Industry & Services Risks:

These risks can be broadly categorised as follows, namely:

- ✓ Economic risks
- ✓ Services risks
- ✓ Market structure
- ✓ Business dynamics
- ✓ Competition risks
- ✓ Customer relations risks
- ✓ Reputational risk

Compliance risk:

This risk arises on account of non-compliance of breaches of laws/ regulations which the entity is supposed to adhere. It may result to deterioration to public reputation, penalty and penal provisions

Transaction risk:

Transaction risk arises due to the failure or inadequacy of internal system, information channels, employees integrity or operating processes.

Fraud risk:

Fraud is perpetrated through the abuse of systems, controls, procedures and working practices. It may be performed by the outsider or even from the insider. Often the most trusted employee attempt to do this. Fraud may not be detected immediately, but is still usually discovered by chance, but the detection should be proactive rather than reactive.

Reputation risk:

This type of risk arises from the negative public opinion. Such type of risk may arise from the failure to assess and control compliance risk and can result in harm to existing or potential business relationships.

STEPS IN RISK MANAGEMENT STEP - 1 RISK IDENTIFICATION

Any business exists in an atmosphere of perpetual change. Hence, the process of risk identification must be an ongoing one and any failure in proper risk identification would result in passive retention of the risk by the company. One is required to be alert to note the changes in environment and react.

STEP - 2 RISK EVALUATION

The risk measurement process requires a mathematical approach and considerable data on the j past losses. The data available from the concern itself may not be adequate enough to lend itself amenable to analytical exercise. Hence, it becomes necessary to resort to data on industry basis, at national and sometimes even at international level. Risk evaluation includes the determination of:

- 1. The probability or chances that losses will occur.
- 2. The impact the losses would have upon the financial affairs of the firm should they occur.



STEP - 3 RISK HANDLING (4 WAYS OF HANDALING THE RISK)

Firms are not entirely free to decide on how they shall handle their risks. In every country there are governmental and official regulations governing health and safety at work like fire precautions, hygiene, environmental pollution, food, handling of dangerous substances and many other matters relating to properties, personal injuries and other risks.

STEP - 4 IMPLEMENTATION OF DECISION

The last step in the risk management process is the implementation of the decision. The Risk Manager should recommend to the Board or an organization various alternatives of tackling the risks. After getting it approved, initiate measures to implement it.

Systematic approach to risk management requires an integration of different disciplines and holistic assessment techniques. It is desirable to have a generic approach to risk assessment that avoids compartmentalization or castling of risks.

HOW TO HANDLE RISK? RISKS CAN BE HANDLED BROADLY IN FOUR WAYS:

RISK AVOIDANCE

It is a rare possibility to avoid a risk completely. A riskless situation is rare. Generally risk avoidance is only feasible at the planning stage of an operation.

RISK REDUCTION

In many ways physical risk reduction (or loss prevention, as it is often called) is the best way of dealing with any risk situation and usually, it is possible to take steps to reduce the probability of loss. Again, the ideal time to think of risk reduction measures is at the planning stage of any new project when considerable improvement can be achieved at little or no extra cost.

RISK TRANSFER

This refers to legal assignment of cost of certain potential losses to another. The insurance of 'risks' is to occupy an important place, as it deals with those risks that could be transferred to an organization that specialises in accepting them, at a price. Usually, there are 3 major means of loss transfer:

RISK RETENTION

It is also known as risk assumption or risk absorption. It is the most common risk management technique. This technique is used to take care of losses ranging from minor to major break-down of operation. There are two types of retention methods for containing losses as under:



- Risk retained as part of deliberate management strategy after conscious evaluation of possible losses and causes. This is known as active form of risk retention.
- Risk retention occurred through negligence. This is known as passive form of risk retention.

ADVANTAGES OF RISK MANAGEMENT

- a) Better informed decision making for example in assessing new opportunities;
- b) Less chances of major problems in new and ongoing activities; and
- Increased likelihood of achieving corporate objectives.

FRAUD RISKS MANAGEMENT

The term 'fraud' is generally defined in the law as an intentional misrepresentation of material existing fact made by one person to another with knowledge of its falsity and for the purpose of inducing the other person to act, and upon which the other person relies with resulting injury or damage.

Section 25 of Indian Penal Code, 1860 defines the word "Fraudulently". It says "A person is said to do a thing fraudulently if he does that thing with intent to defraud but not otherwise."

For the corporate it becomes more important to proactively incorporate Fraud Management policy or a plan aligned to its internal control and risk management plan.

The fraud risk management policy will help to strengthen the existing anti-fraud controls by raising the awareness across the company and:

- Promote an open and transparent communication culture.
- Promote zero tolerance to fraud/misconduct.
- Encourage employees to report suspicious cases of fraud/misconduct.
- Spread awareness amongst employees and educate them on risks faced by the company.

REPUTATION RISK MANAGEMENT

Reputation is the trust that an organization has **gained over the years by the products**, **services**, **brands** it has provided to the society. Corporates are at a risk of losing such reputation, reputation damage are irreparable. It is an intangible asset that is broad and far-reaching and includes image, goodwill and brand equity. If ruined can devastate the financial health and welfare of an organization.

REPUTATION LOST WILL DAMAGE:

- a) Brand Value
- b) Share Price
- c) Strategic Relationship
- d) Regulatory relationship
- e) Recruitment/ Retention



ISO STANDARD ON RISK MANAGEMENT ISO 31000:2009:

International organization for standardization (ISO) is a worldwide federation of national Standards bodies (ISO member bodies). The work of preparing international standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. The main task of technical committees is to prepare international standards.

Every activity of an organization involves risk. Organizations manage risk by identifying it, analysing it and then evaluating whether the risk should be modified by risk treatment in order to satisfy their risk criteria. Throughout this process, they communicate and consult with stakeholders and monitor and review the risk and the controls that are modifying the risk in order to ensure that no further risk treatment is required. This international standard describes this systematic and logical process in detail. Risk management can be applied to an entire organization, at its many areas and levels, at any time, as well as to specific functions, projects and activities.

ISO 31000 published on the 13th of November 2009, provides a standard on the implementation of risk management. ISO 31000 seeks to provide a universally recognised paradigm for practitioners and companies employing risk management processes. Accordingly, the general scope of ISO 31000 - is not developed for a particular industry group, management system or subject matter field in mind, rather it provides best practice structure and guidance to all operations concerned with risk management. The scope of this approach to risk management is to enable all strategic, management and operational tasks of an organization throughout projects, functions, and processes be aligned to a common set of risk management objectives.

