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Chapter-2
Corporate Governance and CSR

Corporate Goverance: Corporate Goverance deals with promoting
- corporate fairness (True)
- transparency
- accountability (Answerable)

(1) Corporate Goverance means the manner in which company's operations are being conducted. Company is being governed by the management so, its depends upon the management as to how good is the Corporate Goverance.

(ii) Corporate Goverance is the requirement of every
- Company
- Public sector undertaking (Govt sectors)
- Large business concern.

[Where ever there is seperation of ownership from management Corporate Goverance is required)

Goverment	Company
~~Good~~	• Good director
Law	• Keep Independent director
Rules Compliances	(Not working in company) ~~good~~ ~~gaining~~
	Rules to be made

(iii) As far as legal framework is concern, section 292 A of companies act 1956 [Audit committee (ie audit committee will audit the decision of directors)] and clause 49 of listing agreements regulate the corporate Goverance (listing, unlisting)

Eg If Corporate Goverance is week, then it should be delisted from stock Exchange.

(iv) Following are the features / Characteristic of good Corporate Goverance :-

(a) It should be in compliance with applicable legal requirement (i.e it should not be against law).

(b) It should be transparent and to be done with fairness

Eg All the things done by director priorly approved by shareholders).

(c) Persons taking the decision should be accountable for their decision.

Eg If directos has make any decision then director should sign on the decision.

(D) It should be participative in nature (share holder shall makes the rules in consulting with directors).

(E) It should be effective, efficient in today's environment

Eg Rules should be make in keeping the mind the electronic requirement

(F) it should be dynamic (change) in nature, in other words it should be adaptable to environmental Changes.

Eg After Satyam scam Company should Change it Corporate Governance

5 - Following are some of the benefits of good corporate Governance:

Stock Market
(a) strong Capital market of the Company
(b) Long-term business interest
(c) Corporate Social Responsibility will be acheived

6 - Following shall be done to improve C...

(a) Company should appoint more independent directors

(b) Director's power should be restricted
(c) Company's should change the directors after certain period
(d) Director's shareholding in the co. should not exceed a Reasonable limit

7- Stakeholder :- (can influence or be influence)
The word stakeholder means such individual Group ~~of person~~ organization which are affected by the action of the entity or can affect the entity in acheiving the goals.

★ following are considered to be the stake-holder of the company :-
- Share holder (Person having share)
- Investors (Person who do not have share)
- Debtors
- creditors / Supplier
- Goverment [Goverment can affect]
- Competitors
- Employees and trade unions
- Consumers
- Associate companies (Joint ventures)
- Industry to which the co. belongs

It should be noted that management is accountable to the entire stakeholder and not only to the shareholder.

Corporate Social Responsibility

1. CSR means responsibility of the co. towards the society. it is a way of integrating (ঐকত্রিত) economic, legal, environmental, social ~~and discretionary~~ and discretionary responsibility of the company. it focuses on the idea that company has a social obligation also apart from earning profits which is to contribute towards the economic development of the country, improving the quality of life of workers, and their families, protecting the environment and complying with the legal regulation.

(A) Economic Responsibility:

Against Goverment → proper taxes

" Country - Production ↑] Economic develop ↑
Export ↑] GDP ↑

(B) Ethical Responsibility:

(i) Consumer welfare → unfair price not to be charge
false advertisment not to be done.

(ii) Employee welfare → ~~Harassment~~, Harassment, discrim

(C) legal Responsibility:

comply with all applicable laws.

(D) Enviornment Responsibility:
Pollution should be reduce ↓
Waste should be recycle.

(E) Discrisionary Responsibility:
- Labour and families → Homes
- Shool for Labour children.
- Village in which there is factory of company; ~~company~~ company make street and street lights.

Note: If any company acheive all the five Responsibility then it is a company having strong Corporate Social Responsibility.

☆ Needs for CSR, Benefits for CSR

(1) IRON Law of Responsibility: (Only for need) → Economist
As per this law, in short run every company can sustain and Exist, but in the long run only those company will Exist which includes CSR in its objects.

(2) Improve public Image.

(3) Long-term Business Interest (L.T. Benefits)

(4) Reduced Goverment Interventions

(5) Access to be capital (Easy loan)

All this point already discussed in ethics chapter 1.

☆ Key (Imp) Developments to shape CSR:-

These were the major developments/ reasons which framed CSR:-

Why to follow CSR?

1- Increased Stakeholder Activism:

Stakeholder in today's environment has become very active. They are ready for public demonstration or strikes in case company adopts unethical practise.

2- Reporting on CSR: it is necessary to report CSR in the annual report every year because of which it becomes necessary to follow CSR. These days, some standards have been laid down regarding CSR reporting in the annual Returns

3- Growth of IT sector:

Today, internet is growing very fast. With the use of internet CSR of any co. can be checked anywhere in the world. It again becomes necessary for the company to follow CSR.

4. Involving Stakeholders in decision making

It is compulsary to engage stakeholders while taking the decision.

Eg If a decision is taken for the employees trade unions and management mutually decides so it is obvious that ethical decision shall be taken.

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★ Requirements for CSR: How to implement CSR in a Company?

Following shall be done so as to incorporate CSR:-

1- Missions and vissions should be ammended

Both the mission and vission of the co. should be ammended to include ethical practice and CSR.

Eg The mission of the co. was to double the production this year. For this the vission was to increase the machines, labours as well as working hours. Now if co incorporated CSR in its mission, then its vission shall not include any such thing which is harmful for the employees, consumer or society.

2- Management structure to be changed:- Mgt structure should be re-design and some part of the mgt should be given with the CSR. It means such part of the management should concentrate on social welfare.

Eg suppose the management has three levels, now middle level management is given the task to look after CSR of the Co.

3- Long-Term Strategic planning: CSR should not be the part of short-term planning, rather it should be implemented in the long run. In other words, whenever co. makes it long-term plan, CSR should be kept in mind.

4. **Employee education and training**: Employees should trained to behave ethically. They should be explained the CSR of the co. and should be motivated to contribute for it.

Eg Employee should not accept bribes

5. **Employees recognition and Rewards**: On a timely basis, co. should recognise the employees with ethical behaviour by conducting some function and seminars. They should be awarded for their behaviour. This will motivate other employees also to follow CSR.

Eg Employee should be called on the stage and they should be awarded for their ethical behaviour.

☆ External Standards and Guidelines for CSR Reporting.

1. **Global Reporting Initiative**: It is a permanent, independent and international body having multistakeholder governance structure. Its main work is to prepare

guidlines after consultation to regulaly update its guidlines.

2. AA-1000 :-

It is an accountability standard to compliment GRI guidlines after consultation with stakeholder.

3. Social Accountibility 8000 :- it provides social requirements to companies so that co. can develop its own policies and procedure so as to manage its issue and also to explain public that these guidlines are in conformity with the requirements of the standards.

Format of CSR and co. follow conformat to make their CSR

4. United nations Global Compact :- it is a set of a principles which companies can voluntary include in their own ethical practices.

Eg. co. make a principles that they will not do Harrasment.

5. OECD guidlines :-

- Organization for economic cooperation and development (OECD) guidlines are the recommendations given by the goverment for MNC's (Big companies)