

**Success Stories on  
Corporate Governance**

# Asian Paints Limited

Mumbai

## Organizational Description

Since 1942, Asian Paints has come a long way to become India's leading and Asia's third largest paint company. Asian Paints is also ranked among the top ten decorative coatings companies in the world.

Asian Paints Limited was incorporated as a Company on 24<sup>th</sup> October, 1945.

The Company operates in 16 countries and has 27 paint manufacturing facilities in the world servicing consumers in over 65 countries. Besides Asian Paints, the group operates around the world through its subsidiaries Berger International, Asian Paints Berger, Apco Coatings, SCIB Paints, Taubmans, Causeway Paints and Kadisco Asian Paints.

The Company manufactures wide range of paints for Decorative and Industrial use.

In Decorative paints, Asian Paints is present in all the four segments viz Interior Wall Finishes, Exterior Wall Finishes, Enamels and Wood Finishes. It also offers Water proofing, wall coverings and adhesives in its product portfolio.

Asian Paints also operates through 'PPG Asian Paints Pvt Ltd' (50:50 JV between Asian Paints and PPG Inc, USA, one of the largest automotive coatings manufacturer in the world) to service the increasing requirements of the Indian automotive coatings market. The second 50:50 JV with PPG named 'Asian Paints PPG Pvt Ltd' services the protective, industrial powder, industrial containers and light industrial coatings markets in India.

In the Home Improvement category, the company is present in the Kitchen and Bath fittings space and offers various products under 'Sleek' and 'Ess Ess' brand respectively.

As on September 30, 2019, the Company has 14 Directors on its Board out of which 6 are Promoter Directors. Out of the remaining 8 Directors, 7 are independent and there is one Executive Director (Managing Director & CEO).

As on 31<sup>st</sup> March, 2019, the Company had 6,456 employees in India.

## Mission and Vision Statements

"To be the fore runner of inspiring décor and to actively empower customers to create their dream homes".

The Company aspires to reach the highest standards of Corporate Governance, while emphasizing on transparency, creating a sustainable culture and setting industry-leading benchmarks. Our philosophy of Corporate Governance is built on a foundation of ethical and transparent business operations. Through this philosophy, the Company fosters a culture, focusing on well-embedded balance between performance and organizational health. This culture inspires trust among all stakeholders and strengthens the Board and management accountability.

The Quality Policy of the Company also underlines its mission to provide its customer holistic offerings to meet their needs of transforming living spaces. It reads as under:

"We shall provide products and services that meet stated standards on time, every time.

We shall continually improve our processes to understand changing customer needs and preferences.

We accept Zero Defect as a quality absolute, and shall design and operate our quality system accordingly.

We shall organize our work practices to do a job right the first time, every time.

We are committed to continual improvement in quality in all business processes and shall track such improvement through measurable indicators."

Asian Paints has articulated a vision for its key sustainability/environmental themes. These themes include reduction of power consumption, emphasis on renewable energy and hazardous waste reduction, among others. Substantial progress has been made in all the identified themes in the past five years. Since water is the key component for water-based paints, water security poses a significant risk. Reduction in freshwater consumed in manufacturing, water harvesting and recharge, development of alternate supply sources of water and usage of treated water from common effluent/ sewage treatment plants are the areas where substantial amount of work has been done. The Company has also been consistently working towards making its products green and environment friendly.

## **Board and Organizational Structure**

As on 30<sup>th</sup> September, 2019, the Company has 14 Directors on its Board out of which 6 Directors are related to the Promoter Group. Out of the remaining 8 Directors, 7 are independent and there is one Executive Director (Managing Director & CEO). The Company recognizes and embraces the importance of a diverse Board in its success and it believes that a truly diverse Board would leverage differences in thought, perspective, knowledge, skill and industry experience, which will enrich Board discussions and enable effective decision making. The Board has an optimal mix of Executive and Non-Executive Directors who have considerable expertise in their respective fields including competencies required in context of Company's businesses. The Board effectively separates the functions of governance and management and balances deliverables. The composition and size of the Board is reviewed periodically to ensure that the Board is a wholesome blend of Directors with complementary skill-sets. The Board periodically evaluates the need for change in its size and composition.

The management structure of the Company consists of the Executive Council ("EC") and Operating Council ("OC"). The Managing Director & CEO is part of the EC. The EC members report to the Managing Director & CEO and head different business functions of the organization such as Sales & Marketing, International Business, Industrial Business, Home Improvement Business, Information Technology, Research & Technology, Finance and Human Resources. The OC consists of heads of functions/businesses within the Company who lead the identified strategic initiatives and report to the EC members

## **Principles of Corporate Governance and Boardroom Effectiveness**

The Company Secretary and the Managing Director of the Company are primarily responsible for receipt of qualitative and quantitative information by the Board of Directors.

The Managing Director & CEO and the Members of the Executive Council/ Operating Council make presentations to the Board on matters including but not limited to the Company's performance, operations, plans, quarterly and annual financial results, compliance reports, etc. The Board has complete access to any information within the Company which includes information as specified in Regulation 17 and Schedule II (A) of the Listing Regulations. In addition to these matters, the Board also has access to such other information which is relevant for its decision making.

Various Senior Management Personnel ("SMP") also make presentations to the Board pertaining to their function. The Board of Directors effectively interact with SMP's to further understand the challenges faced at ground level.

## **Code of Conduct**

The Company has formulated a Code of Conduct for Board members and Senior Management Personnel ("Code of Conduct"). Ethical business conduct is critical to our business. Members of the Board and Senior Management Personnel are therefore expected to abide by the Company's Code of Conduct, uphold the standards mentioned therein in day-to-day activities and comply with all applicable laws, rules, regulations and all applicable policies and procedures adopted by the Company that govern the conduct of its employees and to ensure that various stakeholders of the Company are aware, understand and comply with the Code of Conduct.

## **Stakeholder Management**

The Company has a Stakeholders Relationship Committee and a Shareholders Committee which looks after investor grievances. The Committee reviews the complaints received by the Company and decides on the redressal mechanism. The Committee also reports to the Board the grievances/ complaints received by them.

The Company has adopted the values of good governance, sustainability and teamwork to create long-term value for its stakeholders. The practice of responsible governance has enabled it to achieve sustainable growth, while meeting the aspirations of its stakeholders and fulfilling societal expectations. Leveraging the principles of integrity, execution excellence, customer orientation and leadership in an ethical manner, the Company continues to take the necessary steps towards growth and to enhance value for its shareholders. The sound governance processes and systems guide the Company on its journey towards continued success.

## **Role and Composition of Audit Committee, and other Committees**

As on 30<sup>th</sup> September, 2019, the Company has 6 (six) Committees of the Board, namely, Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Risk Management Committee and Shareholders Committee.

## **System of Internal Controls and Financial Performance Reporting**

The Company has sound internal financial controls commensurate to the size and nature of its business. The Company periodically reviews the internal financial controls in the light of new statutes, changes in business models, adoption of new technology solutions and suggestions for improvements received from employees.

During the year 2018-19, the Company upgraded its core ERP system to the latest SAP S/4 HANA version. All key internal controls over financial reporting identified as part of the risk and control matrix were thoroughly tested along with the core functionalities before migrating to the new system.

The shared services center (SSC) deployed automation to read digitally signed invoices from select vendors and after necessary validations parks the document in the SAP system. This has increased efficiency and also works towards eliminating manual errors. The Company is in the process of extending this to other vendors in the coming year.

For all amendments to Accounting Standards and the new standards notified, the Company carries out a detailed analysis and presents the impact on accounting policies of the Group, the impact on financial results, including revised disclosures to the Audit Committee. The approach and changes in policies are also validated with the statutory auditors. The Company takes steps to make these amendments as part of the underlying ERP systems to the extent possible.

All key controls are periodically tested by the management and few of them are critically tested for adequacy in design and operating effectiveness by the internal auditors of the Company.

The Company has a stated process and periodicity for physical verification of its inventory and fixed assets. Any variances are analyzed and accounted post necessary approvals. Estimates and judgements made in the preparation of financial statements are reviewed closely by the corporate accounts team. Past trends and variances are analyzed by the management and verified by the statutory auditors.

The Company gets its Standalone financial statements audited every quarter by its Statutory Auditors. The policies to ensure uniform accounting treatment are prescribed to the subsidiary companies as well.

## **Independence, Integrity and Usefulness of Internal Audit System for Risk Management**

The internal audit team reviews the high exposure and risk areas along with the Risk Management Committee of the Board of Directors. The Internal Auditor of the Company is a member of the Risk Management Committee. The Company has formulated a Risk Management Policy to address uncertainties in its endeavors to achieve its stated and implicit objectives.

Business constantly involves taking calculated risks with a view to maximize shareholder wealth while being a good / responsible corporate citizen for the society and environment alike. The Board of directors and the management, in their fiduciary capacity, are expected to ensure that uncertainties impacting the Company's objectives and goals are identified and adequate proactive steps taken to ensure sustainable growth.

This policy articulates the Company's approach to address uncertainties in its endeavours to achieve its stated and implicit objectives. It prescribes the roles and responsibilities of various stakeholders within the Company, the structure for managing risks and the framework for risk management.

## **Whistle Blower Policy and the Monitoring Mechanism**

The Company has adopted a Whistle Blower Policy and an effective Vigil Mechanism system to provide a formal mechanism to its Directors, Employees and Business Associates to voice concerns in a responsible and effective manner regarding suspected unethical matters involving serious malpractice, abuse or wrongdoing within the organization and also safeguards against victimization of Directors/ Employees and Business Associates who avail of the mechanism.

The Company has engaged an agency for managing an 'Ethics Hotline' which can be used to, *inter alia*, report any instances of financial irregularities, breach of code of conduct, abuse of authority, disclosure of financial / price sensitive information, unethical / unfair actions concerning company vendors / suppliers, mala-fide manipulation of Company records, discrimination to the Code of Conduct in an anonymous manner. Since the Company has appointed an agency, it further helps in protecting the identity of the whistle blower.

The Whistle Blower Policy also provides protection to the employees and business associates who report unethical practices and irregularities.

Any incidents that are reported are investigated and suitable action is taken in line with the Whistle Blower Policy.

