THE BOARD CHARTER.
FOR SUSTAINABLE SUCCESS®

MAZARS

CONTENTS

"Corporate values and morals are important to the success of an organisation. The Board that imbibes these qualities and closely follows what is in the charter are best suites for the success of our economy."

Bharat Dhawan
Partner
Mazars, India

INTRODUCTION

The contribution of business to society in a changing world

Businesses are the engine of wealth creation and play a vital role in building a healthy and prosperous society. There has been concern that, in some instances, too great an emphasis has been placed on short-term shareholder value-maximisation at the expense of a more balanced focus on long-term, sustainable success. With four-fifths of the market value of businesses worldwide now centred on people, relationship-based assets and other intangibles, we believe the business community will benefit from expanding its view of success when focusing on wealth creation to embrace building lasting value simultaneously for businesses, their stakeholders and wider society.

An 'integrated thinking and action' approach

The Board Charter. For Sustainable Success® is designed to be used alongside existing corporate governance codes and is aimed at boards striving for sustainable success for their stakeholders and wider society. It recognises that there will be difficult decisions to be made and it sets out ten essential elements of sustainable success to help boards identify, prioritise and address them in an open manner. For those boards moving towards an integrated reporting framework, adopting the Board Charter will facilitate the process by applying an 'integrated thinking and action' approach.

An ongoing journey towards sustainable success for stakeholders and society

Boards will be at varying stages of their ongoing journey towards achieving sustainable success for their business, its stakeholders and wider society. At whatever stage they are at, the Board Charter has been framed to help boards focus on this vital goal for the future of business and its role in society of which it is an integral part.

Second publication on Corporate Governace The Board Charter. For Sustainable Success®

In this second edition, we have structured the guidance within the first edition of the Board Charter so that it is now brought within the ten key headings. We have also developed the discussion on board and organisational culture and extended the appendix dealing with relevant Indian frameworks, including the Companies Act, 2013 (the Act 2013), Securities and Exchange Board of India Listing Obligations and Disclosure Requirements Regulations (SEBI LODR), 2015 and other international frameworks.

