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Indian Standard

GOOD GOVERNANCE — GUIDANCE

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BUREAU OF INDIAN STANDARDS
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FOREWORD

This Indian Standard was adopted by the Bureau of Indian Standards, after the draft finalized by the Social Responsibility Sectional Committee had been approved by the Management and Systems Division Council.

Organizational governance is the system by which an organization is directed and managed in pursuit of its objectives. All organizations make and implement decisions within a governance system, having formal or informal processes and structures.

Organizational governance is the set of processes, customs, policies, laws, systems and institutions affecting the way in which a organization is directed, administered or controlled. The governance system within an organization is operationalized by the person or group of persons having the authority and responsibility for pursuing the organization's objectives, that is, the purpose for which organization exists.

Through the process of governance, organizations aim to meet the owners'/promoters' aspirations and societal expectations. Good governance is backed by the fundamental belief of maximizing value for all stakeholders, transparency in functioning, and respect and mutual trust amongst all constituents of organization and stakeholders. It is a culture that guides the board, management and employees to function towards best interest of all stakeholders. A committed and effective leadership is a pre-requisite for strengthening the principles of good governance in an organization. The leader could either be a CEO or a manager/supervisor at the shop floor or any other employee/ person displaying the qualities of accountability, transparency, integrity and ethical behaviour in all walks of life. From the perspective of ensuring that good governance is upheld, the selection of significant personnel in an organization must therefore be done by a process of diligent screening of eligible candidates. The greater the emphasis being placed on selecting good leaders, the greater are the chances that the policies, processes, systems and institutions in the organizations which strengthen good governance being reinforced and invigorated.

Good governance makes an organization committed to sound operating practices based on conscience, openness, fairness, professionalism, mutual respect and trust, transparency and accountability in building confidence of its various stakeholders thereby paving the way for its long-term success and sustainability.

The composition of the Committee responsible for the formulation of this standard is given in Annex B.

Indian Standard

GOOD GOVERNANCE — GUIDANCE

1 SCOPE

1.1 This standard provides guidance on good governance practices by an organization irrespective of its size, type, location or nature of activities. It is intended to provide assistance to organizations engaged in public private partnerships (PPP), having varying governance structures.

1.2 This standard is generic and is not intended to enforce uniformity of practices or overwrite the existing rules and regulations as they would vary from organization to organization depending upon its structure, policies, objectives, products and services, processes and specific practices employed.

2 REFERENCES

The following standards contain provisions, which through reference in this text constitute provisions of this standard. All standards are subject to revision and parties to agreements based on this standard are encouraged to investigate the possibility of applying the most recent editions of the standards indicated below:

IS/ISO No.	*Title*
IS 15900 : 2010	Guidance on fraud and corruption control by an organization
IS 16001 : 2012	Social accountability at the work place — Requirements (*first revision*)
IS 18001 : 2007	Occupational health and safety management systems — Requirements with guidance for use
IS/ISO 9001 : 2008	Quality management systems — Requirements (*third revision*)
IS/ISO 10002 : 2004	Quality management — Customer satisfaction — Guidelines for complaints handling in organizations
IS/ISO 10003 : 2007	Quality management — Customer satisfaction — Guidelines for dispute resolution external to organizations
IS/ISO 14001 : 2004	Environmental management systems — Requirements with guidance for use
IS/ISO 15700 : 2005	Quality management systems — Requirements for service quality by public service organizations

3 TERMINOLOGY

For the purpose of this standard the following definitions shall apply.

3.1 Stakeholder—Individual or group concerned or interested with or impacted by the activities of the organization.

NOTE — The stakeholder could be unions, regulators, government, partners and associates, vendors, creditors, investors, donors, employees, suppliers, subcontractors, consumers, customers, civil society, insurance institutions, financial institutions, community etc.

3.2 Sphere of Influence—Range/extent of political, contractual or economic or other relationships through which an organization has the ability to affect the decisions or activities of individuals or organizations.

NOTE — The ability to influence does not, in itself, imply a responsibility to exercise influence.

3.3 Stakeholder Engagement—Activity undertaken to create opportunities for dialogue between the organization and one or more of its stakeholders, with the aim of providing an informed basis for the organization's decisions.

3.4 Governance—The systems and processes of management that govern an organization's behaviour and conduct.

NOTE — Governance covers integrity, accountability, transparency, ethical conduct and behaviour and legal compliance.

3.5 Board—A board of Directors is a body of appointed persons who jointly oversee the activities of a company or organization including company, firms, trust, cooperative, society, etc.

NOTE—It is also sometimes called as board of trustees, board of governors, board of managers, executive board, managing committee or governing council.

3.6 Conflict of Interest—Situation that has the potential to undermine the impartiality of an organization, or any of its party or person, due to the possibility of a clash between the person's self-interest and professional-interest or public-interest, which limits their ability to discharge their responsibility to a third-party.

NOTE — Person could include an employee, board member, governing body member, etc.

3.7 Sustained Success/of an Organization/—Result of the ability of an organization to achieve and maintain its objectives in the long-term.

3.8 Owner/Promoter—Owners, members or constituents of the organization like shareholder in case of companies and members of general body in case of societies, cooperatives etc.

4 GUIDING PRINCIPLES

For managing an organization, management should adopt a value based approach, which should be based on the following principles:

4.1 Integrity

Integrity comprises perceived consistency of actions, values, methods, measures and principles. In context of accountability, integrity is a measure of consistency between one's actions and one's principles and methods used when an expected result appears incongruent with observed outcome. Integrity is often seen as the quality of having a sense of honesty and truthfulness with regard to the intentions or motives for one's actions.

This applies to the organization as an entity and to its various constituents including its board members, committees, people, partners, suppliers and other associates. The organization should ensure that its core values are embedded in the organization's culture through sustained awareness, practice, review and reporting.

The organization should identify the threats to integrity as an entity and to its various constituents and conduct a risk assessment against all significant threats. Appropriate measures and controls should be instituted to eliminate or minimize the risk to a manageable level. The organization may decide on a no-tolerance policy on issues relating to integrity.