Reporting of Fraud under companies Act 2013

The Companies Act, 2013 has introduced many new reporting requirements for the statutory auditors of companies. One of these requirements is given under the Section 143(12), which requires the statutory auditors or cost accountant or PCS to report to the Central Government about the fraud/suspected fraud committed against the company by the officers or employees of the company.

It states,

"Notwithstanding anything contained in this section, if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government within such time and in such manner as may be prescribed."



The reporting requirement under Section 143(12) is for the statutory auditors of the company and also equally applies to the cost accountant in practice, conducting cost audit under Section 148 of the Act; and to the company secretary in practice, conducting secretarial audit under Section 204 of the Act.

Section 143(12) includes only fraud by officers or employees of the company and does not include fraud by third parties such as vendors and customers.

Role of company secretaries in risk management

The company secretaries are governance professionals whose role is to enforce a compliance framework to safeguard the integrity of the organization and to promote high standards of ethical behavior. He/ she has a significant role in assisting the board of the organization to achieve its vision and strategy. The activities of the governance professional encompass legal and regulatory duties and obligations and additional responsibilities assigned by the employer.

However, in essence, the functions of a governance professional include:

- ✓ Advising on best practice in governance, risk management and compliance.
- ✓ Championing the compliance framework to safeguard organizational integrity.
- Promoting and acting as a 'sounding board' on standards of ethical and corporate behavior.
- Balancing the interests of the board or governing body, management and other stakeholders.

INTERNAL CONTROL SYSTEM

A system of internal control is a proactive approach that balances the risk and control in the Company which helps in exploiting business opportunities fully.

They help to ensure that a company is not unnecessarily exposed to avoidable financial risks and that the financial information used within the business and for publication is reliable. They also contribute to the safeguarding of assets, including the prevention and detection of fraud.



THE SYSTEM WILL INCLUDE:

- ✓ Control activities;
- ✓ Information and communications processes; and
- Processes for monitoring the continuing effectiveness of the system of internal control.



INTERNAL CONTROL DEFINED

Internal control is defined as a process, affected by an organization's people and information technology (IT) systems, designed to help the organization accomplish specific goals or objectives.

It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations.

IMPORTANCE OF INTERNAL CONTROL

- A sound system of internal control contributes to safeguarding the shareholders' investment and the company's assets.
- ✓ Internal control facilitates the effectiveness and efficiency of operations, helps ensure the reliability of internal and external reporting and assists compliance with laws and regulations.
- ✓ It ensure that the company is not unnecessarily exposed to avoidable financial risks and that financial information used within the business and for publication is reliable.
- ✓ It also contribute to the safeguarding of assets, including the prevention and detection of fraud.

COSO's INTERNAL CONTROL Framework

Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a U.S. private sector initiative. COSO has defined internal controls as "a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance"

COMPONENTS OF INTERNAL CONTROL

S.NO.	PARTICULARS	PROVISIONS	
1	Control environment:	The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The control environment comprises the integrity and ethical values of the organization; the parameters enabling the board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals.	



2	Risk assessment:	Every entity faces a variety of risks from external and internal sources. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective.	
3	Control activities:	Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment.	
4	Information and communication:	Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information.	

WHAT INTERNAL CONTROL CAN DO:

- Internal control can help an entity achieve its performance and profitability targets, and prevent loss of resources.
- ✓ It can help ensure reliable financial reporting.
- ✓ It can help ensure that the enterprise complies with laws and regulations, avoiding damage to its reputation and other consequences.
- In sum, it can help an entity get to where it wants to go, and avoid pitfalls and surprises along the way.

WHAT INTERNAL CONTROL CANNOT DO

- Internal control cannot change an inherently poor manager into a good one.
- ✓ Internal control cannot ensure success, or even survival in case of shifts in government policy or programs, competitors' actions or economic conditions, since these are beyond the management's control.
- An internal control system, no matter how well conceived and operated, can provide only reasonable—not absolute—assurance to management and the board regarding achievement of an entity's objectives.
- ✓ The likelihood of achievement is affected by limitations inherent in all internal control systems.



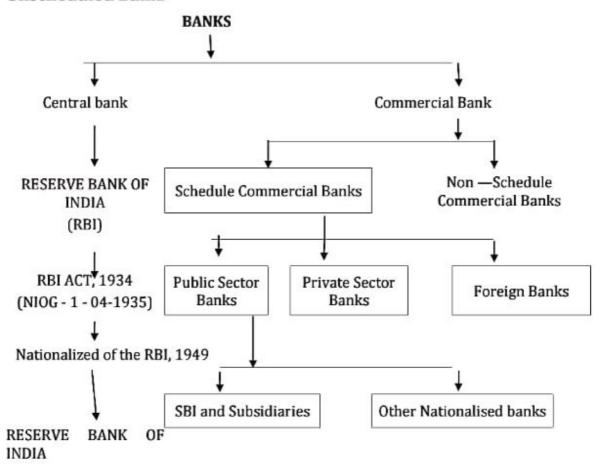
Corporate Governance in Banks, Insurance and **Public Sector Companies**

CORPORATE GOVERNANCE IN BANKS

The economic development of a country in the modem age can be judged from the efficiency of its banking system. They are central to market development and socioeconomic growth, regulatory and economic reforms.

- ✓ By the very nature of their business, banks are highly leveraged.
- ✓ They accept large amounts of public funds as deposits in a fiduciary capacity and further leverage those funds through credit creation.

In the Indian context banks can be classified as Scheduled Bank and Unscheduled Bank.



Regulation of Banks

The Reserve Bank of India, the central bank of the country, is the primary regulator of banks. The Banking Regulation Act, 1949 applies to all banks. The provisions of this Act

shall be in addition to, and not, unless expressly provided, in derogation of the Companies Act, 2013 and any other law for the time being in force.

- ✓ Companies Act, 2013 is applicable to all private sector banks registered under the Companies Act, 2013.
- ✓ Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980 is applicable to all nationalized banks except State Bank of India, which is governed by the State Bank of India Act.

