



Think Tank Recommendations on Corporate Governance for Indian Start-ups

May 2023

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“Innovative entrepreneurship and good public governance are the two key pillars of a nation successful in creating a prosperous society. The objective of innovative entrepreneurs is to convert their new and stunning ideas to jobs for citizens, wealth for themselves and their investors, and taxes for the government. A good public governance system, therefore, must remove all hassles for entrepreneurs to become even more successful in their objectives, and use the tax money honestly and efficiently to provide world-class public good services”

Shri N. R. Narayana Murthy, Co-Founder of Infosys



“Corporate governance is not a luxury for startups, it’s a necessity. It helps build a culture of transparency, accountability, and ethical decision-making that can be the bedrock for long-term success and growth in the fiercely competitive startup ecosystem of India.”

Shri Harsh Mariwala, Founder and Chairman of Marico



“Corporate governance is not just a buzzword for startups in India. It is a critical foundation for long-term success. Good governance practices build trust with investors, customers, and employees and enable startups to navigate complex business challenges with transparency and accountability.”

Shri Sanjeev Bikhchandani, Co-founder of Info Edge (naukri.com)

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Foreword by Shri Amitabh Kant, G-20 Sherpa, Government of India



अमिताभ कांत
Amitabh Kant
जी20 शेरपा
G20 Sherpa



Dear Entrepreneurs,

In today's fast-paced business world, corporate governance plays a pivotal role in ensuring the long-term sustainability and success of any organization. Therefore, it is crucial that startups prioritize corporate governance and financial management from the grassroots level and not treat it as an afterthought.

Startups are pivotal in contributing to the emerging Indian economy and have the potential to create a significant impact on a global scale. As India aspires to become a global economic powerhouse, it is imperative that startups in India create new benchmarks in corporate governance, not only for India but also for other G20 nations. By doing so, startups can set an example for the rest of the world and inspire other organizations to follow suit.

Through this initiative, we aim to equip startups with a framework to adhere to corporate governance and financial management best practices. By following these practices, startups can build trust with stakeholders, attract investors, and ultimately, achieve sustainable growth.

I hope this framework serves as a valuable resource for startups in India, and I look forward to seeing India emerge as a world leader in corporate governance in the years to come.



Warm Regards,

Yours sincerely,

(Amitabh Kant)

Place- New Delhi
Dated- 10/05/2023



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About Startup20



Startup20 is an official engagement group, established under the G20 India Presidency 2023. It acts as a dialogue forum with the global startup ecosystem stakeholders and intends to represent the global startup ecosystem to raise the macroeconomic concerns and challenges faced by entrepreneurs with G20 leaders. This would function as any other G20 engagement group, supported by G20 India Sherpa initially along with the Startup20 secretariat.

Startup20 will work towards bringing forward key topics for discussion and formulating recommendations against each priority area. Through a consensus-based approach, Startup20 will corroborate the final recommendations to the G20 Presidency for discussion at the G20 Summit.

Startup20 will seek to advance important subjects for discussion and develop recommendations for each priority area using a consensus-based methodology. This will be followed by confirming the final recommendations before submitting them to the G20 Presidency for discussion at the G20 Summit.

Startup20 India will operate through Task Forces which are structured to develop key priorities and bring forward the topics in which recommendations would be formulated to support the startup ecosystems globally. Such recommendations would be conveyed through a communique to the G20 India presidency and taken up during the G20 Summit 2023.



Chintan Vaishnav,
Chair of the Startup20 Engagement Group under G20 India Presidency

Executive Summary

The Recommended Governance Framework for Start-ups is designed to establish a culture of accountability, transparency, and ethical behaviour at all levels of start-ups, thus enabling a self-regulating world class start-up ecosystem.

The framework is a comprehensive guide that provides a clear and practical approach to establishing effective governance practices within a start-up for the benefit of the start-up and its founders. While frameworks are frameworks, the novel idea in this particular framework is the categorization of hundreds of startup compliance requirements, based on the maturity level (Level 1, Level 2 and Level 3) of the startup.

The framework will help start-up founders and entrepreneurs create a solid foundation for their businesses, by establishing structures and processes that will support their growth and success. The framework emphasizes the importance of transparency and accountability and provides guidance on how to establish effective communication channels between stakeholders, including board members, investors, and employees. It also highlights the need for start-ups to establish a culture of compliance, by identifying and managing risks and complying with regulatory requirements.