In order to ensure that the integrity is maintained in all processes and transactions across internal and external interfaces, a system of reporting breaches should be instituted with duly protected channels of communication so that incidents are investigated and handled effectively and promptly. Reporting of such breaches to the top management or to the board members should be a part of this system.

4.2 Accountability

It is the state of being answerable for decisions and activities to the organization's governing bodies, legal authorities and, more broadly, its stakeholders. It underlines the principle that organizations are responsible for their actions and may be required to explain them to others. Accountability should focus both, on compliance, with rules and ethical principles, and on achievement of results.

NOTE — It is a systematic process in which the organization becomes answerable to its stakeholders in terms of being held to account (where compliance to relevant laws is concerned); where the organization is obliged to give an account (addressing issues concerning right to information and transparency); and, where the organization takes proper account (by being systematically responsive to all stakeholders).

Responsibility, authority and accountability should be mutually commensurate and clearly defined in respect of each functional position. Gaps or overlaps, if any, should be systematically eliminated. Where committees are constituted, their terms should clearly define whether the nature of their responsibility is advisory or executive. The liability of the members in the event of lapses, negligence, or non-compliance of rules, regulations and laws should be explicitly stated.

Where an action addresses different stakeholders, for example employers, customers, civil society, the respective accountability should be made known both to the functionary as well as to the stakeholder concerned.

NOTE — Transactional relationships may sometime entail mutual accountability.

Where fraud, corruption, financial impropriety or misuse of authority is detected, the chain of accountability should clearly lead to the respective position holder for identifying the reason for non-compliance and his role or complicity in case of joint liability. Investigation should be conducted in such a manner as to reveal the gaps and weaknesses in the system that failed to detect the non-compliance.

4.3 Transparency

Transparency is a principle of access to, or disclosure of, appropriate information. In the context of organizational governance, transparency refers to the provision of making available relevant information to the various stakeholders, both internal and external to the organization, who may be affected by, or have an interest in, its decisions and actions. Different degrees of transparency may be appropriate for different stakeholders in different situations.

The organization should identify the information that should be proactively communicated to its various stakeholders. Such information should be communicated through mass communication channels such as internet, intranet, media, annual reports, newsletters, meetings, information kiosks and public information centre. The information should be provided in an understandable and concise manner so as to avoid any ambiguity or misunderstanding in the message or content. The content should be dynamically updated keeping pace with organizational, technological or other changes as well as needs of the stakeholder.

Such information which is not in regular public domain should also be classified as confidential and non-confidential. The reasons for classifying confidential information should be stated and made known to person making the enquiry. Regarding non-confidential information, a system of obtaining, collating and delivering the information should be established. The responsibility in such case should be assigned to designated person, which should be well publicized. Such person should be easily accessible.

Where board decisions are expected or desired on important issues it should be ensured that the background information presented to the board is complete, relevant and fully analyzed to enable the board to assess the full impact of its decisions. The relevant information should be provided sufficiently in advance to the board members so that they can review it and seek additional information before or during the meeting. The board secretary should ensure that information available to the board is not misleading, incomplete or outdated.

Where any information is sought by statutory and regulatory authorities, the organization should ensure that the information provided is factually correct and complete irrespective of consequences.

4.4 Ethical Conduct and Values

The organization's stakeholders—its members, owners, constituents and others—expect the organization to conduct its activities in an ethical manner. Organizations should develop governance structures that help to promote ethical conduct inside the organization and in its interactions with others.

Management policies and practices should demonstrate an organization's commitment to ethical standards. It is not sufficient for management to have only rule-based or compliance-based structures. Compliance systems alone can inadvertently encourage some employees simply to function on the edge of misconduct, arguing that if they are not violating the law they are acting ethically. Organization's policy should not only delineate the minimal standards below which an employee's actions will not be tolerated, but also clearly articulate a set of values that employees should aspire to emulate.

The employees should be communicated in a clear, concise and well publicized manner about the core ethical statements and principles that they are expected to apply in their work as also the boundaries of acceptable behaviour. The organization should prepare a procedural framework, which could form a basis for such communication both to its employees as also to other persons acting on its behalf. This should include the framework for guidance, investigation, disciplinary and deterrent action. Clear rules defining ethical standards should be specified regarding interaction and conduct of employees while dealing with external agencies in matters concerning procurement, recruitment, outsourcing, disbursement, suppliers, dealers, etc. These guidelines should also address external partners, for example, business associates, to respect those same values.

The organization should provide training to their employees in this regard. Guidance and internal consultation mechanisms should be made available to help employees and other persons acting on behalf of the organization in applying basic ethical standards in the work place. Managers should play an important role in this regard by providing consistent leadership and serving as role models in terms of ethics and conduct in their professional relationship with various stakeholders and external agencies. The broad areas/ issues which could be addressed by the organization are,

a) equal opportunity;
b) non-discriminatory;
c) human dignity;
d) marginalized and vulnerable groups;
e) inclusion of all principles illustrated above and identification of the ways and means by which these could be integrated into the organization's business processes; and
f) reviewing and reiterating incorporation and imbibing of the above principles/values in the business process.

5 LEGAL COMPLIANCE

5.1 The organization should determine the applicable laws, statutes, regulations, issued by various legislations or through notification of statutory authorities as applicable and relevant to its activities, functions and liabilities.

5.2 A formal register of such statutory and regulatory requirements should be maintained with provisions for dynamic review and updation.

5.3 The personnel responsible for compliance of statutory and regulatory requirements should be clearly identified. The person should be clearly aware about his responsibilities and authorities as also the consequences of both wilful and negligent non-compliance.

5.4 It should be ensured through a systematic arrangement of audits that the level and extent of compliance is evaluated and report presented to top management and the board. There should be a clear policy of notifying the relevant statutory authority whenever there is a significant non-compliance. Further, the top management or the board would also assess the need for informing the various stakeholders in such an event.

5.5 It should also be realized that the legal liability of the organization may extend to persons or other organizations representing or acting on behalf of the organization. Due awareness of the legal responsibilities and liabilities should be extended to partners/business associates, suppliers/distributors in the supply chain, etc.

