

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

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

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

Employee Stock Option Schemes

The Company granted 6,88,425 Options during the financial year to certain eligible employees and Directors of the Company, other than Independent Directors.

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.

Options granted vest as per the following schedule:

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, 2019	No. of Options granted during the financial year
Y. C. Deveshwar [#]	4,45,950	10,000
S. Puri	87,500	2,16,000
N. Anand	Nil	1,08,000
B. Sumant	2,08,057	39,400 *
R. Tandon	1,83,750	1,08,000
S. Banerjee	Nil	Nil
H. Bhargava	Nil	Nil
A. Duggal	Nil	Nil
S. B. Mathur	1,70,500	Nil
J. Pulinthanam	Nil	Nil
N. Rao	Nil	Nil
S. S. H. Rehman	32,790	Nil
M. Shankar	Nil	Nil
D. R. Simpson	Nil	Nil

[#] Passed away on 11th May, 2019.

* Options granted prior to appointment as Executive Director.

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

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

Report on Corporate Governance

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.

Performance Evaluation

Performance evaluation of the Board, the Board Committees and the individual Directors was carried out by the Board in accordance with the Policy approved by the Nomination & Compensation Committee in this regard; brief details of the same are provided in the 'Report of the Board of Directors & Management Discussion and Analysis', forming part of the Report and Accounts.

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 four 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, 2019, nineteen meetings of the Securityholders Relationship Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	13th April, 2018	3	3
2	3rd May, 2018	3	3
3	16th May, 2018	3	3
4	13th June, 2018	3	2
5	16th July, 2018	3	2
6	26th July, 2018	3	3
7	2nd August, 2018	4	3
8	10th August, 2018	4	3
9	24th September, 2018	4	3
10	10th October, 2018	4	3
11	26th October, 2018	4	3
12	15th November, 2018	4	4
13	21st November, 2018	4	3
14	6th December, 2018	4	2
15	19th December, 2018	4	2
16	23rd January, 2019	4	3
17	14th February, 2019	4	3
18	14th March, 2019	4	4
19	19th March, 2019	4	2

Attendance at Securityholders Relationship Committee Meetings during the financial year

Member	No. of meetings attended
S. S. H. Rehman	10
J. Pulinthanam ¹	6
S. Puri	19
R. Tandon	19

1. Appointed Member w.e.f. 28th July, 2018.

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.

Composition

The CSR and Sustainability Committee presently comprises the Chairman of the Company and five 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, 2019, three meetings of the CSR and Sustainability Committee were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	13th April, 2018	5	4
2	16th May, 2018	5	4
3	26th October, 2018	6	4

Attendance at CSR and Sustainability Committee Meetings during the financial year

Member	No. of meetings attended
Y. C. Deveshwar ¹	3
H. Bhargava ²	1
J. Pulinthanam ³	0
N. Rao	2
M. Shankar	3
D. R. Simpson	3
S. B. Mainak ⁴	0

1. Passed away on 11th May, 2019.

2. Appointed Member w.e.f. 28th July, 2018.

3. Appointed Member w.e.f. 16th May, 2018.

4. Ceased to be Member w.e.f. 24th July, 2018.

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, 2019, one meeting of the Independent Directors Committee was held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	13th April, 2018	6	6

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

Report on Corporate Governance

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

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 all the Executive Directors and four senior members of management. The Chairman & Managing Director of the Company 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, 2019, forty one meetings of the CMC were held, as follows:

Sl. No.	Date	Committee Strength	No. of Members present
1	2nd April, 2018	9	8
2	30th April, 2018	9	9
3	11th May, 2018	9	7
4	14th & 15th June, 2018	9	9
5	11th, 12th, 13th & 16th July, 2018	9	8
6	24th July, 2018	9	9
7	7th August, 2018	9	9
8	18th August, 2018	9	9
9	22nd & 23rd August, 2018	9	8
10	13th September, 2018	9	9
11	25th, 26th & 27th September, 2018	9	9
12	12th October, 2018	9	8
13	15th October, 2018	9	7
14	10th November, 2018	9	8
15	22nd & 23rd November, 2018	9	8
16	17th & 18th December, 2018	9	9
17	15th January, 2019	9	8
18	5th February, 2019	8	8
19	5th February, 2019	8	8
20	6th February, 2019	8	8
21	11th February, 2019	8	7
22	11th February, 2019	8	7
23	12th February, 2019	8	8
24	15th February, 2019	8	8
25	21st February, 2019	8	7
26	21st & 22nd February, 2019	8	8
27	22nd February, 2019	8	8
28	26th & 27th February, 2019	8	8
29	27th February, 2019	8	6
30	4th, 5th, 11th, 12th, 13th & 26th March, 2019	8	8
31	5th March, 2019	8	7
32	11th March, 2019	8	8
33	13th March, 2019	8	8
34	18th March, 2019	8	7
35	18th March, 2019	8	7
36	20th March, 2019	8	6
37	20th March, 2019	8	6
38	22nd March, 2019	8	8
39	25th March, 2019	8	8
40	29th March, 2019	8	8
41	29th March, 2019	8	8