The framework is based on extensive research and consultation with experts in the field and is designed to be flexible and scalable to accommodate the unique needs of each start-up across various industries. It is intended to be a living document that can and will be updated and refined as business evolves.

The framework recognizes the need for start-ups at different level of maturity with appropriate levels of corporate governance which the start-up is recommended to comply with or explain its absence.

By following this framework, start-up founders and entrepreneurs can create a culture of accountability and transparency that will help them build a successful and sustainable business over the long term. At the very least, it will open the eyes of many startup founders to the journey that lies ahead and will equip them with the strength and perseverance needed for the journey.

“A journey of a thousand miles begins with a single step”

— Chapter 64 of the Dao De Jing ascribed to Laozi

G-20 & Startup 20 — Startup Corporate Governance Committee



Shri Ramanan Ramanathan

Former Mission Director — Atal Innovation Mission, Former Additional Secretary, NITI Aayog



Shri Harish Mehta

Author of Maverick Effect, Founder of Onward Technologies, Co-founder NASSCOM



Dr Apoorva Ranjan Sharma

President Elect, TiE Mumbai, Co-founder, Venture Catalysts/ 9 Unicorns



Shri Pratekk Agarwaal

Founder and Managing Partner, GrowthCap Ventures



Shri Karthik Reddy

Co-Founder Blume Ventures, Chair - Executive Committee of IVCA



Smt. Kritika Murugesan

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Shri Manish Taneja

Co-Founder and CEO, Purple

Legal Advisory Team



Shri Nishith Desai
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Shri Sahil Kanuga
Co-Head — International
Dispute Resolution &
Investigations practice,
Nishith Desai Associates



Shri Maulin Salvi
Leader — Corporate
Governance practice, Nishith
Desai Associates

Our Vision and Mission Statement

A. Vision

Our vision for the Recommended Governance Framework for Start-ups is to establish a culture of accountability, transparency, and ethical behaviour at all levels of start-ups, thus enabling a self-regulating world class start-up ecosystem. We strive to create a framework that promotes long-term sustainability and growth by effectively managing risks, ensuring compliance with relevant laws and regulations, and fostering a sense of responsibility among all stakeholders. Our goal is to create a governance structure that enables all start-ups to make well-informed decisions, act with integrity, and promote the interests of their shareholders, employees, customers, and the broader community and do not do so because of any regulatory requirement but because these are good business practice.

We aim to establish clear roles and responsibilities, effective oversight mechanisms, and a robust system of internal controls that promote effective risk management and protect against potential conflicts of interest. Through the Recommended Governance Framework for Start-ups, we seek to build trust with our stakeholders, enhance our reputation, and attract and retain top talent. We believe that by adhering to the highest standards of corporate governance, a start-up can unlock its full potential and achieve long-term strategic objectives.

B. Mission

Our mission is to establish a sustainable, reliable and inclusive ecosystem for innovation and entrepreneurship in India by promoting responsible and effective governance practices among start-up companies. We believe that governance plays a crucial role in building a strong foundation for start-ups to thrive and create a positive impact on society. We also believe that good governance is essential for long-term success and sustainability, and we are committed to providing start-ups with the tools and resources they need to establish strong governance frameworks.

Through our comprehensive approach to governance, we seek to help start-ups build trust with their stakeholders, including investors, employees, customers, and the broader community. Our goal is to empower start-ups to manage risk, ensure compliance with applicable laws and regulations, and promote ethical and transparent decision-making.

We recognize that start-ups face unique challenges and opportunities, and our governance policies are tailored to meet the specific needs of these dynamic and innovative companies.

5. Our Vision and Mission Statement

We are dedicated to promoting transparency, accountability, and integrity in the start-up ecosystem. We are committed to helping start-ups succeed by providing the guidance and support they need to build strong and sustainable businesses that create value for all stakeholders.

By pursuing these goals, we aim to create a vibrant start-up ecosystem in India that drives economic growth, creates jobs, and promotes social and environmental well-being.

Introduction to Startups

India is emerging as one of the fastest-growing start-up nations in the world, with over 98,000 start-ups, 400+ incubators, and 108+ unicorns. Indian start-ups are making their presence felt across the world, contributing to both the socio-economic growth of India and other emerging economies, as well as gaining recognition from global investor communities, including governments. Therefore, it is an opportune time to deliberate on what we can collectively do to ensure that we take leadership in proactively and sustainably driving this growth.

