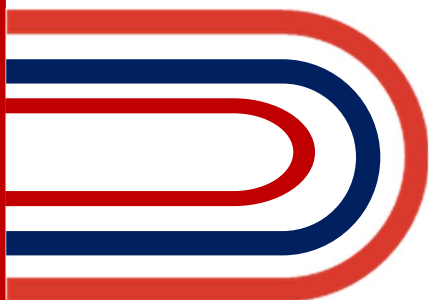




# National Best Presented Annual Reports (NBPA) Assessment Framework, 2083

*[Prepared based on SAFA Guidelines for Best Presented Annual Reports, 2024 published by  
South Asian Federation of Accountants in February 2025]*

[https://en.ican.org.np/browsable/file/general/SAFA\\_ITAG\\_BPA\\_Guidelines\\_2024.pdf](https://en.ican.org.np/browsable/file/general/SAFA_ITAG_BPA_Guidelines_2024.pdf)



THE INSTITUTE OF  
**CHARTERED  
ACCOUNTANTS**  
OF NEPAL

## Foreword



I am pleased to present the National Best Presented Annual Report (NBPA) Assessment Framework, 2083. The framework has been prepared based on “SAFA Guidelines for Best Presented Annual Reports, 2024” published by South Asian Federation of Accountants in February 2025. The SAFA Guidelines for BPA, 2024 were developed under the initiatives of SAFA Committee for Improvement in Transparency, Accountability, and Governance (ITAG).

SAFA commenced first SAFA BPA in 1997 to recognize excellence in financial reporting across the South Asian region. Accordingly, Nepal has been holding NBPA award competition annually since 2003. While Nepalese organizations have also earned recognition at the SAFA BPA level over the past two decades, there remains a clear path ahead to match the international level reporting standards as of our regional peers. I am confident that this assessment framework will serve as a vital guide for companies to elevate the quality of their annual reports and deepen stakeholder trust. However, I urge our business leaders not to treat this framework as a ceiling, instead, use it as a foundation to go beyond, embracing international best practices and evolving regulatory and stakeholder expectations to truly achieve the reporting excellence.

Corporate reporting is not only about financial figures and performance and position of the organization. It is about how an organization shares its vision, strategy, governance, control and how it creates value to the stakeholders. As business dynamics shift from a traditional shareholders’ focus to a holistic stakeholders’ approach, annual reports have become the vital bridge establishing trust, transparency, and accountability across the corporate ecosystem.

This Assessment Framework outlines both descriptive and tabular presentation of the assessment basis used by the Institute and SAFA for evaluation of annual reports for distribution of National Best Presented Annual Reports Award. The evaluation criteria for altogether 16 categories of NBPA Award including Private Sector Banking Institutions (Including Co-operative Banks), Public Sector Banking Institutions, Life Insurance, General (Non-Life) Insurance, Financial Services, Manufacturing Sectors, Communication and Information Technology Sector, Service Sector (Excluding Financial Services and Communication & IT Sector), Non-Governmental Organizations (including NPOs), Agricultural Sector, Public Sector Entities, Diversified Holding, Power & Energy, Infrastructure & Constructions, Corporate Governance and Integrated Reporting have been presented in the assessment framework.

Hence, I request all the preparers of annual report to refer to the framework to enhance their corporate reporting.

A handwritten signature in black ink, appearing to read 'Nil Bahadur Saru Magar', written in a cursive style.

CA Nil Bahadur Saru Magar  
President, ICAN

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## **A. Preface: Transformation in Reporting Practice**

### **1. Introduction**

Historically, business performance has been measured and reported in financial terms to gauge performance and help business management. Over the past two decades, however, there has been compelling evidence that a broader information set is required to give a comprehensive and complete picture of a business's ability to survive and prosper in today's dynamic environment.

Earlier the corporates used to prepare the annual report considering the shareholder's point of view, but now the paradigm has been shifted from shareholder's expectations to stakeholder's expectations. The entities are supposed to prepare the annual report in a manner which meets the expectations of all stakeholders including regulators and society. In today's era, the non-financial information also plays a pivotal role in making their decisions.

The emerging reporting landscape is characterized by increased use of integrated reporting, sustainability reporting and non-financial disclosures. Emphasis on Environmental, Social and Governance (ESG) factors is growing, reflecting a broader awareness of corporate responsibility. Automation, data visualization and AI-driven analytics are also playing a pivotal role in providing real time insights. Furthermore, increased focus on narrative reporting and stakeholder engagement is shaping the evolving reporting landscape.

Adopting good reporting practices helps organizations to enhance the quality and credibility of their reports, thereby fostering better decision-making, accountability, and transparency.

### **2. Evolution in reporting practices**

Change is a key to success. It is visible in reporting, as broad changes have taken place with the shift from shareholders' approach to the stakeholder's approach:

**International Financial Reporting Standards (IFRS):** The globalization of business prompted the development of IFRS to establish a common set of accounting standards across countries. IFRS is now adopted or accepted in many parts of the world, promoting consistency in financial reporting.

**Integrated Reporting:** There is a growing emphasis on integrated reporting, which aims to provide a more holistic view of a company's performance by integrating financial and non financial information.

**Sustainability Reporting:** Increasing recognition of the importance of environmental, social, and governance (ESG) factors has led to the integration of sustainability reporting into financial reporting. The IFRS Sustainability Disclosure Standards are developed to further support this requirement.

**Digital Era:** Advances in technology, including cloud computing and big data analytics, have transformed the way financial data is processed and analyzed. Real-time financial reporting has become more feasible, providing stakeholders with timely information.

**Artificial intelligence (AI) and Machine Learning:** AI and ML technologies are being increasingly integrated into financial reporting processes. These technologies can analyze vast amounts of data, identify patterns, and provide insights for better decision-making.

The evolution of financial reporting has undergone significant changes over time, reflecting advancements in technology, changes in business practices, and regulatory developments.

Reporting has evolved in light of the above parameters but questions arise whether entities are adopting these and if yes, what are those good practices that other entities across globe should learn and incorporate in their reporting framework to make it a better version i.e. meeting the needs of interested stakeholders with time.

A good reporting practice is something that is not merely a law compliance but instead a demand of the hour due to shift in the way the businesses are done today, with the advancement of technology etc. The stakeholders' information needs form the basis for deciding whether a reporting practice is good or not. For example, disclosure of a company's vision statement is not required by any law, but it has its relevance from the stakeholder's point of view, as it addresses the commitment the entity has to its key stakeholders, including customers, employees, shareholders, and community.

### **3. Best Practices in Financial Reporting**

We all know that corporate reporting is not only about the financial figures that are presented; it is also about how well the organization communicates its growth story and journey. Reporting is an effective tool that one must harness for the true evolution of a business.

Through this study based on evolution of annual reports, we have identified best practices that could be considered for adoption by entities for better reporting purpose, in current scenario.

The major principle that one must take care in reporting is to adopt a consistent reporting structure over time to preserve comparability; secondly, for making the report an insightful one, the organization should go beyond numbers by analysing and presenting the information in a manner to make it more meaningful for the readers; thirdly, it is very important to offer forecasts and future oriented analysis to guide stakeholders on potential developments; fourthly, integration of non-financial information to have 360-degree view is a must by incorporating integrated reporting, sustainability reporting, human resource reporting, etc.

#### **Organizational Overview**

The annual report should talk about the organization's vision, mission, overall strategic objectives, and strategy for resource allocation that should align with the organization's core business activity. It informs stakeholders why the business came into existence, its core values, code of conduct, its current position and its future course of action and goals. The organization should demonstrate how it is committed to achieve its vision and mission through defining strategic objectives and strategies.

It is imperative that stakeholders gain an understanding of the business, its evolution and other basic information like its geographical presence, group structure etc. prior to understanding and analysing the organizations' performance and financial position. The organization should include such information in a very clear and presentable manner.

#### **Governance**

In an organization, board of directors takes strategic and several other key decisions. Therefore, the information about the board of directors and management becomes crucial for stakeholders to better understand the management capabilities and management's vision for the business. In this

regard, following information is expected to be disclosed such as qualifications, experience, role in the organization, shareholding in the organization and directorship in other organizations. Further, the information of various board and other governance committees should be included providing information on composition of such committees, their roles and responsibilities, number of meetings held and attendance etc. The organization should report its governance framework based on various pillars like fairness, transparency, risk management, responsibility and accountability. The organization should have framed and reported all the policies required for the smooth functioning of the organization like code of conduct, IT governance, CSR and stakeholders' engagement policy etc. The board of directors' profile should be included with their professional and other skills set for stakeholders to appraise appropriate management is on board. Also, the Board should state the organization's status of compliance with the laws, regulations and policies on corporate governance, and in case of non compliance, the adequate reasons should be given by the board.

### **Performance**

The performance of the organization should be described in the context of the global economy, nation's economy and the industry in which the organization operates. This will help others to understand the environment in which the business is currently functioning and to rightly appraise its performance. This is one of the very important sections of the annual report, where management explains organization's performance as a whole and its divisions/ segments; performance of group entities; organization's resource allocation in the form of six capitals and their inter-relationship and interdependence, future plans and prospects; performance of board in achieving the organizations' objectives; information on significant plans and decisions of the board such as corporate restructuring, business expansion, major capital expenditure, its various types of strategies, discontinuance of operations etc.; key performance indicators showing performance over years and external factors that may affect the achievement of KPIs including ESG targets; organization's contribution to the government and economy as a whole and much more.

### **Risk Management**

The organization's risk management framework should be laid down in detail in accordance with the policy of the organization. Specifically, the risk management components should be covered i.e. identification, measurement and assessment, mitigation, reporting, monitoring and governance. The various principal risks faced by the organization are presented in a tabular format citing therein description of potential impact; type of risk: financial, operational, reputational and compliance; nature of such risk: short-term, medium-term, long-term; likelihood of occurrence: high, moderate, low; magnitude of risk: high, medium, low; source of risk: external, internal; capital impacted (among six forms of capital) and their risk mitigation measures.