6 GOVERNANCE

6.1 Governance is the way an organization works. It is, therefore, important that the organization has a well laid down vision and mission statement, clearly indicating the very purpose for the existence of the organization and the direction, scope and strategy that it will employ to achieve its stated goals/objectives. The organization should ensure that it works towards the achievement of its objectives within its stated parameters in consonance with its identity and stated purpose. In case there is a change in the vision or stated objectives of the organization, it is prudent for the organization to review and revise its stated vision and mission/objectives statement.

6.2 Good governance demands that the organization follows ethical practices not only in judiciously utilizing the allocated financial and non-financial resources but also in ethical raising of those resources. The organization should exercise restrain and caution during fund raising, ensuring that the funds including grants, aids, loans, etc, are not taken from such institutions, persons, etc, where there is likely to be conflict of interest among the activities of the organization, the financer and the concerned beneficiary, whether directly or indirectly.

7 GOVERNANCE STRUCTURE

7.1 The organization should establish a clear structure for governing the organization both at the policy and strategy level and at the operational level. There should be clear definition of roles, responsibility, authority, accountability and liability at each functional level. The structure should be compatible with the organizational processes so as to ensure that flow of communication and decisions takes place in an effective and transparent manner, which are fully understood by the respective functionaries for discharging their responsibilities.

7.1.1 The governance structure is defined by a hierarchy of levels which includes,

a) owners/promoters;
b) board; and
c) management (strategic/operational).

NOTE — Sometimes the owners/promoters are not expected to assume direct responsibility of organizational affairs and therefore, delegate many of their responsibility as owner of the organization to the board, which then becomes responsible for organizational strategy and operations. Implementation of this strategy is done by management team.

7.2 Owners/Promoters

7.2.1 The owners/promoters include investors, shareholders, financers, trustees, members of the cooperative/registered society, Government appointed persons, etc. It is the responsibility of the owners/promoters to lay down the purpose, policies, vision, mission, value system of the organization and setting up the Board. They should set up suitable forums for reviewing the performance and adherence to the governance policies. They should also apply due diligence in the appointment of board members.

7.2.2 Organization should ensure that whenever Annual General Body Meeting takes place, the owners/promoters are adequately represented, informed and afforded equal opportunity to express their views and opinions, or cast their votes, wherever applicable. Where significant changes with regards to composition of the Board, purpose of the organization or business domain, shifting of registered office premises, or any such major decision takes place, it should be ensured that all owners/promoters are kept fully informed and provided adequate opportunity to cast their votes, either in person or through postal ballot.

7.3 Board

7.3.1 The term board includes the respective governing bodies like company board, board of trustees, managing committee for a society, governing council and similar bodies in the Government owned organizations.

7.3.2 The composition of the board should be clearly defined in terms of the diversity of the skills required for discharge of the board functions. Statutory membership should be maintained, wherever prescribed. Where there is no statutory requirement, there should be adequate numbers of independent members/directors which should normally be not less than one-third of the total strength. The balance of the board membership should be maintained in terms of gender, finance and other specialized skills, stakeholders keeping in view the distance and availability for ease of participation. In case employees are represented on the board, they should not constitute a majority, both in terms of composition and quorum for a specific meeting.

7.3.3 There should be a clearly defined policy for recruitment, election, selection of board members. The induction of new members should be through an open process providing opportunity of being elected/selected to a wider group of stakeholders. The board members should be appointed for a specified tenure.

7.3.4 The Board should meet at least once in every quarter. In case, any member of the Board does not attend a specified number of consequent board meetings, without assigning any cogent reason, they should be replaced.

NOTE — Independent members or directors are those who apart from receiving member's/director's remuneration, if any, do not have any other material pecuniary relationship or transactions with the organization, its promoters, its management or its subsidiaries, which may affect their independence of judgment. Further, all pecuniary relationships or transactions of the independent member/ director should be disclosed in the annual report.

7.3.5 There are legal entities where board may not be an essential requirement under law. However, such organizations are encouraged to set up impartial committees/boards or councils to oversee the application of principles enunciated in this standard.

7.4 Role of the Board

The Board of an organization provides leadership and strategic guidance, and makes objective judgement, independent of the management of the organization. It exercises control over the organization, while remaining at all times accountable to the owners/ promoters. The effectiveness of the Board lies not only in fulfilling its legal requirements but more importantly,

a) awareness and understanding of its responsibilities; and
b) attitude and the manner in which it discharges its responsibilities.

An effective organizational governance system is one, which allows the board to perform these dual functions efficiently.

The Board directs the organization and its management by,

a) laying down the code of conduct;
b) overseeing the process of disclosure and communications;
c) ensuring that appropriate systems for financial control and reporting and monitoring risks are in place;
d) evaluating the performance of management, chief executive, executive directors; and
e) providing checks and balances to reduce potential conflict between the specific interests of management and the wider interests of the organization.

It is accountable to the owner/promoter for creating, protecting and enhancing value, wealth, and resources for the organization, and reporting to them on the performance in a timely and transparent manner. However, it is not involved in day-to-day management of the organization, which is the responsibility of the management.

An important role of the Board is to ensure strict adherence to all legal and statutory compliances. It should also ensure that requirements/obligations towards other stakeholders are diligently met. While its role is non-interfering in nature, certain powers of approval, depending on the size and nature of the organization, should be vested with the Board.

7.4.1 *Responsibilities of the Board*

The following should constitute the primary responsibility of the Board:

a) Formulation and review of the strategic mission of the organization;
b) Formulation and review of the structure of the organization;
c) Delegation of authority and responsibility of CEO and other senior functionaries;
d) Determination of the procedure of appointing the CEO and the remuneration thereof;
e) Formulation of important policies and guidelines on finance, administration, resource and people, etc;
f) Appointment of the statutory auditor and the internal auditor, if required. Both the auditors should directly report to the Board;
g) Planning and approval of long-term and short-term business plans including investment plans;
h) Approval of annual budget and allocations especially of capital expenditure;
j) Approvals of tenders and work orders above a specified amount;
k) Determination of policy and systems regarding the title, safeguard, location and verification of fixed assets;
m) Constitution of advisory committees for special functions or for specific purposes;
n) Reviewing annual financial statements;
p) Assessment of organizational risks and their management; and
q) Statutory obligations as provided under the relevant Act such as *Company's Act*, 1956 or *Societies Registration Act*, 1860 or *The Indian Trusts Act*, 1882, etc.