The start-up sector in India has, over the last few years, become a key indicator of the economic growth of the country. A start-up is primarily an entrepreneurial venture which is in its initial years of operations and backed by its founders. A key differentiating factor between a start-up and a conventional business is in the greater risk-reward the former has from its innovation in product, processes, service, or business model.

A start-up is faced with a number of issues that have to be dealt with in order for it to grow into a successful organization. Apart from planning the most effective business strategies, a start-up needs to look at the regulatory, legal and tax regimes of the country where it is proposed to be set up and carry on business. In many instances, appropriate structuring for a start-up helps to prevent future complications and mitigate risks at a future stage.

Some of the initial decisions that the founders will have to take with respect to a start-up is where it will be setup, from where the seed investment required to set up the start-up entity will be brought in and what sort of entity it would function as (colloquially referred to as “Structuring”). This includes decisions in relation to whether the founders should register as a company or limited liability partnership and whether the founders should approach incubators/ angel investors for initial funding.

Once a start-up is incorporated, it will need to set up its offices, the determination of which will be based on multiple factors like the place where business is proposed to be carried on, cost of labour, etc. Accordingly, the start-up will need to obtain registrations with various labour authorities in the relevant states where offices are established and will need to establish human resources related policies in tune with the relevant labour laws in each state.

Once business commences, a start-up will find itself positioned in various supply chains and will need to understand the myriad contracts it will enter into with suppliers, customers, partners, service providers and many others. The key is for start-ups to choose the right partners/ collaborators in its initial days and also enter into a mutually beneficial contractual relationship with such persons. These initial decisions may be different for a start-up, as compared to conventional business.

Most important of all, as per the popular maxim off-late that ‘data is the new oil’, it is important for start-ups to protect their intellectual property and data, especially if the business of the startup heavily relies on use of intellectual property and/or involves collection of personal and sensitive information from individuals. In this regard, startups should execute appropriate

6. Introduction to Startups

non-disclosure agreements, intellectual property assignment/ licensing agreements and also adopt the necessary policies in relation to collection, storage and use of personal and sensitive information.

Once the business is up and running, it is usual for the start-up to look for investors to raise funds to aid in the growth and future plans of the start-up. The investors invest at various stages in the growth cycle of a start-up. In order to get the start-up off the ground, the start-up is invariably capitalized by either the founders themselves or by an “angel investor” (usually someone with benevolent intentions and reposes faith in the vision of the founders).

A few start-ups may need, what is referred to as ‘seed capital’ to fund their growth during the period between commencement of business and raising institutional funding. Such investments are mostly smaller ticket size investments compared to the larger ticket size of institutional fund raise. Some of the seed funds also come with the knowledge and expertise in the industry and business of the start-up.

Venture capital (also known as VC) is a type of private equity capital typically provided to start-up companies with high-growth potential, in the interest of generating a return through an eventual liquidity event such as an initial public offering (“IPO”) or sale of the company. Venture capital typically comes from institutional investors and high net worth individuals and is pooled together by dedicated investment firms.

Venture capital is most attractive for start-ups with limited operating history that are too small to raise capital in the public markets and are premature to secure a bank loan or complete a debt offering. In exchange for the high risk that venture capitalists assume by investing in smaller and less mature companies, venture capitalists usually get certain protective rights in the company with respect to management decisions, in addition to a significant portion of the company’s ownership (and consequently value). This may be a particularly taxing time for the founders as it often requires them to give up a considerable quantum of stock in the start-up and also collaborate with the right investor.

An institutional investor such as a venture capitalist typically conducts a financial and legal due diligence on the start-up in order to uncover the risks pertaining to the start-up. Issues that come up often relate to corporate, labour law and foreign exchange law compliances. In order to keep the startup’s valuation high, it is essential for the start-up to ensure that the start-up is managed in a manner compliant with applicable laws.

The due diligence process has become even more relevant in recent times as both investors, and financiers have grown cognizant of potential risks involved in investing in a start-up — many investors have seen downside in exiting their previous investments. It is therefore essential for any start-up anticipating investment to be financially and legally sound and to have as clean a track record as possible in terms of corporate governance. This ensures that the due diligence process is completed faster and with lesser potential complications/concerns.