### **Excellence in Financial and Sustainability Reporting**

While reporting financials, the organization should ensure the compliance of applicable financial reporting framework; disclosure of all material accounting policy information as per applicable financial reporting framework; comprehensive disclosures are given as required by the applicable standards, disclosures relating to non-compliances (if any) and other additional disclosures, wherever required.

It is important to note, certain additional reporting such as value added statement, business model reporting, integrated reporting, human resource accounting, horizontal and vertical analysis, sustainability reporting etc. are provided nowadays to showcase how the organization is contributing

for the value creation to different stakeholders of the society through its business process and inputs taken from the economy.

### **Internal Control**

The organization should mention the steps taken to maintain the credibility of internal control system such as effectiveness of standard operating procedures and risk control matrix; audit of various functions by third party and other measures taken; disclosure of audit committee observations on effectiveness and adequacy of internal controls; board disclosure related to IT governance etc.

### **Value Creation Model**

Value creation model serves as a powerful tool to understand the process through which businesses generates value for themselves and contribute to the society. It should be presented as a simple diagram depicting the logical flow between inputs, business activities and outcomes. Further, connectivity of financial performance with performance and outcomes of other capitals should be demonstrated, preferably in matrix form.

### **Organization's Sustainability Reporting Practices**

Sustainability reporting enables the entities to engage more meaningfully with their stakeholders, by encouraging them to look beyond financials and towards social, environmental and technological impacts organization is creating through its activities. Further, the Chairman of the organization should give an overview on how the organization's sustainable practices can affect their financial performance.

### **Presentation of Annual Report**

Overall presentation of the annual report should be such that the design should serve as a facilitator, making information more accessible and engaging but never at the expense of transparency, clarity, compliance with relevant statutes and the substantive content that stakeholders rely on to make informed decisions. Overall presentation shouldn't be clumsy and should be easily navigable. The goal should be to communicate the necessary information in an effective manner.

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## **B. General Financial Reporting Criteria**

### **1. Organizational Overview- Clarity and Presentation**

#### **a. Vision and Mission**

Vision is a forward-looking starting point — it establishes where organization wants to be in the future whereas the mission captures what organization will do to realize its vision. These statements should be clear, concise, inspiring, free from jargons, and aligned with business values and goals.

#### **b. Overall strategic objectives**

Strategic objectives should include goals that will aid to achieve both the vision and mission of the organization.

#### **c. Core values and code of conduct /ethical principles**

Core values and code of conduct should complement the organization's Vision and Mission statement.

#### **d. Profile of the organization**

- Organizational profile should include information about organization, Organization's Journey/ History and Evolution, Milestones achieved, Geographical Presence, Diversified Portfolio of Products and Services, Awards and Recognition etc.
- Director's profiles and their representation on the Board of other organizations (the company may provide a link to the company website for a detailed profile when the profiles provided in the is annual report are summarized).
- Director's profile includes name, role and position in the organization, experience and qualification, date of joining, other skills set etc.

#### **e. Organization/Governing Structure and Group Structure**

The organizational structure/ governing structure defines a hierarchy within an organization and group structure/ operating structure provides information about subsidiaries, associated undertakings, holding company etc. (this may be represented in the form of flow chart of group shareholding). Further, the organizational structure can be in functional or divisional form.

### **2. Management Reports**

*[Note : Includes Management Reports, Commentary & Analysis, Strategy & Resource Allocation of the organization including directors report, Chairman's Review and CEO's Review etc.]*

#### **a. A general review of the performance of the organization as a whole and its divisions throughout the year and major improvements from last years**

- In the backdrop of the given socio-economic and geo-political environment of business, nature of its activities, peculiar problems facing the industry, in general, and the Company's activities, in particular.

- It provides an overview of what is going on in the economy, industry, the risks and opportunities lying therein and it helps others to understand the environment in which the business is currently working. It may also include explanation of significant factors effecting the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and the organization's response.
- b.** Description of the performance of the various activities/ product (s) / service(s)/ segment(s) of the entity and its group entities during the period under review
  - Disclosure of information on percentage of market share and product-wise/segment-wise contribution in total revenue of the entity.
- c.** Key performance indicators (KPIs) to measure the achievement against strategic objectives
  - Entity should demonstrate how effectively the company is achieving key business objectives and provide high-level KPIs focusing overall performance of the business and low-level KPIs focusing processes in departments such as sales, marketing, HR etc. It should also include the reason for, and nature of, changes in KPIs, if any.
- d.** Information on short-, medium and long-term key strategies of the organization and basis/process of the resource allocation.
- e.** Organization strategy on market development, product and service development
- f.** The company's sustainability strategy with measurable objectives/ targets of the year.
- g.** A general review of the future prospects/outlook
  - Forward-looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the company's resources, revenues and operations in the short, medium and long term.
- h.** Information on how the organization contributed to its responsibilities towards the staff (including health and safety of work environment)
- i.** Information on organization's contribution to the national exchequer / treasury (duties, taxes and others) and to the economy.
  - Measured through GDP contribution, new jobs created, exports, community development etc.
- j.** IT systems and controls including data privacy and cyber security
  - Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue.
- k.** External factors affecting the performance of the company during the year  
(Macroeconomic Variables that impact overall performance of the economy for e.g. inflation, interest rates, govt. policies, GDP, employment level etc. Broadly, these can be fiscal, natural or geopolitical events that impacts the aggregate economy)

- Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the organization's objectives.
- Manner in which formal annual evaluation has been made by the Board of its own performance, its committees and board members.
- Information about/disclosure on Credit Ratings

### 3. Value Creation Model, Business Model and Capitals

- a. Presentation of a simple diagram highlighting key elements of the business model logically
  - The company needs to elaborate inputs, outputs, business activities, key product and services of the business and outcomes of the business which could be included internal and external outcomes and positive and negative outcomes.
- b. Explanation of the business Model which provides guidance to stakeholders to identify
  - What are the key resources and capabilities of the company and which of these provide sustainable competitive advantage? (Tangible resources are resources that can be readily seen, touched, and quantified, such as physical assets, property, plant, equipment, and cash. In contrast, Intangible resources are resources that are difficult to see, touch, or quantify, such as the knowledge and skills of employees, a firm's reputation, and a firm's culture. Whereas capabilities are what the organization can do based on the resources it possesses. The key resources and capabilities that lead to a sustainable competitive advantage are those Resources and capabilities that are valuable, rare, inimitable (there are no substitutes), and possessed by the organization despite it being costly to imitate in terms of time or money or both).
  - What are the activities and supporting elements of the business that use these resources and capabilities and how can they be captured to provide a thorough and detailed assessment?
  - What value is created by the business, and for whom, using these resources and capabilities? (Information about the value it created for its different stakeholders.)
- c. Information on six major capitals and their inter-relationship and interdependence
  - Disclosures about the different forms of capital created (It should include factors that affect the availability, quality and affordability of relevant capitals and the organization's expectations of its ability to produce flows from them to meet future demand).
  - Demonstrating the connectivity of financial capital with performance and outcomes regarding:
    - The other capitals and how the organization's strategy and resource allocation plans affect key capitals; and
    - Risk management practices related to them should be included under capital reporting.

### 4. Sustainability Reporting, ESG , GRI, BRSR etc.

- a. Information on actions taken by the organization to become more sustainable and contribute to a sustainable global economy
  - Through social initiatives like financial inclusion, employment generation, health, education etc.
  - Through environmental initiatives (such as):
    - Initiatives focusing on 3R's - Reduce, Reuse and Recycle;
    - Investment/financing in green /sustainable projects.
  - Through use of advanced technology, innovative ideas etc.
  - Through information on consumption and management of materials, energy, water, emission and waste.
  - Information/disclosure on third party assurance report including any impact assessment report and a statement of independence by such assurer and applicable standards and accreditations
  - Information/disclosure on related certifications
- b. Corporate Social Responsibility
  - Information regarding the policy of the Company relating to corporate social responsibility and its implementation (Including contribution to community development projects e.g. medical and health care facilities, educational institutions, availability of clean drinking water, sanitation facilities, conservation and development of environment and ecology, skill development and formation of self-help groups etc.)

## 5. Corporate Governance

- a. Information on Board of Directors
  - Composition, roles, number of meetings held, attendance, quorum
- b. Annual Report of Board of Directors on the affairs of the company
  - Signed by Chairman or Directors
- c. Audit Committee Report
  - Signed by the committee chairman
  - Consisting of various information like its composition, role and responsibilities, meetings, attendance etc.
- d. Remuneration Committee and Nominations Committee reports
  - Signed by the committee chairman
  - Consisting of various information like its composition, role and responsibilities, meetings, attendance etc.
- e. Information on Composition, role, meetings, attendance, etc. of other Board committees
  - E.g. stakeholder relationship management committee, Risk Management Committee, Corporate Social Responsibility Committee etc.
- f. Information as to non-compliances of mandatory requirements of the relevant statutes and regulators and whether there are appropriate explanations for such non compliances.

- g. Statement certifying compliance with the Ethics and Business Code of Conduct
- h. Information on Important policies and practices
  - E.g. Whistle Blower Policy, Sexual Harassment Policy, Gender Diversity, Insider Trading etc. adopted by the organization
- i. Corporate Governance Compliance statement as required by applicable law
- j. Information on communication mechanisms and way of engagement with stakeholders
  - The organization's Stakeholders Engagement Policy and how organization has identified its stakeholders.
  - Details on avenues available to stakeholders to communicate with the company and the board such as telephone, mail, corporate website, in person at the company's office.
  - Quarterly and annual reports, press releases and announcements and for shareholders this also includes attendance at the AGMs/EGMs.
  - Location where additional information on policy or further information about the company can be accessed such as the company website, must be provided to stakeholders.