Employees of the Company or business associates can make Protected Disclosures to the Ethics Committee through the Asian Paints Ethics Hotline (toll free number/ web reporting facility) and/or any other written or oral means of communication. The Employees/Directors and Business Associates may, in exceptional cases, approach directly the Chairperson of the Audit Committee of the Board of Directors of the Company for registering complaints.

## **Board's Role in Driving Leadership for Excellence and Innovation**

The management structure of the Company consists of the Executive Council ("EC") and Operating Council ("OC"). The Managing Director & CEO is part of the EC. The EC members report to the Managing Director & CEO and head different business functions of the organization such as Sales & Marketing, International Business, Industrial Business, Home Improvement Business, Information Technology, Research & Technology, Finance and Human Resources. The OC consists of heads of functions/businesses within the Company who lead the identified strategic initiatives and report to the EC members. The members of the OC discuss and deliberate on the day to day operating efficiency and lead important initiatives like cost efficiency, customer centricity, capability building, etc.

The Board interacts with the Managing Director & CEO, Chief Operating Officer, Company Secretary, Compliance Officer and other members of the Senior Management periodically.

The Company believes that sound succession plans for the Board members and senior leadership are very important for creating a robust future for the Company. The Nomination and Remuneration Committee and the Board, as part of the succession planning exercise, periodically review the composition of the Board to ensure that the same is closely aligned with the strategy and long-term needs of the Company.

## **Performance Evaluation of Board and Directors**

One of the key responsibilities of the Board and the Nomination & Remuneration Committee includes establishment of a structured assessment process for evaluation of performance of the Board, Committees of the Board and individual performance of each Director including the Chairman.

The parameters for the performance evaluation of the Board, *inter alia*, include performance of the Board on deciding long term strategy, rating the composition and mix of Board members, discharging of governance and fiduciary duties, handling critical and dissenting suggestions, etc.

The parameters for the performance evaluation of the Directors include attendance, effective participation in meetings of the Board, domain knowledge, vision, strategy, etc.

The performance evaluation of committee's is carried out based on the degree of fulfillment of key responsibilities as outlined by the charter, adequacy of committee composition, effectiveness of meetings, quality of deliberations at the meetings and information provided to the Committees.

Independent Directors are evaluated by the entire Board with respect to fulfillment of independence criteria as specified in the Listing Regulations and their Independence from the Management.

The Board of Directors deliberate on the outcome and agree to take necessary steps going forward.

## **CSR Committee of the Board, CSR Plan, Budget and Major Community Development Projects**

The Board of Directors have formulated a CSR Committee which looks after the CSR spends of the Company. The Committee periodically presents to the Board an update on the CSR activities of the Company.

The Company focuses on four thrust areas for its CSR spending which are as under:

- Education
- Skills Development
- Healthcare/Hygiene and
- Water Management

Following is a gist of projects undertaken by the Company through its CSR fund under the aforesaid thrust areas:

- The Company has upgraded some school buildings.
- It has set up libraries and science laboratories.
- Trained girls in self-defense technique.
- Conducted workshops to enhance soft skills.
- The Company has a color academy which focuses on Skilling and vocational training.
- The Company has set up Rehabilitation Centres and medical camps. It has implemented sanitation projects.
- In areas of water management, the Company has installed roof top rainwater harvesting and recharge systems in village communities and schools.
- Promoted integrated watershed development in areas around manufacturing locations.

## **Corporate Governance Initiatives**

Asian Paints is committed to highest standards of Corporate Governance, and setting industry- leading benchmarks. Our goal is to protect and promote the long-term interest of all stakeholders and to that end, our philosophy of Corporate Governance is built on a foundation of ethical and transparent business operations and is designed to inspire trust among all stakeholders, strengthen the Board and management accountability

In recognition of the Company's governance practices, the Company was conferred upon the 'Excellence in Corporate Governance Awards 2018-19', by the Indian Legal Era Journal of Law.

The Company participates through industry bodies in sharing feedback, comments on policies, regulatory changes proposed by the Govt, SEBI, etc. Advocacy is an important part of the functioning of the Company.

# **Blue Star Limited**

## **Mumbai**

### **Organizational Description**

Founded in 1943 by Mr. Mohan T Advani, Blue Star is India's leading air conditioning and commercial refrigeration and MEP (Mechanical, Electrical, Plumbing and Fire-fighting) contracting company. As an expert in cooling, Blue Star offers a plethora of cooling solutions and has also made inroads into water and air purification, engineering facilities management, commercial kitchen and healthcare refrigeration. The Company's integrated business model of a Manufacturer; Engineering, Procurement and Construction (EPC) services provider; and an After-sales service provider enables it to offer comprehensive solutions for the residential, commercial and infrastructure segments. In fact, every third building in India has at least one Blue Star Product installed. With an annual revenue of over INR 5200 crores, Blue Star has a network of 32 offices, 5 manufacturing facilities, a diverse mix of 2800 employees of which ~9.5% are female employees, and 3600 channel partners.

The Company has an expansive global footprint across the Middle East, Africa, SAARC and ASEAN regions. Blue Star's other businesses include marketing and maintenance of imported professional electronic equipment and services, as well as industrial products and systems.

The Company's mainstay of product development and R&D has been customer-centric designs and applied innovation coupled with eco-friendly and sustainable products.

### **Mission and Vision Statements**

Vision – To Dream, To Strive, To Care, and above all, to be the best in everything we do.

Credo – I am Blue Star. I take pride in delivering a world-class customer experience.

The Company has a set of core Values and Beliefs referred to as "The Blue Star Way". These are:

- Be a company that is a pleasure to do business with;
- Win our people's hearts and minds;
- Continuously improve shareholder value;
- Give primacy to meritocracy and professional management;
- Place the Company's interest above one's own;
- Conduct business with personal integrity and ethics;
- Treat business partners as respected members of our organisation;
- Encourage learning, experimentation and innovation in what we do;
- Ensure high standards of corporate governance;
- Work in a boundary-less manner between various functions to provide the best solutions to customers;
- Be a good corporate citizen.

The Vision, Credo and its Value and Beliefs collectively drive the Company's sustainability agenda as well.

### **Board and Organizational Structure**

The Company's diverse Board chaired by an Independent Director comprises 5 independent directors, 3 non-executive Directors and 2 Executive Directors. There are 2 women Directors on the Board.

The Chairman presides over the meetings of the Board and the shareholders. He provides insights and oversights on the governance agenda; guides discussions on the Board's agenda and ensures effective communication amongst the Directors.

The Non-Executive Directors/Independent Directors play a critical role in providing a balance to the Board's processes with their independent perspectives and insights on issues involving formulation of strategy, performance oversight, resource allocation and overall governance, besides providing the Board with valuable inputs based on their professional expertise.

The Executive Directors assume overall responsibility for operational management of the business and its corporate functions including development of best-in-class governance processes and ensuring management effectiveness. They act as a link between the Board and the Management of the Company and are responsible for tracking the performance of the Company's leadership team.

## **Principles of Corporate Governance and Boardroom Effectiveness**

The Company's Board comprises eminent professionals having sound knowledge and relevant expertise in areas of finance, legal, technology, marketing, human resources and general business management. The Company has established robust processes to ensure that the Board of Directors are kept well informed and fully equipped to fulfil their responsibilities and provide strategic direction when needed to create long-term shareholder value.

A comprehensive familiarization program for the Directors is conducted to help them understand the businesses and operations of the Company, the performance drivers and the industry in which the Company operates. This enables the Board members to get equipped with relevant knowledge involving the Company's business environment and performance indices.

Adherence to regulatory limits on the maximum number of Board and committee memberships is ensured to enable all Directors to invest quality time.

Discussions in the Boardroom are conducted in a fair and transparent manner that promotes balance of debate. The Chairman ensures that all the Board members freely opine and express their views on all the agenda items. Subject matter experts and the Company's executives are invited to lead discussions on matters that require their presence. Comprehensive back up papers and analytical documents are electronically provided to Board members, well in advance of the meeting date to enable their meaningful participation during the meeting.

## **Code of Conduct**

Blue Star has put in place a robust Code of Conduct applicable to its directors, employees and all business partners. It covers issues related to ethics, expected behavior and conduct, and serves as a roadmap for its employees as well as those of its subsidiaries and joint ventures. The Board members and the employees affirm their compliance to the Code of Conduct through an annual confirmation process.

## **Stakeholder Management**

Blue Star believes that an effective stakeholder engagement is integral to achieving inclusive growth. Customer meets, including those for distributors, dealers, interior designers, architects and consultants, which detail the Company's vision as well as its products and service portfolios are regularly organized. Product launch programs and training sessions for the distributors, besides performance recognition, ensure an ongoing interaction with channel associates.

The Company has a robust Investor Relations program under which various investor groups are regularly apprised on the happenings in the Company in a transparent manner within the regulatory framework.

Blue Star got the coveted "Great Place To Work" certification for the year 2019-20, which was based on the assessment of employee engagement using this framework.

Blue Star is also active with the industry associations and through its collaboration with industrial institutions and professional bodies, endeavors to work towards betterment of the industry. Blue Star's senior leadership regularly offers expertise and insights in formulation of public policies through strategic partnerships with the industry bodies and consortiums at the local, national and international levels to promote long term and larger interests of the industry.

The Company also actively participates in Montreal Protocol meetings involving the industry, at the international level.



## **Role and Composition of Audit Committee, and other Committees**

Brief description and role of various Board Committees is given below:

The Audit Committee comprises three Independent Directors and one Executive Director and is chaired by an Independent Director. The Committee is responsible for oversight on the financial reporting processes, internal controls, statutory and internal audits.

The Nomination and Remuneration Committee, comprising three independent Directors and a Non-Executive Director, is responsible for devising criteria for determining qualifications, attributes and independence of the Directors and for identifying persons to be appointed at senior management levels, and devising remuneration policy for the Directors, key managerial personnel and senior management.

The Investor Grievance and Stakeholders' Relationship Committee, comprises an Independent Director, a Non-Executive Director and an Executive Director. This Committee looks into the redressal of investors' grievances. In addition, this Committee also looks into matters, which facilitate improvements relating to investors' services.

The Risk Management Committee consists of a Non-Executive Director, two Executive Directors and the Group CFO. This Committee reviews the enterprise wide risk profile of the Company and monitors and guides the risk management processes.

The three-member CSR Committee, consisting of an Independent, a Non-Executive, and an Executive Director, recommends and oversees execution of various CSR projects to be undertaken by the Company and also monitors their impact.