Attendance at Corporate Management Committee Meetings during the financial year

Member	No. of meetings attended
S. Puri	41
N. Anand	37
B. Sumant	38
R. Tandon	40
C. Dar	38
S. K. Singh	36
S. Sivakumar	39
K. S. Suresh	37
R. Sridhar ¹	16

1. Ceased to be Member on retirement w.e.f. 5th February, 2019.

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 business units / corporate functions, as also the measures taken for cyber security.

Composition

The Risk Management Committee presently comprises all the Executive Directors and some senior members of management. The Chairman & Managing Director of the Company is the Chairman of the Committee. The Head of Internal Audit is an Invitee to meetings of the Committee and 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, 2019, three meetings of the Risk Management Committee were held, as follows:

Sl. No.	Date	Committee Strength (including Invitees)	No. of Members & Invitees present
1	13th August, 2018	7	7
2	24th December, 2018	7	7
3	6th March, 2019	7	7

Attendance at Risk Management Committee Meetings during the financial year

Member	No. of meetings attended
S. Puri (Chairman)	3
N. Anand	3
B. Sumant	3
R. Tandon	3
S. Sivakumar	3
Invitee	No. of meetings attended
M. Ganesan ¹	3
S. K. Singh	3
R. Parasuram ²	N.A.

1. Invitee to the Committee w.e.f. 4th May, 2018.

2. Ceased to be Invitee on retirement w.e.f. 4th May, 2018.

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 the 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, as approved by the Board, may be accessed on its corporate website at <https://www.itcportal.com/about-itc/policies/policy-on-material-subsiidiaries.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,

Report on Corporate Governance

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 <https://www.itcportal.com/about-itc/leadership/images/directors-familiarisation-programme.pdf>.

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 financial 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 'Aajkal' / 'Bartaman' 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 material events & 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. The Company publishes its quarterly, half-yearly and annual financial results and also posts such results on its corporate website www.itcportal.com. The Company's presentations on the results, quarterly results updates along with FAQs are also made available on the said 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 the 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 the 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 the 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, 2019.

Gurugram, 13th May, 2019.

S. Puri
Chairman &
Managing Director

WHISTLEBLOWER POLICY

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

POLICY ON RELATED PARTY TRANSACTIONS

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

ITC CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING - 2019

The ITC Code of Conduct for Prevention of Insider Trading, 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.

OTHER 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
- Details of utilisation of funds raised through preferential allotment or qualified institutions placement:
Not Applicable
- Credit rating(s) obtained by the Company for any debt instrument, fixed deposit programme or any other scheme involving mobilisation of funds:
None

- None of the Directors of the Company has been debarred or disqualified from being appointed or continuing as a Director by SEBI / Ministry of Corporate Affairs / Statutory Authorities, which has also been confirmed by Messrs. S. M. Gupta & Co., Practising Company Secretaries.
- Confirmation by the Board with respect to the Independent Directors is provided in the 'Report of the Board of Directors & Management Discussion and Analysis', forming part of the Report and Accounts.
- Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 are provided in the 'Business Responsibility Report', forming part of the Report and Accounts.
- 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.

In view of the diversified business portfolio of the Company, its exposure in none of the individual commodities which are sourced either for use as inputs in its businesses or for agri-commodity trading, is material in the context of its overall operations, and also in terms of the 'Policy for determination of materiality of events and information for disclosure to the Stock Exchanges', as approved by the Board. Accordingly, the disclosure requirements prescribed under the SEBI Circular dated 15th November, 2018 are not applicable for the Company.