## 6. Enterprise Risk Management

### a. Information on Risk Management Framework

There are five components that make up the RMF as listed below:

- Identification: The first component in implementing the Risk Management Framework is to identify the risks that the organization faces. These might include strategic, legal, operational, privacy risks etc.
- Measurement and Assessment: Risk measurement provides information on the quantum of either a specific risk exposure or an aggregate risk exposure and the probability of a loss occurring due to those exposures.
- Mitigation: The third component in the framework is risk mitigation. Risk mitigation involves examining the risks that have been identified and determining which risks can and should be eliminated, as opposed to the risks that are deemed to be acceptable.
- Reporting and Monitoring: The fourth component in the process is risk reporting and monitoring. This essentially means regularly re - examining the risks in order to make sure that the risk mitigation strategies the organization has adopted are having the desired effect.
- Governance: The last component in the process is risk governance. Risk governance is the process of making sure that the risk mitigation techniques that have been adopted are put into place and that the employees adhere to those policies (A Statement from Board for determining the following: A company's level of risk tolerance by establishing risk management policies; the company has carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity)

- b.** Information on principal risks and uncertainties faced by the organization
  - E.g. sustainability risk, operational risk, IT risk, regulatory risk, legal risk, political risk, strategic risk, and credit risk etc.
- c.** Information on risk mitigation strategies
  - A concrete plan with clear action items which helps to identify and take timely action to prevent risks from turning into critical issues impairing company operations.

## **7. Information on Internal Control**

- a.** Information on Internal Controls of the organization
  - Internal Control System of an organization is established to strengthen the reliability and integrity of information, Compliance with policies, plans, procedures, laws and regulations, safeguarding of assets, economical and efficient use of resources and accomplishment of established objectives and goals for operations.
- b.** Information on the Internal Control Structure components
  - Details regarding generally identified five Internal Control structure components i.e. control of environment, assessment of risk, control of operational activities, monitoring of control process and accurate communication and information
- c.** Management and Audit Committee/ Auditor's comments/ assurance on the Internal Controls of the organization

## **8. Stakeholders Information and Timeliness in Issuing Financial Statements and Holding AGM's**

- a.** Distribution of shareholding Pattern
  - Number of shares as well as category wise, e.g. sponsor/ promoter etc.
  - Disclosure of Shares held by Directors/Executives and relatives of Directors/Executives
  - Reporting of corporate benefits to shareholders like value appreciation, dividend etc. at one place
- b.** Grievance Redressal Mechanism for Investors
- c.** Timeliness in issuing Financial Statements and holding AGMs

## **9. Accounting Policies, Disclosures, Financial Statements and Analysis**

- a.** Independent auditor's report including Directors'/ Management's responsibility on financial statements
- b.** Compliances with national accounting standards and other requirements of applicable statutes and concerned regulators
  - local standards and other authoritative literature issued by the concerned authority and any other applicable institutional framework for preparation and presentation of financial statements. (Both Standalone and Consolidated financial statements)

- c. Changes in accounting policies/Changes in accounting estimates
- d. Functional and presentation currency
- e. Summary of significant accounting judgements, estimates and assumptions
- f. Basis of preparation of financial statements
- g. Disclosure of impact assessment of standards issued but not yet effective as per the applicable standard.
- h. Adequacy of explanation and quantification in situations where there is no specific standard to deal with a particular item.
- i. Going Concern
  - Whether statements are prepared on Going concern basis and if there exists any material uncertainties relating to the going concern assumption, whether management made adequate going concern disclosures in the financial statements.
- j. Description of the reporting entity, its subsidiaries and equity accounted investee
- k. Risk disclosures.
- l. Information on Significant Accounting policies in line with IFRSs/applicable national accounting standards
  - Revenue
  - Operating segments
  - Other operating income
  - Finance income and costs
  - Taxation
  - Earnings per share
  - Property plant and equipment
  - Intangible assets
  - Impairment of assets
  - Fair Value Measurement of assets and liabilities
  - Inventories Trade and other Receivables
  - Cash and cash equivalents
  - Employee benefits
  - Lease liabilities
  - Provisions
  - Financial Instruments like Investments, Loans etc.
  - Trade payables
  - Basis of consolidation
  - Foreign Currency
  - Discontinued Operations
  - Other relevant policies

- m.** Disclosures of all contingencies and commitments
- n.** Comprehensive related party disclosures including such transactions which could have potential conflict with interest of company at large
- o.** Events occurring after the reporting period
- p.** Segment Information and analysis
  - Availability of information regarding reportable segments or units of the entity including type of products and services from which it derives its revenue.
  - Segment analysis and reconciliation of the total for reportable segments with total for the entity of:
    - Revenue and profit/ results of reportable segments
    - Segment Assets
    - Segment Liabilities and Equity
- q.** Share price sensitivity analysis using key variables
  - i.e. selling price, raw material cost, interest rate and currency
  - The consequent impact on the company's earnings
- r.** Financial and Non-Financial Ratio Analysis or Horizontal and Vertical Analysis with comparative figures including reasons for significant deviations: (certain ratios mentioned below may not be applicable for financial sector entities)

| Category              | Ratios                                                                                                                                                                                                                  |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Profitability ratios: | <ul style="list-style-type: none"> <li>▪ ROA</li> <li>▪ Gross profit ratio</li> <li>▪ Net profit ratio</li> <li>▪ EBITDA</li> <li>▪ Return on capital employed</li> <li>▪ Return on Investment</li> </ul>               |
| Liquidity ratios      | <ul style="list-style-type: none"> <li>▪ Current ratio</li> <li>▪ Quick ratio/ Acid Test Ratio</li> </ul>                                                                                                               |
| Non- Financial Ratios | <ul style="list-style-type: none"> <li>▪ Customer Retention Ratio</li> <li>▪ Employee Productivity Rate</li> </ul>                                                                                                      |
| Other Ratios          |                                                                                                                                                                                                                         |
| Profitability Ratios  | <ul style="list-style-type: none"> <li>▪ ROE</li> </ul>                                                                                                                                                                 |
| Market Ratios         | <ul style="list-style-type: none"> <li>▪ Dividend yield - (It tells the percentage of a company's share price that is paid out as dividends each year.)</li> <li>▪ PE ratio</li> <li>▪ Dividend payout ratio</li> </ul> |
| Leverage ratios       | <ul style="list-style-type: none"> <li>▪ Debt to Equity ratio</li> <li>▪ Debt ratio= Total Debt/ Total Assets</li> <li>▪ Interest coverage ratio</li> </ul>                                                             |
| Activity ratios       | <ul style="list-style-type: none"> <li>▪ Trade Payables Turnover</li> <li>▪ Trade Receivables Turnover</li> </ul>                                                                                                       |
| Customer              | <ul style="list-style-type: none"> <li>▪ Customer Satisfaction Index</li> </ul>                                                                                                                                         |

|                     |                                                                                                                                                                      |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Internal Process    | <ul style="list-style-type: none"> <li>▪ Customer Support Tickets</li> <li>▪ Overdue Projects percentage</li> <li>▪ % of plant availability</li> </ul>               |
| Learning and Growth | <ul style="list-style-type: none"> <li>▪ Turnover Rate for highest performers</li> <li>▪ Internal Promotion Rate</li> <li>▪ Training Expense per Employee</li> </ul> |

**s. Graphical/ Pictorial Data**

- Earnings per share
- Net Assets/ Total assets less Total liabilities
- Stock Performances
- Shareholder Funds
- Return on Shareholder Funds/ Return on Net Worth/ Return on equity

**t. Statement of Economic Value Added and Value Added Statement**

- Government as taxes
- Shareholders as dividend
- Employees as remuneration
- Retained by the entity
- Providers of Debt
- Economic value added

## 10. Overall Presentation of the Annual Report

**a. Table of Content/Index**

- Whether report has a proper table of contents/index and whether hyperlinking of index to the main sections of report is there for easy navigation and dragging.

**b. Layouts**

- The layout of the annual report clearly distinguishing between various segments of the report including distinction is made between standalone and consolidated statements.

**c. Readability**

- Does any color contrast between text and background enhance or detract from the report readability.

**d. Usefulness and Relevance**

- The usefulness and relevance of information and photographs provided in the report keeping in view whether there is any overcrowding of unnecessary and irrelevant information is provided.

**e. Consistency**

- Nature of details provided in terms of unit of measurement, rounding off criteria adopted, etc. and whether they are easily noticeable and whether there is consistency of adoption of the same throughout the annual report.

**f. Penalties & Fines or Negative Publicity**

- Whether any Penalties/ Fines are charged by the regulatory authority/ies or any negative remark/ observation is given by the 3rd party assurer like statutory, secretarial auditor etc. in their report and Whether management's reply is adequate on that matter.

