

2. CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

To be successful, you have to have your heart in your business, and your business in your heart.
- Thomas Watson, Sr.

Business ethics if properly understood is neither anti-business nor anti-capitalist. It is simply articulating a cohesive set of values to guide decision making in running a business.

Q.No.1. What is meant by Corporate Governance? Explain the Benefits of good corporate governance. (A) (PM, N 04 - 4M, M 10 - 2.5 M, M 15 - 4M)

MEANING:

1. According to J. Wolfensohn, President of the World Bank, "Corporate governance is about promoting Corporate Fairness, Transparency and Accountability".
2. It is concerned with structures and processes for Decision-Making, Accountability, Control and Behavior at the top level of organizations.
3. It influences how the objectives of an organisation are set and achieved, how risk is monitored and assessed and how performance is optimized.
4. Corporate Governance can also be defined as "the formal system of accountability and control for ethical and socially responsible organizational decisions and use of resources."

BENEFITS OF GOOD CORPORATE GOVERNANCE

1. Protection of Investor Interests and Strong Capital Markets.
2. Research Studies show clear evidence that good governance is rewarded with a Higher Market Valuation.
3. Ensure commitment of the board in managing the company in a Transparent Manner.

SIMILAR QUESTIONS:

1. "Corporate Governance be defined as the formal system of accountability and control for ethical and socially responsible organizational decisions and use of resources." EXPLAIN.
A. Ans: Refer the above answer
2. Explain the statement "Corporate governance is about upholding corporate fairness, transparency and accountability".
A. The corporate governance encompasses the following aspects.

Management's accountability to stakeholders. The formal and informal processes by which stakeholder's influence management decisions. The power given to management and control over management's use of power.

And write above Answer (Introduction 1 to 4 points)

Q.No.2. Define the term 'Stakeholders'? Describe those Stakeholders who are affected by or can affect the organization? (Or) Define the term 'Stakeholders' and list out them (B) (PM, M 09 - 5M, N 12 - 4M, M16 - 4M) (For Student Self - Study)

STAKEHOLDERS:

- a) The traditional governance model positions management as Accountable solely to Investors or Shareholders.
- b) But an increasing number of corporations accept that apart from shareholders many others are also affected by corporate activity. Therefore, the corporation must be Answerable and Accountable to them.

- c) The word stakeholders describes such Constituents of an organization – the individuals, groups or other organization(s) which are affected by, or can affect the organization in pursuit ^(=search) of its goals.
- d) A typical list of stakeholders of a company would be employees, trade unions, customers, shareholders and investors, suppliers, local communities, government and competitors.

SIMILAR QUESTIONS:

1. Who are the interest groups that will have an eye on an organisation's performance?
A. Refer the above answer.

Q.No.3. What is meant by 'Corporate Governance'? State the Major 'Characteristics' of good Corporate Governance. (B) (PM, 07 - 5M)

CORPORATE GOVERNANCE:

- a) Simply stated, 'Governance' means the Process of Decision-Making and the Process by which Decisions are implemented.
- b) The term 'Corporate Governance' is understood and defined in various ways. Corporate Governance can be defined as "the Formal System of Accountability and Control for Ethical and Socially Responsible organisational decisions and use of resources".
- c) Accountability relates to how well the workplace decisions are aligned with the organisation's strategic direction.
- d) Control involves the process of auditing and improving organisation decisions and actions.

MAJOR CHARACTERISTICS OF GOOD CORPORATE GOVERNANCE:

- | | |
|------------------------|----------------------------------|
| i) Participatory | v) Responsive |
| ii) Consensus oriented | vi) Effective and efficient |
| iii) Accountable | vii) Equitable and inclusive and |
| iv) Transparent | viii) Follows the rule of Law. |

SIMILAR QUESTIONS:

1. Explain the Major Characteristic features of good Corporate Governance. (Or) What do you mean by 'Good Corporate Governance'? (Or) Good Corporate Governance is always an asset for the business entity – comment. (Or) What are the fundamental principles of Corporate Governance?
A. Refer the above answer.
2. "Corporate governance is about stakeholders' satisfaction." Comment.
A. Refer the above answer.