- The total fees paid by the Company and its subsidiaries to Messrs. Deloitte Haskins & Sells, Statutory Auditors of the Company, and all other entities forming part of the same network, aggregate ₹ 6.79 crores.
- Compliance Officer under the Listing Regulations 2015:

R. K. Singhi, Executive Vice President & Company Secretary

DISCRETIONARY REQUIREMENTS UNDER THE LISTING REGULATIONS 2015

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

1. **Separate posts of Chairman and Chief Executive Officer:**

The Company has a diversified business portfolio, which demands that the senior leadership has in-depth knowledge and understanding of the functioning of the Company, so as to enhance the value-generating capacity of the organisation and contribute significantly to stakeholders' aspirations and societal expectations.

It may be recalled that Mr. Y. C. Deveshwar, at the request of the Nomination & Compensation Committee and the Board, had agreed to continue as Chairman in non-executive capacity, as an interim measure, for orderly transition in a company of ITC's size and complexity and to provide guidance and mentorship to the new executive management which was planned to be put in place.

Accordingly, as on 31st March, 2019, the Company had a Chairman in non-executive capacity and a Managing Director.

Consequent to the demise of Mr. Deveshwar on 11th May, 2019, the Board, on the recommendation of the Nomination & Compensation Committee, appointed Mr. S. Puri, Managing Director, also as the Chairman of the Company with effect from 13th May, 2019.

2. **Chairman's Office:**

During the year ended 31st March, 2019, Chairman's Office was maintained by the Company and expenses towards performance of the Chairman's duties were borne by the Company / reimbursed to him.

3. **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.

4. **Audit Opinion:**

It has always been the Company's endeavour to present financial statements with unmodified audit opinion i.e. without any qualification. The Statutory Auditors have issued an unmodified audit opinion on the Company's financial statements for the year ended 31st March, 2019.

5. **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

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', forming part of the Report and Accounts.

Notes:

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

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

ANNEXURE TO THE REPORT ON CORPORATE GOVERNANCE

SKILLS, EXPERTISE AND COMPETENCIES OF DIRECTORS

ITC believes that it is the collective effectiveness of the Board that impacts Company performance and therefore members of the Board amongst themselves should have a balance of skills, experience and diversity of perspectives appropriate to the Company.

Given the Company's size, scale and diversified nature of its businesses, the Directors should possess one or more of the following skills, expertise and competencies:

1. Organisational Purpose

Ability to comprehend the socio-economic, political, regulatory and competitive environment, both domestic and global, in which the Company is operating and insight to identify opportunities and threats for the Company's businesses.

Ability to contribute towards creating an inspiring Vision for the Company with superordinate societal goals and appreciate the Company's triple bottom line philosophy of building synergy between serving the society and creating economic value for the Company.

2. Strategic Insight

Ability to evaluate competitive corporate and business strategies and, based thereon, contribute towards progressive refinement of the Company's strategies for fulfilment of its goals.

Ability to comprehend strategy of organisation of a diversified company like ITC, in the context of its unique sources of competitive advantage and assess its strengths and weaknesses.

3. Organisational Capacity Building

Acumen to evaluate organisational capacity and readiness across relevant parameters and provide guidance on bridging gaps in capacity building.

Ability to understand the talent market and the Company's talent quotient so as to help finetune strategies to attract, retain and nurture competitively superior talent.

Ability to appreciate and critique the need for in-depth specialisation across business critical areas such as manufacturing, marketing, legal, information technology, public advocacy etc., as well as the breadth of general management capabilities.

4. Stakeholder Value Creation

Ability to understand processes for shareholder value creation and its contributory elements and critique interventions towards value creation for the other stakeholders.

5. Commercial Acumen

Commercial acumen to critique the Company's financial performance and evaluate the Company's strategies and action plans in the context of their financial outcomes.

6. Risk Management and Compliance

Ability to appreciate key risks impacting the Company's businesses and contribute towards development of systems and controls for risk mitigation & compliance management and review and refine the same periodically.

7. Policy Evaluation

Ability to comprehend the Company's governance philosophy and contribute towards its refinement periodically.

Ability to evaluate policies, systems and processes in the context of the Company's businesses, and review the same periodically.

8. Culture Building

Ability to contribute to the Board's role towards promoting an ethical organisational culture, eliminating conflict of interest, and setting & upholding the highest standards of ethics, integrity and organisational conduct.

9. Board Cohesion

Ability to comprehend the statutory roles and responsibilities of a Director and of the Board as a whole.

Ability to encourage and sustain a cohesive working environment and to listen to multiple views and thought processes and synergise a range of ideas for organisational benefit.