The specific responsibilities of the board should be documented and made known to all members and other concerned.

7.4.2 *Authority of the Board*

Irrespective of the specific responsibilities assigned to the Board, the Board should have the authority to seek and review the following information from the management and to take decisions thereof:

a) Proposed annual operating plans, budgets and any updates;
b) Proposed capital budgets and any updates;
c) Quarterly results for the organization and its operating divisions;
d) Minutes of meetings of audit committee and other committees of the Board;
e) The information on recruitment and remuneration of senior officers just below the Board level, including their appointment or removal;
f) Show cause, demand and/or prosecution notices served on the organization, which are materially important;
g) Details of any joint venture or collaboration agreement;
h) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property; and
j) Any significant development in human resources/industrial relations/other stakeholder relations.

All decisions of the Board should be binding on the management.

7.4.3 *Accountability of the Board*

a) Any incidence or occurrence that significantly affects the functioning of the organization or its image or has significant adverse impact on its stakeholders such as labour, community, environment, etc;
b) Any material default in financial obligations to and by the organization;
c) Any default in statutory and regulatory requirements;
d) Any issue, which involves possible public, product or services liability claims of substantial nature, including any judicial court through their judgment or order which, may have passed strictures on the conduct of the organization or taken an adverse view that can have negative implications on the organization; and
e) Any other significant information which affects the organization in the long or short term basis.

7.4.4 *Liability of the Board Members*

The Board members, including the independent members/directors, are liable for all acts and omissions of the organization as per the relevant Acts such as *Company's Act*, 1956 or *Societies Registration Act*, 1860 or *The Indian Trusts Act*, 1882, etc.

7.4.5 *Committees Setup by the Board*

7.4.5.1 For effective and efficient functioning of the Board, the Board may set up committees, depending on the type, size, requirements of the organizations and complexity of its functions like, audit committee, remuneration committee, project committee, contracts committee, investment/contribution committee, stakeholders grievance committee, etc.

The composition, the qualifying requirement of the members, terms of reference, responsibilities, powers and authorities of these committees along with time schedules and ethical issues, should be clearly defined.

7.4.5.2 The Board should set up an audit committee which should directly report its findings to the Board. The scope of the audit committee should include the following as a minimum:

a) Reviewing with the management the financial statements before submission to the Board for approval;
b) Oversight of the organizations financial reporting process to ensure that the financial statement is correct, sufficient and credible;
c) Noting, appointment and removal of external auditors;
d) Reviewing with management the performance of statutory and internal auditors, the adequacy of internal control systems and suggestion for improvement of the same;
e) Reviewing the adequacy of internal audit function including the structure of the internal audit department and frequency of the internal audits; and
f) Reviewing the finding of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of significant and material nature and reporting the matter to the Board.

The audit committee should meet periodically, preferably at least once in a quarter.

7.5 Management

The management comprises the chief executive,

executive-directors and the key managers of the organization, involved in day-to-day activities of the organization. This management structure could be less elaborate in case of SMEs/Civil society organizations (CSO).

The management is subservient to the Board of directors and must operate within the boundaries and the policy framework laid down by the Board. While the Board is responsible for ensuring that the principles of organizational governance are adhered to and enforced, the real onus of implementation lies with the management. It is responsible for translating into action, the policies and strategies of the Board and implementing its directives to achieve organizational objectives framed by the Board.

7.5.1 *Functions of the Management (Role and Responsibility*)

The management should carry out the following functions:

a) Assisting the Board in its decision-making process in respect of the organization's strategy, policies, code of conduct and performance targets, by providing necessary and factual inputs;
b) Implementing the policies and code of conduct formulated by the Board;
c) Managing the day-to-day affairs of the organization to best achieve the targets and goals set by the Board;
d) Co-operating, facilitating efficient working and providing timely, accurate, substantive and material information, including financial matters and exceptions, to the Board, Board-committees and the stakeholders;
e) Ensuring compliance of all regulations and statutory laws and reporting non-compliance/irregularities to the Board and to the regulatory authorities, where required by law;
f) Setting up and implementing an effective internal control systems, commensurate with the business requirements;
g) Promoting ethical management and transparent culture in the organization;
h) Providing information to the Board on any incidence or occurrence that significantly affects the functioning of the organization or its image or has significant adverse impact on its stakeholders; and
j) Require senior management functionaries to declare wherever their personal interest conflicts with the interest of the organization at large and provide the information to the Board.

7.5.2 *Authority of the Management*

The management should exercise due authorities as delegated by the Board. In the event where management takes action beyond its designated authorities in exigency, without approval of the competent authority, and the actions have significant impact on the organization, such matters must be promptly reported to the Board for ratification. While doing so, special consideration should be given to aspects relating to image of the organization, owner's/promoter's interest, financial health and irregularities, criminal/civil liabilities, etc. Internal control systems should ensure that authorities are correctly discharged by the respective functionaries and any transgression is reported to higher management at the earliest.

7.5.3 *Accountability and Liability of the Management*

Management should ensure that every person working for the organization or any other external party authorized to represent the organization should be made aware of the implications of his/her role and actions and the consequent liability his/her action would attract in the normal course as well as in the event of deviations from the prescribed procedures.

The organization should take appropriate action, such as insurance, to cover its liability in the event of any acts and/or omissions/mishap.

8 RESPONSIVENESS TO STAKEHOLDER

8.1 The stakeholder could be unions, regulators, government, partners and associates, vendors, creditors, investors, employees, suppliers, sub-contractors, consumers, customers, civil society, insurance institutions, financial institutions, community etc. It is important for the organization to have an effective stakeholder engagement process, for which it has to first put in place the system for identification of its stakeholders.

8.1.1 *Stakeholder Identification*

The organization should identify the individuals or the groups which it consider as stakeholder (both internal and external), in a systematic, transparent and consultative manner. The process of identifying the stakeholders should be well defined.