**Annex 1: General Marking Criteria**

| S.no.        | Distribution of Marks under different criteria                                                                                                                                                                                                                                                     | Full Marks    |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| A            | Section A: Organizational Overview - Clarity and Presentation                                                                                                                                                                                                                                      | 4             |
| B            | Section B: Management Report / Commentary and Analysis, Strategy and Resource Allocation of the Organization including Director's Report / Chairman's Review/CEO's Review etc.                                                                                                                     | 12            |
| C            | Section C: Value Creation Model, Business Model and Capitals                                                                                                                                                                                                                                       | 10            |
| D            | Section D: Sustainability Reporting, ESG, GRI, BRSR etc.                                                                                                                                                                                                                                           | 7             |
| E            | Section E: Corporate Governance                                                                                                                                                                                                                                                                    | 8             |
| F            | Section F: Enterprise Risk Management                                                                                                                                                                                                                                                              | 7             |
| G            | Section G: Information on internal control                                                                                                                                                                                                                                                         | 3             |
| H            | Section H: Stakeholders Information & Timeliness in issuing Financial Statements and holding AGMs                                                                                                                                                                                                  | 6             |
| I            | Section I: Accounting Policies, Disclosures, Financial Statements and Analysis                                                                                                                                                                                                                     | 40            |
| J            | Section J: Overall Presentation of the Annual Report                                                                                                                                                                                                                                               | 3             |
| K            | Section K: Whether any Penalties/ Fines are charged by the regulatory authority/ies or any negative remark/ observation is given by the 3rd party assurer like statutory, secretarial auditor etc. in their report and Whether management's reply is adequate on that matter.(Negative marks (-2)) | -             |
| <b>Total</b> |                                                                                                                                                                                                                                                                                                    | <b>100.00</b> |

## C. Additional Industry Specific Criteria

### 1. Banks and Financial Services Sector

*[Note: Applicable to Banks and Financial Services Sector and Non-Banking Financial Institutions]*

- a. Ratings  
Disclosure of Ratings given by various rating agencies for the Bank and for its Instruments issued by /of Bank. For e.g. FD, CD, Tier I, and Tier II Bonds.
- b. Loans & Advances  
Details of Loans & Advances Portfolio Classification as per the direction issued by the central bank of the respective countries/ Accounting Standard Requirements.
- c. Disclosure for Non-Performing Assets (NPA)
  - Movements in NPA
  - Sector-wise breakup of NPA
  - Movement of Provisions made against NPA
- d. Details of accounts restructured as per regulatory guidelines
- e. Maturity Pattern of Key Assets and Liabilities (ALM)
- f. Classification and valuation of investments as per regulatory guidelines/Accounting Standards
- g. Business Ratio/Information:
  - Statutory Liquidity Reserve (Ratio)
  - Net interest income as a percentage of working funds / Operating cost - Efficiency ratio  
Note: Meaning of Working funds -These are total resources (total liabilities or total assets) of a bank /NBFI as on a particular date. Total resources include capital, reserves and surplus, deposits, borrowings, other liabilities, and provisions.
  - Non-interest income as a percentage of working funds  
Note: Meaning of Working funds -These are total resources (total liabilities or total assets) of a bank /NBFI as on a particular date. Total resources include capital, reserves and surplus, deposits, borrowings, other liabilities and provision.
  - Return on Average Asset
  - Cost / Income ratio
    - Profit per employee
    - Capital Adequacy ratio
    - Cost of Funds/ Cost of deposits
    - Cash Reserve Ratio / Liquid Asset ratio
    - Dividend Cover ratio

- Gross Non-Performing assets to gross advances / Non Performing Loans to Total Loans (Assets)
  - Provision Coverage Ratio
  - Credit to Deposit Ratio
- h. Details of credit concentration / Sector wise exposures
- i. Compliance with the Priority Sector Lending norms
- j. The break-up of 'Provisions and contingencies' included in the Profit and Loss Account
- k. Disclosure under regulatory guidelines like BASEL –III
- l. Details of non-statutory investment portfolio
- m. Disclosure in respect of assets given on operating and finance lease
- n. Disclosures for derivative investments
- o. Disclosure of sale/ transfer of securities to/from HTM (Held to Maturity Category)
- p. Disclosure of sale and acquisition of loans
- q. Customer services and grievance redressal mechanism
- Customer services: (use of multilingual support, digital means adopted etc.)
  - Grievance redressal mechanism: (including disclosure of opening, closing customer complaints pending, number of complaints solved, nature of complaints, time taken to resolve them etc.)
- r. Bank's Network: List of Centers or Branches

**Annex 2: Additional Marking Criteria for Banks and Financial Service Sector**

| S.no. | Distribution of Marks under different criteria                                                                                                                                                                 |                                                                                                         | Full Marks |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|------------|
| L     | Special Criteria for Banks and Financial Services Sector/Non Banking Financial Institutions (NBFIs):                                                                                                           |                                                                                                         | 20         |
| L1    | Disclosure of Ratings given by various rating agencies for the Bank and for its Instruments issued by /of Bank. For eg. FD, CD, Tier I and Tier 11 Bonds                                                       |                                                                                                         |            |
| L2    | Details of Loans & Advances portfolio Classification as per the direction issued by the central bank of the respective countries / accounting standard requirements                                            |                                                                                                         |            |
| L3    | Disclosure for Non-Performing assets (NPA)<br>v Movements in NPA<br>v Sector-wise breakup of NPA<br>v Movement of Provisions made against NPA<br>Details of accounts restructured as per regulatory guidelines |                                                                                                         |            |
| L4    | Maturity Pattern of Key Assets and Liabilities (ALM)                                                                                                                                                           |                                                                                                         |            |
| L5    | Classification and valuation of investments as per regulatory guidelines/Accounting Standards                                                                                                                  |                                                                                                         |            |
| L6    | Business Ratio/Information:                                                                                                                                                                                    |                                                                                                         |            |
|       | L6.1                                                                                                                                                                                                           | - Statutory Liquidity Reserve (Ratio)                                                                   |            |
|       | L6.2                                                                                                                                                                                                           | - Net interest income as a percentage of working funds / Operating cost - Efficiency ratio              |            |
|       | L6.3                                                                                                                                                                                                           | - Non - interest income as a percentage of working funds                                                |            |
|       | L6.4                                                                                                                                                                                                           | - Return on Average Asset                                                                               |            |
|       | L6.5                                                                                                                                                                                                           | - Cost / Income ratio                                                                                   |            |
|       | L6.6                                                                                                                                                                                                           | - Profit per employee                                                                                   |            |
|       | L6.7                                                                                                                                                                                                           | - Capital Adequacy ratio                                                                                |            |
|       | L6.8                                                                                                                                                                                                           | - Cost of Funds/ Cost of deposits                                                                       |            |
|       | L6.9                                                                                                                                                                                                           | - Cash Reserve Ratio / Liquid Asset ratio                                                               |            |
|       | L6.10                                                                                                                                                                                                          | - Dividend Cover ratio                                                                                  |            |
|       | L6.11                                                                                                                                                                                                          | - Gross Non-Performing assets to gross advances / Non-Performing Loans (Assets) to Total Loans (Assets) |            |
|       | L6.12                                                                                                                                                                                                          | - Provision Coverage Ratio                                                                              |            |
|       | L6.13                                                                                                                                                                                                          | - Credit – Deposit Ratio                                                                                |            |
| L7    | Details of credit concentration / Sector wise exposures                                                                                                                                                        |                                                                                                         |            |
| L8    | Compliance with the Priority Sector Lending norms                                                                                                                                                              |                                                                                                         |            |
| L9    | The break-up of 'Provisions and contingencies' included in the Profit and Loss Account                                                                                                                         |                                                                                                         |            |
| L10   | Disclosure under regulatory guidelines like BASEL –III                                                                                                                                                         |                                                                                                         |            |
| L11   | Details of Non-Statutory investment portfolio                                                                                                                                                                  |                                                                                                         |            |
| L12   | Disclosure in respect of assets given on operating & finance lease                                                                                                                                             |                                                                                                         |            |

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| S.no. | Distribution of Marks under different criteria                                     | Full Marks   |
|-------|------------------------------------------------------------------------------------|--------------|
| L13   | Disclosures for derivative investments                                             |              |
| L14   | Disclosure of sale/ transfer of securities to/from HTM (Held to Maturity Category) |              |
| L15   | Disclosure of Sale & Acquisition of Loans                                          |              |
| L16   | Customer Services & Grievance Redressal Mechanism                                  |              |
| L17   | Bank's Network: List of Centers or Branches                                        |              |
|       | <b>Total</b>                                                                       | <b>20.00</b> |

## 2. Life Insurance Companies

a. IBNR/ IBNER Reserves

Claims management and details of outstanding claims Incurred but not reported (IBNR) and incurred but not enough reported (IBNER) reserves with ageing thereof.

b. Segment Revenue

Highlights of segment revenue account

c. Claims

- Estimated liability in respect of outstanding claims including ageing
- Claims under different categories of policies
- Statement showing age- wise analysis of Unclaimed amount of Policyholders

d. Premiums

Outstanding premium/ Unearned premium

e. Re-Insurance

Disclosures of re-insurance ceded premium, and claim recovered

f. Insurance Risk

- Disclosures of unexpired risk
- Disclosure of extent of risk retained & reinsured
- Disclosures of re-insurance ceded premium & claim recovered

g. Solvency

Disclosures pertaining to solvency margin

h. Investment & Other Assets

- Valuation of Investments as per regulatory requirements /Accounting Standards
- Impairment of investment as per regulatory requirements/ Accounting Standards
- Review of Assets Quality
- Disclosure of encumbrances on assets

i. Grievances

Report /certificate by the Actuary

Details of the liabilities on account of live policies and estimates/assumptions made for the same

j. Accounting ratios and information pertaining to insurance sector

- Claim/Net premium (%) /Net Incurred Claims to Net Earned Premium
- Premium growth ratio
- Retention Ratio
- Claim settlement ratio
- Commission Ratio
- Persistency ratio

- Reinsurance premium ceded on gross premium (%)
  - Reinsurance claims recovery percentage
  - NPA Ratio
  - Expense of Management to Gross Direct Premium Ratio
- k. Management Report
- l. Industry and Market Share
- m. Grievances
- Information on Grievance Redressal Mechanism for customers
  - Disclosure of opening, closing customer complaints pending, number of complaints solved, nature of complaints, time taken to resolve them etc.