CLASSIFICATION OF BANKS

Schedule bank means a bank mentioned in 2nd schedule of RBI Act 1934

Conditions for inclusion of name of a bank in 2nd schedule:

Section 42(6)(a) of the RBI act, 1934 narrates the following conditions for inclusion of the name of a bank in the 2nd schedule:

- ✓ Has a paid-up capital and reserves of an aggregate value of not less than Rs. 5 lakhs,
 and
- ✓ Satisfies the RBI that its affairs are not being conducted in a manner detrimental to the interests of its depositors, and
- ✓ Is a state co-operative bank or a company, or an institution notified by the central government in this behalf or a corporation or a company incorporated by or under any law in force in any place outside India.

Non-scheduled bank:

It means those banks, whose names have not been included in the 2nd schedule of the RBI act, 1934. The non-scheduled banks are required to maintain by way of cash reserve with itself or with RBI in terms of section 18 of the banking regulation act, 1949.

The banks may also be classified in the following way:

State bank of India: The state bank of India act, 1955 came into force w.e.f 1st July, 1955.

SBI associate banks: To provide for the formation of certain government or government Associated banks as subsidiaries of the state bank of India, an act called as the state bank of India (subsidiary banks) act, 1959 was enacted and it came into force 10th September, 1959. These SBI and associate banks are called the govt of India undertakings.

Nationalised banks: In 1969, the government of India issued an ordinance, banking companies (acquisition and transfer of undertakings) ordinance, 1969, and 14 scheduled commercial banks were nationalised in order to expand the branch network, followed by six more in 1980. The ordinance was thereafter enacted as act namely the banking companies (acquisition and transfer of undertakings) act, 1970 and the



banking companies (acquisition and transfer of undertakings) act, 1980. These nationalised banks are called the Govt. of India undertakings.

Old/New private sector banks: The Ownership of these banks are scattered among the individuals, institutions, mutual funds and companies and are not the government banks, but they are governed and controlled by the RBI guidelines and directives. Among old private sector banks, it includes I & K bank, federal bank etc. and ICICI bank, HDFC bank, axis bank etc. Are the new generation banks.

State/district co-operative banks: a cooperative bank is a cooperative society registered or deemed to have been registered under any state or central act. If a cooperative bank is operating in more than one state, the central cooperative societies act is applicable. In other cases the state laws are applicable. Apart from various other laws like the banking laws (application to co-operative societies) act, 1965 and banking regulation (amendment) and miscellaneous provisions act, 2004, the provisions of the RBI act, 1934 and the BR Act, 1949 would also be applicable for governing the banking activities.

Regional rural banks (RRB): These banks were established under the regional rural banks act, 1976. These banks are sponsored by nationalized banks and the capital contribution is in the ratio of 50% by CG, 15% by SG and 35% by the concerned sponsored bank. These banks established with the focused attention of the local villagers financial needs.

Local area banks (LAB): Local area banks with operations in two or three contiguous districts were conceived in the 1996 union budget to mobilise rural savings and make them available for investments in local areas. They are expected to bridge the gaps in credit availability and enhance the institutional credit framework in rural and semi-urban areas. Although the geographical area of operation of such banks is limited, they are allowed to perform all functions of a scheduled commercial bank.

Foreign banks: The other important segment of the commercial banking is that of foreign banks. Foreign banks have their registered offices outside India, and through their branches they operate in India. Foreign banks are allowed on reciprocal basis. They are allowed to operate through branches or wholly owned subsidiaries.

NATIONALISED BANKS (MANAGEMENT AND MISCELLANEOUS PROVISIONS) SCHEME, 1970

In exercise of the powers conferred by Section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Central Government, after consultation with the Reserve Bank, makes this Scheme called as the Nationalised Banks (Management and MisceXaneous Provisions) Scheme, 1970.

The scheme deals with the manner of nomination of directors, retirement of nominee directors/excess elected directors, terms of office of Managing and other directors etc.

S.NO.	PARTICULARS	PROVISIONS
1		The scheme provides that a WTD, including the MD, shall devote his whole time to the affairs of the Nationalised Bank and shall hold office for such term not exceeding 5 years and shall be eligible for re-appointment. The CG shall have the right to terminate the term of office of
		a WTD, including the MD, at any time before the expiry of the term specified under that sub clause by giving to him notice of not less than 3 months in writing or 3 month's salary and allowances in lieu of notice; and the WTD, including the MD, shall also have the right to relinquish his office by giving to the CG notice of not less than 3 months in writing.
2	Disqualification of directors	The Scheme provides that a person shall be disqualified for being appointed as, and for being, a Director: ✓ If he has at any time been adjudicated an insolvent or has suspended payment or has compounded with his creditors; or ✓ If he has been found to be of unsound mind and stands so declared by a competent court; or
		✓ If he has been convicted by a criminal court of an offence which involves moral turpitude.
3	Chairman	The CG shall, after consultation with the RBI, appoint one of the Directors to be the Chairman of the Board and
		The CG may also appoint the same person to hold, at the same time, both the Offices of the Chairman and the MD.
4	Meeting of the board	Board Meeting shall ordinarily be held at least 6 times in a year and at least once in each quarter.
		A board meeting shall be held at the head office of the Nationalised Bank or such other place as the board may decide.
		Ordinarily, not less than 15 days notice shall be given of any board meeting and such notice shall be sent to every Director at the address specified by him in this behalf.
5	Constitution of committees	Some of the stipulated committees of the Board are as under: ✓ Management Committee of the Board ✓ Audit Committee: ✓ Risk Management Committee ✓ Nomination Committee



✓ Committee of High Value Frauds	
✓ IT Strategy Committee	
✓ Remuneration Committee	
✓ Credit Approvals Committee	
✓ Customer Service Committee	
✓ Committee of Directors	
✓ Human Resources Committee	

GANGULY COMMITTEE RECOMMENDATIONS ON CORPORATE GOVERNANCE IN BANKS

The RBI vide its circular dated 20th June 2002, circulated to all scheduled commercial banks, a report of the consultative group of directors of banks/financial institutions (Dr. Ganguly group) - implementation of recommendations. The RBI through this circular urged the banks to place the report as well as the list of recommendations enclosed in circular before the board of directors of respective banks. Based on the decision taken by the board, these recommendations be adopted and implemented in banks.

Recommendations which may be implemented by all banks: Responsibilities of the BOD:

A strong corporate board should fulfil the following 4 major roles viz.

- ✓ Overseeing the risk profile of the bank,
- ✓ monitoring the integrity of its business and control mechanisms,
- ensuring the expert management, and
- maximising the interests of its stakeholders.