Q.No.4. Corporate Governance - Developments in India (or) Historical Background of Corporate Governance developments in India. (B) (SM, M 13 – 4M)

1. The Confederation of Indian Industry (CII) took the lead in framing a desirable code of corporate governance in April 1998.
2. It was followed by the recommendations of the Kumara Mangalam Birla Committee on Corporate Governance. This Committee was appointed by SEBI.
3. The recommendations were accepted by SEBI in December 1999, and enshrined ^(=preserved) in Clause 49 of the Listing Agreement of all Stock Exchanges in India.

4. In August 2002, the Department of Company Affairs, Government of India, constituted a nine-member committee under the chairmanship of Mr. Naresh Chandra.
5. To examine the Auditor- Company relationship, role of independent directors, disciplinary mechanism for auditors committing irregularities and CEO/CFO certification introduced by SOX.
6. SEBI, having analysed disclosures made by many companies under Clause 49, constituted a review committee under the chairmanship of Mr. N. R. Narayana Murthy.
7. The Narayana Murthy Committee report, 2003, suggested further improvements and in alignment with these recommendations, the revised Clause 49 has been made effective.



SIMILAR QUESTIONS:

1. Describe the historical background of Corporate Governance.
 - A. Combine above question and “clause 49 of the listing agreement” question to write the answer.
2. Write about the evolution of Corporate Governance. (SM, M 13 – 4M)
 - A. Combine above question and “clause 49 of the listing agreement” question to write the answer.

Q.No.5. What corporate governance measures are required to be implemented by the Indian Companies as per clause 49 of the listing agreement? Explain in brief. (B)
(SM, PM, M 08 - 5M, N 14 - 4M)

- a) **CORPORATE GOVERNANCE MEASURES** In general, corporate governance measures include
 - i) appointing non- executive directors,
 - ii) placing constraints^(=limitation) on management power,
 - iii) ownership concentration,
 - iv) ensuring proper disclosure of financial information,
 - v) Executive compensation.
- b) Many companies have established ethics and/or social responsibility committees on their boards to review:
 - i) Strategic plans,
 - ii) Assess progress, and
 - iii) To offer guidance on social responsibilities of their business.
- c) Some companies have adopted guidelines governing their own policies and practices around such issues like:
 - i) Board diversity,
 - ii) Independence and compensation.
- d) Indian companies are required to comply with **clause 49 of the listing agreement** which primarily focuses on following areas:
 - i) Board composition and procedure
 - ii) Audit committee responsibilities
 - iii) Subsidiary companies
 - iv) Risk management

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- v) CEO/CFO certification of financial statements and internal controls
- vi) Legal compliance
- vii) Other disclosures

SIMILAR QUESTIONS:

1. Explain 'the clause 49' of listing agreement. (Or) What are the provisions that are included in the clause 49 of listing agreement? **(M 08 - 5M, N 14 - 4M)**
 - A. Same as above.
2. State the 'measures of corporate governance' with reference to Indian companies. **(M15)**
 - A. Refer the above answer

Q.No.6. Explain the role played by different committees in regulating the 'Corporate Governance'. (B) (PM, M - 08)

The core roles of the various committees in regulation of corporate governance are as follows:

1. BOARD OF DIRECTORS:

- a) The Board's role is that of trusteeship to protect and enhance shareholder's value through strategic supervision.
- b) The strategy should aim at accountability and fulfilment of goals.

2. AUDIT COMMITTEE: They have to provide assurance to Board on adequacy of internal control systems and financial disclosures.

3. COMPENSATION COMMITTEE: The committee has to recommend to the Board, the compensation terms for executive Directors and the senior most level of management, below the Executive Directors.

4. NOMINATION COMMITTEE:

- a) This committee has to recommend to the Board regarding nominations for membership of the Corporate Management Committee and the Board.
- b) It has to evaluate and plan succession (=people who comes next) to the senior most positions of the management from the people who are below the positions of Executive Directors.

5. INVESTOR SERVICES COMMITTEE: It is to look into redressal (=rectify) of Shareholders' and Investors' 'grievances' (=complaints), approval of transmissions, sub-division of shares, issue of duplicate shares etc.

6. CORPORATE MANAGEMENT COMMITTEE: Its primary role is strategic management of company's businesses within Board's approved direction/framework.