**Annex 3: Additional Marking Criteria for Life Insurance**

| S.no. |        | Distribution of Marks under different criteria                                                                                                                                       | Full Marks |
|-------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| N     |        | Special Criteria for Life Insurance Companies:                                                                                                                                       | 20.00      |
| N1    |        | IBNR / IBNER Reserves - Claims management and details of outstanding claims Incurred but not reported (IBNR) & Incurred but not enough reported (IBNER) reserves with ageing thereof |            |
| N2    |        | Segment Revenue - Highlights of segment revenue account                                                                                                                              |            |
| N3    |        | Claims                                                                                                                                                                               |            |
|       | N3.1   | Estimated liability In respect of outstanding claims including ageing                                                                                                                |            |
|       | N3.2   | Claims under different categories of policies                                                                                                                                        |            |
|       | N3.3   | Statement showing age- wise analysis of Unclaimed amount of Policyholders                                                                                                            |            |
| N4    |        | Premiums - Outstanding premium/ Unearned premium                                                                                                                                     |            |
| N5    |        | Re-Insurance - Disclosures of re-insurance ceded premium & claim recovered                                                                                                           |            |
| N6    |        | Insurance Risk - Disclosures of unexpired risk                                                                                                                                       |            |
| N7    |        | Solvency - Disclosures pertaining to Solvency Margin                                                                                                                                 |            |
| N8    |        | Investment & Other Assets                                                                                                                                                            |            |
|       | N8.1   | Valuation of Investment as per regulatory requirements / Accounting Standards                                                                                                        |            |
|       | N8.2   | Impairment of Investment as per regulatory requirements / Accounting Standards                                                                                                       |            |
|       | N8.3   | Review of Assets Quality                                                                                                                                                             |            |
|       | N8.4   | Disclosure of encumbrances on assets                                                                                                                                                 |            |
| N9    |        | Insurance Contract Liability                                                                                                                                                         |            |
|       | N9.1   | Report / certificate by the Actuary                                                                                                                                                  |            |
|       | N9.2   | Details of the liabilities on account of live policies and estimates/assumptions made for the same                                                                                   |            |
| N10   |        | Accounting ratios and information pertaining to insurance sector                                                                                                                     |            |
|       | N10.1  | - Claim/Net premium (%)/Net Incurred Claims to Net Earned Premium                                                                                                                    |            |
|       | N10.2  | - Premium growth ratio                                                                                                                                                               |            |
|       | N10.3  | - Retention Ratio                                                                                                                                                                    |            |
|       | N10.4  | - Claim settlement ratio                                                                                                                                                             |            |
|       | N10.5  | - Commission Ratio                                                                                                                                                                   |            |
|       | N10.6  | - Persistency ratio                                                                                                                                                                  |            |
|       | N10.7  | - Reinsurance premium ceded on gross premium (%)                                                                                                                                     |            |
|       | N10.8  | - Reinsurance claim recovery percentage                                                                                                                                              |            |
|       | N10.9  | - NPA Ratio                                                                                                                                                                          |            |
|       | N10.10 | - Expense of Management to Gross Direct Premium Ratio                                                                                                                                |            |
| N11   |        | Management Report                                                                                                                                                                    |            |

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|     |                         |                                                                                                                                                |
|-----|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| N12 | Industry & Market Share |                                                                                                                                                |
| N13 | Grievances              |                                                                                                                                                |
|     | N13.1                   | Information of Grievance Redressal Mechanism for customers                                                                                     |
|     | N13.2                   | Disclosure of opening, closing customer complaints pending, number of complaints solved, nature of complaints, time taken to resolve them etc. |
|     |                         | <b>Total Marks</b>                                                                                                                             |
|     |                         | <b>20.00</b>                                                                                                                                   |

### 3. Non-Life Insurance Companies

- a. IBNR/ IBNER Reserves  
Claims management and details of outstanding claims Incurred but not reported (IBNR) & incurred but not enough reported (IBNER) reserves with ageing thereof
- b. Segment Revenue  
Highlights of segment revenue account
- c. Claims
  - Claims under different categories of policies including average claim settlement period
  - Estimated liability in respect of outstanding claims including their ageing
  - Statement showing age wise analysis of unclaimed amount of Policyholders
- d. Premiums  
Outstanding premium/ Unearned premium
- e. Re-Insurance  
Disclosures of re-insurance ceded premium, and claim recovered
- f. Insurance Risk  
Disclosures of unexpired risk
- g. Solvency  
Disclosures pertaining to solvency margin
- h. Investment & Other Assets
  - Valuation of Investments as per regulatory requirements /Accounting Standards
  - Impairment of investment as per regulatory requirements/ Accounting Standards
  - Review of Assets Quality
  - Disclosure of encumbrances on assets
- i. Grievance  
Information about grievance redressal mechanism for customers
- j. Actuarial Valuation
  - Disclosure of Actuarial Assumptions
  - Disclosure that actuarial assumptions made are in compliance with regulations
- k. Accounting ratios and information pertaining to insurance sector
  - Claim/Net premium (%) /Net Incurred Claims to Net Earned Premium
  - Premium growth ratio
  - Claim settlement ratio
  - Combined Ratio
  - Persistency ratio
  - Reinsurance premium ceded on gross premium (%)

- Reinsurance claims recovery percentage
- Retention ratio
- External liability ratio
- Operating Profit Ratio
- NPA Ratio
- Expense of Management to Gross Direct Premium Ratio

l. Management Report

m. Industry and Market Share

**Annex 4: Additional Marking Criteria for Non-Life Insurance**

| S.no. |       | Distribution of Marks under different criteria                                                                                                                                       | Full Marks |
|-------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| M     |       | Special Criteria for General Non-Life Insurance Companies:                                                                                                                           | 20.00      |
| M1    |       | IBNR & IBNER Reserves - Claims management and details of outstanding claims Incurred but not reported (IBNR) & Incurred but not enough reported (IBNER) reserves with ageing thereof |            |
| M2    |       | Segment Revenue - Highlights of segment revenue account                                                                                                                              |            |
| M3    |       | Premiums - Outstanding premium/ Unearned premium                                                                                                                                     |            |
| M4    |       | Claims                                                                                                                                                                               |            |
|       | N4.1  | Claims under different categories of policies including average claim settlement period                                                                                              |            |
|       | N4.2  | Estimated liability in respect of outstanding claims including their ageing                                                                                                          |            |
|       | N4.3  | Statement showing age wise analysis of unclaimed amount of Policyholders                                                                                                             |            |
| M5    |       | Insurance Risk and Reinsurance                                                                                                                                                       |            |
|       | N5.1  | Disclosures of unexpired risk                                                                                                                                                        |            |
|       | N5.2  | Disclosure of extent of risk retained & reinsured                                                                                                                                    |            |
|       | N5.3  | Disclosures of re-insurance ceded premium & claim recovered                                                                                                                          |            |
| M6    |       | Solvency - Disclosures pertaining to Solvency Margin                                                                                                                                 |            |
| M7    |       | Investment & Other Assets                                                                                                                                                            |            |
|       | N7.1  | Valuation of Investment as per regulatory requirements / Accounting Standards                                                                                                        |            |
|       | N7.2  | Impairment of Investment as per regulatory requirements / Accounting Standards                                                                                                       |            |
|       | N7.3  | Review of Assets Quality                                                                                                                                                             |            |
|       | N7.4  | Disclosure of encumbrances on assets                                                                                                                                                 |            |
| M8    |       | Grievances - Information of Grievance Redressal Mechanism for customers                                                                                                              |            |
| M9    |       | Actuarial Valuation                                                                                                                                                                  |            |
|       | N9.1  | Disclosure of Actuarial Assumptions                                                                                                                                                  |            |
|       | N9.2  | Disclosure that actuarial assumptions made are in compliance of regulations                                                                                                          |            |
| M10   |       | Accounting ratios and information pertaining to insurance sector                                                                                                                     |            |
|       | M10.1 | - Claim/Net premium (%) / Net Incurred Claims to Net Earned Premium                                                                                                                  |            |
|       | M10.2 | - Premium growth ratio                                                                                                                                                               |            |
|       | M10.3 | - Claim settlement ratio                                                                                                                                                             |            |
|       | M10.4 | - Combined ratio                                                                                                                                                                     |            |
|       | M10.5 | - Persistency ratio                                                                                                                                                                  |            |
|       | M10.6 | - Reinsurance premium ceded on gross premium (%)                                                                                                                                     |            |

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| S.no. |        | Distribution of Marks under different criteria         | Full Marks   |
|-------|--------|--------------------------------------------------------|--------------|
|       | M10.7  | - Reinsurance claim recovery percentage                |              |
|       | M10.8  | - Retention ratio                                      |              |
|       | M10.9  | - External liability ratio                             |              |
|       | M10.10 | - Operating Profit Ratio                               |              |
|       | M10.11 | - Expenses of Management to Gross Direct Premium Ratio |              |
|       | M10.12 | - NPA Ratio                                            |              |
| M11   |        | Management Report                                      |              |
| M12   |        | Industry & Market Share                                |              |
|       |        | <b>Total</b>                                           | <b>20.00</b> |

## **D. Corporate Governance - Reporting Criteria**

### **a. Board of Directors, Chairman & CEO**

- Board of Directors
  - Disclosure of Company's policy on appointment of directors
  - Adequate representation of non-executive directors i.e. one third of the board, subject to a minimum of two
  - At least one independent director on the board and disclosure / affirmation of the board on such director's independence.
  - Disclosure of independence of Non-Executive Directors
  - Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.
  - Disclosure of policy on training (including details of the continuing training program) of directors and type and nature of training courses organized for directors during the year
  - Existence of a scheme for annual appraisal of the boards performance
  - At least one director to have thorough knowledge and expertise in finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting.
  - Disclosure of the number of meetings of the board and participation of each director (at least 4 meetings are required to be held)
- Chairman
  - Chairman to be independent of CEO
  - Responsibilities of the Chairman of the Board appropriately defined and disclosed.
- Chief Executive Officer (CEO)
  - Disclosure of policy on annual evaluation of the CEO by the Board.
- Report of Directors on Corporate Governance
  - Directors issue a report on compliance with best practices on Corporate Governance that is reviewed by the external auditors.