The BOD should ensure that responsibilities of directors are well defined and every director should be familiarised on the functioning of the bank before his induction

Role and responsibility of independent and non-executive directors:

The independent/non-executive directors have a prominent role in inducting and sustaining a proactive governance framework in banks.

In order to familiarise the independent /non-executive directors with the environment of the bank, banks may circulate among the new directors a brief note on the profile of the bank, the sub committees of the board, their role, details on delegation of powers, the profiles of the top executives etc.

Training facilities for directors:

Need-based training programmes/seminars/ workshops may be designed by banks to acquaint their directors with emerging developments/challenges facing the banking sector and participation in such programmes could make the directors more sensitive to their role.

The board should ensure that the directors are exposed to the latest managerial techniques, technological developments in banks, and financial markets, risk management systems etc. So as to discharge their duties to the best of their abilities.

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Submission of routine information to the board: Reviews dealing with various performance areas may be put up to the management committee of the board and only a summary on each of the reviews may be put up to the board of directors at periodic intervals. This will provide the board more time to concentrate on more strategic issues such as risk profile, internal control systems, overall performance of the bank. Etc.

RECOMMENDATIONS APPLICABLE ONLY TO PUBLIC SECTOR BANK 1. INFORMATION FLOW:

In order to improve manner in which the proceedings are recorded and followed up in public sector banks, they may initiate measures to provide the following information to the board:

- A summary of key observations made by the directors which should be submitted in the next board meeting.
- A more detailed recording of the proceedings which will clearly bring out the observations, dissents, etc. By the individual directors which could be forwarded to them for their confirmation.

2. COMPANY SECRETARY

The company secretary has important fiduciary and company law responsibilities. The company secretary is the nodal point for the board to get feedback on the status of compliance by the organisation in regard to provisions of the company law, listing agreements, SEBI regulations, shareholder grievances, etc. In view of the important role performed by the company secretary vis-a- vis the functioning of the boards of the banks, as also in the context of some of the public sector banks having made public issue it may be necessary to have company secretary for these banks also. Banks should therefore consider appointing qualified company secretary as the secretary to the board and have a compliance officer (reporting to the secretary) for ensuring compliance with various regulatory/accounting requirements.

RECOMMENDATIONS APPLICABLE ONLY TO PRIVATE SECTOR BANK Eligibility criteria and 'fit and proper' norms for nomination of directors:

The board of directors of the banks while nominating/ co-opting directors should be guided by certain broad 'fit and proper' norms for directors, viz. formal qualification, experience, track record, integrity etc. For assessing integrity and suitability features like criminal records, financial position, civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies, previous questionable business practices etc. should be considered. The board of directors may, therefore, evolve appropriate systems for ensuring 'fit and proper' norms for directors, which may include calling for information by way of self-declaration, verification reports from market, etc.

The following criteria, which is in vogue in respect of nomination to the boards of public sector banks, may also be followed for nominating independent/ non-executive directors on private sector banks:

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- ✓ The candidate should normally be a graduate (which can be relaxed while selecting directors for the categories of farmers, depositors, artisans, etc.)
- ✓ He/she should be between 35 and 65 years of age.
- ✓ He/she should not be a member of parliament/member of legislative assembly/ member of legislative council.

Composition of the board:

in the context of banking becoming more complex and competitive, the composition of the board should be commensurate with the business needs of the banks. There is an urgent need for making the boards of banks more contemporarily professional by inducting technical and specially qualified personnel. Efforts should be aimed at bringing about a blend of 'historical skills' set, i.e. regulation based representation of sectors like agriculture, SSI, cooperation etc. And the 'new skills' set, i.e. need based representation of skills such as, marketing, technology and systems, risk management, strategic planning, treasury operations, credit recovery etc. The above suggestions may be kept in view while electing/co-opting directors to their boards.

BASEL COMMITTEE ON CORPORATE GOVERNANCE

Banks are the custodians of the public money. The objective of the corporate governance in banks is first the protections of the depositor's interest and then to optimise the share holders/ stake holders interest.

A consultative document of guidelines on corporate governance for banks was released by the BASEL committee on banking supervision in October 2014 and comments were invited by the central banks of the countries. Once the comments received from all the central banking authority is debated and deliberated, the BASEL committee will circulate to the member banks for its implementation.

The principles of corporate governance of this consultative document are as under:

Principle 1: Board's overall responsibilities: The board has overall responsibility for the bank, including approving and overseeing the implementation of the bank's strategic objectives, governance framework and corporate culture. The board is also responsible for providing oversight of senior management.

Principle 2: <u>Board qualifications and composition</u>: Board members should be and remain qualified, individually and collectively, for their positions. They should understand their oversight and corporate governance role and be able to exercise sound, objective judgment about the affairs of the bank.

Principle 3: Board's own structure and practices: The board should define appropriate governance structures and practices for its own work, and put in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness.

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Principle 4: Senior management: Under the direction and oversight of the board, senior management should carry out and manage the bank's activities in a manner consistent with the business strategy, risk appetite, incentive compensation and other policies approved by the board.

Principle 5: Governance of group structures: In a group structure, the board of the parent company has the overall responsibility for the group and for ensuring that there is a clear governance framework appropriate to the structure, business and risks of the group and its entities. 17 the board and senior management should know and understand the bank's operational structure and the risks that it poses.

Principle 6: Risk Management: Banks should have an effective independent risk management function, under the direction of a Chief Risk Officer (CRO), with sufficient stature, independence, resources and access to the board

Principle 7: Risk identification, monitoring and controlling: Risks should be identified, monitored and controlled on an ongoing bank-wide and individual entity basis. The sophistication of the bank's risk management and internal control infrastructure should keep pace with changes to the bank's risk profile, to the external risk landscape and in industry practice.

Principle 8: Risk communication: An effective risk governance framework requires robust communication within the bank about risk, both across the organisation and through reporting to the board and senior management.

Principle 9: Compliance: The bank's board of directors is responsible for overseeing the management of the bank's compliance risk. The board should approve the bank's compliance approach and policies, including the establishment of a permanent compliance function.

Principle 10: Internal Audit: The internal audit function provides independent assurance to the board and supports board and senior management in promoting an effective governance process and the long-term soundness of the bank. The internal audit function should have a clear mandate, be accountable to the board, be independent of the audited activities and have sufficient standing, skills, resources and authority within the bank.

CORPORATE GOVERNANCE IN INSURANCE COMPANIES

The Insurance Regulatory and Development Authority (IRDA) has outlined in general terms, governance responsibilities of the Board in the management of the insurance functions under various Regulations notified by it covering different operational areas.