7. DIVISIONAL MANAGEMENT COMMITTEE: It is to realize tactical and strategic objectives in accordance with Corporate Management Committee/Board approved plan.

SIMILAR QUESTIONS:

1. Committee form of organisation is greatly helpful in corporate governance. How different committees can help to achieve it?
 - A. Refer the above Answer.

Q.No.7. State, How far a sound ethical environment in a company may be created and corporate scandals may be avoided. (B) (PM, RTP - M17)

A sound ethical environment in a company may be created and corporate scandals may be avoided by adopting the following methods:

IPCC _38.5e_ Business Ethics_ Corporate Governance & Corporate Social ___2.4

1. **Ensuring that employees are aware of their legal and ethical responsibilities:** Some ethical organizations are having policies to train and motivate employees towards ethical behavior. To start with, such initiation should be from the top.
2. Providing a communication system between the management and employees so that anyone in the company can report fraud and mismanagement without the fear of being reprimanded.
3. **Ensuring fair treatment to those who act as whistle blowers:** This is perhaps the most important and sensitive issue. Fair treatment to whistle blowers is a basic necessity to check fraud. Some acts must be appreciated and that appreciation should be extended from within the company rather than outside

Q.No.8. what is Corporate Social Responsibility? Why it is needed in Indian Business environment? (A) (PM, SM, RTP M16, M07, N07 - 5M, N03, 11, 13 - 4M, N14 - 4M)

CORPORATE SOCIAL RESPONSIBILITY:

1. The concept of Corporate Social Responsibility (CSR) focuses on the idea that a business has social obligations, beyond making profit.
2. CSR is pursued ^(=follow, practice) by business to balance their economic, environmental and social objectives while at the same time addressing stakeholders' expectations and enhancing shareholders' values.
3. Stakeholders, expect companies to be accountable not only for the performance of the companies but also for the performance of the company's entire supply chain (i.e. a company's suppliers, customers and other linkages).
4. Corporate Social Responsibility is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

NEED FOR SOCIAL RESPONSIBILITY:

1. The iron law of responsibility
2. To fulfil long term self-interest
3. To establish a better public image
4. To avoid government regulation and control
5. To avoid misuse of National Resources and Economic Power
6. To convert Resistances into Resources
7. To minimize Environmental damage.

SIMILAR QUESTIONS:

1. The Company should not concentrate only on its own activities – Comment. (Or) The Company should fulfil the social obligations - Comment. (Or) Describe CSR. (Or) Define corporate social responsibility (CSR). (Or) Write short notes on the social responsibility of business. (PM, M07, N07 - 5M, N03, 11, 13 - 4M, N14 - 4M)
 2. Corporate social responsibility is closely linked with the principles of sustainable development – Comment.
- A. Refer the above answer

Q.No.9. "CSR can mean different things to different people", Explain. (B) (SM, RTP - M15)

1. Corporate Social Responsibility (CSR) is an integrated combination of policies, programs, education, and practices which are to be followed throughout all areas of corporation's operations.

2. CSR is about how companies voluntarily manage the business processes to produce an overall positive impact on society.

CSR CAN MEAN DIFFERENT THINGS TO DIFFERENT PEOPLE:

- a) For an employee it can mean fair wages, no discrimination, acceptable working conditions etc.
- b) For a shareholder it can mean making responsible and transparent decisions regarding the use of capital.
- c) For suppliers it can mean receiving payment on time.
- d) For customers it can mean delivery on time, etc.
- e) For local communities and authorities it can mean taking measures to protect the environment from pollution.
- f) For non - governmental organisations and pressure groups it can mean disclosing business practices and performance on issues ranging from energy conservation and global warming to human rights and animal rights,.
- g) For a company, however, it can simply be seen as responding to the needs and concerns of people who can influence the success of the company and/or whom the company can impact through its business activities, processes and products.

SIMILAR QUESTIONS:

1. "CSR has to be understood from many dimensions." Comment
 - A. Refer the above answer
2. "CSR does not mean just philanthropic activities by the organizations it is much more than that in scope" justify.
 - A. Refer the above answer.