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Once the start-up has gone through the process of venture capital investment, it can usually aim to receive investment from a private equity fund followed by a few more rounds of investments (depending on the growth and capital requirements of the company) and possibly, a pre-IPO investment that will bulk up its valuation for the IPO process. Investors in start-ups typically look to exit either by way of an IPO or a trade sale, depending on several factors like, the ability of the startup to meet the criteria for an IPO, the offers available to the shareholders for a trade sale, the return on investment, etc.

Finally a significant number of foreign individuals and entities have shown interest in investing in Indian business, it is typically necessary to structure the investment from a legal, tax and regulatory point of view in order to comply with the necessary foreign exchange laws and regulations. Often, in the process, the tax incidence of the most convenient legal structure may be excessive. It is therefore essential to strike a balance.

The finest start-ups of the world embrace good governance practices as necessary condition for success. The words of Shri N. R. Narayana Murthy, Shri Harsh Mariwala and Shri Sanjeev Bikhchandani ring loud.

Governance in Startups

Responsible Business Leadership is centred around the idea of leadership that enables both start-up growth and positive societal impact while respecting the triple bottom line of people, profits, and the planet. This is achieved through the systematic adoption and practice of a world-class Governance framework, right from the inception of the start-up. Responsible business leaders embrace rapidly evolving emerging technologies to innovate for the benefit of not only their shareholders but also their stakeholders, society, and the environment as their start-ups grow and evolve into large global, public organizations. It is crucial to note that good governance cannot be compromised at any time to enable growth. This has been exemplified multiple times by numerous outstanding founder leaders from India and around the world.

As the Indian start-up ecosystem continues to grow and flourish, it is essential for entrepreneurs to focus on building sustainable and scalable businesses that can contribute to the country's economic development. The role of governance in start-ups cannot be overstated. Effective governance ensures that start-ups have the right processes, structures, and policies in place to achieve their goals while managing risks and complying with laws and regulations. A robust governance policy helps start-ups attract investment, build trust with stakeholders, and create a culture of accountability and transparency. Good governance cannot be an afterthought but rather needs to be at the forefront of a founder's thinking and ethos as they embark on their start-up journey.

At this critical juncture in India's start-up journey, it is time to elevate the importance of governance and establish a culture of good governance across the entire ecosystem. This will require a concerted effort from entrepreneurs, investors, mentors, regulators, and policymakers alike. We believe that start-ups have the power to transform India's economy and society, and we are committed to supporting them in this journey. Our Recommended Governance Framework for Start-ups is designed to provide a framework for start-ups to build sustainable and scalable businesses while also creating value for all stakeholders.

We seek to create a dynamic and supportive environment for start-ups to flourish, with access to capital, mentorship, and resources that will help them scale and succeed. We recognize that start-ups are the engines of job creation, economic growth, and social progress, and we are committed to providing them with the tools they need to thrive.

Introducing corporate governance norms early in a start-up has several benefits that can outweigh the potential diversion of focus. Here are some of the key benefits:

- **Enhanced accountability:** Corporate governance norms ensure that the startup is accountable to its stakeholders, including investors, customers, and employees. This can help establish trust and credibility, which is essential for the long-term success of the business.
- **Improved decision-making:** By establishing a clear framework for decision-making, corporate governance norms can help the startup make better decisions that align with its values and objectives.

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- **Reduced risk:** Corporate governance norms can help the startup identify and manage potential risks, including legal and regulatory compliance, financial reporting, and data privacy.
- **Increased access to capital and partnership:** Investors and lenders are more likely to invest in startups that have established corporate governance norms. This can help the startup raise capital more easily and at more favorable terms. Furthermore, start-ups that adopt good governance practices tend to attract higher valuation premiums, which can assist in their overall fundraising and growth journey.
- **Stronger reputation:** A startup that upholds high standards of corporate governance is likely to have a stronger reputation in the market, which can help attract customers, employees, and partners.

While there is a potential risk that corporate governance norms could increase costs and/or curtail innovative thinking, it is possible to mitigate this risk by balancing governance with a culture of innovation and regularly reviewing and updating governance frameworks. The overall benefits far exceed the possible downsides.

We invite you to join us in this exciting journey and be a part of India's vibrant start-up ecosystem. Together, we can build a better future for all as we embark on a journey towards building a stronger and more innovative nation, while recognizing the pivotal role that start-ups will play in shaping our future.