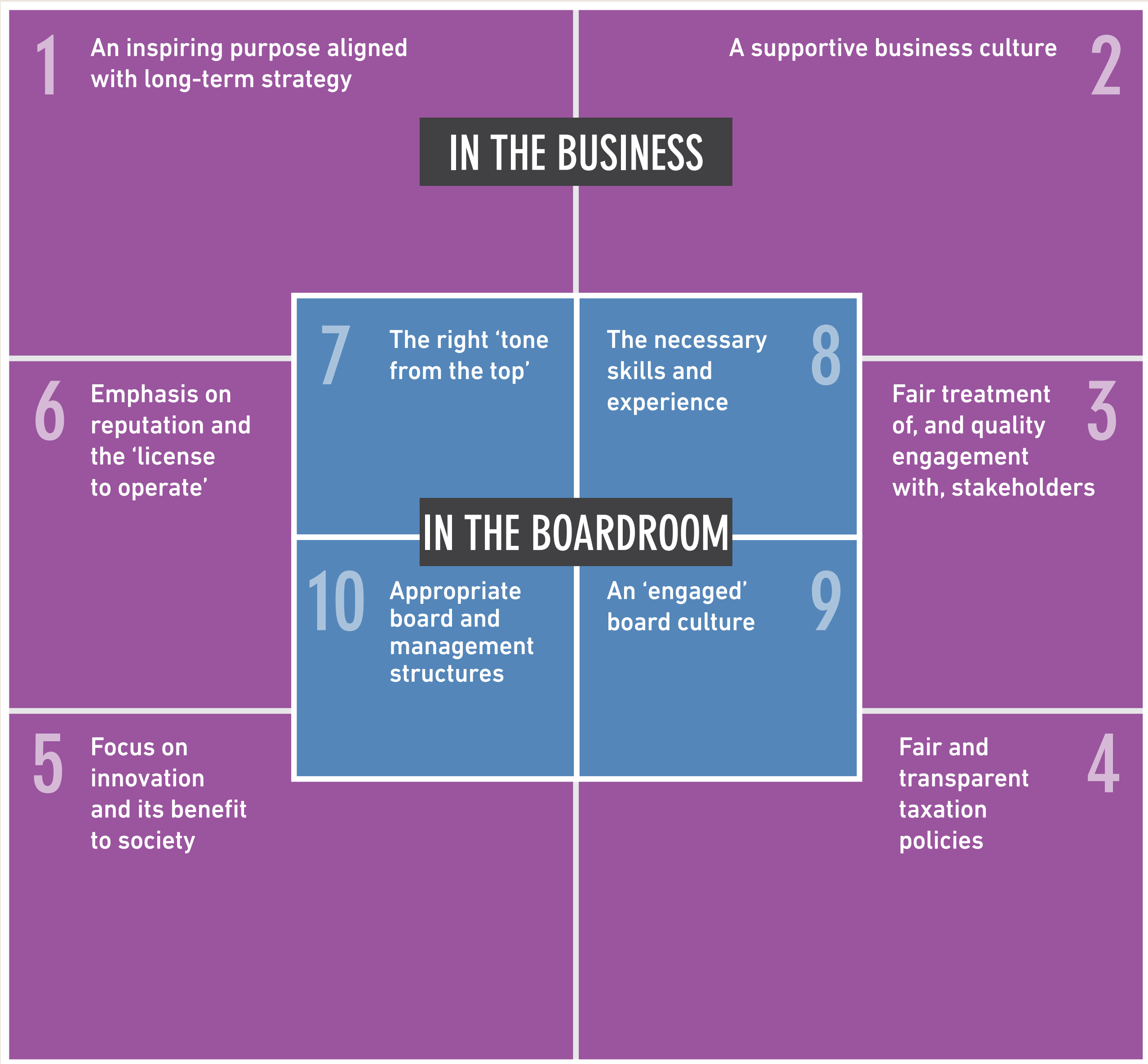
How to use the Board Charter

The Board Charter is a practical guide. It may be used in framing discussion at board away-days on strategic issues; in connection with an internally or externally facilitated board effectiveness review; or, more generally, as a guide for board members on how to promote sustainable success.

In addition to the Board Charter and an explanation of it, this guide also includes questions that board members may wish to ask to assist with their implementation of the Board Charter.

THE BOARD CHARTER

THE TEN PRINCIPLES



1. AN INSPIRING PURPOSE ALIGNED WITH LONG-TERM STRATEGY

The business has an inspiring and durable purpose. If fulfilled, it will lead to sustainable success for the business, its stakeholders and society. The purpose has been approved by the board and shareholders following full consultation with other stakeholders.

The board has a well-developed strategy extending out to the long term and a clear business model both of which are focused on how the business will fulfil its purpose. The strategy discusses how the business will seek to serve social needs and, as a result, address for mutual benefit the key challenges in society that are relevant to it. In doing this, it will discuss how the business will seek to eliminate, or at least reduce to the greatest extent practicable, any negative impacts it imposes on society.

THE BOARD CHARTER

2. A SUPPORTIVE BUSINESS CULTURE

The board has clearly articulated the culture and values of the business and how these support its commitment to delivering the above strategy and achieving sustainable success.

The values are at the heart of the business and are fully taken into account in decision-making throughout, including on matters relating to its employees and to business transactions such as investments and disposals.

The values seek to ensure the business always acts in an ethical manner and upholds the human rights of its stakeholders.

The board seeks to embed the values in the business through effective structures, processes and controls including those related to promoting engagement with its employees and other stakeholders such as customers, suppliers, investors and other providers of finance.

Employees' remuneration and other incentives take account of their commitment to the purpose and values of the business. The board has full regard to the appropriate relationship between the remuneration of board members and senior employees as compared to that of other fellow employees in the business.

The board promotes and nurtures the stated culture and regularly assesses whether it is aligned with the prevailing culture in all parts of the business. It does this by considering the extent to which the purpose is being fulfilled and the values being applied consistently across the business, identifying the areas for improvement and taking purposeful follow-up action.

3. FAIR TREATMENT OF, AND QUALITY ENGAGEMENT WITH, STAKEHOLDERS

The board places strong emphasis on engaging with its stakeholders and treating them fairly, including in financial terms. The board seeks to understand issues of importance to stakeholders and their concerns and provides feedback on the board's response to them.

The board has set out, in a clear statement, the nature of the relationship it will seek to develop with each of the principal stakeholders in the business. On employee matters, the board has developed clear policies and targets with regard to diversity and inclusion, including gender and ethnic diversity in senior roles, monitoring them and reporting on progress being made towards meeting its goals.

The board, as a group, communicates regularly with stakeholders on matters of importance to them including formally reporting in accordance with a relevant framework, such as the SEBI LODR.

As part of its commitment to high quality reporting, the board considers the need for assurance on its reports.

4. FAIR AND TRANSPARENT TAXATION POLICIES

The board keeps its policies on taxation and other payments to, and receipts from, governments and other state bodies in the countries in which it operates under review and is satisfied that they are fair and transparent.

THE BOARD CHARTER

5. FOCUS ON INNOVATION AND ITS BENEFIT TO SOCIETY

As part of its approach to encouraging risk-taking in a responsible and well-managed way, the board ensures that innovation in the business is in line with its purpose and values and seeks to ensure that the business has the on-going innovation capability needed to implement its strategy. In doing this, it has particular regard to its commitment to help address relevant challenges faced by society and to eliminate, or at least reduce to the greatest extent practicable, any negative impacts it has on its stakeholders or society.