8.1.2 *Establishing Policy or Framework for Addressing the Interest and Concern of the Stakeholders*

The organization, depending on its type, size and requirement should clearly formulate a policy or framework within which it will identify and address the interests and concerns of each stakeholder.

8.1.3 *Identification of Interests and Concerns of the Stakeholders*

The identification of the needs and concerns of each stakeholder should be done through consultative process, within the defined policy or framework. This is not a one time activity and should be taken up on regular basis.

8.1.4 *Stakeholder Engagement Process*

a) Setup appropriate channels/forums/structures for the engagement with each identified stakeholder;
b) Define scope of engagement;
c) Formulate terms of reference of the formal engagement structure;
d) Stakeholder value enhancement;
e) Process documentation;
f) Minutes of formal meetings should be documented; and
g) Feedback system.

8.1.5 *Responsiveness to Stakeholder*

While sharing information with the various stakeholders, it should be ensured that the information is,

a) *relevant* — specific to concern of the stakeholder avoiding superfluous content.
b) *complete* — full and unambiguous information at the first instance.
c) *reliable* — authentic, trustworthy, consistent and emanating from authorized source in the organization.
d) *neutral* — devoid of any bias or prejudice.
e) *understandable* — simple, easy and comprehendible language, preferably local language, respecting the stakeholder's level of awareness, knowledge, literacy, etc. Pictorial or sign language could also be used.
f) *accessible* — barrier free (language, awareness, finance, fear of reprisal, distance, etc), ease of access and wide awareness.
g) *equitable* — Non-discriminatory in terms of caste, creed, equal opportunity etc.
h) *timely response* — prompt and efficient response.

8.1.6 *Grievance Handling Mechanism for all Stakeholder*

The organization should establish systems for timely addressing and effective redressal of stakeholder grievance. For guidance, reference may be made to IS/ISO 10002, IS/ISO 10003 and IS 15700.

8.1.7 *Summary of Stakeholder Engagement Process by the Organization*

Stakeholder Classification	*Their Concern*	*Engagement Process by the Organization*	*Information Sharing by the Organization*
Customer	Quality of product and services including issues relating to health and safety Environment impact; ethics/anti-corruption	Capturing voice of customer, for example, surveys, feedback, meets, etc; Effective grievance redress mechanism	Quality, quantity, cost of product and services being delivered; terms of doing business
Employee	Quality of work environment and recognition; career progression; Human rights ethics/anti-corruption	Capturing voice of people, for example, employee satisfaction survey, employee participation in management	All policies, rules and guidelines relating to employees; Decisions and their basis
Investors/Share-holders/ Financers/Donors	Return on investment; Risk minimization; Use of money for intended purpose; Maximum money spent on actual execution of the project/programme	Investor's meet, AGMs; Reporting; Supervision	Comprehensive accounting results; legal non-compliance; Investment planning; Annual Report
Supply chain such as suppliers and Distributors	Terms of doing business including financial and credit limits; Capacity building; Fair and transparent process	Supplier's/ Distributor's meet	Terms of doing business; Status of payments; Reasons for termination of business or rejections; Code of conduct

Stakeholder Classification	*Their Concern*	*Engagement Process by the Organization*	*Information Sharing by the Organization*
Government	Financial accounting and compliance to tax laws; Compliance to other statutory requirements; Large scale impact of organization's activity on stakeholders/ national image, security and economy Environment Impact; Human rights ethics/anti-corruption	Timely submission of statutory reports including payments of taxes; Securing time bound statutory; approval and clearances; Lobbying for bonafide interest; Participation in policy making process; Participation in public private participation programmes; Participating/ implementing social programmes of Government	Statutory compliance reports Report of affirmative action
Community/ Beneficiary/ Target groups	Sustainable development; Protection against adverse impact; Compliance to Social mandates; NOTE—Social mandates could arise out of Government policy, funding agencies terms, organization's own policies; Environment impact; human rights ethics/anti-corruption	Formal interaction mechanisms with communities; Community satisfaction surveys; Social audits	Reports of progress/ development/ surveys/ social audits/programmes/ Social and environmental issues through community news letters; Awareness meets/Awareness programmes
Civil society	Sustainable development; Respect towards social, cultural, traditions and practices; Protection against exploitative practices; Environment impact; Human rights ethics/anti-corruption	Meetings, seminar, conferences; Mass communication channels such as internet based interactive system, information counters, call centres	Communication of programmes, policies, future plans, progress reports, as relevant, through media, Public awareness, seminar, conferences, etc
Business Associates/ Partners	Terms of doing business including financial and credit limits; Fair and transparent selection process; Corresponding growth; Capacity building; Environment Impact	Formal business meet; Review forums	Progress reports; circulars, notifications, newsletters covering changes in policies; plans, terms etc
NOTE — The primary concern of all stakeholders is the protection and conservation of environment in context of organization's activities. The organization should conduct periodical survey of environmental impact with regards to its activities while proactively engaging with the concerned stakeholders.			

The organization could share statutory compliance report; its policies; environment survey results; etc. preferably through public domain, with the concerned stakeholders to address their concerns.

9 POLICY, PLANNING AND STRATEGY

The organization should define its vision, mission and value statements. These should be supported by policies and objectives, which should address the following governance related aspects as the minimum:

a) Scope of the activities of the organization in clear and unambiguous terms which should be consistent with the purpose and identity of the organization;

b) Commitment to comply with statutory provisions;
c) Commitment to engage with stakeholders; and
d) Commitment for ethical raising of funds and its judicious usage for the stated purpose.

10 DOCUMENTATION, MONITORING AND REVIEW

10.1 Documentation

It is good practice for an organization to at least document the following:

a) Vision, mission and values statement;
b) Code of conduct for Board members, functionaries, partners, associates, members, employees, etc;
c) Roles, responsibilities, authorities, accountability and liability of the Board members, designated authorities, other management functionaries and employees/ representatives of the organization;
d) Terms of reference of Board, audit committee and other committees;
e) Terms of doing business with the organization, as relevant to each contract including time schedules and ethical issues like integrity pact, etc;
f) Documents of external origin as applicable to the organization like various statutory acts namely, *Company's Act, Factories Act*, *Labour Act*, *Industrial Disputes Act*, *Shops and Establishment Act*, *Societies Registration Act*, 1860, etc;
g) Specific policies (like human resource, gender, environment, quality safety, whistle blower policies) and objectives relating to corporate governance and related targets, if any;
h) Grievance redress mechanisms for all category of stakeholders; and
j) Policy and procedure for providing information related to organization to relevant stakeholders.