A. Why is Self-regulation Important for a Founder?

Self-regulation is a practice in which the ideals of governance are deeply permeated and entrenched within the organization's ethos, influencing every decision. It is an essential component in building a strong corporate governance culture in any country. Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled and is concerned with balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government, and the community.

For a corporate governance culture to be effective, it must be based on principles such as transparency, accountability, fairness, and responsibility. These principles help ensure that the interests of all stakeholders are considered and that the company operates in an ethical and sustainable manner.

Self-regulation is key to building a strong corporate governance culture because it allows companies to regulate their own behaviour and operations, enabling them to set their own standards and guidelines for behaviour and hold themselves accountable for meeting those standards. By doing so, they can build trust with stakeholders and demonstrate their commitment to ethical and responsible behaviour.

7. Governance in Startups

In addition, self-regulation can help prevent the need for external regulation and oversight. When companies can regulate themselves effectively, they are less likely to engage in unethical or illegal behaviour, which reduces the need for government intervention. This can lead to a more efficient and effective business environment, as companies are able to operate without unnecessary regulatory burdens.

Overall, self-regulation is crucial to building a strong corporate governance culture in any country. By promoting transparency, accountability, fairness, and responsibility, companies can build trust with stakeholders and demonstrate their commitment to ethical and responsible behaviour. This, in turn, can lead to a more efficient and effective business environment that benefits all stakeholders.

B. Definition of a Start-up¹

As per Start-up India, an entity (i.e. a private limited company / limited liability partnership or a registered partnership firm) incorporated/ registered in India shall be considered as a “start-up” if:

- i. It has been in existence for less than 10 years from the date of its incorporation/ registration,
- ii. Its turnover for any of the financial years has not exceeded INR 1,000,000,000 (Indian Rupees One Billion), and
- iii. It is working towards innovation, development or improvement of products, processes or services or it is a scalable business model with a high potential of employment generation or wealth creation.

However, any such entity formed by splitting up or reconstruction of a business already in existence will not be considered as a ‘startup’. Further, the benefits available to an entity which was considered a startup would cease to apply once the turnover of the entity for any financial year exceeds INR 1,000,000,000 (Indian Rupees One Billion or it has completed 10 (ten) years from the date of incorporation.

C. Why the need for Recommended Governance Framework for Start-ups?

It is crucial to remember that every start-up has unique challenges and requirements, and a one-size-fits-all approach may only work for some organizations. It is, therefore, essential for startups to customize this framework to their specific needs and context. They should tailor their governance policies based on their business model, industry, size, and maturity level.

1 <https://www.startupindia.gov.in/content/dam/invest-india/Templates/public/198117.pdf>

7. Governance in Startups

It is a critical time to focus on how to collectively enable the startup ecosystem to evolve into a world-class one, creating world-class startups. The idea behind this framework is to ensure that these practices are accessible and should be implemented according to the stage of maturity of the business, in order to facilitate a smooth transition from a startup to a consolidated corporate entity.

Governance practices are pertinent and suitable at every stage of a company's lifecycle, but the definition and emphasis on governance may differ depending on the stage. Implementation can occur in phases and can become more sophisticated and refined as the process progresses.

A Possible Startup Governance Maturity Level Framework may be as under:

Level 1 (Inception to Early Stage):

Appropriate documentation and dissemination of information to stakeholders. Systematic review of internal data and internal reporting / shared with investors; Broadly, complying with basic legal and governance requirements. Also understanding the need to professionalize corporate governance.

Level 2 (Early Stage to Growth Stage):

Continuous improvement in governance evidenced through documentation, and internal reporting to board (stakeholders) and digitized financial management at a minimum enabling transparency and accountability; Broadly, acting on or implementing formalized governance procedures with transparency and accountability.

Level 3 (Growth Stage to IPO):

Selfoptimising digitised internal operations in each governance category and improvements evidenced through use of digitized systems data & analytics, documented internal and external reporting / Third party reviews; Broadly, mastering the art of corporate governance practices.

There are several actions that can be taken by the various stakeholders to ensure that the startup ecosystem grows and matures in a systematic and sustainable manner:

Incorporating excellence in corporate governance models and frameworks, high-quality products and services, execution excellence, and effective startup governance and ethics are critical components that create confidence in customers, stakeholders, shareholders, and investor communities in startups.

