



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.