Q.No.10. State the "Common Corporate Social responsibility" (CSR) policies for Business Organizations. (B) (PM, RTP - M17, RTP N14, N11 - 4M)

COMMON POLICIES UNDER CSR ARE AS UNDER:

1. Commitment to diversity ^(=variety, mix) in hiring employees without any discrimination.
2. Adoption of internal controls and reforms in the wake of Enron scandal ^(=disgraceful activity) in U.S. and other accounting scandals across the world.
3. Treating employees as assets rather than costs by the Management teams.
4. High performance workplaces that integrate the views of employees into decision-making processes.
5. Adoption of operating policies that exceed compliance with social and environmental laws.
6. Advanced resource productivity, focused on the use of natural resources in a more productive, efficient and profitable fashion (such as recycled content and product recycling).
7. Taking responsibility for conditions under which goods are produced directly or by contract employees domestically or abroad.

SIMILAR QUESTIONS:

1. "Organisations require certain policies to effectively implement CSR activities" comment.
 - A. Refer the above answer

Q.No.11. Write a note on "Social Accountability-8000". (B) (PM, N11 - 4M, N16 - 4M)

SOCIAL ACCOUNTABILITY 8000:

1. SA 8000 is a comprehensive, global, verifiable performance standard for auditing and certifying compliance with corporate responsibility.
2. The heart of the standard is the belief that all workplaces should be managed in such a manner that basic human rights are supported and that management is prepared to accept accountability for this.
3. SA 8000 is an international standard for improving working conditions.
4. This standard is based on the principles of the international human rights norms as described in International Labour Organization conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights.
5. The requirements of this standard apply regardless of geographic location, industry sector, or company size.

SIMILAR QUESTIONS:

1. "Social Accountability-8000 is an international standard of CSR" Comment.
- A. Refer the above answer.

Q.No.12. Explain the meaning of the "Iron Law of Responsibility". State the resulting benefits which may be acquired by achieving the long-term objectives through the business activities. (A) (PM, N 09, M 16 - 4M)

THE IRON LAW OF RESPONSIBILITY:

1. Business exists only because it provides invaluable services to society.
2. Society gives licence to business to exist and this can be amended or revoked at any time if it fails to live up to society's expectations.
3. Therefore, if a business intends to retain its existing social role and power, it must respond to society's needs constructively. This is known as the "Iron Law of Responsibility".
4. Businesses have been delegated economic power and have access to resources of a community. They are required to use these resources for the common good of society.
5. Every business organisation wants to have a better community for its business operations. Hence, for self-interest reasons also a business organisation has to be responsive to the communities in which it is operating.

THIS WAY, THE RESULTING BENEFITS WOULD BE:

- a) Decrease in crime
- b) Easier labour recruitment
- c) Reduced employee absenteeism.
- d) Easier access to international capital, better conditions for loans on international money markets.
- e) Becomes more Dependable and preferred stakeholder to everyone.

SIMILAR QUESTIONS:

1. What is the need of 'Corporate Social Responsibility? (Or) What is Corporate Social Responsibility? Why it is needed in Indian Business Environment? (Or) Explain the meaning of the "Iron Law of Responsibility"
- A. Refer the above answer. (PM, M07, N07 - 5M, N09 - 5M, N12 - 2.5 M, M14 - 2M)

Q.No.13. Examine the concept of Corporate Social Responsibility (CSR). How companies implement CSR (C) (SM, PM) (For Student - Self Study)

CSR CONCEPT:

- a) Some companies have established committees that are specifically responsible for identifying and addressing social or environmental issues.
- b) Some have broadened the scope of more traditional standing committees to include responsibility for CSR.
- c) Some other companies have strategically appointed directors on the board, based on the unique expertise and experience they bring on specific issues, and will serve as advisors to others on the board.
- d) Moreover, companies are finding that a board that is diverse in terms of gender, ethnicity and professional experience is better equipped to grapple^(=struggle) with emerging and complex challenges.

COMPANIES IMPLEMENT CSR BY PUTTING IN PLACE INTERNAL MANAGEMENT SYSTEMS THAT GENERALLY PROMOTE:

- i) Adherence^(=stick on) to labour standards by them as well their business patterns;
- ii) Respect for human rights;
- iii) Protection of the local and global environment;
- iv) Reducing the negative impacts of operating in conflict zones;
- v) Avoiding bribery and corruption and;
- vi) Consumer protection.