In promoting innovation, the board both encourages continual incremental improvement in all aspects of its activities and is sensitive to opportunities for transformational change. Special focus is to be given to the activities w.r.t to the Corporate Social Responsibility (CSR) as laid down under the Act, 2013.

6. EMPHASIS ON REPUTATION AND THE 'LICENCE TO OPERATE'

The board places strong emphasis on fostering a high level of public trust and confidence in the business thereby maintaining and enhancing its 'licence to operate'.

The board ensures that the risk management system has full regard to the risks of the business having negative impacts on its stakeholders or society and to any harm currently being caused by it. The board oversees management's implementation of the risk management system and ensures appropriate follow-up action where weaknesses or failures are identified.

As part of its commitment to maintaining and enhancing its licence to operate, the board places strong emphasis both on its ability to prevent crises arising which could have a negative impact on the business, its stakeholders or society and on that to enable it to deal effectively with any that do occur. The board has developed contingency plans to effectively respond to a major crisis that may arise and has carefully considered how to mitigate any resultant negative impacts on the business, its stakeholders and society.

7. THE RIGHT 'TONE FROM THE TOP'

The board is wholeheartedly committed to achieving sustainable success in a manner which benefits the business, its stakeholders and society. In doing so, it has considered the implications of its adoption of this approach and has identified the issues that it will need to address to implement it successfully.

Board members act as personal role models in promoting the board's chosen approach in the business.

The board recognises the importance of communicating its approach and performance to its stakeholders and society and of setting out its views on relevant issues confronting society which affect its business or to whose solution the business can contribute. It also recognises the merit of participating in industry-based or broader initiatives to explain its approach, share experiences from applying it and to promote its adoption by other businesses.

THE BOARD CHARTER

8. THE NECESSARY SKILLS AND EXPERIENCE

The board possesses the necessary skills and experience to implement its chosen approach. It also places significant emphasis on succession planning for both executive and independent directors so that it can continue to have the necessary skills and experience in place on an ongoing basis. When new board appointments are being made, candidates' commitment to fostering sustainable success which benefits the business, its stakeholders and society, together with their skills and experience in relation to it, are taken into account.

The board also ensures the necessary skills and experience are present throughout the business to enable it to achieve sustainable success.

9. AN 'ENGAGED' BOARD CULTURE

The board has an 'engaged' board culture that provides high levels of challenge and support to the management team as it seeks to ensure that the business achieves sustainable success.

The board ensures it has timely high-quality information, with relevant Key Performance Indicators (KPIs), on its longer term performance and prospects, including on stakeholder and society matters, in an appropriately segmented fashion. Such information is made available to the board in a timely manner and is properly considered when it makes decisions.

As part of its commitment to becoming a stakeholder and society-oriented business, the board has given serious consideration to the adoption of a widely-accepted framework such as the UN Global Compact, where India is also a participating country.

Following its review of the performance and prospects of the business, the board identifies opportunities for improvement, and takes appropriate follow-up action.

10. APPROPRIATE BOARD AND MANAGEMENT STRUCTURES

The board is satisfied that there are appropriate board and management structures in place to enable the business to implement its chosen approach successfully. Considerations are to be given to the minimum board/management composition, as prescribed under the Act 2013 and SEBI LODR.

EXPLANATION OF THE BOARD CHARTER

1. PURPOSE AND STRATEGY

An inspiring purpose leads to stronger relationships with stakeholders

A purpose that is focused on the lasting benefits the business can create for itself, its stakeholders and society provides a uniting and inspiring platform for stakeholders leading to stronger relationships with and between the different stakeholder groups. In doing this, it creates a shared determination to deliver the goals of the business, including in adverse circumstances when resilience is needed. The purpose should extend beyond the purely financial or numerical such as seeking to maximise shareholder value or to be the largest business in its sector.

It is considered that for most businesses a stakeholder and society focus will be consistent with promoting the long-term success of the company and the interests of its members.

Long-term strategy critical to stakeholder and society-oriented businesses

If the business is to focus on sustainable success, it is important for it to pay significant attention to developing its long-term strategy and keeping it under regular review. The long-term strategy will show how the board proposes to apply its business model in order to fulfil its purpose. It is likely to be subject to significant inherent uncertainty and, thus, it will be helpful for the board to use appropriate future-oriented tools and techniques, such as scenario planning, to enable it to consider developments that may take place within the business or in the external business environment in the coming years and their possible impact on the business, its stakeholders and society.