The Share Transfer Committee comprising two Executive Directors oversees the share transfer and share allotment activities of the Company that may be necessitated from time to time. .

The Company has also constituted an Executive Management Committee comprising two Executive Directors to review and approve matters relating to banking, financing, investments, and also to look after other operational and administrative matters, within the powers delegated by the Board.

## **System of Internal Controls and Financial Performance Reporting**

The Company has adopted the COSO 2013 framework in the formulation of its internal controls processes, with the following key elements:

- An independent Internal Audit team conducts risk based audits through the year in line with plans agreed with the Audit Committee. It reviews and reports status of compliance with internal controls, the efficiency and effectiveness of operational processes as well as flags process risks to the Audit Committee, on a quarterly basis.
- The Audit Committee reviews internal audit plans, significant audit findings and adequacy of internal controls.
- Adherence to a comprehensive information security policy and continuous upgrade of the Company's IT systems for strengthening automated controls is also ensured.

Control Self Assurance framework, a workflow based control monitoring system where each key control is mapped to an owner, monitor and reviewer, has been established in the Company as the first line of defense. The Company has also formed a cross functional team called "Internal Financial Control Champions" who independently test the effectiveness of Internal Financial Controls (IFC) on a half-yearly basis and report findings to the Group CFO. Remediation measures identified during the IFC testing process exercise are reviewed on an ongoing basis by the central risk management team and reported to the Audit Committee and the Board.

## **Independence, Integrity and Usefulness of Internal Audit System for Risk Management**

The Company has appointed an established independent firm to carry out Internal Audits. The Internal audit plan gets synchronized with the outcome of risk profile review and controls review findings to help obtain additional assurance on the mitigation effectiveness of high impact risk items. The internal audit review results are used by the risk management team to evaluate mitigation effectiveness of the identified risks.

## **Whistle Blower Policy and the Monitoring Mechanism**

The Company has formulated a comprehensive Whistle Blower policy that gets widely publicized. The Company Secretary of the Company also acts as the Ethics Officer under this policy. All whistle blower complaints are investigated by a committee comprising of the CHRO, Group CFO and the Ethics Officer. The Whistle Blower Policy also provides direct access to the Chairman of the Audit Committee at the option of the complainant. On a need basis, the investigations may be referred to external experts for a forensic examination to substantiate the claims or grievance. The Company ensures that the identity of the complainant remains protected and not disclosed to anyone. On a quarterly basis, a communication from the CHRO is sent out to employees across the organization to remind them about the whistle blower framework, and encourage the employees to speak up and report matters, without any fear or concern.

## **Board's Role in Driving Leadership for Excellence and Innovation**

The Company encourages a culture of entrepreneurship and innovation. Strong emphasis is placed on investments in technology, innovation and building research capabilities.

Following are some of the excellence programs undertaken by the organisation under the guidance of the Board:

- Manufacturing Excellence Programme that lays strong emphasis on LEAN manufacturing, technology upgradation, quality improvement and culture building.
- Intelligent application of LEAN/MOST practices leading to productivity and efficiency improvements in manufacturing operations.
- Continuous focus on innovation and initiatives related to energy-efficiency, sustainability and mitigating climate change impact. On account of the enhanced thrust in this direction, the Company has been accelerating its R&D capabilities to roll out innovative and differentiated products.
- Total Quality Management Programme for the manufacturing facilities and the after-sales service business.
- Total Cost Management for the products businesses to enable alignment of costs structure to optimize margin profile.
- Adoption of the CII-Exim Bank Business Excellence Model by the after sales service business.

## **Performance Evaluation of Board and Directors**

The Board carries out an annual performance evaluation comprising review of the performance of the Directors individually, as well as the evaluation of the working of the entire Board and its Committees. A response questionnaire is prepared after taking into consideration inputs received from the Directors, covering various aspects such as structure and composition of the Board, quality of the Board's processes, the Board's culture and dynamics, and effectiveness in carrying out its role as expected by all the stakeholders.

The performance of the Chairman of the Board is evaluated on parameters such as level of engagement and contribution, ability to encourage frank and free discussions among Board members, relationships with Board members and guidance in case of complex issues.

The performance evaluation criteria for Independent Directors, is determined by the Nomination and Remuneration Committee. The factors on which evaluation is carried out include:

- Qualifications, experience, understanding and knowledge of the business and sector, availability and attendance of meetings.
- Openness in debating complex issues and aiding decision making, voicing opinion freely, exercising own judgment.
- Adding value to the strategic direction and image makeover of the Company.
- Ensuring integrity, regulatory compliance and controls as required.
- Level of preparedness, engagement and participation at various meetings.
- Guidance and support to the leadership team as required.
- Ability to function as a team member, actively take initiatives in various areas, and commitment to the Board and the Company.
- Keeping shareholder and other stakeholders' interests in mind while voicing views and making recommendations.
- Expression of independent views and judgments, freely.

### **CSR Committee of the Board, CSR Plan, Budget and Major Community Development Projects**

The CSR committee comprises three Directors, an Independent, an Executive and a Non-Executive Director. The Company allocates CSR budget well above the minimum spend that is mandated by the regulations.

Blue Star focuses on sustainable interventions in the areas of skill development, water and sanitation as well as health and education, thereby enhancing and uplifting living standards of the underprivileged people who live in and around its manufacturing facilities.

The Company is an important stakeholder for holistic vocational training initiatives in Air Conditioning and Refrigeration (AC&R) and mechanical, Electrical and Plumbing (MEP) fields. Blue Star's training personnel contribute to setting up customized classrooms and practical labs, curriculum development, training of trainers, monitoring the quality of teaching sessions and imparting regular lectures at these centres.

The Company has also enrolled apprentices under National Employability Through Apprenticeship Program (NETAP) - a Public Private Partnership program. The apprenticeship program gives students on-the-job training, and helps bridge the connection between skills and higher education.

One of the Company's major initiatives is in the field of water, sanitation and hygiene in the schools in rural areas, which includes providing safe drinking water, refurbishing and renovating existing toilet blocks, group hand-washing stations and awareness sessions on safe sanitation and hygiene practices.

An extensive project on setting of an all women Farmer Producer Organization (FPO) in Cuddalore district of Tamil Nadu which involves training a group of 600-700 local women from the marginalized communities in the fields of crop handling, financing, sustainable and modern agricultural practices. Besides, Blue Star has partnered with CII and Aid India to improve spoken English and mental Maths skills among school children in Cuddalore.

### **Corporate Governance Initiatives**

Blue Star continuously strives to adopt and implement the best in class governance practices. An active, well informed and independent board safeguards and maintains sound corporate governance practices across the Company.

Blue star has adopted several governance initiatives and practices such as:

- Strong commitment to its Vision, Credo, and Values and Beliefs framework, which provide an overall governance guidance to the Company.
- Appointment of an Independent Director Chairman of the Board, ahead of the mandated effective date.

- Appointment of two women members on the Board, instead of a minimum of one woman director as mandated.
- Publishing Integrated Report as part of the Annual Report for the year ended March 31, 2018 on a voluntary basis. Blue Star was the first entity in the industry to publish an Integrated Report.
- Implementation of an integrated vigil mechanism framework comprising elements such as internal audit, enterprise risk management, whistle blower mechanism and internal financial controls evaluation processes.
- Comprehensive two way communication processes within the organization that enables open and transparent interaction amongst the leadership team and the middle and front line managers. This serves as a valuable listening post for the Company's leadership team.
- Implementation of a set of robust entity level policies that act as guiding force for the overall corporate governance program.

# Mahindra and Mahindra Limited

## India

### Organizational Description

Provide basic information about the organisation like name; location; area of operation; products/services; employee strength & diversity and concern for sustainability.

### Area of Operation

M&M, a mobility products and farm solutions provider, is the flagship Company of the Mahindra Group. Since assembling its first vehicle in 1947, it has grown rapidly. Today, M&M offers a wide range of products and solutions ranging from SUVs to electric vehicles, pickups, commercial vehicles, tractors, two-wheelers and construction equipment. M&M commenced its exports in the 1960s, and today, its vehicles and tractors can be found in all six habitable continents of the world. The Company's manufacturing facilities are located at Kandivali, Nashik, Igatpuri, Nagpur, Chakan, Zaheerabad, Jaipur, Rudrapur, Haridwar, Mohali and Pithampur.

### Products/Services

The two major sectors of M&M businesses are – Automotive Sector and Farm Equipment Sector, and the details with respect to their main products and services and delivery mechanism for reaching customers, is provided as under:

- Automotive Sector

Main Products : Automotive Sector manufactures the vehicles in two segments:

- Personal
- Commercial

- Farm Equipment Sector

Mahindra maintained the leadership position in the domestic tractor market for the 36<sup>th</sup> consecutive year, with a market share of 40.2%. Our Tractor ranges from less than 20 HP to more than 50 HP. Our various Farm Mechanization products are: Rotary Tillage, Rotavators, Zyroperator, Seeders and Transplanters, Harvesters Combines, and Material handling equipment.

### Employee Strength

There were 21,020 permanent employees on the rolls of the Company as on 31<sup>st</sup> March, 2019.

### Diversity

M&M continues its strong focus on fostering Diversity and Inclusion at the workplace. Gender remains a strong focus area along with other Diversity constituencies and various programs/ initiatives were undertaken to promote the same. Mahindra World of Women ("MWOw"), is a platform for peer learning and networking to derive inspiration from role models internally and externally. For further information refer Annual Report of M&M for FY 2019.

### Concern for Sustainability

M&M Group's natural resource utilisation strategy is governed by the 3Cs - conservation, continuous improvement towards rejuvenation and comprehensive disclosures.

A cohesive framework, well-structured processes and focussed interventions are the foundation of our resource management approach. M&M Group is moving towards a sustainable future, where it is Designed

to Rise by making initiatives directed towards the KPIs, material to its business. It enjoys a leadership position in utility vehicles, information technology, financial services, and vacation ownership in India.

## **Mission and Vision Statements**

### **Mission**

Mission is the purpose why a Company exists. Our Core purpose is “We will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our stakeholders and communities across the world, to enable them to Rise”.