Q.No.14.Explain briefly the key strategies which can be used at the time of implementation of Corporate Social Responsibility policies and practices in a company. (B) (PM, N11 - 4M)

- a) Each company differs in how it implements Corporate Social Responsibility (CSR).
- b) The distinction depends on such factors as the company's size, sector, culture and the Commitment of its leadership.

BELOW ARE SOME KEY STRATEGIES THAT COMPANIES CAN USE WHEN IMPLEMENTING CSR POLICIES AND PRACTICES IN A COMPANY.

- i) Mission, Vision and Value Statements
- ii) Cultural Values
- iii) Management Structures
- iv) Strategic Planning
- v) General Accountability
- vi) Employee Recognition and Rewards
- vii) Communications, Education and Training
- viii) CSR Reporting

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SIMILAR QUESTIONS:

1. Explain briefly the key strategies which can be used at the time of implementation of Corporate Social Responsibility policies and practices in a company.

A. Refer the above answer.

Q.No.15. what are the factors behind the growth of CSR? (Or) Account for the increasing focus on social responsibility of corporations. (B) (SM, N10 - 4M)

1. **INCREASED STAKEHOLDER ACTIVISM**: Recent Corporate accounting scandals made the stakeholders to focus more on CSR and corporate governance practices by the organization to protect their interests.
2. **PROLIFERATION (=GROWTH, INCREASE) OF CODES, STANDARDS, INDICATORS AND GUIDELINES**: The recent accounting scandals, such as, Enron, Worldcome, Parmalat, AIR, LLP and Author Andersen have created another surge ^(=rise) of reforms .
3. **ACCOUNTABILITY THROUGHOUT THE VALUE CHAIN**: Over the past several years, the CSR plan of the corporations is growing. Stakeholders increasingly hold companies accountable for the practices of their business partners throughout the entire value chain with special focus on suppliers, environmental, labour, and human rights practices.
4. **TRANSPARENCY AND REPORTING**: Companies are facing increased demands for transparency and growing expectations that they measure, report, and continuously improve their social, environmental and economic performance.
5. **CONVERGENCE OF CSR AND GOVERNANCE AGENDA**: *More and more CSR activists have begun to stress the importance of board and management accountability, governance, and decision - making structures as very important.*
6. **GROWING INVESTOR PRESSURE AND MARKET-BASED INCENTIVES**: Many socially responsible investors are particularly stressing the CSR and corporate governance practices before making their investment decisions.
7. **ADVANCES IN INFORMATION TECHNOLOGY**: *Technological advances like Email, mobile phones and the Internet increased the speed of flow of information about a company's CSR activities.*
8. **PRESSURE TO QUANTIFY CSR "RETURN ON INVESTMENT"**: *Companies want to determine what their CSR initiatives have accomplished so that they can focus on scarce resources more effectively.*



SIMILAR QUESTIONS:

1. Briefly explain the key developments that have taken place, in shaping the direction of corporate social responsibility (CSR)
 - A. Refer the above answer.
2. "CSR is finding important place in the agenda of the corporations " Comment
 - A. Refer to the first four points of the question.

Q.No.16. Write about CSR initiatives in India. (B)

(SM)

1. Since several decades, Indian companies like Tata and Birla Groups have regularly maintained "A Certain Level of Expenditure for Social and Charitable Causes", even though there are no Government Directives or Legal Compulsions.
2. Some Progressive Companies in India like SAIL, BHEL, MMTC, and ONGC, etc., in the Public Sector along with: TISCO, ITC, BATA, etc., in the Private Sector have ventured into the field of social responsibility reporting since 1980.
3. Companies like Infosys, Wipro, Hero and Bharti Enterprises have taken various initiatives to promote and support the environment, education, health, cultural harmony and welfare in the society in our Country.