As the board looks to the longer term, it must take steps to ensure that, as far as possible, the business has sufficient resources in place and that they are appropriately balanced. Recently, SEBI has prescribed that top 500 companies may voluntarily adopt Integrated Reporting for F.Y 2017-18. SEBI recognises the fact that International Integrated Reporting Council (IIRC) Framework identifies six different types of capital: financial; manufactured; human; social and relationship; intellectual; and natural. The existence of these various capitals and their relative importance will naturally vary from business to business, but in today's economy the strengths of many businesses are mainly based on their people and the quality of their relationships with their stakeholders and proper account needs to be taken of their development and protection. It is, for example, essential for businesses to recognise the importance of the skills and experience of their people and the likely need for their skills and approach to evolve to meet future challenges.

A strong focus on diversity and inclusion is vital both from the viewpoint of fairness and to ensure that the business is making full use of the talent available.

It is worth stressing that taking a long-term view of strategy does not reduce the need to have significant regard to strategy development and its implementation in the shorter term. The business must make satisfactory progress during this period if it is to continue operating for the foreseeable future.

Businesses that are not innovative or agile and that do not possess a clear sense of purpose and a good reputation with their stakeholders and society are unlikely to remain sustainably successful over the longer term.

EXPLANATION OF THE BOARD CHARTER

2. CULTURE AND VALUES

Values are at the heart of the business

It is through its strategy and values that a business expresses how it seeks to implement its purpose in practice. Thus, it is imperative that these are at the heart of the business and a sense of inspiration to everyone associated with it.

The board has a number of roles in relation to the culture and values of the business: it determines what it wishes to see in the organisation; assesses the culture and values that actually prevail; and oversees any programmes that need to be implemented or other changes introduced to close gaps that exist between the espoused and actual cultures. Appendix 1 discusses how a board might approach an assessment of its culture and values.

The values should genuinely reflect the culture of the business and should not be wholly aspirational in nature although there will always be further work to be done to embed the identified values more deeply.

If the values are to be seen by members of staff, in particular, as being at the heart of the business, it is essential that they are visibly 'lived' by board members and those in senior management positions and that the values also are observed to have a pivotal role in all key business decisions especially those concerning recruitment, retention, pay and promotion, including the awarding of bonuses. It is also critical that appropriate action is taken when values are not adhered to and that no one, regardless of their seniority and/or their contribution to the business, is seen to be able to ignore the values to which they have committed themselves by being an employee in the organisation. In addition, there should always be a full programme of consultation before the stated values are changed.

Ownership of the values by members of staff and the other principal stakeholders is vital to their playing their full part in the way the business operates. It is important, therefore, for there to be regular two-way dialogue between the board and the principal stakeholders on how the values are being applied in the organisation in practice and on any issues arising from their implementation.

On employee matters, for example, stakeholder and society-oriented businesses will be those most interested in recruiting staff members who are aligned to their values. Then, the business would focus on developing them to achieve their full potential as the business will secure the benefits from their investment in their people. Values, for example, should play a key role in induction and training programmes covering how the business lives them on a daily basis and affords them primacy in the running of the organisation, including in potentially challenging situations, when their application may be in conflict with short-term profitability.

Businesses focused on their stakeholders and society will also see the merit in building relationships with their other stakeholders based on authenticity and trust, as they will again benefit from the resultant longer-term rewards even if there is sometimes a short-term cost.

3. STAKEHOLDER TREATMENT AND ENGAGEMENT

Fair treatment of stakeholders essential

Fair treatment of stakeholders, including their fair financial treatment, is crucial to their commitment to the business and their motivation in helping it fulfil its purpose. It is, however, a complex area requiring significant judgement as the interests of different stakeholders may not be fully aligned especially in the short term. Factors to be considered in asking how different stakeholder groups are being treated in financial terms are set out in Appendix 2.

As well as looking at fair treatment by reference to particular stakeholder groups in absolute terms, it is also important to consider the relative fairness of treatment between and within each of them. For example, there has been concern at the relative allocation of surplus in parts of the financial services sector between senior staff and investors in recent years.

Reporting to stakeholders a key element of accountability

As part of its responsibility to its stakeholders and society, the board should report in a fair, balanced and understandable way in its annual report and on its website or in specialist reviews, as appropriate. As a matter of good practice, reporting should cover:

- the opportunities and challenges it faces in fulfilling its purpose and implementing its strategy;
- the value created for stakeholders and the key impacts of the business, positive and negative, on society;
- progress towards increasing its positive net impact on society; and
- action taken to reduce negative impacts, the degree of success experienced and further action planned with targets where appropriate.

In considering reporting issues, the board should determine the information of most relevance to its principal stakeholders; the frequency with which it should report to them; and the extent to which such information should be subject to external assurance.

Disclosure of the process the board has adopted in determining the issues on which to report to stakeholders and, if applicable, the framework adopted, such as the International <IR> Framework and/or The UN Guiding Principles Reporting Framework, will be helpful in allowing stakeholders to assess the board's commitment to effective dialogue with them in an understandable fashion.