The Rise philosophy of M&M is based on 3 pillars:

- Accepting No Limits
- Alternative Thinking
- Driving Positive Change

### **Vision**

Our goal is to be among the top 50 most admired global brands by 2021 and we are confident that it is our people who will get us there. We are building our workforce through practices and policies that nurture talent, foster stronger bonds and create future leaders across our businesses. Our two-tier HR approach, one at the Group level and the other at the Business level, enables us to align policies and undertake bespoke employee engagement initiatives throughout the Company.

## **Board and Organizational Structure**

Mahindra and Mahindra Limited at its top is headed by the Board of Directors comprising 10 Directors comprising of 2 Whole-time Directors i.e. one Executive Chairman & one Managing Director, 7 Independent Directors and 1 Non-executive Non-independent Director.

The Executive Chairman and the Managing Director of the Company are responsible for running the affairs of the Company as well as its Board through strategic, operating, and organizational processes, and provides for Management Development and strategic plan for overall guidance in smooth conduct of the business, and are supported by various corporate functions of the Company.

## **Principles of Corporate Governance for the Board**

The Company believes that sound Corporate Governance is essential for enhancing long-term shareholder value and retaining investor trust. Governance is moulded in the culture of the Company that is built upon core values, beliefs and ethics. The Company continues to practice Corporate Governance of the highest standard and ensures the highest principles of corporate conduct.

The Board of Directors' primary responsibility is to supervise, monitor, and counsel the Management in the interest of the Company as well as for the benefit of its various stakeholders. Some of the initiatives that has helped in Board room effectiveness are as under:

- More than 2/3<sup>rd</sup> Directors on the Board of the Company are Independent Directors.
- The Company has the following Board level Committees:
  - Audit Committee;
  - Stakeholders Relationship Committee;
  - Governance, Nomination and Remuneration Committee;
  - Strategic Investment Committee (a voluntary initiative of the Company);
  - Loans & Investment Committee (a voluntary initiative of the Company);
  - Research & Development Committee (a voluntary initiative of the Company);
  - Corporate Social Responsibility Committee
  - Risk Management Committee

- Every Independent Director (apart from the Nominee Director) is on one or more of the above mentioned Committees and they impart considerable value to the deliberations made at the Committee Meetings.
- Brief details of Governance Practices followed by the Company includes the following:
  - Detailed Agenda folders are emailed and circulated to the Directors well in advance at least 7 days before the board meeting to ensure meaningful participation of the Directors in the Board deliberations.
  - Agenda and Minutes are simultaneously uploaded on the Board Portal.
  - The Company also conducts a Secretarial Audit.
  - The Chairman & Managing Director apprises the Board at every Meeting of the overall performance of the Company, followed by Presentations by the concerned Sector President(s). A detailed functional Report is also placed at the Board Meeting(s).

- Meetings of Independent Directors

The Independent Directors of the Company meet before every Board Meeting to examine various Corporate Governance issues, functioning of the Company and of the Group and other issues without the presence of Chairman & Managing Director or Executive Director & Group Chief Financial Officer or any other Management Personnel. These Meetings are conducted in an informal and flexible manner to enable the Independent Directors to discuss matters pertaining to the affairs of the Company and put forth their views and recommend their suggestions to the Board.

- Codes of Conduct

The Company is committed to conducting its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct.

The Board has laid down two separate Codes of Conduct (“Codes”), one for the Board Members and the other for the senior management and employees of the company. All the Board Members and senior management personnel have affirmed compliance with these Codes.

This Code of Conduct reflects the business practice and principles of behaviour that support this commitment.

- Insider Trading Code

The Company has instituted a comprehensive Code of Conduct for Prevention of Insider Trading for its designated employees, in compliance with Securities and Exchange Board of India Prohibition of Insider Trading) Regulations, 2015. The Code lays down Guidelines, which advise them on procedures to be followed and disclosures to be made, while dealing in the shares of the Company and cautions them of the consequences of violations.

- Ethical practices

The Company has a rich legacy of ethical governance practices, many of which were implemented by the Company even before they were mandated by law. The Company is committed to transparency in all its dealings and places high emphasis on business ethics.

- Stakeholder interest protection (specifically minority shareholders)

- The Company’s Stakeholders, include shareholders, investors, rating agencies, partners, suppliers, vendors, customers, employees, consultants, governments (local, state, national, international), surrounding communities, citizens and communities of interest such as certifying bodies and professional associations.
- In order to ensure that the interest of the stakeholders, especially the interest of the minority shareholders is protected, it is ensured that the various matters pertaining to them are redressed and controlled by way of involvement of all the Directors of the Company through various focused committees and participation of senior management of the Company.

## Code of Conduct

The Board of the Company has laid down two separate Codes of Conduct, one for all the Board Members and the other for Employees of the Company. This Code is the central policy document, outlining the requirements that the employees working for and with the Company must comply with, regardless of their location.

This Code inter-alia states that the Company is committed to conducting its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct. This Code of Conduct reflects the business practice and principles of behaviour that support this commitment. The Board of Directors (“the Board”) is responsible for setting the standards of conduct contained in the Code and for updating these standards as appropriate to reflect legal and regulatory developments. The Code is intended to provide guidance and help in recognizing and dealing with ethical issues and to help foster a culture of honesty and accountability. Every Director is expected to read and understand this Code and its application to the performance of his or her duties, functions and responsibilities.

The Company has a Code of Conduct for Directors as well as all employees of the Company that covers issues, inter alia, related to ethics and bribery. It covers all dealings with Suppliers, customers and other business partners including Joint Ventures, and other stakeholders. The Company also has a Code of Conduct for Suppliers and Vendors.

The Board of Directors of the Company and Senior Management confirm adherence to the Code of Conduct, annually. Besides, at the end of each financial year all employees are required to submit a Compliance Certificate that they are in Compliance with the Code of Conduct. The Company also takes signoff on the Code of Conduct from new joiners of the Company.

The Board of the Company has laid down two separate Codes of Conduct, one for all the Board Members and the other for Employees of the Company. This Code is the central policy document, outlining the requirements that the employees working for and with the Company must comply with, regardless of their location.

## **Stakeholder Management**

Mahindra Group is a federation of companies, bound by one purpose – to Rise. Inspired by this spirit, our legacy and values, our goal to always positively impact our partners, stakeholders, communities and the world at large, remains unshakeable. As a global federation of companies, the Mahindra Group, sees an incredible opportunity to drive positive change in the lives of our stakeholders. Whether it is serving the needs of our customers, or taking care of the dreams and passions of our people, or helping to build the communities we are a part of, or adhering to the laws of the land, or nurturing the planet.

In everything we do, we Rise for Good.

With an inspiring history, an unshakable set of values, and a clear sense of purpose. Today, Brand Mahindra is as important to our success as the quality of our products and services. It’s the emotional and intellectual foundation on which our customers and stakeholders base their decisions. As its custodians, it is vital that Mahindra Group cherishes, cares and nurtures Brand Mahindra.

There is close association with all the aforesaid stakeholders, we go about in engagement with them by different modes in different frequency order. We have defined system if any of the above mentioned stakeholder seeks any clarification. For employees we have multiple engagement platforms ranging from town hall activity to personal counselling session. We are people oriented organization, we appreciate feedback and suggestion with open heart.

**For Investors**, we have dedicated Investor Relation team which takes into account all the queries directed from Investor community. Apart for this regular activity, we conduct presentations and calls for updating the investor community about progress made and plans for future.

**Suppliers** being important part of operation we work closely with all of them. We provide them platform to come ahead and work more closely with us by organizing trainings, capacity development programs, workshops, exhibitions etc.

Similarly for rest of the stakeholders we have well defined activities to share/resolve their query.

## **System of Internal Controls and Financial Performance Reporting**

### **System of Internal Controls**



The Company maintains adequate internal control systems commensurate with the nature of its business and size and complexity of its operations. These are regularly tested for their effectiveness by Statutory as well as Internal Auditors. In the highly networked IT environment of the Company, validation of IT Security receives focused attention from IT specialists and Statutory Auditors. The Company has a strong and independent internal audit function consisting of professionally qualified accountants and engineers. The Chief Internal Auditor reports directly to the Chairman of the Board. Significant observations made by the internal audit team and the follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

### **Financial Performance Reporting**

The Company adopted Indian Accounting Standards ("Ind AS") from 1st April, 2016. Accordingly, the financial statements have been prepared in accordance with Ind AS as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under section 133 of the Act and other relevant provisions of the Act.

The Consolidated Financial Statements of the Company, its subsidiaries, associates and joint ventures prepared in accordance with the Companies Act, 2013 and applicable Indian Accounting Standards along with all relevant documents and the Auditors' Report form part of this Annual Report. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies, associates and joint ventures.

The Financial Statements are also available on the website of the Company.

The Board Meetings and Audit Committee Meetings of the Company are convened generally at the end of the subsequent month of each quarter to approve and adopt unaudited quarterly financial results and Audited yearly as well as half yearly results. The Company receives periodic information from its subsidiaries regarding their business operations and performance. Various business MIS reports regarding operations of the Company during the previous month are sent to respective function heads.

The Company has complied with all the requirements of regulatory authorities. During the last three years, there were no instances of non-compliance by the Company and no penalty or strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to the capital markets.

### **Whistle Blower Policy and the Monitoring Mechanism**

The Vigil Mechanism as envisaged in the Companies Act, 2013 and the Rules prescribed thereunder and the Listing Regulations is implemented through the Whistleblower Policy. This Policy provides for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee.

The Whistle-blower Policy of the Company has been formulated with a view to provide a mechanism for directors, employees and all stakeholders of the Company to approach the Ethics Helpline Provider or the Chairperson of the Audit Committee to report events of unethical conduct. For any clarifications related to this Policy, one may reach out to the Chief Ethics Officer of the Company.

As such the Whistleblower Policy provides for protected disclosure and protection to the Whistleblower. Under the Vigil Mechanism, all Stakeholders have been provided access to the Audit Committee through the Chairperson. No personnel has been denied access to the Audit Committee. All Employees, Directors, vendors, suppliers or other stakeholders associated with the Company can make the Protected Disclosure through an e-mail or any other mechanism as prescribed in the Whistleblower Policy.

The Chairperson of the Audit Committee can be reached by sending an e-mail or by sending a letter to the official address:

The Whistleblower Policy of the Company is available on the website of the Company.

### **CSR Plan, Budget and Major Community Development Projects**

The Company's Corporate Social Responsibility efforts continue to be directed towards supporting the constituencies of girls, youth and farmers by innovatively supporting them through programs in the domains of education, health and environment, while harnessing the power of technology. It is only through these sustained and continued efforts that the Company can build and consolidate its CSR initiatives which contribute to nation building.