To achieve this, startups can look at established governance frameworks and startup maturity models, described in next section, to adopt best practices and implement effective governance

7. Governance in Startups

and ethics policies. Doing so will ensure that the startup has the best chances of ensuring exponential growth into an impactful global organization.

As Step 1:

Founders can complete Self-Assessment to determine Level rating based on corporate governance indicators;

As Step 2:

Founders can use Startup Governance Maturity Level Framework to understand best practice and identify recommended actions for Level improvement;

As Step 3:

Founders and the board members can work with their team to develop a phased plan for implementing the improvement in governance practice. Thereafter action the same and evaluate;

Recommended Governance Framework

In this section, we now propose a governance framework for startups. In this Governance Framework, the Board of Directors being the key factor to good Corporate Governance must function well and be well informed. For this, it was recommended that the Board should have a core group of excellent, professionally acclaimed directors who understand their role of appreciating the issues put forward by the management and discharge their duties and responsibilities towards the company's shareholders as well as creditors. While at first a promoter director may not be well versed with duties and responsibilities as required under law, including best practices insofar as corporate governance is concerned, with the passage of time, experience and good counsel, this is a skillset that is quickly acquired.

This Recommended Governance Framework is in the nature of guidelines and is suggested to be followed over and above all the relevant laws, as may be applicable for a start-up. Under the said Framework, if the board of a startup considers that some part of the Recommended Governance Framework is not appropriate to its particular circumstances, it is entitled not to adopt it. If it does so, however, it should consider and explain why it has not adopted the same — the “if not, why not” approach.

This approach ensures that all the relevant stakeholders receive an appropriate level of information about the entity's governance arrangements so that investors and other stakeholders can have a meaningful dialogue with the board and management on governance matters and can factor the information provided into their decision on whether or not to invest in the entity and how to vote on particular resolutions.

An “if not, why not” explanation a startup includes in its corporate governance statement setting out its reasons for not following a recommendation should:

- be reasonably detailed and informative so that the relevant stakeholders understand why it is that the said startup has chosen not to follow that recommendation; and
- disclose what, if any, alternative governance practices the startup may have adopted in lieu of those in the recommendation, and explain why those practices are considered more appropriate for the entity than the ones in the recommendation.

8. Recommended Governance Framework

Sr. No.	Recommended Governance Framework	Level 1 - Inception to Early Stage	Level 2 - Early Stage to Growth Stage	Level 3 - Growth Stage to IPO
A.	Voluntary commitment to adoption of Governance Framework and Code of Conduct	√	√	√
B.	Policies / Agreements			
1.	Disclosure Policy	√	√	√
2.	Risk Management Policy* (Required under law)	√	√	√
3.	Budget Policies	√	√	√
4.	Non-disclosure agreements	√	√	√
5.	POSH Policy* (Required under law)	√	√	√
6.	Cyber Security Policy	√	√	√
7.	ESOP Policy	√	√	√
8.	Diversity Policy		√	√
9.	Whistle blower Policy		√	√
10.	Code of conduct for directors, senior executives and employees		√	√
11.	IT Policies including Data Governance and Information Security Policy		√	√
12.	Customer Support / Grievance Policy		√	√
13.	Intellectual property rights as well as assignment/ licensing agreements		√	√
14.	HR Manuals / Employee Handbook		√	√
15.	Non-competition/non-solicitation agreements		√	√
C.	Board Composition			
16.	Right combination of executive and non-executive directors based on skills matrix and business of the start-up		√	√
17.	Diversity on board		√	√
18.	Process for selection of board members		√	√

8. Recommended Governance Framework

Sr. No.	Recommended Governance Framework	Level 1 – Inception to Early Stage	Level 2 – Early Stage to Growth Stage	Level 3 – Growth Stage to IPO
19.	Written agreement setting out terms of their appointment	√	√	√
20.	Chair of the Board should not be same as the CEO			√
21.	Appointment of KMPs like CEO, CFO, COO and CS (as may be applicable).		√	√
22.	Define role and responsibilities of Founder Directors		√	√
D.	Board Meeting Process			
23.	Sharing board reading material including notice and agenda ahead of board for member to be prepared (Required under law)	√	√	√
24.	Documenting board minutes (Required under law)	√	√	√
25.	Recording board meeting electronically if possible		√	√
26.	Board Meetings held at least once a quarter (Required under law)	√	√	√
27.	To oversee the Board of subsidiaries is properly structured and governed		√	√
28.	To oversee the Board of acquired entities are properly structured and governed		√	√
E.	Directors / Board Responsibilities			
29.	Define Role and Responsibility Matrix of Board (including the following): <ul style="list-style-type: none"> ▪ Bank signatories ▪ Making investments ▪ Taking loans / debt ▪ Appointing auditors ▪ Approving related party transactions ▪ Approving large expenses beyond certain budget 	√	√	√
30.	Articulate vision and mission statement of the Company and inculcate purpose as well		√	√