4. TAXATION POLICIES

Taxation policies and other transfer payments are a source of potential reputational risk

The amount of taxation paid by global businesses in each jurisdiction in which they operate, and in overall terms, will be of interest to a number of stakeholders. With leading businesses being increasingly global and taxation systems remaining national, and often in competition with each other for taxation revenues and investment made, significant judgement is required by a business in deciding how to arrange its taxation affairs and in assessing how its decisions will be viewed by investors, other stakeholders and the wider public.

It will be important that taxation arrangements appear reasonable having regard to the substance of the activities of the business and to avoid taxation schemes that an independent observer would consider to be artificial. If the reasonableness of the judgements of the board and management is called into question, significant reputational risk and possible challenges to the 'licence to operate' of the business may arise. A willingness to be transparent on the taxation policies of the business and the resultant amount of taxation incurred will be of assistance to stakeholders in deciding whether fair taxation policies are being adopted.

Moreover, the board needs to be aware that public opinion on what is acceptable with regard to tax planning is likely to vary over time and between countries making the need for careful calibration of the most appropriate approach a matter for regular review. Heed should be paid specifically to Indian Tax laws , including Income Computation and Disclosure Standards (ICDS) and their compatibilities with applicable accounting principles including Indian Accounting Standards (Ind AS) / International Financial Reporting Standards (IFRS).

5. INNOVATION

Innovation vital to addressing society's needs

For many businesses, addressing the additional positive impact they could have on society receives far less attention than mitigating the negative effects. This is an important issue as the potential of the former often significantly outweighs the latter. By increasing their focus on the potential positive impact, especially through promoting innovation, many boards could significantly improve their financial as well as their societal performance.

For centuries, business innovation has helped to bring about improvements in society through the development of new technologies, new business models and, more generally, the creation of new products, services and processes. Moreover, as many companies have shown, innovation in societal terms can also be about entering emerging markets in different ways to the traditional model used in their more established markets. Well-known instances of this are to be found, for example, in microfinance, pharmaceuticals, telecoms and fast-moving consumer goods.

Some innovations will be transformational, others incremental. Whilst the former tends to attract most attention, the cumulative effect of the latter can be considerable over a number of years and can act as a seedbed for larger-scale change.

In looking at the innovation capability of the business and its primary areas of focus, boards should ask whether they are creating the right environment in which to foster innovation and how much of it is of direct benefit to society. In doing this, it may be helpful for a board to refer to widely accepted schemes e.g. Make In India initiative as launched by our Prime Minister in 2014 and UN Sustainable Development Goals.

6. REPUTATION AND 'LICENCE TO OPERATE'

Taking the impact on society into account in risk management is essential

Effective management of stakeholder and societal risks are critical for modern businesses both because of the significant harm to people and the environment that can be caused by them crystallising and the fact that in today's world reputational damage can be swift and severe. Maintaining the societal 'licence to operate' is fundamental to sustainability.

Whilst a preventative approach to avoidable crises should invariably be the preferred way forward, an increasingly important element of risk management includes planning for dealing with crises which do occur including, for example, those arising from environmental or human rights issues. Responding promptly and effectively to a crisis as soon as it arises can signficantly lessen the damage caused to both,the stakeholders and society, and the adverse effects on the reputation of the business.

EXPLANATION OF THE BOARD CHARTER

7. ‘TONE FROM THE TOP’

The right ‘tone from the top’ is vitally important

The ‘tone from the top’, as evidenced by the individual and collective leadership of board members and those in senior management positions, has a crucial impact on the culture and values of a business and the behaviour of those associated with it.

Responsible boards recognise that effective stewardship calls for a long-term orientation to the business. It is those seeking a strong, enduring reputation that will be most focused on enhancing their positive impact on society and mitigating any negative consequences that may arise from their business operations, products and services or supply chain. This is both because of their intrinsic belief in the value of such an approach and the fact that they will reap the benefits from adopting it.

If issues related to stakeholders and society are to be truly at the centre of the business and its strategy, they need to command the full attention of the board. This will require the allocation of a significant amount of time and resources to them, either as matters in their own right or as an integral part of broader agenda items. Thus, it is essential that the board is wholeheartedly ‘bought in’ to its adopted approach.

Contributing to making the stakeholder and society approach mainstream

As pioneers, there will be significant merit in boards that adopt the stakeholder and society approach engaging with fellow adoptees to learn from their shared experiences and to refine the model from an understanding of its application in practice. Board members are also encouraged to play a full part in the wider business community and to advocate the benefits of their board’s approach to investors and other businesses because of the benefits to their businesses, their stakeholders and society that will arise from their approach being more widely adopted.