Q.No.17. What are the Benefits of Corporate Social Responsibility? Explain. (B) (PM)

BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY:

1. **Enhanced Brand Image and Reputation:** A company considered socially responsible can benefit both from its business and public reputation. Which, in turn increase a company's ability to attract capital and business partners
2. **Checks Government Regulation /Controls:** Business men by their own socially responsible behaviour, can prevent government intervention.
3. **Helps minimise Ecological Damage:** The effluents ^(=waste matter) of many businesses damage the surrounding environment. By their own socially responsible behaviour, they can prevent government intervention if they are cautious about ecological responsibility towards society.
4. **Improved Financial Performance:** Business communities have recognized the connection between the CSR activities and financial performance. So, they are focusing more on CSR activities.
5. **Reduced Operating Costs:** Some CSR initiatives can reduce operating costs dramatically. *For example, in human resources area, through cutting down of hiring and training costs.*
6. **Increased Sales and Customer Loyalty:** A number of studies have suggested that, because of CSR activities by the companies there is lot of customer loyalty which is helping to increase the sales.
7. **Increased Productivity and Quality of Work Life:** *Efforts to improve working conditions lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate in a company.*
8. **Increased Ability to Attract and Retain Employees:** *Companies perceived to have strong CSR commitments often find it easier to recruit and retain employees, resulting in a reduction in turnover and associated recruitment and training costs.*

SIMILAR QUESTIONS:

1. State the Benefits of Socially Responsible Corporate Performance. (PM)
- A. If the above question is asked for short answer it is enough to write side headings.
2. How CSR helps in enhancing the brand image and reputation of a business organization?
- A. Write the definition of CSR and write POINT No.1 in the above answer.

Q.No.18. Explain the meaning of Corporate Citizenship. (C) (PM)

1. The term **Corporate Citizenship** denotes the extent to which businesses meet the legal, ethical, economic and voluntary responsibilities placed on them by their stakeholders.
2. Companies can best benefit their stakeholders by fulfilling their economic, legal, ethical, and discretionary responsibilities.

The Benefits of Good Corporate Citizenship, includes:

1. A stable socio-political-legal environment for business as well as enhanced competitive advantage through better corporate reputation and brand image.
2. Improved employee recruitment, retention and motivation, improved stakeholder relations and a more secure environment for the corporations to operate.

APPLICATION ORIENTED QUESTIONS

Q.No.19. Answer whether the statement is correct or incorrect with brief reasons:

Company management has responsibility only towards its shareholders. (A) (PM)

Incorrect: Company management is responsible not only to the shareholders, but also to other stakeholders i.e., people who have an interest in the conduct of the business of the company.

These include employees, customers, vendors, the local community and even society as a whole.

These stakeholders have certain rights with regard to how the business operates.

Q.No.20. Answer whether the statement is correct or incorrect with brief reason:

'The Governance Model positions management as accountable solely to investors'. (Or) The responsibility of the corporate management lies towards shareholders only. (A)

(PM, M11 - 2M)

Incorrect:

- The traditional governance model positions management as accountable solely to investors only.
- But a growing number of corporations in the late part of the 20th century accept that constituents like employees, trade unions, customers, suppliers along with the investors are affected by corporate activity and therefore the corporate must be answerable to them also.
- Such constituents of an organization are also called the stakeholders. The management is responsible for stakeholders also.

Q.No.21. State with reasons whether the following statement is correct or incorrect:

Corporate Social Responsibility is closely linked with the principles of sustainable development. (B) (PM, M10 - 2.5M)

Correct:

- Corporate Social Responsibility (CSR) is a concept that organizations have an obligation to consider the interests of stakeholders.
- CSR is closely linked with the principles of Sustainable Development, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long-term social and environmental consequences of their activities.
- It is an integrated combination of policies, programs, education, and practices that extend throughout a corporation's operations to manage the business processes to produce an overall positive impact on society.

Q.No.22. State with reasons whether the following statements are correct or incorrect:

The phrase 'Iron Law of Responsibility' means that the institution of business exists only because it performs invaluable services towards its promoters. (B) (PM, M14 - 2M)

Incorrect: For explanation write the first four points of "Iron law of responsibility" question

Q.No.23. State with reasons whether the following statements are correct or incorrect: "The institution of business exists only if it fulfils the society's expectations." (or) In the long run, those business entities which respond to society needs favourably will survive. (B) (PM, M09 - 2.5M, N12 - 2.5M, N15 2M)

The given statement is Correct. For explanation write the first five points of "Iron law of responsibility" Question.