8. Recommended Governance Framework

Sr. No.	Recommended Governance Framework	Level 1 - Inception to Early Stage	Level 2 - Early Stage to Growth Stage	Level 3 - Growth Stage to IPO
31.	Board oversight of related-party transactions (Required under law)	√	√	√
32.	Defined Role of the Board Chair		√	√
33.	Promoting good governance by framing a policy		√	√
34.	Whether responsibilities are delegated to management		√	√
35.	To have annual performance evaluation of board members and senior executives		√	√
36.	Annual declaration and disclosures by directors (Required under law)	√	√	√
F.	Committees			
37.	Remuneration Committee		√	√
38.	Audit Committee		√	√
39.	Risk Committee		√	√
40.	Whistle-blower Committee		√	√
41.	Prevention of Sexual Harassment Committee (POSH) Committee (Required under law)	√	√	√
G.	Remuneration			
42.	Remuneration for executive directors / founders	√	√	√
43.	Remuneration for non-executive directors		√	√
44.	Disclosure of remuneration process and policy		√	√
45.	ESOP for all management and preferably all employees		√	√
46.	Remuneration for Key Managerial Persons		√	√

8. Recommended Governance Framework

Sr. No.	Recommended Governance Framework	Level 1 – Inception to Early Stage	Level 2 – Early Stage to Growth Stage	Level 3 – Growth Stage to IPO
H.	Budget			
47.	Ensuring budgets are properly reviewed and approved by the Board	√	√	√
I.	Financial / Business Integrity			
48.	Appointment of Audit committee		√	√
49.	Defining responsibilities of auditors		√	√
50.	Check Independence of Auditor			√
51.	Circulation of Quarterly Financial Statements		√	√
52.	Internal audits		√	√
53.	Annual audits (Required under law)	√	√	√
J.	Employees			
54.	Trainings on ethics, anti-harassment etc		√	√
55.	Creating a mechanism for employees to raise issues to management safely and anonymously		√	√
56.	Employment / Consultancy Agreement	√	√	√
57.	Founders Agreement	√	√	√
K.	Managing ESG Risks and Opportunities			
58.	Board ESG oversight		√	√
59.	ESG Disclosure			√
60.	Tax Practices			√
61.	Corporate Culture			√
62.	Workforce and human rights			√
63.	Climate Change			√

In Continuation

The recommended framework is the starting point for its further evolution into creating a world class governance system. The success of the same is critically dependent not only in its implementation but also continuous insight into the improvement of the same through various stakeholders in the start-up ecosystem. Successful implementation of this framework would need necessary evangelization and incentivization by its various stakeholders. The emphasis throughout this framework is one of self-regulation which can also help appropriate government policies and legal norms to evolve to support the same.

The last 10 years have witnessed some of the brightest and most entrepreneurial talent in India. Additionally, India has the added advantage of being supported by a government that recognizes and acknowledges its potential. Despite numerous challenges, the start-up ecosystem is driving innovative solutions to global problems. The dynamism of the Indian tech start-up ecosystem can be attributed to the deep heterogeneity and diversity it possesses, spanning generations, genders, locations, and vertical solutions.

Start-ups are growing at a fast pace and with strong aspirations. The Indian start-up ecosystem is poised to create jobs, generate wealth, and transform societies. The governance framework has the potential to act as a catalyst for start-ups to remain conscious during important decision-making processes.

Corporate governance acts as a knight in shining armour, rescuing both founders and partners at all stages, during and after fund-raising. As the saying goes, right begets right and wrong begets wrong. Following the sound principles of corporate governance will always enable a start-up to make sound investment decisions, establish best practices in the form of rights, duties, obligations, and liabilities, and ensure its smooth functioning and growth. This framework is the first step of many in the right direction!



Think Tank Recommendations on Corporate Governance for Indian Start-ups