With a Core Purpose which states that "we will challenge conventional thinking and innovatively use all our resources to drive positive change in the lives of our stakeholders and communities across the world, to enable them to Rise", it is amply evident that Corporate Social Responsibility is integral to, and at the core of whatever is done at Mahindra. With a deeper understanding of societal issues, the Company has built the 'Rise for Good' mission around the four pillars of Community, People, Governance and Environment. With its focus on driving positive change to enable communities to Rise, the Company's CSR initiatives are designed to support the constituencies of girls, youth and farmers through the domains of education, health and environment.

During the year under review, the Company budgeted and spent Rs. 93.50 crores on CSR activities. The prescribed amount equal to 2% of the average net profit for the past three financial years required to be spent on CSR activities was Rs. 93.37 crores.

The impact of some of the flagship CSR initiatives that the Company undertook in the last financial year are given below:

- **Project Nanhi Kali** – supported the education of over 1,65,291 underprivileged girls across 10 States of India. While the Company supported 18,974 Nanhi Kalis, the Mahindra Group supported the education of 66,348 Nanhi Kalis and the balance were supported by other donors. In Financial Year 2019, 71,394 girls at secondary school level were provided access to digital tablets preloaded with smart, audio visual educational content.
- Financial Year 2019 was a milestone year for the **Mahindra Pride Programme**, with the Mahindra Pride Classrooms crossing the 1,00,000 outreach mark. Through 2,597 Mahindra Pride Classrooms, 1,19,349 youth from III's, Polytechnics and Arts & Science colleges were trained in English, Lifeskills and job preparedness, across 14 States. Of these 79,566 students were supported by the Company. The Mahindra Group also supported 9 Mahindra Pride Schools through which 6,561 youth from socially and economically disadvantaged communities were trained in ITES, Retail Hospitality & Auto Service and 100% of them were placed in lucrative jobs. The Company supported 5 Mahindra Pride Schools in Chandigarh, Chennai, Srinagar, Hyderabad and Varanasi through which 3,108 youth received livelihood training.
- Mahindra Group also supported 9 **Mahindra Pride Schools** through which 6,561 youth from socially and economically disadvantaged communities were trained in ITES, Retail Hospitality & Auto Service and 100% of them were placed in lucrative jobs. The Company supported 5 Mahindra Pride Schools in Chandigarh, Chennai, Srinagar, Hyderabad and Varanasi through which 3,108 youth received livelihood training.
- In the area of public health, the Company sponsored its 20<sup>th</sup> **Lifeline Express (hospital on a train)** in Arrah Bihar, through which medical care, treatment, and surgical intervention was provided to 11,119 individuals.
- Through **Mahindra Hariyali** 0.95 million trees were planted which contributed to improving green cover and protecting bio-diversity in the country. Of these 0.83 million trees were planted in the Araku valley, which besides greening the environment also provided livelihood support to tribal farmers growing coffee in this region. The Mahindra Group as a whole planted 1.45 million trees pan India.
- The **Integrated Water Management Program (IWMP)** in Hatta and Bhopal (Madhya Pradesh) led to increased water availability in 48 villages of Bhopal, thereby directly improving agricultural productivity and increasing farmer income.
- Through the **Wardha Farmer Family Project** and **Krishi Mitra Project**, the Company continued to support small and marginal farmers by training them in effective farming practices including soil health, crop planning, creating model farms with biodynamic farming practices, and increasing the water table with a view to increasing crop productivity.

- **Rise for Safe Roads:** The first of its kind in India ‘Road Safety’ project aims to make the Mumbai Pune Express way a near ‘Zero Fatality Corridor’ by 2021. Interventions under 4E’s are conducted i.e. Engineering, Enforcement, Education and Emergency Response. In addition, long haul truck drivers went through the Anticipatory Driving and Action Prevention Training (ADAPT™) program.
- The unique **ESOPs (Employee Social Options)** platform provided 26,126 employees a menu of volunteering opportunities enabling them to contribute 1,88,833 - person hours towards giving back to society.

## **Board’s Role in Driving Leadership for Excellence and Innovation**

Our Group’s aspiration is to be among the top 50 most admired global brands by 2021, by enabling people everywhere to Rise. Our Board aims to support this aspiration by creating Mahindra Leaders who will lead Tomorrow’s Company by focusing on a culture of outperformance, collaboration and partnership to ensure excellence and innovation by building on cutting-edge practices in Talent Management and Leadership Development.

- Talent Management and Leadership Development processes include Development Centres, Individual Development Planning, e-learning, up-skilling programs, Leadership Lifecycle programs and Action-Learning Projects. Mahindra uses the 3E approach (Experience, Exposure and Education) towards capability building. The Talent Management process is powered by a network of Sector Councils, with the Apex Talent Council playing a pivotal role in Succession Planning, Career Planning, Job Rotation, Hi-potential Identification and the talent pipeline development process. A robust Talent Scorecard process seeks to ensure succession planning and leadership development for both the immediate as well as the longer term.
- A formal Leadership Development process has been put in place with a three-tier approach which addresses entry, middle and senior management levels. The Mahindra Leadership University (MLU), supports the process of building capacity and capability in the leadership pipeline by leveraging a common virtual platform which delivers Learning and Development across the Group.
- The Mahindra Leadership University (MLU) has been developed as a platform to bring together knowledge seekers and knowledge providers across the Mahindra Group and drive the learning agenda to build capabilities for today and tomorrow.
- The offerings of the academies are using Mahindra Leadership University acceleration framework as the next orbit for development. The acceleration framework is designed to enable sharing of tacit knowledge of employees as well as enable employees/ leaders to become teachers or facilitators. The board and leadership of Mahindra group strongly encourage the philosophy of “Leaders as Teachers” based on which several members of the Group Executive Board (GEB) have personally conducted sessions at Mahindra Leadership University, Nashik to groom next line of leaders. The executive chairman of the board of directors personally serves as the chairperson of the Governing council of Mahindra Leadership University and along with managing director sets the strategy and monitors the progress of group’s capability building effort.
- The offerings of the Academies are structured based on the framework of a ‘Laddered Approach’ which recognizes and addresses the need for varying inputs tailored to the different levels of leadership in the Mahindra system.
- Tie-ups with the Harvard Business School (HBS), the Ross School of Business – Michigan, INSEAD, the Indian Institutes of Management and other leading management institutions in the country have helped enrich our leadership offerings.
- Women Leaders Program (WLP) is a flagship program of Academy of Leadership Development designed to enable women in middle management to nurture their capabilities and grow into leadership roles in the organization. It is an 18-month development initiative which is carried out by the Mahindra Leadership University in collaboration with SP Jain Institute of Management & Research, Mumbai. WLP comprises classroom training along with live projects under the guidance of senior leaders and executive coaches focusing on managing self, people and business. Role modelling to enhance leadership aspirations and

instill self-confidence is a vital aspect of the program. Currently two cohorts of women leaders from diverse businesses of the Mahindra Group are undergoing this flagship program.

- We have an initiative called Reflective Conversations which aims at making Mahindra a Reflective Organization thereby enabling us to grow towards our Group aspiration. The proliferation, which began with Mr. Anand Mahindra and the Group Executive Board in July 2013, has cascaded down to department heads and a few managers, now covering 2426 employees across multiple Businesses of the Group.

To further facilitate practice and to build a culture of Reflective Conversations, the company has continued with its Coach Certification Program titled 'Mahindra Certified Reflective Conversationalist' (MCRC) to develop leaders as Executive Coaches.

Flagship programs of academies like Global Program for Management Development (GPMD), Women Leaders Program (WLP), CFO+Track, Digital Enablers Program, Leveraging HR for Sustained Business Outperformance, Emerging Leaders Program and Future Leaders Program (FLP) use Action Learning Projects (ALPs) which work as a means of transferring learning and making the program outcomes more sustainable.

## Corporate Governance Initiatives

Mahindra Group prides itself in its relentless pursuit of compliance & governance. While compliance & governance is in its DNA, it was necessary to have a group wide common IT based tool to ensure that compliance and governance standard continue to be high and are not person dependent. This assumes further significance especially considering the high inorganic growth that the group has embarked on combined with federal structure of operations. It is in this context that "Mahindra Governance e-Cockpit" has been conceived, designed and is being rolled out across the group.

Mahindra Governance e-Cockpit, which is an IT tool, imparts the key components of governance which are accountability, transparency, responsiveness, rule of law, stability and empowerment, in interactions between key constituents of the Governance Process, within the overall regulatory framework. The Mahindra Governance e-Cockpit consists of two broad sections:

- **One part** - which provides full and complete updated information on all policies related to governance of Business, Code of Conduct, Employee and Investor;
- **Second part** - it is an interactive tool which provides access, enables interaction, provides information to authorized participants on Compliance Portal, Director's Information Portal, Board Portal, CEO / CFO Certification Portal, Tax Litigation Tracker, Disclosure Portal and Data Archives.
  - Compliance Portal – On going, real time technology platform to provide quality assurance on compliance processes, across the group.
  - Director's Information Portal – Platform comprising details of directors and their directorship in other companies.
  - Board Portal – Platform which allows Directors to securely access board documents and collaborate with other board members electronically.
  - CEO / CFO Certification – A new way of submitting compliance certificate, every quarter on time. No more paper process and no more delays.
  - Tax Litigation Tracker – A solution for managing & tracking end to end process for complying Government notices received by Taxation Departments.
  - Disclosure Portal – Contains M&M Annual Reports and Stock Exchange Disclosures for various past years.
  - Data Archives – Contains past records of Board meetings, meetings, filings / returns, shareholder related etc.

# **Tata Capital Limited**

## **Mumbai**

### **Organizational Description**

Tata Capital Limited (“TCL”), the flagship financial services company of the Tata Group, is a subsidiary of Tata Sons Private Limited. TCL is registered with the Reserve Bank of India (“RBI”) as a Core Investment Company, providing a wide array of fund and fee-based products and services viz. Private Equity Advisory, Commercial Finance, Personal, Business, Consumer Loans, Wealth Management, Investment Advisory, Home Loans, Home Equity, Cleantech Finance, Institutional distribution, etc. to its Retail and Corporate customers, either directly or through its subsidiaries viz. Tata Capital Financial Services Limited, Tata Capital Housing Finance Limited, Tata Cleantech Capital Limited and Tata Securities Limited (collectively referred to as “Tata Capital”). The purpose of Tata Capital is to be a “Responsible financial partner fulfilling India’s aspirations”.