Q.No.24. Inclusion of Environmental Consideration as a part of Corporate Strategy improves Corporate Performance. (C) (PM)

Correct: Inclusion of environmental consideration as a part of corporate strategy improves corporate performance is a correct statement.

- a) Environmental consideration is a part of corporate strategy which means incorporating environmental issues in the business processes.
- b) A good environmental practice improves corporate performance. for example the process of recycling the waste saves a lot of money.
- c) Environmental considerations play a key role in corporate strategy. Markets of new millennium will be able to create wealth if they respond to the challenges of sustainable development, as unsustainable products will become obsolete.

Q.No.25. Explain how corporate social responsibility minimizes the ecological damage and helps in achieving long term objectives, so that the business may gain long term profit maximization. (Or) How can CSR enhance the long term objectives of a company (C) (PM, N08)

1. **Corporate social responsibility and ecological damage:** The business institution exists and flourishes only because it performs invaluable services to society.
2. Society gives business its license to exist which may be revoked and amended at any time if they do not fulfill the society's expectations.
3. A business organization acts in its own self interest and uses natural resources also.
4. The effluents of many businesses damage the surrounding environment.
5. By their own socially responsible behaviour, they can prevent government intervention if they are proactive (=far sighted, practical) in recognizing their ecological responsibility towards society.
6. Companies must recognize that a strategy for corporate responsibility can play a valuable role not only in meeting the challenges of globalization by mitigating risks domestically and internationally, but also in providing benefits beyond risk management.

Q.No.26. What is meant by 'Corporate Governance'? State the Measures of 'Corporate Governance' with reference to Indian Companies. (C) (SM)

MEANING AND MEASURES OF CORPORATE GOVERNANCE:

Meaning: Write the first two points of "what is meant by corporate governance?" question.

Measures: Write corporate governance measures sideheading of "Clause 49 of the listing agreement." Question.

**Q.No.27. Comment on the Statement “Business is all Green, Only Philosophy is Grey”.
(C) (RTP N14)**

1. The statement was given by the Karl Marx commenting on the business objectives said “Business is all green, only philosophy is grey.”
2. By this line he meant that business is all about profits and comfort for its rich owners and discomforts for all other sections of the society who are at the receiving end of the business.
3. But one has to accept that much of the progress in the world would not have been possible without entrepreneurship and business which involves risk.

Q.No.28. Write short notes on: (i) Code of Conduct on Insider Trading (ii) APEC Business Code of Conduct.(C) (PM)

Code of Conduct on Insider Trading

- a) In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the Code of Conduct for Prevention of Insider Trading.
- b) The objective of the Code is to prevent purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information.

APEC is known as the primary international organization for promoting open trade and economic cooperation among 21 member countries.

1. The Code, issued as a draft in 1999, is a standard that draws significantly on a variety of other internationally recognized codes and standards.
2. The drafting of the Code was initiated by business leaders from companies operating in APEC countries and is designed to supplement and support companies existing codes of conduct.

TEST YOUR KNOWLEDGE

1. Does an audit committee only sufficient to achieve corporate governance? Or does it need other committees? Analyze with practical example?
2. XYZ Company is encouraging child labor and non-discrimination. By which external standard, children can be protected?
3. Which external standard helps the users to establish a systematic stakeholder engagement process?
4. ABC private ltd is always accountable to shareholders but not to remaining stakeholders. Can this organization get survival in the long run?
5. Which committee provides assurance to board, on adequacy of internal control systems and financial disclosures?
6. To regulate the ‘Corporate Governance’, one of the committees is to realize tactical and strategic objectives in accordance with corporate management committee/board approved plan. What is the name of the committee?
7. According to clause 49, how many meetings should be conducted in a year to protect CG?
8. PQR LTD is following the clause 49. They submitted a quarterly compliance report to the stock exchange after the fifteen days from the close of the quarter. Is there any problem to PQR ltd regarding this issue? If problem arises, what is the cause of this problem?
9. “In a business entity, both CG and CSR don't go side by side.” Do you agree with this statement? Justify your answer.

THE END