### **b. Vision, Mission & Strategy**

- Vision/Mission
  - Company's vision / mission statements as approved by the board and disclosed in the annual report
- Business Objectives and Strategies
  - Identification of business objectives
  - Disclosure of areas of business focus
  - General description of strategies to achieve the company's business objectives

### **c. Audit Committee**

- Appointment and Composition
  - Whether the Audit Committee Chairman is an Independent, Non-Executive Director and Professionally Qualified

- Whether the Audit Committee has specific terms of reference and whether it is empowered to investigate / question employees and retain external counsel
  - More than two thirds of the members are to be Non-Executive Directors
  - All members of the audit committee to be suitably qualified and at least one member to have expert knowledge of finance and accounting
  - Head of internal audit to have direct access to audit committee
  - The committee to meet at least four times a year and the number of meetings and attendance by individual members disclosed in the annual report.
- Objectives and Activities
- Statement on Audit Committee's review to ensure that internal controls are well conceived properly administered and satisfactorily monitored
  - Statement to indicate audit committee role in ensuring compliance with Laws, Regulations and timely settlements of Statutory dues
  - Statement of Audit committee involvement in the review of the external audit function
  - Ensure effective coordination of external audit function
  - Ensure independence of external auditors
  - To review the external auditors' findings in order to be satisfied that appropriate action is being taken
  - Review and approve any non-audit work assigned to the external auditor and ensure that such work does not compromise the independence of the external auditors.
  - Recommend external auditor for appointment/ reappointment
  - Statement on Audit committee involvement in selection of appropriate accounting policies that are in line with applicable accounting standards and annual review.
  - Statement of Audit Committee involvement in the review and recommend to the board of directors, annual and interim financial releases
  - Reliability of the management information used for such computation
- d. Internal Control and Risk Management
- Internal Controls
- Statement of Director's responsibility to establish appropriate system of internal control
  - Narrative description of key features of the internal control system and the manner in which the system is monitored by the Board, Audit Committee or Senior Management.
  - Statement that the Director's have reviewed the adequacy of the system of internal controls
- Risks Management
- Disclosure of the identification of risks the company is exposed to both internally and externally
  - Disclosure of the strategies adopted to manage and mitigate the risks
- e. Ethic and Compliance
- Statements of Ethic and Values
- Disclosure of statement of ethics and values, covering basic principles such as integrity, conflict of interest, compliance with laws and regulations etc.

- Communication
  - Dissemination / communication of the statement of ethics and business practices to all directors and employees and their acknowledgement of the same
- Compliance
  - Board's statement on its commitment to establishing high level of ethics and compliance within the organization,
  - Establishing effective anti-fraud programs and controls, including effective protection of whistle blowers, establishing a hot line reporting of irregularities etc.

f. Remuneration Committee

- Appointment & Composition
  - Disclosure of the composition of the committee (majority of the committee should be non-executive directors, but should also include some executive directors)
  - Disclosure of the role and responsibilities of the committee
- Objectives & Activities
  - Disclosure of the objectives of the committee
  - Disclosure of key policies with regard to remuneration of directors, senior management and employees
  - Disclosure of number of meetings and work performed
  - Disclosure of Remuneration of directors, chairman, chief executive and senior executives.

g. Human Capital

- HR Policies and Practices
  - Disclosure of general description of the policies and practices codified and adopted by the company with respect to Human Resource Development and Management, including succession planning, merit based recruitment, performance appraisal system, promotion and reward and motivation, training and development, grievance management and counseling.
- Organizational Chart

h. Communication to Shareholders and Stakeholders

- Communication Policy & Strategy
  - Disclosure of the Company's policy for communication with shareholders and other stake holders
  - Disclosure of the Company's strategy to facilitate effective communication with shareholders and other stake holders
- Shareholder Participation

- Disclosure of company's policy on ensuring participation of shareholders in the Annual General Meeting and providing reasonable opportunity for the shareholder participation in the AGM.

i. Environmental and Social Obligations

- Policies and Practices
  - Disclosure and general description of the company's policies and practices relating to social and environmental responsibility of the entity.
- Strategy and Activities
  - Disclosure of strategy and specific activities undertaken by the entity in pursuance of these policies and practices

**Annex 5: Marking Criteria for Corporate Governance**

| <b>S.no.</b> | <b>Distribution of Marks under different criteria</b> | <b>Full Marks</b> |
|--------------|-------------------------------------------------------|-------------------|
| A            | Board of Directors, Chairman and CEO                  | 22                |
| B            | Vision, Mission and Strategy                          | 6                 |
| C            | Audit Committees                                      | 22                |
| D            | Internal Control & Risk Management                    | 10                |
| E            | Ethics and Compliance                                 | 10                |
| F            | Remuneration Committee                                | 10                |
| G            | Human Capital                                         | 5                 |
| H            | Communication to Shareholders & Stakeholders          | 5                 |
| I            | Environmental and Social Obligations                  | 10                |
|              | <b>Total</b>                                          | <b>100</b>        |

## **E. Integrated Reporting / Sustainability Reporting - Reporting Criteria**

### **a. Organizational Overview and External Environment**

- An integrated report should disclose the main activities of the organization and the environment of which it operates.
- An integrated report should identify the organization's mission and vision, and provides essential context by identifying matters such as:
  - The organization specific information
    - culture, ethics and values
    - ownership and operating structure including size of the organization, location of its operations
    - principal activities and markets
    - competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)
    - position within the value chain
  - Key quantitative information
    - e.g., the number of employees, revenue and number of countries in which the organization operates highlighting, in particular, significant changes from prior periods

### **▪ External Environment**

Significant factors affecting the external environment and the organization's response (include aspects of the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term)

- The legitimate needs and interests of key stakeholders
- Macro and micro economic conditions, such as economic stability, globalization, and industry trends
- Market forces, such as the relative strengths and weaknesses of competitors and customer demand
- The speed and effect of technological change
- Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems
- Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached
- The legislative and regulatory environment in which the organization operates
- The political environment in countries where the organization operates and other countries that may affect the ability of the organization to implement its strategy.

### **b. Governance**

- An integrated report should show how the organization's governance structure supports its ability to create value in the short, medium and long term.
- An integrated report needs to provide an insight into how such matters as the following are linked to its ability to create value:

- The organization’s leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure
- Mandatory and voluntary code of corporate governance adopted by the Company.
- Code of ethical conduct adopted by the Company in relation to ethical business.
- Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues
- Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management
- How the organization’s culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders
- Whether the organization is implementing governance practices that exceed legal requirements/ Key Policies
- The responsibility those charged with governance take for promoting and enabling innovation
- How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization’s use of and effects on the capitals.

c. Stakeholder Identification and Relationships

- An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organization’s relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests. Stakeholders are the groups or individuals that can reasonably be expected to be significantly affected by an organization’s business activities, outputs or outcomes or whose actions can reasonably be expected to significantly affect the ability of the organization to create value.
- An entity may disclose the following in their integrated reports in respect of stakeholder relationships.
  - How the company has identified its stakeholders.
  - Stakeholder engagement methodology.
  - Identification of material matters of stakeholders.
  - How the Company has applied such matters.
  - How the stakeholders are engaged in assessing impacts, implications and outlook in respect of Company’s business model.

d. Capitals

- An integrated report needs to provide insight into the resources and the relationships used and affected by the organization, which are referred to collectively as the capitals and how the organization interacts with the capitals to create value over the short, medium and long term.
- An integrated report needs to identify the various forms of capitals which are essential for the success of its business operations.

E.g:

- Financial Capital – The pool of funds that is available to the organization for use in the production of goods or provision of services.
- Manufacturing Capital – Manufactured physical objects that are available to the organization for use in the production of goods and provision of services.
- Intellectual Capital – Organizational, Knowledge based intangibles.
- Human Capital – People’s competencies, capabilities and experience, and their motivations to innovate.
- Social and Relationship Capital – The institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective wellbeing.
- Natural Capital – All renewable and non-renewable environmental resources and processes that provide goods and services that support the past, current and future prosperity of the organization.

However, an entity can do its own classification of capitals based on its business activities. An entity needs to ensure that it does not overlook capital that it uses or affects.

e. Business Model

- An integrated report should describe the organization’s business model that include:
    - i. key inputs
    - ii. key business activities
    - iii. key outputs
    - iv. key outcomes
  - Features that can enhance the effectiveness and readability of the description of the business model include:
    - Explicit identification of the key elements of the business model.
    - A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organization.
    - Narrative flow that is logical given the particular circumstances of the organization.
    - Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment.
    - Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenues).
- i. Inputs
- An integrated report shows how key inputs relate to the capitals on which the organization depends, or that provide a source of differentiation for the organization, to the extent they are material to understanding the robustness and resilience of the business model.
- ii. Business Activities
- An integrated report describes key business activities. This can include:
    - How the organization differentiates itself in the market place (e.g., through product differentiation, market segmentation, delivery channels and marketing).

- The extent to which the business model relies on revenue generation after the initial point of sale (e.g., extended warranty arrangements or network usage charges).
  - How the organization approaches the need to innovate.
  - How the business model has been designed to adapt to change.
  - When material, an integrated report discusses the contribution made to the organization’s long-term success by initiatives such as process improvement, employee training and relationships management.
- iii. Outputs
- An integrated report identifies an organization’s key products and services. There might be other outputs, such as by-products and waste (including emissions), that need to be discussed within the business model disclosure depending on their materiality.
- iv. Outcomes
- An integrated report describes key outcomes, including:
    - Both internal outcomes (e.g., employee morale, organizational reputation, revenue and cash flows) and external outcomes (e.g., customer satisfaction, tax payments, brand loyalty, and social and environmental effects)
    - Both positive outcomes (i.e., those that result in a net increase in the capitals and thereby create value) and negative outcomes (i.e., those that result in a net decrease in the capitals and thereby diminish value).