The Registered Office is located in Mumbai, with PAN India branch presence. As on March 31, 2019, employees numbered 4,486 (including 513 females), from diverse cultural and educational backgrounds.

The CSR Projects of Tata Capital are aligned to Sustainable Development Goals which were adopted by all United Nations Member States.

Tata Capital’s approach to building a successful organization is one of inclusiveness, which addresses the key requirements and expectations of its different stakeholder groups.

### **Mission, Vision Statements and Sustainability Policy Statement**

**Vision:** The most admired financial solutions partner.

**Mission:** We will only do what’s right for all our stakeholders, including our employees, customers and society at large.

Tata Capital has adopted a Corporate Sustainability policy focusing on Education, Skill Development, Entrepreneurship, Environment, Health, Sports and Music.

### **Board and Organizational Structure**

The Board comprises a healthy mix of Executive, Non-Executive and Independent Directors, including Women Directors. The Board has constituted Committees with specific terms of reference to focus on specific issues to ensure expedient resolution of diverse matters. The Board and its Committees provide supervision and direction to and oversee the performance of the Management.

Tata Capital is governed by a Management Committee and Operation Committees, which are constituted by senior Business and Functional heads and chaired by the Managing Director (“MD”) & CEO. The Functional and Business Heads report into the MD & CEO.

### **Principles of Corporate Governance and Boardroom Effectiveness**

Tata Capital recognises its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of corporate governance through transparency in business ethics, accountability to its customers, Government and others.

Tata Capital believes that governance practices enable the Management to direct and control the affairs of the Company in an efficient manner and to achieve Tata Capital’s goal of maximising value for all its stakeholders. The five core values that underpin the way we conduct our business activities are Integrity, Excellence, Unity, Responsibility and Pioneering.

Tata Capital has a strong legacy of fair, transparent and ethical governance practices. The Corporate Governance philosophy is further strengthened with the adherence to the Tata Business Excellence Model and the Tata Code of Conduct (“TCOC”). The Company has also adopted Vigil Mechanism, Fair Practices Code, Affirmative Action Policy, Policy against Sexual Harassment in the Workplace, Policy on Board Diversity and Director Attributes, Code of Conduct for Non-Executive Directors, Occupational Health and Safety Management System and Anti-Bribery and Anti-Corruption Policy.

## **Code of Conduct**

The TCOC has been adopted by the Board as the primary guiding document for establishing an ethics framework and deployment thereof. It sets out how we behave with our employees or those who work with us, our customers, the communities and the environment in which we operate, our value-chain partners, including suppliers and service providers, distributors, sales representatives, channel partners, consultants, intermediaries, joint-venture partners or business associates, financial stakeholders, governments of countries in which we operate and group companies. An Ethics Framework, with appointment of a Principal Ethics Officer, Ethics Committee, Chief Ethics Counsellor and Regional / Locational Ethics Counsellors, is in place. Third Party facility available. Ethical behaviour reinforced.

## **Stakeholder Management**

The Board has constituted a Stakeholders Relationship Committee to consider and resolve the grievances / complaints of security holders. Tata Capital encourages free and frank communication through various channels viz. visit of Senior Leaders, customer meets, e-mail, digital platforms, focussed meetings, conferences, board / general meetings, channel/technology partner/collaborator meetings, strategy meet, etc. to communicate and engage with stakeholders and to listen to their voice in a free and fair manner and cascade key decisions.

## **Role and Composition of Audit Committee, and other Committees**

The composition of the various Committees is in line with applicable regulatory/statutory requirements and their roles are, *inter alia*, as under:

- Audit Committee recommends the appointment/removal and remuneration of Auditors, ensures adequacy of internal controls and compliances, reviews adequacy of Internal Audit, examines financial statements/reports, evaluates Internal Financial Controls, risk management systems, approves Related Party Transactions, reviews investigations/frauds, etc.
- Nomination and Remuneration Committee (“NRC”) identifies persons who are qualified to become directors and who may be appointed in senior management (including KMPs) in accordance with laid down criteria and recommends to the Board, their appointment and remuneration, carries out evaluation of director’s performance, formulates criteria for determining qualifications, positive attributes and independence of a director, etc.
- Corporate Social Responsibility (“CSR”) Committee formulates and recommends to the Board, a CSR Policy which indicates the activities to be undertaken and the CSR expenditure, reviews the policy and oversees societal and corporate obligations.
- Stakeholders Relationships Committee considers and resolves the grievances/complaints of security holders.
- Risk Management Committee assists the Board in oversight of various risks, analyses the risk exposure related to specific issues and provides an oversight of risk across organization(s).
- Finance and Asset Liability Supervisory Committee oversees the Asset Liability Management, Debt Composition, fund raising, resource raising policy, determines prime lending rate, etc.
- Investment Credit/Lending Committee approves the various credit proposals in terms of the Board approved Delegation of Authority matrix.
- Information Technology Strategy Committee approves IT Strategy and policy documents, reviews IT/IS audit reports, etc.

- Working Committee evaluates market appetite, pricing, structure and timing, terms and conditions of various funding instruments.
- Committee for Review of Policies reviews various Codes/Policies adopted by the company.

## **System of Internal Controls and Financial Performance Reporting**

Internal control system is designed to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance with laws and regulations. The internal control system is supported by an internal audit process for reviewing the design, adequacy and efficacy of its internal controls, including its systems and processes and compliance with regulations and procedures. Internal Audit Reports are discussed with the Management and are reviewed by the Audit Committee. The design, adequacy and operating effectiveness of the Internal Financial Controls are broadly in accordance with established criteria and have been documented / reviewed. A Compliance Risk Management Charter, which documents compliance processes and requirements, has also been adopted.

The Audit Committee reviews and recommends the Financial Statements to the Board of Directors. The Audit Committee meets the Statutory Auditors independently without the presence of the Management. The Financial Results are submitted/communicated to the Stock Exchanges, debenture holders and published in a nationwide English Newspaper, on a half-yearly basis, as applicable for debt listed companies.

## **Independence, Integrity and Usefulness of Internal Audit System for Risk Management**

The Internal Audit function is headed by the Chief Internal Auditor of TCL who reports to the Audit Committee Chairman and is assisted with an on-roll professionally qualified Internal Audit team as also the services of external firms. The Board of Directors of each of the subsidiary companies have appointed a Head-Internal Audit. The Audit Committee reviews and evaluates risk management policies and risk management systems and reviews and examines information related to risk management, at least once in a year. The Chief Internal Auditor/Head - Internal Audit are permanent invitees to meetings of the Risk Management Committee. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## **Whistle Blower Policy and the Monitoring Mechanism**

The Whistle Blower Policy (available on the Website) had been adopted with a view to provide a mechanism for directors and employees to report genuine concerns and approach the Ethics Counsellor / Chairman of the Audit Committee. The policy specifies procedures for reporting concerns or making disclosures with respect to any actual or potential violation of TCOC, policies or law and the process of investigation of such concerns. A quarterly report is submitted to the Audit Committee, along with details of the matter, findings and the action taken. Awareness is created among employees and is reinforced through various internal presentations and discussions.

## **Board's Role in Driving Leadership for Excellence and Innovation**

The framework of the Tata Business Excellence Model, based on Baldrige Criteria, USA, which covers aspects of Leadership and Governance, Strategic Planning, Customer Focus, Measurement, Analysis and Knowledge Management, Workforce Focus and Operations Focus allows Tata Capital to enhance its capabilities and processes in keeping with market and regulatory changes. Tata Capital was placed, in the "Emerging Industry Leader" level. This assessment provided important feedback in terms of its current key strengths and opportunities for improvements.

The Strategy Planning Process in Tata Capital flows from Organizational Vision, Mission and Culture along with the strategic imperatives and priorities articulated by the MD, together with the directions from the Board, wherein Tata Capital's strategic challenges and advantages are translated into key strategic objectives, opportunities for the next planning cycle through the development of Corporate and Business unit, Functional Strategic Maps and Balance Score Card. The annual strategic plan and the budget for the corporate, as well as key businesses and functions are reviewed in detail by the Board and its feedback is fully incorporated before finalization and roll-out. The Board regularly reviews and provides input on the key strategic initiatives.

An environment conducive to innovation has been created and a white label platform, “Bright Ideas” for ideation and innovation, launched.

## **Performance Evaluation of Board and Directors**

The performance evaluation of the Board and the Directors is conducted internally in accordance with applicable law. The NRC assists the Board of Directors in conducting the Board Evaluation Process. The Board Evaluation Process involves evaluating the performance of the Board as whole, performance of each individual director and each of the Committees. The feedback of the Independent Directors on their review of the performance of Non-Independent Directors and the Board as a whole, the performance of the Chairman of the Company and the assessment of the quality, quantity and timeliness of flow of information between the Company, the Management and the Board was taken into consideration by the Board in carrying out the performance evaluation. Based on the feedback, an Action Plan has been prepared.

## **CSR Committee of the Board, CSR Plan, Budget and Major Community Development Projects**

Board level CSR Committees have been set up. Tata Capital has defined a CSR Policy which outlines the thrust areas of development viz. Livelihood and Employability, Health, Education and Environment.

In FY 2018-19 and FY 2017-18, TCFSL, TCHFL and TCCL have spent Rs. 18.08 crore through 16 projects and touched 1,25,191 lives and Rs. 15 crore through 30 projects and touched around 66,945 lives, respectively, on CSR activities in projects and programs.

To conceptualize and implement the projects, Tata Capital follows a robust process, including appraising and selecting technically sound NGOs, planning the project based on baseline assessment, creating a project plan for implementation and monitoring and evaluation mechanisms. This helps to bring the desired positive and measurable results for the target beneficiaries. Tata Capital also adheres to the Tata Group’s Tata Affirmative Action Programs based on the framework defined by Confederation of Indian Industries. The framework focusses on upliftment of Scheduled Castes and Scheduled Tribes and identifies 4Es as key areas of development i.e. Education, Employability, Employment and Entrepreneurship. In addition to the 4Es, Tata Capital also adheres to ‘Essentials’ as another category, to provide for basic services like shelter, water and electricity.

