

## **REMUNERATION POLICY**

This Remuneration Policy is framed in terms of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

ITC's Remuneration strategy is performance based, competitive and values led. It is designed to reward holistic performance that is in congruence with ITC's Triple Bottom Line approach to Business, to attract and retain high quality talent and is anchored on ITC's values, all of which are integral in pursuit of ITC's vision and mission of enhancing the wealth generating capability of the enterprise in a globalising environment while delivering superior and sustainable stakeholder value.

ITC's Remuneration strategy is a key and vital 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 underlying objective is to create a high-performance culture that inspires employees to deliver ITC's promise to its stakeholders. This Policy complies with the applicable regulations and the principles of good corporate governance.

The Compensation approach endeavors to align each employee with the Company's superordinate goal of delivering superior and sustainable stakeholder value.

### **Policy**

It is ITC's Policy:

1. To ensure that its Remuneration practices reinforce meritocracy, are market-led and factor in the competitive context of each Business.
2. To leverage Remuneration as an effective instrument to drive both individual and collective performance outcomes.
3. To ensure that remuneration is linked to stakeholder value creation and business results.
4. To adopt a comprehensive 'Total Rewards' approach to Remuneration that promotes a superior quality of personal and work life by combining both cash and non-cash components / benefits, reinforces ITC's values and complies with all the applicable regulations.

5. To encourage and reward sustained performance through a balance between fixed and variable remuneration as well as a judicious deployment of short and long-term incentives, with calibrated and defined payouts being based on the extent of achievement of goals. The design of variable pay plans includes quantitative measures as well as qualitative measures in areas such as risk management, compliance with internal policies, regulations and statutes, human capital development, environment, health and safety. Individual and Business goals will be based on approved Business Plans and arrived at through a participative process.
6. To encourage collective ownership and drive achievement of the Sustainability goals of the Company; such goals will be included as a factor in assessing Business performance, which, in turn, will contribute in determining Remuneration.

### **Remuneration of Chairman & Managing Director, Executive Directors, Key Managerial Personnel and Senior Management**

1. Remuneration of the Chairman & Managing Director, other Executive Directors, Key Managerial Personnel and Senior Management is determined and recommended by the Nomination & Compensation Committee (hereinafter referred to as 'the Committee') and approved by the Board of Directors of the Company (hereinafter referred to as 'the Board'). Remuneration of the Chairman & Managing Director and the other Executive Directors is also subject to the approval of the Shareholders, within the limit prescribed under the Companies Act, 2013.
2. Remuneration is reviewed and revised generally every year or when such a revision is warranted by the market. To ensure pay competitiveness, remuneration is benchmarked with leading Indian and global corporations operating in India. The review also cognises for the Company's diverse multi-business portfolio, its unique competitive context and strategy of organisation.
3. Apart from fixed elements of remuneration and benefits / perquisites, they are eligible for Performance Bonus which is linked to their individual performance and the overall performance of the Company.

They are also eligible for Long Term Incentives, including Employee Stock Options, as may be determined by the Committee / the Board, linked to their individual performance and the overall performance of the Company, including Sustainability goals.

The aforesaid elements of compensation design facilitate alignment of the priorities of the Chairman & Managing Director, other Executive Directors, Key Managerial Personnel and Senior Management with the long-term interests of stakeholders.

*['Senior Management' shall mean (i) Corporate Management Committee Members, (ii) Managers one level below that of Executive Director, and (iii) such other managers as may be determined by the Committee / the Board.]*

## **Remuneration of Non-Executive Directors**

Remuneration of Non-Executive Directors is in the form of annual commission which is determined by the Board within the limit approved by the Shareholders in accordance with the provisions of the Companies Act, 2013. 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, within the limit prescribed under the Companies Act, 2013.

## **Remuneration of Management Staff**

1. Remuneration of Management Staff is business-specific and approved by the Corporate Management Committee (hereinafter referred to as 'CMC') on the recommendation of the respective Business and Corporate Human Resources.
2. Remuneration is reviewed and revised generally every year or 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 performance and potential 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 / Corporate Function and the overall performance of the Company.
4. Managers, based on their role and responsibility, may also be eligible for Long Term Incentives as determined by the CMC / the Committee, with such incentives linked to performance of the individual manager, the performance of the Business / Corporate Function and / or the overall performance of the Company, as relevant and appropriate.

## **Remuneration of Non-Management Employees**

1. Remuneration of non-management employees is market-led, business unit specific, leverages performance and is approved by the Management Committee of the respective Business.
2. Remuneration of non-management employees is determined, where applicable, through a process of collective bargaining with the recognised union(s) or employee representatives or individually negotiated, and reflected in long-term agreements / employment contracts.
3. The collective bargaining process is anchored in mutuality of interests, characterised by industrial democracy and partnership with trade unions, aimed at enhancing the competitiveness of the unit and the Business, and thereby improving the quality of life of the workforce through fair and equitable compensation in line with fair labour practices.

4. Remuneration, comprising fixed and variable components, is arrived at based on benchmarking with region-cum-industry practices and cognising for market dynamics, competitiveness of the unit, 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.

## General

This Policy will be posted on the Company's corporate website [www.itcportal.com](http://www.itcportal.com) and web link thereto will be disclosed in the Report of the Board of Directors & Management Discussion and Analysis of the Company.

In the event of any inconsistency between this Policy and the applicable laws, the applicable laws will prevail.

This Policy will be reviewed by the Board, on the recommendation of the Committee, as and when deemed necessary.

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