#### Organizations with Multiple Business Models

- Some organizations employ more than one business model (e.g., when operating in different market segments). This requires a distinct consideration of each material business model as well as commentary on the extent of connectivity between the business models (such as the existence of synergistic benefits).
  - The integrated report of an organization with multiple businesses needs to balance disclosure with need to reduce complexity; however material information should not be omitted.
- f. Performance
- An integrated report needs to explain the extent to which the organization has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals.
  - It should contain qualitative and quantitative information about performance that may include matters such as:
    - Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them
    - The organization’s effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain
    - The state of key stakeholder relationships and how the organization has responded to key stakeholders’ legitimate needs and interests
    - The linkages between past and current performance, and between current performance and the organization’s outlook.

- KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).
- Include instances where regulations have a significant effect on performance (e.g., a constraint on revenues as a result of regulatory rate setting) or the organization's non-compliance with laws or regulations may significantly affect its operations.

g. Risks, Opportunities and Internal Controls

- An integrated report should explain what are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them? and effectiveness of the system of internal controls.
- This can include identifying:
  - The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.
  - The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.
  - The specific steps being taken to mitigate or manage key risks (eg: Risk Management Framework, Risk Management review process and reporting structure) or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.
  - Risk Management Report (Which includes details about risk, root cause, potential impact, response to risk, risk rating)
  - Response on the effectiveness of the internal controls and the board's responsibility for the disclosures on internal controls to safeguard stakeholder interest.

h. Strategy and Resource Allocation

- An integrated report should describe its strategic direction (Where does the organization want to go and how does it intend to get there)
- An integrated report needs to identify:
  - The organization's short, medium and long term strategic objectives
  - The strategies it has in place, or intends to implement, to achieve those strategic objectives
  - How the entity has positioned in the wider market.
  - How the long term strategies relate to current business model.
  - The resource allocation plans it has to implement its strategy
  - How it will measure achievements and target outcomes for the short, medium and long term.
- This can include describing:

- The linkage between the organization’s strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans:
    - relate to the organization’s business model, and what changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organization’s ability to adapt to change
    - are influenced by/respond to the external environment and the identified risks and opportunities affect the capitals, and the risk management arrangements related to those capitals
  - What differentiates the organization to give it competitive advantage and enable it to create value, such as:
    - the role of innovation
    - how the organization develops and exploits intellectual capital
    - the extent to which environmental and social considerations have been embedded into the organization’s strategy to give it a competitive advantage
  - Key features and findings of stakeholder engagement that were used in formulating its strategy and resource allocation plans.
- i. Outlook
- An integrated report should explain what challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
  - An integrated report should highlight anticipated changes over time and provides information on
    - The organization’s expectations about the external environment the organization is likely to face in the short, medium and long term
    - How that will affect the organization
    - How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.
  - The discussion of the potential implications, including implications for future financial performance may include:
    - The external environment, and risks and opportunities, with an analysis of how these could affect the achievement of strategic objectives
    - The availability, quality and affordability of capitals the organization uses or affects (e.g., the continued availability of skilled labour or natural resources), including how key relationships are managed and why they are important to the organization’s ability to create value over time.
  - An integrated report may also provide lead indicators, KPIs or objectives, relevant information from recognized external sources, and sensitivity analyses. If forecasts or projections are included in reporting the organization’s outlook, a summary of related assumptions is useful. Comparisons of actual performance to previously identified targets further enables evaluation of the current outlook.

- Disclosures about an organization's outlook in an integrated report should consider the legal or regulatory requirements to which the organization is subject.

#### Basis of Preparation and Presentation

- An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?
- An integrated report describes its basis of preparation and presentation, including:
  - A summary of the organization's materiality determination process
    - Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters
    - Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters.
  - A description of the reporting boundary and how it has been determined
    - Eg: Include process used for identifying the reporting boundary, geographic scope, the entities represented in the report and the nature of the information provided for each entity
  - A summary of the significant frameworks and methods used to quantify or evaluate material matters
    - e.g., the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry based framework for evaluating risks.

#### j. Responsibility for an Integrated Report.

- An integrated report should include a statement from those charged with governance that includes:
  - An acknowledgement of their responsibility to ensure the integrity of the integrated report
  - An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report
  - Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework
- If it does not include such a statement, it should explain:
  - What role those charged with governance played in its preparation and presentation
  - What steps are being taken to include such a statement in future reports
  - The time frame for doing so, which should be no later than the organization's third integrated report that references this Framework.

#### k. Other Qualitative Characteristics of an Integrated Report

##### Conciseness

- An integrated report should be concise.

- An integrated report need to include sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information such as :
  - Follows logical structure and includes internal cross-reference as appropriate to limit repetition.
  - May link to more detailed information, information that does not change frequently or external sources.
  - Express concepts clearly and in as few words.
  - Favours plain language over the use of jargon or highly technical terminology.
  - Avoids highly generic disclosures.

#### Reliability and completeness

- An integrated report should include all material matters, both positive and negative, in a balanced way and without material error
- The organization achieve the reliability and completeness through,
  - Selection of presentation formats that are not likely to unduly or inappropriately influence assessments made on the basis of integrated report.
  - Giving equal consideration to both increases and decreases in the capitals, both strengths and weaknesses of the organization, both positive and negative performance
  - When information includes estimates, this is clearly communicated and the nature and limitations of the estimation process are explained.

#### Consistency and comparability

- The information in an integrated report should be presented:
  - On a basis that is consistent over time
  - In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.
  - Using benchmark data, such as industry or regional benchmarks
  - Presenting information in the form of ratios (e.g., research expenditure as a percentage of sales, or carbon intensity measures such as emissions per unit of output)
  - Reporting quantitative indicators commonly used by other organizations with similar activities, particularly when standardized definitions are stipulated by an independent organization (e.g., an industry body).
  - Reporting policies are followed consistently from one period to other unless a change is needed to improve the quality of information reported.
  - Reporting the same KPIs if they continue to be material across reporting period.
  - When a significant change has been made, the organization explains the reasons for the change describing its effect.

#### Connectivity of information

- An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.

- Connectivity between :
  - Capitals
  - Content elements
  - Past , Present & Future
  - Finance and other information

#### Materiality

- An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term

#### Assurance on the Report

- The policy and practice relating to seeking assurance on the report,
- the nature and scope of assurance provided for this particular report
- any qualifications arising from the assurance, and the nature of the relationship between the organization and the assurance providers

**Annex 6: Marking Criteria for Integrated Reporting**

| S.no.              | Distribution of Marks under different criteria                                                                                                                                                                                                                                                                        | Full Marks |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>A</b>           | <b>Section A: Elements of an Integrated Report</b>                                                                                                                                                                                                                                                                    | <b>125</b> |
| A1                 | Organizational overview and external environment<br>An integrated report should disclose the main activities of the organization and the environment of which it operates. An integrated report should identify the organization's mission and vision, and provides essential context by identifying matters such as: | 10         |
| A2                 | Governance An integrated report should how does the organization's governance structure support its ability to create value in the short, medium and long term. An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:                   | 10         |
| A3                 | Stakeholder Identification and relationships                                                                                                                                                                                                                                                                          | 10         |
| A4                 | Capitals                                                                                                                                                                                                                                                                                                              | 15         |
| A5                 | Business model An integrated report should describe the organization's business model                                                                                                                                                                                                                                 | 25         |
| A6                 | Performance An integrated report needs to explain the extent to which the organization has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals.                                                                                                            | 15         |
| A7                 | Risks, opportunities and internal controls                                                                                                                                                                                                                                                                            | 10         |
| A8                 | Strategy and resource allocation                                                                                                                                                                                                                                                                                      | 10         |
| A9                 | Outlook An integrated report should explain what challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?                                                                                | 10         |
| A10                | Basis of preparation and presentation An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?                                                                                         | 10         |
| <b>B</b>           | <b>Section B: Responsibility for an integrated report</b>                                                                                                                                                                                                                                                             | <b>10</b>  |
| <b>C</b>           | <b>Section C: Other Qualitative Characteristics of an Integrated Report</b>                                                                                                                                                                                                                                           | <b>15</b>  |
| <b>Total Marks</b> |                                                                                                                                                                                                                                                                                                                       | <b>150</b> |

## F. NPOs - Reporting Criteria

### a. Organizational Overview – Clarity and Presentation.

- About the Organization
  - Purpose, principal activities, milestones achieved, geographical presence, awards and recognition, information of no. of beneficiaries/ membership base etc.
- Vision and mission
  - Mission statement is critical for an NPO because it concisely describes the overall purpose of the organization, it also helps to differentiate it from other organizations.

#### Legal basis

- Registered as company, society, trust etc. or unregistered

#### Core Values and Objectives

#### Details of Major partners/ Equivalent Authorities

- Partners in Funding, Technology, Knowledge, Rand D etc.

#### Details of Governing body

- Board of trustees/ Board of directors including their brief profile.

#### Organizational Structure

### b. Directors' Report/ CEO or Equivalent Authority ( Head of the Organization) Review Including Management Discussion and Analysis Section.