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These guidelines are in addition to provisions of the Companies Act, 2013, Insurance Act, 1938 and requirement of any other laws or regulations framed thereunder. Where any provisions of these guidelines appear to be in conflict with the provisions contained in any law or regulations, the legal provisions will prevail.

The objective of the guidelines is to ensure that the structure, responsibilities and functions of Board of Directors and the senior management of the company fully recognize the expectations of all stakeholders as well as those of the regulator.

1) Composition of the Board

Insurance companies in India would be public companies & will require properly constituted Board.

The size of the Board in addition to being compliant with legal requirements (where applicable), should be consistent with scale, nature and complexity of business.

No. of Independent Directors

For Listed companies

✓ If company has a non-executive Chairman, then at least 1/3rd of the directors and in other cases at least 50% of the directors.

For Unlisted companies

✓ 2 Independent Directors

As a matter of prudence, not more than one family member or a close relative as defined in the Companies Act or an associate (partner, director etc.) should be on the Board of an Insurer as 'Independent Director'.

Conduct of Meetings

The Board should also lay down systems that would make the CS responsible for proper conduct of the Board meetings and with adequate time to deliberate on the major issues in detail.

There should be a system of familiarizing new Directors with the background of the company's governance philosophy, duties and responsibilities of the Directors, etc.

Well-structured arrangements should be in place for ongoing briefing of Directors on dynamic changes in the insurance in particular and in the financial sector in general and for updating the Directors through formal and informal programmes covering regulatory systems, market growth trends, future strategic plans/operations, etc.

3) Control Functions	Given the risks that an insurer takes in carrying out its operations, and the potential impact it has on its business, it is important that the Board lays down the policy framework to put in place:
	Robust and efficient mechanisms for the identification, assessment, quantification, control, mitigation and monitoring of the risks; Appropriate processes for ensuring compliance with the Board approved policy, and applicable laws and regulations; Appropriate internal controls to ensure that the risk management and compliance policies are observed; An internal audit function capable of reviewing and assessing the adequacy and effectiveness of, and the insurer's adherence to its internal controls as well as reporting on its strategies, policies and procedures; and Independence of the control functions, including the risk management function, from business operations demonstrated by a credible reporting arrangement.
4) Committees	IRDA has advised insurers that it is mandatory to establish Audit; Investment; Risk Management; Policyholder Protection; and Asset Liability Management (in case of life insurers) Committees that have a critical role in strengthening the control environment in the company. Establishment of the other Committees is left to the option of the insurer.

CORPORATE GOVERNANCE IN PUBLIC SECTOR ENTERPRISES

Department of Public Enterprises (DPE) is the nodal department for issuing the corporate governance guidelines for the Public Sector Enterprises for both at centre and state level.

To bring in more transparency and accountability in the functioning of CPSEs, the Government in June, 2007 introduced, for an experimental period of one year, the Guidelines on Corporate Governance for CPSEs.

These Guidelines were of voluntary nature. Since the issue of these guidelines, the CPSEs have had the opportunity to implement them for the whole of the financial year 2008-09. These Guidelines have been modified and improved upon based on the experience gained during the experimental period of one year.

The Government have felt the need for continuing the adoption of good Corporate Governance Guidelines by CPSEs for ensuring higher level of transparency and decided to make these Guidelines mandatory and applicable to all CPSEs. Accordingly, revised



Guidelines on Corporate Governance for Central Public Sector Enterprises was issued by DPE in 2010.

For the purpose of DPE Guidelines on Corporate Governance, CPSEs have been categorised into 2 groups, namely

- Those listed on the Stock Exchanges
- 2. Those not listed on the Stock Exchanges

CPSEs listed on Stock Exchanges	Unlisted CPSEs
In so far as listed CPSEs are concerned, they have to follow the SEBI Guidelines on Corporate Governance. In addition, they shall follow those provisions in these Guidelines which do not exist in the SEBI Guidelines and also do not contradict any of the provisions of the SEBI Guidelines	Each CPSE should strive to institutionalize good Corporate Governance practices broadly in conformity with the SEBI Guidelines. The listing of the non-listed CPSEs on the stock exchanges may also be considered within a reasonable time frame to be set by the Administrative Ministry concerned in consultation with the CPSEs concerned. The non-listed CPSEs shall follow the Guidelines on Corporate Governance on a mandatory basis.

DPE Guidelines on Corporate Social Responsibility (CSR) and Sustainability for Central Public Sector Enterprises

Department of Public Enterprises (DPE) has issued New Guidelines on CSR and Sustainability for CPSEs w.e.f. April 1, 2013.

The guidelines issued are in consonance with the National Voluntary Guidelines for Social, Environmental & Economic Responsibilities of Business issued by the Ministry of Corporate Affairs in July 2011.

In the revised guidelines the thrust of CSR and Sustainability is clearly on capacity building, empowerment of communities, inclusive socio-economic growth, environment protection, promotion of green and energy efficient technologies, development of backward regions, and upliftment of the marginalized and under-privileged sections of the society.

Making it mandatory in the revised guidelines for CPSEs to take up at least one major project for development of a backward district has the potential of contributing significantly in the long run to socio-economic growth in all the backward regions of the country.



Corporate Governance forum

The world has become a borderless global village. The spirit to implement internationally accepted norms of corporate governance standards found expression in private sector, public sector and the government thinking. The need to find an institutional framework for corporate governance and to advocate its cause has resulted in the setting up and constitution of various corporate governance forums and institutions the world over.

INSTITUTE OF COMPANY SECRETARIES OF INDIA (ICSI)

Vision and Mission Statements

Recognising the fact that Corporate Governance is the key to development of corporate sector, the Institute has adopted a farsighted vision "To be a global leader in promoting Good Corporate Governance"

The Mission of the Institute is "To develop the high calibre professionals facilitating good Corporate Governance".

The ICSI, after extensive research, has taken a lead step in defining Corporate Governance as "the application of best management practices, compliance of law in letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders."

The ICSI National Awards for Excellence in Corporate Governance

In pursuit of excellence and to identify, foster and reward the culture of evolving globally acceptable standards of corporate governance among Indian companies, the "ICSI National Award for Excellence in Corporate Governance" was instituted by ICSI in the year 2001.

The Awards comprising citation and trophy are based on the outcome of concerted and comprehensive process of evaluation which enables the Jury to judge on the basis of parameters, the practices of corporate governance as followed by Indian corporates and acknowledge the best practices worthy of being exemplified.