8. SKILLS AND EXPERIENCE

The added skills needed in driving for sustainable success

In looking at the skills and experience needed by the board that is committed to achieving long-term sustainable success for the benefit of the business, its stakeholders and society, consideration needs to be paid to the normal functional skills and expertise required, in particular to executive and non-executive roles; sector and geographical market expertise; and those associated with a longer-term focus. If the board is challenging mainstream thinking it will need to be effective at communicating its vision and approach and at primarily focusing on longer-term results, whilst not being unaware of the emphasis given by the market to short-term success. With a longer- term focus the exercise of judgement will become ever more important. For example, the board must determine if a longer lead time is needed to see results or if a change in course is the best way ahead. There will also be a premium in the longer-term business on the board’s ability to lead on the building of strong stakeholder relationships.

Succession planning is vitally important in a business focused on sustainable success as greater attention will be paid to enabling team members to achieve their full potential. Thus, it is likely that there will be a strong focus on internal promotions to senior management positions. Moreover, the distinctive culture of the business is both likely to lead to employee loyalty with team members keen on internal progression and to benefit from those in senior roles having developed their careers in the company.
It will be equally important if looking outside the business when making appointments to ensure those considered are committed to the stakeholder and society approach.

EXPLANATION OF THE BOARD CHARTER

9. ‘ENGAGED’ BOARD CULTURE

High-quality stakeholder and society-oriented information crucial for decision-making

The ‘engaged’ board that provides high levels of support and challenge to the management team will be wholeheartedly aligned to the purpose and values of the business; set the right ‘tone from the top’; focus on both the formal structures and processes and informal processes; and strive to get the best possible board team in place.

The ‘engaged’ board will recognise that high-quality stakeholder and society-oriented information is crucial to effective decision-making and will discourage any tendency to filter out unwelcome messages or those of a kind that it is not used to hearing. An awareness of avoiding unconscious biases will allow the board to gain the full benefits of adopting its chosen approach.

Subject to reasonable, but not undue, focus on commercial confidentiality, there should be an open, two-way, regular dialogue in an appropriate form with the principal stakeholders in the business and the board should make sure that it receives balanced feedback from management on the dialogue that has taken place with stakeholders.

It is also important for the board to make sure that its approach and key decisions in directing the business using its stakeholder and society approach are communicated effectively within the business and to external stakeholders and society.

In addition to the compliance with The Act 2013 and SEBI LODR, adoption of a framework such as the UN Global Compact and/or to the International <IR> Framework will provide both access to resources and a helpful means of communicating with key stakeholders who will be familiar with the commitments contained in them. It also facilitates a sharing of experiences with, and learning from, other companies adopting a similar framework.

10. BOARD AND MANAGEMENT STRUCTURES

Deciding the best way of allocating responsibilities related to its stakeholder and society-oriented approach

When allocating responsibilities for directing and overseeing issues related to its stakeholder and society approach amongst board members, there are a number of alternative ways of doing this and the board should determine which is the most appropriate to its circumstances. It may, for example:

- allocate executive responsibilities primarily to one board member or amongst a number of them with each dealing with those issues related to their own functional areas; and
- allocate oversight responsibilities to one independent director or to a committee led by independent directors.

Where a committee structure is adopted at board level, the committee could be made up wholly of independent directors or, alternatively, it could contain a mixture of executive and independent directors. In the latter case there should be a majority of independent directors with the company chair or an independent director taking the role of committee chair.

Whichever of the alternative approaches is adopted with regard to the allocation of responsibilities, it is important for the board to bear in mind that, although it may delegate particular tasks to some of its members, it retains collective responsibility for its overall performance on stakeholder issues and on those related to society just as it does on other matters. There is a need to look at specific responsibilities as laid down under the Act 2013 and SEBI LODR.

QUESTIONS FOR THE BOARD

The following questions are provided to help boards implement the Board Charter. They are designed to be illustrative rather than an exhaustive list. They encourage improvement in relation to all areas within the board's remit recognising that whilst individual boards will be at different stages of their journey to creating sustainable success all will be able to build on their progress to date.

1. PURPOSE AND STRATEGY

How can the purpose be expressed in a more clear and inspiring fashion or better disseminated to stakeholders?

What key changes would lead to the business being more firmly focused on seeking sustainable success for the benefit of the business, its stakeholders and society over the longer term?

2. CULTURE AND VALUES

How can the desired culture and values be more fully embedded within the business? Where do the key challenges to doing this arise and what is the underlying cause?

3. STAKEHOLDER TREATMENT AND ENGAGEMENT

In what other ways can the board engage more effectively with its key stakeholders and treat them more fairly as part of its inclusive approach to promoting sustainable success?