The above documents should be accessible to the relevant stakeholders, as needed. Where the business/ interaction is through external personnel and agents, their roles, responsibilities and accountability and liability should be clearly laid down.

10.2 Monitoring and Review

a) Through internal audits, external audits and audit committees;
b) A specific designated committee could be set up for reviewing the good governance practices of the organization like,
   1) Policy deployment;
   2) Feedback system;
c) System of identification and reporting of all breaches should be established;
d) Checks and balances should be introduced for limiting discretionary powers and authorities in the hands of individuals;
e) Establish a systems for detecting, controlling and preventing fraud and corruption related activities;
f) A system of checking legal and financial compliances of the organization; and
g) A system of checking non-compliance in ethical conduct and other policies, systems and procedures of the organization.

11 REPORTING (DISCLOSURES) AND COMMUNICATION

11.1 Reporting (Disclosures)

The organization should ensure establishment of proper reporting mechanisms for disclosures. There should be a well laid down system for timely statutory and regulatory reporting. The organization as a minimum should publish its annual report which could contain the following:

a) Organizational structure;
b) Scope of its activities;
c) Project details;
d) Financial statements including statement of audited accounts;
e) Other major activities of organization;
f) Any major decisions taken like investment plans, financial liability, etc;
g) Legal and statutory disclosure statement including violation, structures, if any;
h) Stakeholder engagement initiatives, etc;
j) Environmental issues linked to the activities of the organization, wherever relevant; and
k) Grievance redress data.

The CSOs, especially those engaged in programme implementation should prepare a position paper periodically say, every three years, on issues such as

a) Financial sustainability,
b) Institutional sustainability,
c) Programmatic sustainability, and
d) State, need and relevance of corpus, endowment and general funds.

Trend analysis coming out of the system should form a loop.

All legal compliances should be listed and disclosures made to appropriate authorities as and when required.

11.2 Communication

The organization should establish channels of internal and external communication in consultation with the respective functionaries for effective communication with the respective stakeholders.

The information disseminated should be accurate, factual, relevant, timely, complete, understandable and accessible.

There should be a policy to preclude providing of misleading/confidential information to media or any other public authority, potential customer, public, etc.

The organization should also make available such information as is relevant to various stakeholders through Web and other media as a part of transparency. The channels through which information could be accessed should also be publicized widely including those relating to grievance redress.

12 MATURITY COMPLIANCE MODEL

12.1 It is recognized that achieving matured levels of governance requires sustained and progressive management action, supported by suitable policies, good management practices (GMP), engagement and active participation of all stakeholders.

It may not be feasible to attain a very high degree of maturity from initial stages through immediate actions. Annex A presents a maturity ladder on which organization can gauge their current level of maturity and also determine the next steps. It is recommended that while implementing the maturity model, organizations should prepare a time chart for achieving each level of maturity with adequate intervals to stabilize the efforts and their results before moving to the next level.

The higher steps of the maturity model also refer to some of the prevailing practices adopted by organizations which are indicative of their proactive and responsible participation towards global, environmental, and other societal expediencies.

Organizations are encouraged to add other tools/ practices of good governance as applicable to their relevant sectors at various steps of their progress. It should be recognized that while good management practices are necessary to support good governance, they alone are not adequate or sufficient to be qualified as good governance. Suitable references to GMP have been provided in Annex A to distinguish between other aspects of governance.

This model is only for self understanding and should not be used for certification purposes.

12.1.1 *Initial Level*

This is the initial level at which the organizations struggle to somehow comply with bare minimum legal requirements. There is adhoc approach in decision-making and the focus is on managing the crises.

12.1.2 *Basic Level*

a) The organization has created some structure with management controls including planning, monitoring and control system for ensuring compliance to all legal requirements. It has adopted the well established practices like IS/ISO 9001.
b) The organization has initiated some processes for disclosures like publication of annual report.

12.1.3 *Defined Level*

a) The organization has well defined and written roles, responsibilities, authority and accountability for decision-making at all levels.
b) It has initiated some process for stakeholder engagement.
c) It has initiated some process for assessing the sustainability of the organization — (GMP).
d) It has established policies to implement environment management practices, occupational health and safety (OHSAS) practices, social accountability practices, etc, — (GMP).
e) It has defined policies towards labour, environment, fair business practices, ethics, and community development.
f) It is engaged in some social activity in the neighbourhood or nearby vicinity.
g) It has established a policy for grievance redress mechanism.

12.1.4 *Managed Level*

a) The organization has clearly defined vision, mission and goals.
b) It has implemented the defined policies w.r.t. IS/ISO 9001, IS/ISO 14001, IS 16001, IS 18001 OHSAS, etc.
c) It has implemented the policies towards labour, environment, fair business practices, ethics, community development.

d) It has adopted robust auditing and self assessment system.

e) Transparency and public disclosure are clearly demonstrated.

f) It has implemented an effective grievance redressal mechanism.

g) It has a proactive approach for using complaints and feedback for systemic improvements. — (GMP)

12.1.5 *Optimized Level*

a) This is the highest level of maturity where organizations have proactively adopted global practices that demonstrates a very high degree of responsible behaviour, way beyond considerations of any economic benefit to the organization. These may include, for example, establishing ethics committee, adoption of Integrity Pact (as done by PSUs), product recall in specific cases, adoption of voluntary sectoral frameworks like *Electronic Industry Code of Conduct (EICC)*, green building certification, life cycle assessment, etc. The organization takes care of the interests of all stakeholders way beyond the statutory or legal requirement. It works towards building its long term sustainability.

b) It has well defined and implemented policies towards human rights, carbon footprint, and climate change.

c) Prepares sustainability report regularly.