The underlying guideline for the Corporate Governance Award is to identify the corporates, which follow the best corporate governance norms in letter and spirit.

ICSI INITIATIVES

ICSI has set up the ICSI- centre for corporate governance research and training (CCGRT) with the objective of fostering and nurturing research initiatives among members of the company secretaries profession and other researchers.

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ICSI national award for excellence in corporate governance was instituted by the ICSI in 2001 to identify, foster and reward the culture of evolving global best practices of corporate governance among Indian companies. Each year, the award is conferred upon two best governed companies and ICSI life time achievement award for translating excellence in corporate governance into reality is bestowed on an eminent personality.

Focus on corporate governance in the course curriculum - considering corporate governance as core competency of company secretaries, education and training for company secretary significantly focuses on corporate governance. One full paper on corporate governance titled "ethics, governance and sustainability" forms part of the syllabus in the professional programme.

Secretarial Standards - as a pioneering initiative, ICSI issues secretarial standards to integrate, harmonise and standardise the diverse secretarial practices prevalent in the corporate sector. Two secretarial standards issued by ICSI - SS-1: meetings of the board of directors and SS-2: general meetings have been notified in the official gazette under section 118 (10) of the Companies act 2013 which provides that every company shall observe secretarial standards with respect to general and board meetings specified by the institute of company secretaries of India and approved as such by the central government. They have been effective from July 1,2015. Prior to the promulgation of the companies act, 2013, the secretarial standards were recommendatory in nature and ICSI had issued **10 secretarial standards**. With the introduction of SS in the statute book has marked a new era of healthy secretarial practices among professional.

Corporate governance publications - The institute regularly brings out publications of interest to members and corporate sector to inculcate the culture of good governance. One of the major Publications of ICSI is 'corporate governance - beyond letters'. The revised edition of this publication is brought out regularly by incorporating the best practices of the corporates participating in the award.

National policy on corporate governance - The MCA vide office memorandum dated march 7, 2012 had constituted a committee to formulate a policy document on corporate governance under the chairmanship of Mr. Adi Godrej. The president, ICSI was the member secretary/convener. The concept paper prepared by ICSI was the base paper for discussion for this committee. The committee submitted its report, which is articulated in the form of guiding principles of corporate governance, to the government of India on 18th September, 2012.

Founder member of national foundation for corporate governance - The ICSI is one of the four founder trustees of national foundation for corporate governance, along with MCA, CII and ICAI. The vision of NFCG is to - be a catalyst in making India the best in corporate governance practices.

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NATIONAL FOUNDATION FOR CORPORATE GOVERNANCE (NFCG)

With the goal of promoting better corporate governance practices in India, the Ministry of Corporate Affairs, Government of India, has set up NFCG in partnership with CII, ICSI and ICAI.

Mission of NFCG

- ✓ To foster a culture for promoting good governance, voluntary compliance and facilitate effective participation of different stakeholders;
- ✓ To create a framework of best practices, structure, processes and ethics;
- ✓ To make significant difference to Indian Corporate Sector by raising the standard of corporate governance in India towards achieving stability and growth.

THE INTERNAL GOVERNANCE STRUCTURE OF NFCG CONSISTS Governing Council

Governing Council of NFCG works at the apex level for policy making. It is chaired by Minister in-charge, Ministry of Corporate Affairs, Government of India.

Board of Trustees

Board of Trustees deal with the implementation of policies and programmes and lay down the procedure for the smooth functioning. It is chaired by Secretary, Ministry of Corporate Affairs, Government of India.

Executive Directorate

The Executive Directorate provides the internal support to NFCG activities and implements the decisions of the Board of Trustees. The Executive Director is the Chief Executive Officer of NFCG.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

The Organisation for Economic Co-operation and Development (OECD) was established in 1961. The OECD was one of the first non-government organizations to spell out the principles that should govern corporates.

In order to contribute to the development of the world economy, the OECD's focus includes a growing number of other countries, in addition to its 30 members. It now shares its expertise and accumulated experience with more than 70 developing and emerging markets.

The OECD Principles of Corporate Governance has provided governments, regulators and other standard setters with an international benchmark. The OECD works closely

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with a large number of developing and emerging market countries. In particular, the OECD organises Regional Corporate Governance Roundtables in Asia, Latin America, Eurasia, Southeast Europe and Russia. These Roundtables have used the OECD Principles to formulate regional reform priorities and are now actively engaged in implementing these recommendations.

Principles of Corporate Governance - OECD

- a. They call on governments to have in place an effective institutional and legal framework to support good corporate governance practices.
- They call for a corporate governance framework that protects and facilitates the exercise of shareholders 'rights.
- c. They also strongly support the equal treatment of all shareholders, including minority and foreign shareholders.
- They recognise the importance of the role of stakeholders in corporate governance.
- e. They look at the importance of timely, accurate and transparent disclosure mechanisms
- They deal with board structures, responsibilities and procedures.

GLOBAL CORPORATE GOVERNANCE FORUM (GCGF)

The Global Corporate Governance Forum (the Forum) was founded in 1999 by the World Bank and the Organisation for Economic Co-operation and Development (OECD) following the financial crises in Asia and Russia in the latter part of the 1990's. It was established to promote initiatives to raise corporate governance standards and practices in developing countries and emerging markets, using the OECD Principles of Corporate Governance as the basis for its work. The Forum's work program was launched in 2002 in Monterrey, Mexico at the Financing for Development meetings organized by the United Nations.

Forum's four Focus Areas - GCGF

- raising awareness and building consensus for implementation of reform through meetings, briefings, policy papers, and conferences;
- sponsoring research relevant to the needs of developing countries to underpin reform efforts by sound analysis through sponsoring papers and building sustainable networks for academics in developing countries;
- disseminating best practice materials and publications and guidelines developed with leading global specialists and practitioners; and
- d. supporting institution and capacity building and providing technical assistance to ensure implementation at the field level through training programs, toolkits and other direct assistance.

THE INSTITUTE OF DIRECTORS, UK

The IOD is a non party-political business organisation established in United Kingdom in 1903. The IOD seeks to provide an environment conducive to business success.

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Objects of IOD

- To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations;
- To promote the study, research and development of the law and practice of corporate governance, and to publish, disseminate or otherwise make available the useful results of such study or research;
- To represent the interests of members and of the business community to government and in all public forums, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation; and
- To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.