The major community welfare development Projects at Tata Capital are, as under:

### **Education:**

- Vatsalya Ashramshala, Vikramgad: A holistic intervention which spans across education and employment; consistent improvement in the Std. X results, post our intervention.
- Dooars Jagron Project: This Education project covers children in 19 Tea Estates at Dhugguri and Nagrakatla; initiative impacts more than 17,000 students in 39 schools and 220 ICDS centres.
- Schools at Sudhagad: Seven schools supplied books for libraries, LED projectors and educational material.

### **Employability:**

- Tata Strive: To train youth as General Duty Assistants in Nursing and Solar PV Technicians. Pilot batches began in March 2019 at Mumbai, Pune and Hyderabad.
- Aash Foundation: As of March 2019, total candidates trained were 1797 (which included 1091 candidates who completed their trainings for skill development and of which, 814 were placed).

### **Healthcare:**

- Yugrishi Shriram Sharma Acharya Charitable Trust (YSSACT): Akhnad Jyoti Eye Hospital started in Bihar with an intention to cure people blinded by Cataract. Akhand Jyoti has till date, conducted 1650 cataract surgeries.



- St Jude India Childcare Centre: These centers provide a clean, safe, comfortable, caring and cost-free place to stay for children who have to travel to cities to be treated for Cancer. Sponsored 4 residential units each at Kharghar and Delhi centre and starter packs and nutrition supplements for all children at the Kharghar centre.
- Cancer Patients Aid Association (“CPAA”): An NGO which provides holistic support to cancer patients. Their counsellors help patients to develop forbearance to go through the chemotherapy / surgery / radiation therapy. CPAA also plays a major role in obtaining funds for the treatment of deserving patients. We provide financial assistance to CPAA for adoption of Patients, counselling and ration on regular basis.

#### Climate Action:

- JalAadhar - BAIF Institute for Sustainable Livelihood and Development: Watershed development project in Pimplegaon Rotha, Parner. Total of 756 ha area of work completed, recharged 1134 lakh lit. water one time, benefited 143 families, average income of farmers increased from Rs.30000 to 35000, 273 acre area brought under micro irrigation, 182 participants covered.
- JalAadhar - NAF: Watershed development project in Tamil Nadu. 2 Threshing yards constructed for local farmer’s use. Library set-up at 4 local government schools. 20 solar street lights installed. 1 rain gauge installed. 5 water harvesting structures created (3 as cattle pond and 2 recharge structures) with a total capacity to hold 2,10,33,000 litres of water. Additional 4 water harvesting structures created with a total capacity to hold 2,23,03,000 litres of water till September 2018.
- The Green Switch: Our NGO partner, Keshav Shristi has completed the baseline study of Borale and Savaradev Pada in Aghai Gram Panchayat, Shahapur, Thane. Gram Oorja, our technical partners, have procured the solar micro-grid to be installed at these hamlets.

### Corporate Governance Initiatives

- Adoption of Board Manual defining the roles, responsibilities, duties, authorities and liabilities of the Board, applicable law/regulations, etc.
- Preparation of Board Planner containing the list of matters to be discussed at each Board Meeting during the Financial Year.
- Circulation of gist of minutes along with the draft minutes.
- The gist of Minutes of Committee meetings are presented to the Board, on a quarterly / half yearly basis.
- Periodic reporting of various matters to the Board viz. Progress Report on CSR activities, Review of Customer Grievances and Reporting of Customer Complaints/Queries received by Directors, Quarterly report of complaints reported under the ABAC Policy, Insider Trading approvals by Key Managerial Personnel, Ethics matters and concerns.
- Preparation of a calendar for the entire financial year for meetings of Board/Committee and circulated to the Directors/Senior Management, at least 3 months before the financial year.
- An Action Plan on matters arising out of the Board Evaluation process is prepared and presented to the Board along with the action taken in respect of each of the matters.
- Preparation of Charters for each Board Committee and a confirmation from the Chairman of the said Committee/ Functional Head/CFO/Company Secretary stating compliance with its terms of reference, for a financial year, placed before the Board, annually.
- Action taken report on matters discussed at previous meetings, placed at every meeting, till closed.
- Adoption of Governance Guidelines.
- Directors Induction and Education programmes; Prompt circulation of changes in regulations and their implications to Directors.

# The Indian Hotels Company Limited

Mumbai

## Organizational Description

The Indian Hotels Company Limited (IHCL) and its subsidiaries bring together a group of brands and businesses that offer a fusion of warm Indian hospitality and world-class service. These include Taj – the hallmark of iconic hospitality, SeleQtions – a named collection of hotels, Vivanta – sophisticated, upscale hotels and Ginger, which is revolutionising the lean luxe segment.

Incorporated by the founder of the Tata Group, Jamsetji Tata, the Company opened its first hotel – The Taj Mahal Palace, in Bombay in 1903. Perhaps the grandest and most recognised of Jamsetji Tata’s tributes to his beloved city, it continues to be the hallmark of Indian hospitality even today. IHCL operates 190 hotels, including 38 under development, globally across 4 continents, 12 countries and in over 80 locations.

The Indian Hotels Company Limited (IHCL) is South Asia’s largest hospitality company by market capitalisation. It is primarily listed on the BSE and NSE.

## Mission, Vision Statements and Sustainability Policy Statement

The Tata Group is recognised globally for its ethical and transparent business practices, as well as its exemplary corporate governance across the board. An embodiment of the idea of ‘Leadership with Trust’, the Tata brand has, for years, signified the creation of long-term stakeholder value. IHCL is driven by the Group’s core values of Integrity, Responsibility, Excellence, Pioneering, and Unity in all aspects of its functioning and organisational priorities.

The core of IHCL’s service ethos is TAJ-ness, based on the three broad pillars of:

- Trust - that their guests bestow on them,
- Awareness - of what is happening around them and their responsibility to the Indian hotel industry, and
- Joy - that IHCL takes in providing service.

### Mission

To offer the world iconic Indian hospitality replete with Indian sensibilities and create value by operating the best-in-class portfolio of hospitality brands in India and select overseas destinations.

### Vision

To emerge as the most iconic and profitable hospitality company in South Asia.

### Sustainability Policy Statement

“IHCL is committed to the goal of sustainable development and conservation of nature and natural resources. While continually improving its management systems, accessing specialist knowledge and introducing state of the art and internationally proven technologies, IHCL strictly follows the basic principles of avoidance, minimization and mitigation in dealing with environmental and social issues. Where necessary, restoration and enhancement is also undertaken.”

## Board and Organizational Structure

The IHCL Board of Directors are renowned experts with varied and extensive experience, besides being highly professional. The Board of Directors has the final responsibility for the management, direction, and performance of the Group and its businesses. Diversity is a key driver of quality, bringing a richness of experience, talent, competencies, as well as managerial expertise. There is a strong emphasis on values such as integrity, and ethical conduct in both personal and professional sphere.

The Board is compliant with the Companies Act (Act), 2013, and Listing Regulations, and exhibits an appropriate mix of Executive Directors, Non-Executive, Non-Independent Directors and Independent Directors. It comprises eight members, of whom one is the Executive Director and seven Non-Executive Directors. Of these seven Non-Executive Directors, four are Independent Directors, two of which are Women Directors.

## **Principles of Corporate Governance and Boardroom Effectiveness**

**Corporate Governance:** IHCL's Corporate Governance framework is extremely well-defined, based on the three pillars of transparency, accountability, and security. It is inspired by the Tata Group's values that support ethics and integrity through all aspects of business activities. Its processes and transactions are observable to outsiders and the roles and responsibilities of the Board and the Management are publicly known. This has led to creation of a strong environment of trust and confidence in the Company's leadership and management.

IHCL holds the Tata Code of Conduct (TCOC) in the highest regard. The Company goes beyond mere compliance to regulatory and legal requirements in several areas when they pose a threat to the guest in operational regions where the statutory requirement is limited.

The Company complies with all legal requirements for disclosures regarding performance and governance. All the necessary disclosures under the Listing Regulations are made to the Stock Exchanges and are uploaded on the Company website. IHCL adopted the Integrated Reporting framework from the year 2018-19, giving its stakeholders a comprehensive view of its financial and non-financial activities.

The Sustainability Report integrates sustainability considerations into all business decisions and key work processes, with the aim of creating value, mitigating future risks and maximizing opportunities based on Global Reporting Initiative (GRI) standards. IHCL has begun formulating the Business Responsibility Report as a means to communicate its obligations and performance to all its stakeholders pursuant to Regulation 34 of SEBI (Listing Regulations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

The Company's triple bottom line reporting captures the environmental and societal risks associated with current and future products. Moreover, the Environmental Impact Assessment, Aspect/Impact Analysis in ISO 14001 and inputs from local communities help the Company to proactively address public concerns on the Company's products and services.

**Boardroom Effectiveness:** The Tata Business Excellence Model (TBEM) drives excellence at IHCL and serves as a tool to track progress on the Company's strategic objectives. The Board reviews the TBEM update periodically, leading to informed decision-making.

## **Code of Conduct**

The Tata Code of Conduct represents the set of values and ideals established by the Founder, and which have been held in the highest esteem by the Tata Group for over 150 years. It governs the conduct of the Group's companies as well as its employees. It is based on the five values of Integrity, Responsibility, Excellence, Pioneering, and Unity. IHCL abides by the TCOC in all its responsibilities, in its commitment to upholding the excellent standards in governance and ethical business practices.

## **Ethical Behaviour**

IHCL's robust ethical framework governs the responsibilities, duties, and actions of its employees and leadership teams. Culture is as important as processes. Setting the right 'Tone from the Top' is strongly emphasised and is a key responsibility of the Board. The Directors are expected to show exemplary behaviour and conduct. This is over and above the policy and procedure manuals, systems of internal controls, hiring practices, as well as a highly proactive approach towards handling grievances and identification of key fraud risks are a part of this responsibility.

These expectations help to create a company culture where the leadership is looked up to not only for performance-specific guidance but also for standards on ethical and moral conduct. The MD & CEO and EVP & Global Head HR are the Chief Ethics Officer and Chief Ethics Counsellor, respectively. The compliance structure also assigns Regional and Local Ethics Counsellors at every hotel to monitor ethical behaviour.