Annex A provides a list of activities, together with their brief explanation that organizations at higher maturity levels of good governance can adopt and implement

ANNEX A

(*Clauses* 12.1 *and* 12.1.5)

A-1 CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR is a form of corporate self-regulation integrated into a business model which would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms and embrace responsibility for the impact of its activities on the environment, consumers, employees, communities and stakeholders. Community-based development approach is becoming an important element of the CSR.

A-2 CARBON FOOTPRINT

A carbon footprint is the total set of greenhouse gases (GHG) emissions caused by an organization, event, product or person expressed in terms of the amount of carbon dioxide, or its equivalent of other GHGs, emitted. Once the size of a carbon footprint is known, a strategy can be devised to reduce it.

A-3 RESOURCE EFFICIENCY — (GMP)

The resource efficiency is a business management tool used to determine the strategic utilization of resources available to a company. Resources like all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc; controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness to gain competitive advantage.

A-4 ENTERPRISE RESOURCE PLANNING (ERP) — (GMP)

Enterprise Resource Planning (ERP) system is an integrated computer-based application used to manage internal and external resources, including tangible assets, financial resources, materials, and human resources. An ERP system connect the necessary software in order for accurate forecasting to be done and allows inventory levels to be kept at maximum efficiency and the company to be more profitable.

A-5 AFFIRMATIVE ACTION

Affirmative action refers to policies that take factors including race, color, religion, sex or national origin into consideration in order to benefit in terms of employment, education, public contracting and health programmes an under-represented group like ST/ SC, Physically disabled etc. usually as a means to counter the effects of a history of discrimination. Also, actions taken to increase the representation of women and minorities in areas of employment, education, and business from which they have been historically excluded.

A-6 SUSTAINABILITY REPORT

Companies produce a corporate sustainability report (CSR) to provide information about challenges and achievements to shareholders, employees, the public and other stakeholders about progress made on integration of sustainability principles into company planning and programs and its outcome. Sustainability Reports address the existing and emerging issues for sustainability for long-terms.

A-7 ENERGY CONSERVATION/ENERGY EFFICIENCY — (GMP)

Energy conservation refers to efforts made to reduce energy consumption. Energy conservation can be achieved through increased efficient energy use, reduced consumption from conventional energy sources using renewable sources of energy. Corporate have their energy policy to increase energy use efficiency and maximize its profits. Organizations that are direct consumers of energy choose to conserve energy to reduce energy costs and promote economic security. Certificates like GRIHA are given to buildings for achieving high energy conservation. GRIHA is the abbreviation of Green Rating for Integrated Habitat Assessment (GRIHA), which is an initiative of Ministry for New and Renewable Energy (MNRE) and The Energy and Resources Institute (TERI).

A-8 EMPOWERMENT AND CAPACITY BUILDING — (GMP)

Employee empowerment and capacity building is a beneficial process for employees, managers, and the company as a whole. It is an on-going process that requires effort and dedication to improve working relationships, thereby improving the overall effectiveness of the company. Employee confidence and capability increase as they gain additional experience in management and organization through management's autonomous analysis, decision-making, and action.

A-9 3R APPROACH — (GMP)

The waste management hierarchy refers to the 3Rs of reduce, reuse and recycle, which classify waste management strategies according to their desirability. Reduction involves efforts to reduce hazardous waste and other materials by modifying industrial production. Source reduction methods involve changes in manufacturing technology, raw material inputs, and product formulation, reuse the elements of the discarded item again and recycle the discarded items, separate them into the materials that may be incorporated into new products. This is different from reuse in which energy is used to change the physical properties of the material.

A-10 ECO-EFFICIENCY— (GMP)

Eco-efficiency is based on the concept of creating more goods and services while using fewer resources and creating less waste and pollution. It is achieved through the delivery of priced goods and services while progressively reducing environmental impacts of goods and resource intensity throughout. The reduction in ecological impacts translates into an increase in resource productivity, which in turn can create a competitive advantage.

A-11 ZERO WASTE APPROACH — (GMP)

Zero waste is a philosophy that encourages redesigning of resource life cycles so that all products are reused. Zero waste can represent an economical alternative to waste systems, where new resources are continually required to replenish wasted raw materials and producing a more efficient product. Not only is Zero Waste about recycling and diversion, it also restructures production and distribution systems to prevent waste from being manufactured in the first place. In addition, the materials that are still required in these re-designed, resource-efficient systems will be recycled back into production. It can also represent an environmental alternative to waste management.

A-12 GREEN CHEMISTRY— (GMP)

Green chemistry, also called sustainable chemistry, is a philosophy of chemical research and engineering that encourages the design of products and processes that minimize the use and generation of hazardous substances. Where environmental chemistry is the chemistry of the natural environment, and of pollutant chemicals in nature, green chemistry seeks to reduce and prevent pollution at its source. Various international awards like Presidential Green Chemistry Challenge Awards, Australia's Green Chemistry Challenge Awards, Canadian Green Chemistry Medal etc are given to people or organization for innovations in green chemistry.

A-13 MDG (MILLENNIUM DEVELOPMENT GOAL) — (GMP)

The Millennium Development Goals (MDGs) are eight international development goals that all 192 United Nations member states and at least 23 international organizations have agreed to achieve by the year 2015. They include eradicating extreme poverty, reducing child mortality rates, fighting disease epidemics such as AIDS, and developing a global partnership for development. The aims of Millennium Development Goals (MDGs) are to encourage development by improving social and economic conditions in the world's poorest countries.

A-14 SUSTAINABLE CONSUMPTION — (GMP)

Sustainable consumption is the use of services and related products which respond to basic needs and bring a better quality of life while minimizing the use of natural resources and toxic materials as well as emissions of waste and pollutants over the life cycle of the service or product so as not to jeopardize the needs of future generations. Sustainable consumption considers the issues that go beyond the individual. These include not only the ecological impacts, but also the equity, human rights and political dimensions of sustainability in the production and consumption process. These aspects of sustainable consumption provide guidelines on how to reduce the social and ecological impacts of what we consume.