- A general review of the activities / projects completed during the year and in progress. Highlighting the contribution towards achieving the main objectives, contributions made towards the economy of the country. e.g. poverty alleviation.
- Comprehensive information on various programs and infrastructure developments.
- Contribution of NGO to the Government
- Information as regards government's policy in relation to the initiatives of the entity and involvement of government/ governmental bodies in activities of the entity.
- Financial, operational and sustainability highlights provided.
- A general outline of future activities and projects
- Description of the entity's policy relating to human resource engagement and development.
  - E.g. information on the measures taken by the entity to meet its obligations and responsibilities towards employees in particular, measures relating to health, hygiene, safety, and personal development.
- Board's responsibility and commitment towards the establishment of robust internal controls system in place.
- Impact of major external factors/ events on the operations of the NPO.
- Besides the core activity, information on other CSR Initiatives taken during the year

- Information on value creation of the organization for both its internal and external stakeholders.
- Economic overview of the country / region in relation to operational areas of the NPO.
- Use of digitization/ technology in the operations.
- Information on short, medium and long-term strategy of the NPO

c. Internal Controls and Risk Management

- Adequate information on internal controls of the organization.
- May also include budgeting and related policies of the organization
- Independent auditor's/ management's comments or assurance on internal controls of the organization.
- Risk Management Framework
- Principal risks faced by various programs, projects and the entity as a whole.
- Specific steps taken to priorities, mitigate and monitor identified risks.

d. Financial Statements Including Accounting Policies and Disclosures as per National and International Accounting Standards

- Comparative information is disclosed in the balance sheet (financial position), income and expenditure account, cash flow statement and accounting policies and explanatory notes are provided.
- Basis of Preparation of Financial statements
- Presentation of accounting policies at one place
- Consistency, completeness, clarity, and disclosures of accounting policies
- E.g. Accounting policy for aid/ donations/ grants received in kind etc.
- Basis of accounting - Cash or accrual basis
- Basis of recognition of major types of expenses, revenue, assets and liabilities. e.g. grants etc.
- Adequacy of explanation and quantification in situations where there is no specific standard to deal with a particular item
- Disclosure of Source and Use of funds
- Disclosure of full information about the end use of resources, An analysis of percentage of funds spent on organization's infrastructure, manpower etc and percentage spent on beneficiaries; corrective action recommended on imbalance in fund utilization, if any.
- Whether separate set of accounts and records exclusively for the foreign contribution received is maintained
- Applicability of main point- An association permitted to accept foreign contribution is required under law.
- Independent Auditor's / Assurance Report on the financial statements of the NPO as per applicable laws of the region. Also check, does it contains any negative remark/ observation about the NPO.
- As a best practice, third party report assuring the social impact made by the NPO should be provided in a timely manner.
- The source and amount of any donations received during the period are reported and shown separately from the other income generated by NGO.
- Disclosure of Restricted and Unrestricted funds.

- Revenue from non-core activities has been separately identified.
- If financial statements comply with all relevant accounting standards, an explicit statement of such compliance. Where management concludes that compliance with a relevant accounting standards requirement would result in misleading financial statements, departure from relevant accounting standards requirement is required and should be explained
- Financial statements are prepared on a going concern basis, if there any material uncertainties exist, whether management made adequate going concern disclosures in the financial statements
- Financial Ratios and Non- financial Ratios

Profitability ratios:

- Donation to total Revenue
- Total expenses to Revenue
- Fundraising efficiency
- Year-over-year growth

Liquidity ratios:

- Current ratio
- Quick ratio/ Acid Test Ratio
- Net Working Capital

Solvency Ratios:

- Net worth of the NPOs
- Debt to fund Ratio
- Debt Service Coverage Ratio

Non- Financial Ratios:

- Net Promoter Score
- Employee Retention Rate
- Donor retention rate

- e. Information Regarding Different Segments and Units of the NPO
  - Information regarding different segments and units of the NGO.
  - Segmental review of operations with description of the performance and future prospects of each segment.
  - Segment analysis of ongoing projects and programme.
    - e.g. segmental wise revenue, operating profit, net assets, status of fund, expenses, budget utilization etc.
  - Graphic/pictorial data on Segmental Presentation
    - i.e. Geographical Segments, Nature of the Projects, Community services development project educational, vocational etc.
- f. Corporate Governance Information
  - Comprehensiveness and clarity of information about structure and functioning of the entity.
  - Information as to non - compliances of mandatory requirements of the concerned Statutes and Regulators, if any, applicable to the entity and explanation for such non compliance
  - Separate disclosure of non-mandatory requirements of governance adopted.
  - Adequacy of governance measures and policies adopted by the entity in the context of its size and stature of the entity and as well as adequacy of diversity in terms of gender, qualifications of the Trustees and others in management including –
    - Mechanism to address grievances of stakeholders, volunteers and employee.

- Whistleblower Policy.
- Formulation and compliance statement with code of conduct for members, office bearers, volunteers and employees.
- Policy regarding recruitment of employees, volunteers and their compensation.
- Remuneration policy for members of the board of trustees (or board of directors) and key executives, and information about board members..
- Clarity of description of role and responsibilities of various governance committees like Audit Committee, Stakeholder Relationship Committee, Nomination and Remuneration Committee including composition, meetings, attendance etc.
- Means of communication adopted to communicate with stakeholders.
- Compliance Report on corporate Governance by Independent party.
  
- g. Stakeholder Information: Information Relevant for Stakeholders and Other Users of Financial Statements
  
- Stakeholders' engagement process and the ways, frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the entity, and how those relationships are managed.
  
- These engagements may be with:
  - Employees;
  - Donors;
  - Volunteers;
  - Beneficiaries;
  - Funders;
  - Partners;
  - Members;
  - Media;
  - Regulators etc.
  
- Promoters / Members information:
  - Distribution of members
  - Shares held by Directors/Executives
  - Mechanism laid down for Redressal of Members/ Beneficiaries Complaints including statement of opening and closing complaints pending, No. of complaints solved, nature of complaints and time taken to resolve them.
  
- Project performance: Information on how organization will measure the performance of various projects/ programmes and accordingly what was the performance reported.
  
- h. Ratio Analysis
  
- Operating Performance (Income Statement)
  - Total Revenue/ Revenue from operations
  - Operating profit or Earnings before Interest and Taxes
  - Profit Before Tax
  - Profit after Tax

- EPS
- Statement of Financial Position (Balance Sheet)
  - Shareholders Fund/ Equity
  - Restricted Funds
  - Long Term Assets/ Non- Current Assets
  - Current Assets
  - Long Term Liabilities/ Non- Current Liabilities
  - Current Liabilities
- i. Statement of Value Added and How Distributed
  - Government as taxes
  - Value of disbursements to different categories
    - E.g. Children/infants, Families, Environmental Projects, Health Projects, Vocational developments / Education, Media etc.
  - Retained within the organization
  - Employees as remuneration
  - Economic value added
- j. Report Presentation
  - Whether report have a proper table of contents/index and whether hyperlinking of index to the main sections of report is there for easy navigation and dragging.
  - Does any colour contrast between text and background enhance or detract from the report readability.
  - Layout of the annual report clearly distinguishing between various segments of the report, including distinction is made between standalone and consolidated statements.
  - The usefulness and relevance of information and photographs provided in the report keeping in view whether there is any overcrowding of unnecessary and irrelevant information is provided.
  - Presentation and analysis of information through graphs, charts, tables, etc for better clarity and understandability.
  - Nature of details provided in terms of unit of measurement, rounding off criteria adopted, etc. and whether they are easily noticeable and whether there is consistency of adoption of the same throughout the annual report.
  - Overall aesthetics of presentation.
- k. Dissemination of Financial Information Timeliness
  - Finalization of financial statements and annual general meeting to be held three months from the end of year.

**Annex 7: Marking Criteria for NPOs**

| <b>S.no.</b>       | <b>Distribution of Marks under different criteria</b>                                                                                    | <b>Full Marks</b> |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| A                  | Section A: Organizational Overview - Clarity and Presentation                                                                            | 10.00             |
| B                  | Section B: Directors' Report / CEO or equivalent authority (Head of the Organization) including management discussion & analysis section | 16.00             |
| C                  | Section C: Internal Controls & Risk Management                                                                                           | 5.00              |
| D                  | Section D: Financial Statements including Accounting Policies and Disclosures as per National and International Accounting Standards     | 34.00             |
| E                  | Section E: Information regarding different segments and units of the NPO                                                                 | 6.00              |
| F                  | Section F: Corporate Governance Information                                                                                              | 8.00              |
| G                  | Section G: Stakeholder Information: Information relevant for stakeholders and other users of financial statements                        | 5.00              |
| H                  | Section H: Ratio Analysis                                                                                                                | 4.00              |
| I                  | Section I: Statement of value added and how distributed                                                                                  | 4.00              |
| J                  | Section J: Report Presentation                                                                                                           | 4.00              |
| K                  | Section K: Dissemination of financial information Timeliness                                                                             | 4.00              |
| <b>Total Marks</b> |                                                                                                                                          | <b>100.00</b>     |

## G. Public Sector- Reporting Criteria

### Annex 8: Marking Criteria for Public Sector

| S.no.        | Distribution of Marks under different criteria                              | Full Marks    |
|--------------|-----------------------------------------------------------------------------|---------------|
| A            | Governance Body's Statement/ Objectives                                     | 5.00          |
| B            | Management discussion and analysis.                                         | 15.00         |
| C            | Appropriateness of Disclosure of Accounting policies and General Disclosure | 15.00         |
| D            | Financial Statements (Including Formats)                                    | 25.00         |
| E            | Information about Governance                                                | 15.00         |
| F            | Presentation of Financial Statements                                        | 15.00         |
| G            | Timeliness in issuing Financial Statements and holding AGMs                 | 10.00         |
| <b>Total</b> |                                                                             | <b>100.00</b> |

## Disclaimer

*National Best Presented Annual Reports (NBPA), Assessment Framework, 2083 are intended for general reference purposes only; it is neither a substitute for reading the standards themselves nor for professional judgment as to the fairness of presentation. Depending on the circumstances, further specific information may be required in order to ensure fair presentation under the Nepal Financial Reporting Standards (IFRS) and for other regulatory reporting purposes.*

*Information may be presented under different sections of this guideline. However, organizations have the independence to decide and present them where they are best suited, as and when they are applicable. The information cited in this framework has been drawn from various sources. While every effort has been made to keep the information cited in this framework error-free.*

*The Institute of Chartered Accountant of Nepal (ICAN), the South Asian Federation of Accountants (SAFA) and Committee for Improvement in Transparency, Accountability and Governance (ITAG Committee) does not take responsibility for any typographical or clerical errors or omissions suffered as a result of any material published here.*

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