COMMONWEALTH ASSOCIATION OF CORPORATE GOVERNANCE (CACG)

The Commonwealth Association of Corporate Governance (CACG) was established in 1998 with the objective of promoting the best international standards germane to a country on corporate governance through education, consultation and information throughout the Commonwealth as a means to achieve global standards of business efficiency, commercial probity and effective economic and social development.

INTERNATIONAL CORPORATE GOVERNANCE NETWORK (ICGN)

The International Corporate Governance Network ("ICGN") is a not-for-profit company limited by guarantee and not having share capital under the laws of England and Wales founded in 1995. It has four primary purposes:

- To provide an investor-led network for the exchange of views and information about corporate governance issues internationally;
- To examine corporate governance principles and practices; and
- To develop and encourage adherence to corporate governance standards and guidelines;
- To generally promote good corporate governance.

THE EUROPEAN CORPORATE GOVERNANCE INSTITUTE (ECGI)

The European Corporate Governance Institute (ECGI) was founded in 2002. It has been established to improve corporate governance through fostering independent scientific research and related activities.

The Institute articulates its work by expanding on the activities of the European Corporate Governance Network, disseminating research results and other relevant material.

CONFERENCE BOARD

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The Conference Board was established in 1916 in the United States of America. The Conference Board is a not- for-profit organization The Conference Board creates and disseminates knowledge about management and the marketplace to help businesses strengthen their performance and better serve society.

THE ASIAN CORPORATE GOVERNANCE ASSOCIATION (ACGA)

The Asian Corporate Governance Association (ACGA) is an independent, non-profit membership organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia. ACGA was founded in 1999 from a belief that corporate governance is fundamental to the long-term development of Asian economies and capital markets.

ACGA'S SCOPE OF WORK COVERS THREE AREAS

Research:

Tracking corporate governance developments across 11 markets in Asia and producing independent analysis of new laws and regulations, investor activism and corporate practices.

Advocacy:

Engaging in a constructive dialogue with financial regulators, stock exchanges, institutional investors and companies on practical issues affecting the regulatory environment and the implementation of better corporate governance practices in Asia

Education:

Organising conferences and seminars that foster a deeper understanding of the competitive benefits of sound corporate governance and ways to implement it effectively.

CORPORATE SECRETARIES INTERNATIONAL ASSOCIATION (CSIA) CSIA,

A Geneva- registered body, which was established on March 2010 is an international organization whose members comprise national bodies of professionals at the frontline of governance. It is dedicated to promoting the values and practices of governance professionals in order to create, foster or enhance the environment in which business can be conducted in a fair, profitable and sustainable manner.

CSIA issued Practical Steps to Better Corporate Governance.

- A. Check that non-executive directors have the necessary skills, experience, and courage
- B. Consider the calibre of the non-executive directors. Review the role and contribution of non-executive directors
- C. Ensure that all directors have a sound understanding of the company

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- D. Confirm that the board's relationship with executive management is sound
- E. Check that directors can access all the information they need
- F. Consider whether the board is responsible for formulating strategy
- G. Recognize that the governance of risk is a board responsibility.

Legislative Framework of Corporate Governance - An International Perspective

INTRODUCTION

International bodies, governments, financial institutions, public and private sector bodies are encouraging debate and spearheading initiatives towards good corporate governance. Better regulatory and self-regulatory corporate governance frameworks and enforcement mechanisms are being implemented through tougher legislations and Corporate Governance Codes.

AUSTRALIA

Australia's corporate governance framework contains a range of measures that promote accountability of management and transparency of financial and other information.

The Australian Securities Exchange

The Australian Securities Exchange through its listing rules, regulates the behaviour of ASX listed companies.

In addition to the listing rules, which are mandatory, the ASX has a set of guidance notes to assist listed companies to comply with both the spirit and letter of the rules. In Australia it is called "if not, why not approach".

If a company considers that a recommendation is inappropriate to a particular circumstance, it has the flexibility not to adopt it and explain why it has not adopted.

THE RECOMMENDATIONS OF THE COUNCIL ARE AS UNDER:

Board Structure

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. Majority of the board should be independent directors.

Independent Director

The Board of directors to determine the independent status of a director. While determining the independent status of a director, the board should consider whether the director

- Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- Is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the board.
- 3) Has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided.



- 4) Is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or
- 5) Has a material contractual relationship with the company or another group member other than as a director.

The chairman of the Board

The chairman of the Board should be an independent director. The chairman is responsible for leadership of the board and for the efficient organisation and conduct of the board's functioning. Where the chairman is not an independent director, companies should consider the appointment of a lead independent director.

The role of chairman and chief executive officer (Managing Director) should not be exercised by the same individual.

Audit Committee

The board is required to constitute an audit committee. The audit committee should be of sufficient size, independence and technical expertise to discharge its mandate effectively.

Composition

The Audit Committee should:

- ✓ Consist only of non-executive directors.
- Consist of a majority of independent directors.
- ✓ Be chaired by an independent chairman. The chairman of the board should not be the chairman of the Audit Committee.
- ✓ Have at least three members.

Remuneration Committee

The board should establish a remuneration committee. The remuneration committee should have a charter that clearly sets out its role and responsibilities, composition, structure and membership requirements and the procedures for non-committee members to attend meetings.

Composition of remuneration committee

- consists of a majority of independent directors
- ✓ is chaired by an independent director
- has at least three members.

Nomination Committee

The board is required to constitute a nomination committee.

The nomination committee should:



- ✓ consist of a majority of independent directors
- ✓ be chaired by an independent director
- ✓ have at least three members.

SINGAPORE

Corporate Governance in Singapore

Singapore requires listed companies to describe in company's Annual Reports their corporate governance practices with specific reference to the principles of the Code of Corporate Governance (the Code), as well as disclose and explain any deviation from any guideline of the Code. The Code of Corporate Governance was first issued by the Corporate Governance Committee ("CGC") on 21 March 2001. Compliance with the Code is not mandatory but listed companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their annual reports. A revised Code was issued on 14 July, 2005.

FOLLOWING PRINCIPLES ARE PRESCRIBED UNDER THE CODE:

Board of Directors

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Normally, at least one-third of the Board should consist of Independent Directors. However, the independent directors should make up at least half of the Board, where:

- The Chairman and Chief Executive Officer (or equivalent) is the same person
- 2. The Chairman and the CEO are immediate family members
- 3. The Chairman is part of the management team
- The Chairman is not an independent director.

