

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY



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Introduction

- The relationship between **Corporate Governance (CG)** and **Corporate Social Responsibility (CSR)**.
- If the CSR practices are good, CG is good.
- **Gandhiji** mentioned that, “It is difficult, but not impossible, to conduct strictly honest business”.
- The significance of the Gandhian concept of “**Sarvodaya**” in corporate sector.

CORPORATE GOVERNANCE

- **Corporate governance** : *“a set of rules, guidelines, procedures and regulations that helps to run the company smoothly and taking care of all stakeholders”*.
- **Stakeholders**: Customers, society, community, government, promoters, members, workmen, executives, lenders, vendors, bankers, investors, etc.

What others say?

- **Cadbury committee**: *“corporate governance is the system by which companies are directed and controlled.”*
 - **Kumar Mangalam Birla(SEBI) committee**: *“the enhancement of long-term shareholder value while, at the same time, protecting the interests of other stakeholders.”*

ELEMENTS OF GOOD CORPORATE GOVERNANCE

- ❖ Dispersed ownership**
- ❖ Transparent Ownership**
- ❖ One share/one vote**
- ❖ Anti-takeover defenses**
- ❖ Meeting notification**
- ❖ Board size**
- ❖ Outside directors**
- ❖ Independent directors**

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- ❖ **Written board guidelines**
- ❖ **Board committees**
- ❖ **Disclosure**
- ❖ **Accounting standards**
- ❖ **Independent audit**
- ❖ **Board disclosure**
- ❖ **Timely disclosure**

4 P'S OF CG

◆ **People**

◆ **Purpose**

◆ **Process**

◆ **Performance**

- ✓ **Production efficiency**
- ✓ **Asset efficiency**
- ✓ **Management's efficiency**

CORPORATE SOCIAL RESPONSIBILITY (CSR)

❖ CSR plays a pivotal role in the corporate sector.

“Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.”

❖ The companies are doing more CSR practices, they are good in CG like Tata, and Infosys etc.

TATA COMPANY'S CSR ACTIVITIES

- Tata is a company that walks the talk on honesty and integrity.
- J.R.D. Tata was the pioneer of CSR activities in India.
- Ratan Tata donated US \$50million to Howard School of Business, Howard University, 2010.
- Equitymaster survey shows that the Tatas are the most trustworthy corporate house, followed by Infosys.

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- **TSRDS** : Tata Steel Rural Development Society
- **TSFIF** : Tata Steel Family Initiatives Foundation
- **TCS** : Tribal Culture Society

“When we spend money, we either create an asset in terms of a building, pump, school, house and so on, or we improve the quality of life through Programmes on adult literacy, TB treatment, empowering women, etc. If money spent does not create an asset or an improvement in the lives of the people, then the money is wasted.”

A. N. Singh, deputy managing director (corporate services)

Top ten companies in India's CSR rankings

- Tata Consultancy Services
- ITC Ltd
- Infosys Technologies
- Larsen and Toubro
- Reliance Industries
- Oil and Natural Gas Corporation
- Indian Oil Corporation
- Bharti Airtel
- Steel Authority of India Ltd
- NMDC Ltd.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

- *“If you choose to not participate (in bribery/corruption), you leave behind a fair amount of business. Corruption post-1991 has not been in awarding licenses but in awarding contracts, changing terms of contracts and obligations. It is these things which make you have a non-level playing field. No one compensated you in anyway. Also, business leaders need to be compassionate about the inequalities that exist and enhance the quality of life for the not-so privileged.”* **Rattan Tata, Chairman, Tata Group**
- The company's philosophy on CG is founded upon a rich legacy of fair, ethical and transparent governance practices.
- As a global organization the CG practices followed by the Company and its subsidiaries are compatible with international standards and best practices.
- The Company is in full compliance with the requirements of CG under Clause 49 of Listing Agreement with the Indian Stock Exchanges.

INFOSYS' CSR ACTIVITIES

- ✓ **Reading and writing is an undeniable birthright**
- ✓ **Rebuilding lives brick by brick**
- ✓ **Infosys' campus reflects commitment to a greener world**
- ✓ **SPARK-Where empowerment begins at 15 years**
- ✓ **A green campus, a bright future for butterflies**
- ✓ **Infosys Prize 2010 honors Indian scientists for nation building**

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

- *If you want to build a million-dollar enterprise, one can take all the shortcuts; but if you are keen on building a billion-dollar enterprise, there is no other way than to run your business rightly. Honesty has to be accepted as an axiom, which is the only way to do business. It gives you the mental and moral strength and the ability to do it the right way.”* **N R Narayana Murthy**

CG philosophy

The philosophy is based on the following principles:

- Satisfy the spirit of the law and not just the letter of the law. Corporate governance standards should go beyond the law.
- Be transparent and maintain a high degree of disclosure levels. When in doubt, disclose.
- Make a clear distinction between personal conveniences and corporate resources.
- Communicate externally, in a truthful manner, about how the Company is run internally.
- Comply with the laws in all the countries in which we operate.
- Have a simple and transparent corporate structure driven solely by business needs.
- Management is the trustee of the shareholders capital and not the owner.

SARVODAYA

- The concept of Sarvodaya has come from the Gandhian philosophy.
- Prof.S. Radhadrishnan speaks of him as one of the greatest figures of history who taught mankind the way of civilized living.
- Sarvodaya means “the betterment or upliftment of all.” In otherwords, Sarvodaya means the all round development of one and all.
- Sarvodaya is compared and contrasted with Utilitarianism. Utilitarianism is the doctrine that maintains, “the greatest happiness of the greatest number”.
- How would a Government or Corporation applying Gandhian Sarvodaya principle behave today?

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- In order to bridge the gap between haves and have-nots, Indian corporation should follow the Mahatma's trusteeship principle.
- from each according to his ability to each according to his needs.
- nature has enough for each man's need but not for anybody's greed.
- Gandhiji's trusteeship allows the entrepreneur to keep the surplus.
- His trusteeship rests on three solid pillars, viz. Ahimsa (non-violence), Samanta (equality), and Swaraj (self-rule).

CONCLUSION

- ✓ We must become the change, we want to see.
- ✓ The concepts of sarvodaya and trusteeship have a great significance in the corporate sector and the businesspersons will command respect by adhering these concepts in letter and spirit.

Thank you for your attention