In what ways can remuneration policies and other incentives be amended to reflect better the purpose and values of the business and its commitment to long-term sustainable success? Are the executive directors and other members of senior management leading by example on remuneration?

How could the annual report and other key communications be improved to reflect better the board's commitment to promoting sustainable success for the benefit of the business, its stakeholders and society? Has the board adopted appropriate, widely-accepted frameworks for reporting purposes?

4. TAXATION POLICIES

To what extent can further steps be taken to demonstrate the board's commitment to fair and transparent taxation policies?

5. INNOVATION

What key changes would enable the business to build its innovation capability and, in so doing, to increase significantly its positive impact on society?

6. REPUTATION AND 'LICENCE TO OPERATE'

What key changes would enable any negative impacts that the business has on its stakeholders or society, or risks of imposing them, to be significantly reduced, ideally in a manner which strengthens the business, eg through better employee engagement and motivation?

QUESTIONS FOR THE BOARD

7. 'TONE FROM THE TOP'

How can the board strengthen its commitment to lead on the creation of sustainable success for the benefit of the business, its stakeholders and society?

How can board members enhance their effectiveness as role models in support of the board's adopted approach?

8. SKILLS AND EXPERIENCE

Are there any skills gaps on the board that are holding it back from its commitment to achieve sustainable success for the benefit of the business, its stakeholders and society? What development initiatives would best help the board to enhance its collective expertise in this area?

When considering new appointments, what different or additional steps can the board take to attract candidates of the highest calibre who are resolutely committed to the stakeholder and society-oriented approach?

9. 'ENGAGED' BOARD CULTURE

In what areas can the board best strengthen its challenge or support for management so as to increase the extent to which it achieves sustainable success?

How can KPIs or other aspects of board information be improved with regards to stakeholder and society matters?

10. BOARD AND MANAGEMENT STRUCTURES

How can the board, including committee, or management structures, and the interaction between them, be strengthened or streamlined to enable the board to pursue more fully its commitment to sustainable success for the benefit of the business, its stakeholders and society?

APPENDIX 1: ASSESSING CORPORATE CULTURE

It is important for the board to assess regularly whether the culture that exists in practice in the business is aligned to what the board is committed and to and what it is actively seeking to nurture and foster through setting the right 'tone from the top'. This is not an easy task as it involves understanding the way 'things are done' across the business and how it interacts with its various stakeholders. The challenge is made greater by the fact that there may not be a single culture in the business but a number of sub-cultures, in particular where a business has been formed by a number of mergers or acquisitions.

Formal and informal contact between board members and employees in the business will enable impressions to be formed of the 'real' culture. This is not a substitute, however, for adopting a structured methodology that gathers evidence across the business using a variety of means which are likely to include: desk top reviews, surveys, interviews and sample based testing. It will generally be helpful to gather evidence across at least the following areas:

- values;
- vision and leadership;
- decision-making;
- structures, processes and controls;
- recruitment and promotion, including development and reward; and
- attitudes and behaviours.

The cultural assessment is likely to have a primary focus on employees and others working for the company such as contract staff but the relationships with suppliers, customers, the communities in which the business operates, investors and other providers of finance should also be reviewed.

In an assessment of organisational culture it is important to consider both information produced by the company and other information in the public sphere. There will be a variety of internal sources. In the case of employees, for example, there will be staff engagement surveys, staff turnover data, exit interviews undertaken independently of line functions, information on grievances brought by employees and disclosures to an independently-run 'speak up' or whistleblowing system. Similarly, for customers it will be valuable to consider the results of customer satisfaction surveys, retention rates, repeat purchases and also to gain an understanding of complaints received and their resolution. Increasingly, insights into a company's culture are likely to be found externally in annual reports, if the business is listed, in the press and, crucially, on social media.

In undertaking an assessment of culture, the scope of the review should be determined carefully taking account of work already completed and known areas of concern.

If the cultural assessment is to form an integral part of the board's commitment to building sustainable success, it should result in a report and an action plan with clear timelines. In some cases, it may be deemed necessary to introduce a cultural change programme to secure the necessary improvements. Above all, the objective should be to create a virtuous learning circle where the assessment leads to changes that foster sustainable success.

APPENDIX 2: THE FAIR FINANCIAL TREATMENT OF STAKEHOLDERS

EMPLOYEES

In addressing the fair financial treatment of employees, factors to be considered in relation to remuneration will normally include:

- whether minimum wages are being paid to lowest earners, including an out worker as per the Minimum Wages Act, 1948;
- the fairness of relative levels of pay of different workers in the organisation right up to the boardroom;
- the linkage of rewards, especially bonuses, to sustainable success which brings benefits to the business, its stakeholders and society;
- the appropriate structure of remuneration, ie the proportion able to be earned through incentive schemes and the extent to which bonuses are focused on long-term performance;
- the reasonableness of overall levels of remuneration across the business; and
- pension arrangements and how they vary between different employees.