All financial frauds are reported directly to the Chief Ethics Officer and Chief Ethics Counsellor for guidance on investigation and closure of cases which are further referred to the Audit Committee.

Several policies exist to reiterate the Company's commitment to the highest ethical and moral standards. These include the Whistle blower Policy, Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices, Conflict of Interest Policy, The Policy for Receipt of Gifts and Hospitality, Prevention of Sexual Harassment at Workplace Policy (POSH) and Anti-Bribery and Anti-Corruption (ABAC) policy. Cases reported under the Whistle Blower Policy and POSH are reported to the Board on a quarterly basis. The Board also oversees the actions taken on the same.

## Stakeholder Management

IHCL values its close connect with its various stakeholder communities, guided by the values of transparency, accountability, and security of its Governance framework. The Company looks to build and maintain the stakeholders' trust in all of its activities, with a view to enhancing its reputation and brand equity. As an iconic Indian brand in the field of hospitality, it follows a well-structured strategy for stakeholder engagement, where the key objective is: "To continually improve how we engage with stakeholders across all aspects of our business – in order to identify and realise opportunities to inform, understand, problem-solve, plan and deliver better against our vision as a business."

IHCL interacts regularly with investors through the forums of the Annual General Meeting, analyst meetings and investor roadshows. It also engages with stakeholders prior to the implementation of policies or actions that could impact them. Regular interactions with the stakeholders helps it source valuable information that is key to understanding the existing and emerging stakeholders. It is used to strengthen its strategic planning and risk management procedures. The Public Affairs team regularly reviews the stakeholder lists.

IHCL submits all compliance related documents and disclosures to the Stock Exchanges while filings are made with the Registrar of Companies, ensuring that all information mandated under the law to be made available in the public domain is updated in a regular and timely manner. The Company has adopted the Integrated Reporting framework for 2018-19, providing its stakeholders an all-inclusive depiction of its financial and non-financial resources.

IHCL's stakeholder management is further enhanced by its efforts to facilitate and protect stakeholder democracy, aimed at ensuring equitable treatment of all shareholders, including minority ones. The Stakeholder's Relationship Committee assists the Board of Directors in this regard.

## Role and Composition of Audit Committee, and other Committees

The IHCL Board has five main sub-committees bestowed with specific powers and responsibilities.

1. **The Audit Committee:** Its key responsibility is evaluation of internal financial controls and risk management systems, along with oversight of the Company's financial reporting process and the disclosure of its financial information. It also reviews the functioning of the Whistle Blower mechanism.
2. **Nomination and Remuneration Committee:** It is tasked with recommending to the Board, the setup and composition of the Board, and devising a policy on Board diversity. It also supports the Board with evaluation, designing of remuneration framework and oversight of the Board.
3. **Stakeholder Relationship Committee:** It assists the Board of Directors in servicing and protecting the interests of shareholders, debenture holders and other security holders.
4. **CSR and Sustainability Committee:** It is tasked with formulating and recommending to the Board, a CSR Policy, which includes planning the expenditure to be incurred for CSR activities. It also provides vision and guidance to the Management towards assessing long-term business proposals through the lens of CSR, Environment, Safety, Health, and reputational implications.
5. **Risk Management Committee:** It reviews the Company's risk governance structure, and is in charge of framing effective policies towards measurement and management of overall risk.

## **System of Internal Controls and Financial Performance Reporting**

A robust system of internal controls governs the financial reporting at IHCL, ensuring values of integrity, quality, and efficacy are upheld. Monitoring is done at the highest levels of the organisation, i.e. the Board. Auditing all operating hotel units and Corporate Office functions once a year ensure a continuous evaluation of areas of weakness and scope for improvement; compliance with policies and TCOC, safeguarding of assets and risk management. The Audit Committee reviews the findings, which are periodically reviewed by the Board as well.

The internal audit processes follow the unique Taj Positive Assurance Model (TPAM) model, which is a convergence of Process Framework, Risk & Control Matrix and a Scoring Matrix. It provides positive assurance based on the audits conducted.

Also a part of internal controls is the Insider Trading Code adopted by the Board and framed in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 2015. Following the latest amendments, IHCL maintains a structured, digital database with a list of designated persons who are in possession of Unpublished Price Sensitive Information.

## **Independence, Integrity and Usefulness of Internal Audit System for Risk Management**

The IHCL Board is deeply involved in the aspects of governance and risk management as well as ethics and sustainability. Its Committees play a crucial role in identifying, mitigating, and managing the Environment, Social and Governance (ESG) risks and material concerns. A comprehensive and well-defined risk management system comprises a strong Enterprise Risk Management process.

The Internal Audit team reviews the risk management controls and procedures from time to time, sometimes ad hoc, and results are reported to the Audit Committee set up by the Board. The Executive Committee has prepared a Risk Register detailing the various risks envisaged by the management. It is reviewed every year and presented to the Risk Management Committee and the Board. Designated risk owners are assigned to monitor the risk and respond in a timely manner, leading to accountability in the system.

The internal control systems are commensurate with the operational size and nature of the Company's business. Adequate internal financial controls exist, providing reasonable assurance on the reliability of financial reporting as well as a robust and independent Internal Audit department. Internal auditor periodically ascertains the robustness of the processes.

The Board's Audit Committee maintains a strict oversight on the internal control environment.

## **Whistle Blower Policy and the Monitoring Mechanism**

IHCL's Whistle Blower Policy enables employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the TCOC. Employees can either report to the Management, and/or third-party ethics helpline, or reach out to the Chairman of the Audit Committee. The policy allows for protected disclosures, probed in complete confidence. Whistle blowers are protected against unfair practices like retaliation, threat or intimidation of termination/suspension of service, or the like.

## **Board's Role in Driving Leadership for Excellence and Innovation**

The IHCL Board is the top authority on the Company's operations and performance, which includes guiding, strategically stimulating and sustaining innovation, based on their evaluation of the information on new and emerging markets. Driving innovation is thus a part of the Board's fiduciary nature of dictatorship. Its sub-committees often drive tangible innovation. The Board continues to nurture an organisational culture that values risk-taking, supporting strategic thought and candour, creating an environment that encourages innovation and initiative by the employees.

IHCL was conferred the Regional Silver Trophy at the prestigious Group-wide competition, Tata InnoVista 2019 under the 'Implemented Social Innovation' category. The winning project was on the unique innovation wherein waste oil generated in the hotel is being converted into biodiesel and the by-product of glycerine is converted into usable soap for the community.

## **Performance Evaluation of the Board and Directors**

Performance evaluation of the Board is a process designed to reinforce the Company's exemplary governance system by structuring it in a manner that is thought through, robust and well-founded in the Company's organisational values. Its objectives are aligned to the provisions of the Act, Guidance Note on Board Evaluation issued by SEBI and the Corporate Governance requirements prescribed by Listing Regulations. The Nomination and Remuneration Committee (NRC) Chair has the end-to-end responsibility to conduct the process, with NRC's oversight on it. It entails preparing a questionnaire followed by structured interviews with Directors, conducted in confidence. Their responses and suggestions are then considered during the NRC meetings, from which a feedback summary is prepared and later presented to the Board. This provides an opportunity for a lucid dialogue with and among the Board members. Finally, a plan of action is drawn up for execution.

## **CSR Committee of the Board, CSR Plan, Budget and Major Community Development Projects**

IHCL's CSR thrust is building on the Group's legacy of 'Giving Back to Society'. It is skilling India's underprivileged youth towards improving their employability, and is partnering local organisations around its various properties in order to promote traditional Indian arts and handicrafts. It is also involved in disaster relief and rehabilitation programmes.

The Company laid down a budget of Rs.6.32 Crore for CSR activities in FY19 and ended up spending Rs.6.35 Crore during the stated year.

### **Impact in FY19**

- Impacted 4,000 beneficiaries.
- 14 Taj-Tata Strive Skill Training Centres offer practical courses and certification in housekeeping, food and beverage services, kitchen and bakery trades.
- Three-year Vocational Education Programme in association with Tata Institute of Social Sciences at 15 of IHCL's career awareness and bridge programmes for service industry in nine locations.
- Over 2,300 youth trained and certified through these programmes with over 250 of them taking up jobs with IHCL.
- IHCL contributed over Rs.1 Crore in FY19 towards flood relief in Kerala and Kodagu.

IHCL's CSR efforts were recognised by:

- SKOCH merit awards,
- ASSOCHAM awards for effective collaboration with Tata Strive,
- Shared Value Initiative in association with the Institute for Strategy and Competitiveness, Harvard Business School, that listed it among the '50 Most Inclusive Businesses in India'.

## **Corporate Governance Initiatives**

- IHCL has been proactive in strengthening corporate governance at the company. It embraced the Kotak Committee recommendations as approved by SEBI on March 28, 2018, ahead of time, taking governance practices at India Inc a step further.
- Maintaining '0' complaint status on BSE, NSE, MCA & SEBI throughout.

- It is among the first and only Indian hospitality brands to have adopted Integrated Reporting, towards a more strategically driven shift from compliance-based reporting to a governance-based one. The IHCL Integrated Report (2018-19) titled 'A Full Suite Of Hospitality Offerings' comprehensively provides the stakeholders insights into key strategies, operating environment, operating risks and opportunities, governance structure, and the Company's approach towards long-term sustainability.
- It has set up LEGATRIX, a first-of-its-kind IT-enabled legal and regulatory compliance management system to enable their senior management to have a one-stop view of the compliances and the control mechanism.
- Implementation of an exclusive web-based information portal for the Directors to access information on company overview, hospitality and industry insights, management and strategy updates, news and announcements, governance and risk, among others.
- Revamping of Investors Website which adds value by creating a powerful tool for communicating with existing and prospective investors as well as analyst community, to enable all data to be under one roof in a comparable, tabular, searchable and easy-to-use format.
- Automation & rollout of web based application on 'Insider Trading' & 'Related Party Transaction' together with launch of ESS Module
- The following awards reflect IHCL's leadership and Corporate Governance Initiatives:
  - Certificate of Recognition for Excellence in Corporate Governance 2018 by The Institute of Company Secretaries of India National Awards.
  - Best Hospitality Corporate Governance India Award 2018 by CFI.co.
  - Best Corporate Governance – Leisure & Hospitality – Asia 2018 and 2019 Award by Ethical Board Room, London.
  - Best Company Secretary – Leisure & Hospitality – Asia 2019 by Ethical Board Room, London.