A-15 ANTI-CORRUPTION

There is a universal growing recognition that corruption is anti-economic development, anti-poor and anti-national. Some systematic efforts should be made by organizations to tackle the issue of corruption. The passing of the Right to Information Act is a major step towards empowering the civil society and making the organizations more accountable. Organizations should follow different guidelines and practices like *Whistleblower's Act* to keep corruption at the far end. The organization should strengthen its internal controls both for controlling and preventing incidences of corruption within the organization. Surprise checks could also be conducted to monitor various activities especially those which are more prone to corruption. Reference could also be made to IS 15900.

ANNEX B
(*Foreword*)

COMMITTEE COMPOSITION

Social Responsibility Sectional Committee, MSD 10

Organization	*Representative(s)*
Department of Consumer Affairs, Ministry of Consumer Affairs, Food & Public Distribution, New Delhi	Shri Manoj Parida (***Chairman***)
All India Carpets Manufacturers Association, Varanasi	Shri Ravi Patodia Shri Avinash Chandra Baranwal (*Alternate* I) Prof (Dr) Kamal Kanti Goswami (*Alternate* II)
Arcelor Mittal India Ltd, New Delhi	Shri Sudhir K Sinha
Cement Manufacturers Association, Noida	Shri S. K. Dalmia
Central Bureau of Investigation, New Delhi	Shri Sujeet Pandey Shri Vivek Dutt (*Alternate*)
Confederation of Indian Industry (CII), Gurgaon	Shri Anant G. Nadkarni Shri Shikhar Jain(*Alternate*)
Consumer Coordination Council (CCC), Noida	Shrimati Ramaben R. Mavani Shri R. K. Kaplash
Consumer Education & Research Society (CERC), Gujarat	Shri P. K. Ghosh Shri Rajan R. Gandhi (*Alternate*)
Delhi Fire Service Headquarters, New Delhi	Shri A. K. Sharma
Department of Commerce, Ministry of Commerce & Industry, New Delhi	Shri Prashant Goyal Shri Chanchal C. Sarkar (*Alternate*)
Department of Consumer Affairs, Ministry of Consumer Affairs, Food & Public Distribution, New Delhi	Shri Anurag Bhalla
Department of Corporate Affairs, Ministry of Corporate Affairs, New Delhi	Shri Manoj Kumar Arora
FICCI, New Delhi	Shri Paresh Tewary
Goa Institute of Management, Goa	Dr Divya Singhal
Indus Business Academy, Greater Noida	Dr Divya Kirti Gupta
Janaki Devi College, New Delhi	Dr Sarojini Singhal

Organization	*Representative(s)*
Jansankhya Sthirata Kosh (National Population Stabilization Fund), New Delhi	Representative
Kamala Nehru College, New Delhi	Dr Savita Hanspal
Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, New Delhi	Shri Zakaria Khan Yusufzai
Ministry of Environment and Forests, New Delhi	Representative
Ministry of Labour, New Delhi	Shri S K Verma
Ministry of Social Justice & Empowerment, New Delhi	Shri V. B. Pachnanda
Ministry of Textiles, New Delhi	Shri Bhupinder Singh Shri A. B. Joshi (*Alternate*)
National Safety Council, Navi Mumbai	Shri K. C. Gupta Shri M. M. Kulkarni (*Alternate*)
NTPC Ltd, New Delhi	Shri Dinesh Agrawal Shri Ashok Chakravorty (*Alternate*)
Office of the Development Commissioner, Micro, Small and Medium Enterprises, Ministry of Micro, Small and Medium Enterprises, New Delhi	Shri N. Naik Shri P. K. Sinha (*Alternate*)
Steel Authority of India Ltd (SAIL), Bhilai	Shri Abhijit Mukherjee Shri S. Bose (*Alternate*)
TATA Motors Limited, Pune	Shri M. B. Paralkar Shri D. M. Deshpande (*Alternate*)
The Society for Upliftment of Masses, New Delhi	Shri J Bhushan Ms Kamal Sharma (*Alternate*)
Transparency International India, New Delhi	Col K. R. Dharmadhikary Dr S. K. Agarwal (*Alternate*)
VOICE, New Delhi	Dr Sri Ram Khanna Dr G. Sundaram (*Alternate*)
In personal capacity (*Flat 302, Tower 2, Valley View Estate Gwalpahadi, Gurgaon-Faridabad Road, Gurgaon 122003*)	Shri Viraf Mehta
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Member Secretary
Shrimati Renu Gupta
Scientist 'E'(MSD), BIS

Panel on 'Good Governance Practices', MSD 10/P-3

NTPC Ltd, New Delhi	Shri Dinesh Agrawal (***Convener***)
Confederation of Indian Industry, New Delhi	Shri Anupam Kaul
Credibility Alliance, New Delhi	Shri Mathew Cherian
Development Consultant, New Delhi	Dr Meera Mitra
IIT, Roorkee	Prof Vinay Nangia
Indus Business Academy, Greater Noida	Dr Divya Kirti Gupta
Kamala Nehru College, New Delhi	Dr Savita Hanspal
Steel Authority of India Ltd (SAIL), New Delhi	Shri Abhijit Mukherjee
Tata Council for Community Initiatives, Mumbai	Shri Bharat Wakhlu
The Society for Upliftment of Masses, New Delhi	Shri J. Bhushan
Times Foundation, New Delhi	Shri Pooran Pandey
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TO
IS 16010 : 2012 GOOD GOVERNANCE — GUIDANCE

(*Page* 1, *clause* **2**) — Substitute 'IS 15700 : 2005' *for* 'IS/ISO 15700 : 2005'.

(*Page* 4, *clause* **7.3.4**, *line* 3) — Substitute 'consecutive' *for* 'consequent'.

[*Page* 10, *clause* **11.1**(g), *line* 2] — Substitute 'strictures' *for* 'structures'.

(*Page* 11, *clause* **12.1**, *para* 2, *sentence* 2) — Substitute 'An organization can gauge their current level of maturity and also determine the next steps through maturity ladder given in **12.1.1** to **12.1.5**' for the existing sentence.

(MSD 10)

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