CUSTOMERS

In addressing the fair financial treatment of customers, factors to be considered will normally include:

- the overall reasonableness of the prices charged;
- the fairness of differential pricing with regard to different customers;
- the transparency and understandability of pricing;
- the ease with which a customer can move to an alternative provider; and
- the avoidance of the abuse of a dominant market position where it exists.

SUPPLIERS

In addressing the fair financial treatment of suppliers, factors to be considered will normally include:

- the extent to which the business builds long-term, mutually-beneficial relationships with suppliers to foster innovation and enhance productivity;
- the transparency and understandability of its terms of business with suppliers;
- whether the business imposes conditions retrospectively, eg rebates;
- the time it takes to pay suppliers, especially with balance payable to Micro and Small enterprises as per the Medium, Small and Medium Enterprises Development Act, 2006; and
- whether the business seeks to avoid making its suppliers over-dependent on it.

APPENDIX 3: NATIONAL AND INTERNATIONAL FRAMEWORKS

COMPANIES ACT, 2013 (http://www.mca.gov.in)

The Act 2013 is an Act of the Parliament of India which regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company. The Act 2013 is divided into 29 chapters containing 470 sections has 7 Schedules.The Act 2013 has replaced the erstwhile Act after receiving the assent of the President of India on 29 August 2013. The Act 2013 is expected to facilitate more business-friendly corporate regulations, improve corporate governance norms, enhance accountability on the part of corporates and auditors, raise levels of transparency and protect interests of investors, particularly small investors.

SEBI LODR (http://www.sebi.gov.in)

SEBI Act, 1992 was enacted to provide the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and matters connected therewith. Listing Obligations and Disclosure Requirement Regulations, 2015 have replaced the listing agreements earlier executed by companies with the stock exchanges and all earlier circulars regarding listing agreement. The regulations apply to all listed entities which has specified securities listed on a recognized stock exchange with the aim to consolidate and streamline the provisions of existing listing agreements for different segments of capital markets such as equity shares (including convertibles), non convertible debt securities, etc. and disclosure norms in relation thereto, thereby ensuring better enforceability.

UN GLOBAL COMPACT (www.unglobalcompact.org)

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

The UN Global Compact is the largest voluntary corporate responsibility initiative in the world with over 10,000 corporate participants and other stakeholders from over 130 countries. Endorsed by chief executives, the Global Compact is a practical framework for the development, implementation, and disclosure of sustainability policies and practices. The UN Global Compact works toward the vision of a sustainable and inclusive global economy which delivers lasting benefits to people, communities, and markets.

UN SUSTAINABLE DEVELOPMENT GOALS (www.undp.org)

At the United Nations Sustainable Development Summit on 25 September 2015, world leaders adopted the 2030 Agenda for Sustainable Development which includes a set of 17 Sustainable Development Goals (SDGs) to end poverty, fight inequality and injustice, and tackle climate change by 2030. Having an integrated approach to supporting progress across the multiple goals is crucial to achieving the Sustainable Development Goals. These include:

- No poverty
- Zero hunger
- Good health and well-being
- Quality education
- Gender equality

APPENDIX 3: INTERNATIONAL FRAMEWORKS

- Clean water and sanitation
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation and infrastructure
- Reduced inequalities
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Life below water
- Life on land
- Peace and justice, strong institutions
- Partnerships for the goals

<IR> INTEGRATED REPORTING (www.integratedreporting.org)

As set out in the International <IR> Framework, an integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. The Framework enables a business to bring these elements together through the concept of 'connectivity of information' to best tell an organisation's value creation story.

The International <IR> Framework provides guidance on the practicalities of producing an integrated report. It establishes the Guiding Principles and Content Elements that govern the overall content of an integrated report and explains the fundamental concepts that underpin them. The Framework was developed after extensive consultation with businesses and investors with 140 participants from 26 countries participating in the IIRC Pilot Programme. At the heart of <IR> is its integrated model, which demonstrates how six capitals - financial, manufactured, human, social & relationship, intellectual and natural - represent all the resources and relationships that organisations utilise to create value. An integrated report looks at how the activities and capabilities of an organisation transforms these six capitals into outcomes.

GLOSSARY

CSR:	Corporate Social Responsibility
ICDS:	Income Computation and Disclosure Standards
IFRS:	nternational Financial Reporting Standards
IIRC:	International Integrated Reporting Council
Ind AS:	Indian Accounting Standards
KPIs:	Key Performance Indicator
MSMED Act:	Micro, Small And Medium Enterprises Development Act
SEBI LODR :	Securities Exchange Board of India Listing Obligations and Disclosure Requirement Regulations , 2015
The Act 2013:	Companies Act, 2013

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