Division of Responsibilities between Chairman and CEO

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. No one individual should represent a considerable concentration of power.

- The Chairman and the CEO is the same person
- The Chairman and the CEO are immediate family members;



- The Chairman is part of the management team
- The Chairman is not an independent director.

Board Membership

There should be a formal and transparent process for the appointment and reappointment of directors to the Board. The Board should establish a Nomination Committee (NC) to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties.

The Nomination Committee should make recommendations to the Board on relevant matters relating to:

- 1. The review of board succession plans for directors, in particular, the Chairman and for the CEO
- 2. The development of a process for evaluation of the performance of the Board, its board committees and directors
- The review of training and professional development programs for the Board.
- 4. The appointment and re-appointment of directors (including alternate directors, if applicable).

Remuneration matter

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration. The Board should establish a Remuneration Committee (RC) with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the Chairman, should be independent. All the committee members should be non-executive directors.

UNITED KINGDOM

UK combined Code 2008, has set standards of good practice in relation to issues such as board composition and development, remuneration, accountability and audit and relations with shareholders. Significant decline in economic conditions led to revision of the Combined Code by Financial Reporting Council during 2009 by Sir David Walker. It was announced that the Code would be known as the UK Corporate Governance Code 2010, in order to make the Code's status as the UK's recognised corporate governance standard known to foreign investors, and to foreign companies listed in the UK.

UK Corporate Governance Code, 2014:

Whilst primarily aimed at companies with a Premium Listing of shares in the UK, who are required under the Listing Rules to "comply or explain" in their annual report and accounts, the broad principles of the Code may be of interest to other companies who may consider that it would be beneficial to adopt certain of the provisions.



The FRC has emphasised the importance of the board in establishing the correct "tone from the top" and that the board should lead by example to prevent misconduct, unethical practices and support the delivery of long-term success.

The FRC was also keen to establish the appropriate relationship between the board's risk assessment and management responsibilities.

The FRC has proposed that companies make two separate statements in its annual report:

- ✓ one stating whether they consider it appropriate to adopt the going concern basis of accounting in preparing the annual and half-yearly financial statements and
- ✓ Another statement relating to a broad assessment of the company's viability over a specified period, which is expected to be significantly longer than twelve months.

Board Composition

The board should include an appropriate combination of executive and nonexecutive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board s decision taking.

The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:

- Has been an employee of the company or group within the last five years
- 2) Has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- 3) Has received or receives additional remuneration from the company apart from a directors fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;
- 4) Has close family ties with any of the company's advisers, directors or senior employees;
- 5) Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- 7) Has served on the board for more than nine years from the date of their first election.

Role of the Board

UK Corporate Governance Code clearly provides that every company shall be headed by an effective Board which shall collectively be responsible for the long term success of the company. The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance.



Chairman

In addition to separation of roles between the chairman and chief executive officer the chairman is also held responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.

Senior Independent Directors

The board should appoint one of the independent non-executive directors to be the senior independent director to provide a representing board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate. The senior independent director is also expected to attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders.

Performance Evaluation of Directors

The board should andertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. The chairman should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board. The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.

Election of Directors

The code provides that all directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. It provides that the directors of FTSE 350 companies should be subject to annual election by shareholders. All other directors should be subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years. Non-executive directors who have served longer than nine years should be subject to annual re- election. The names of directors submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election.

UNITED STATES OF AMERICA

U.S. Securities and Exchange Commission (SEC) is one of the most powerful machineries for exerting pressure on behalf of Federal Government on the companies. It regulates many processes affecting companies, stakeholders and the market. There are elaborate and important rules on disclosures and procedure for complying with the same. SEC regulations are the vital part of US corporate governance as it largely controls information.

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age 100

The Sarbanes Oxley Act (SOX), 2002

The SOX Act was signed into law by the US President on 30th July, 2002. The Sarbanes Oxley Act is also known as the 'Public Company Accounting Reform and Investor Protection Act of 2002 \ This legislation brought with it fundamental changes in virtually every area of corporate governance and particularly in auditor independence, conflicts of interest, corporate responsibility, enhanced financial disclosures, and severe penalties, both fines and imprisonment for willful default by managers and auditors.

THE MAIN PROVISIONS OF THE ACT ARE:

- The Act called for establishment of the Public Company Accounting Oversight Board, whose duties are to:
 - ✓ Register and regulate all public accounting firms that prepare audit reports;
 - ✓ Establish or adopt, or both, by rule, auditing, quality control, ethics, independence, and other standards relating to the preparation of audit reports;
 - ✓ Conduct inspections of registered public accounting firms; conduct investigations and disciplinary proceedings concerning, and impose appropriate sanctions where justified upon, registered public accounting firms and associated persons of such firms;
- It prohibits any public accounting firm from providing non-audit services while auditing firm. These services include:
 - ✓ Bookkeeping or other services related to the accounting records or financial statements of the audit client;
 - ✓ Actuarial services;
 - ✓ Internal audit outsourcing services;
 - ✓ Legal services and expert services unrelated to the audit; and
 - ✓ Any other service that the Board determines, by regulation, is impermissible.
- 3. The lead audit and reviewing partner must rotate off the audit every 5 years. It shall be unlawful for a registered public accounting firm to provide audit services to an issuer if the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has performed audit services for that issuer in each of the 5 previous fiscal years.
- 4. The Act calls for the formation of an independent and competent audit committee, which is directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm and of auditor's activities. It requires that each member of a firm's audit committee be a member of the board of directors and be 'independent'. In order to be considered independent, a member of an audit committee may not accept any consulting, advisory, or other compensatory fee from the issuer; or be an affiliated person of the issuer or any subsidiary thereof.

,age 101

MALASIYA

The Malaysian Code on Corporate Governance 2012 effective from December 31, 2012 is the first deliverable of the CG Blueprint and supersedes the Malaysian Code on Corporate Governance. It sets out broad principles and specific recommendations on structures and processes which companies should adopt in making good corporate governance an integral part of their business dealings and culture.

The Principles and Recommendation as enumerated under the Malaysian Code on Corporate Governance 2012 are as under:

Principle 1: Establish clear roles and responsibilities

The responsibilities of the board, which should be set out in a board charter, include management oversight, setting strategic direction premised on sustainability and promoting ethical conduct in business dealings.

Recommendation 1.1: The board should establish clear functions reserved for the board and those delegated to management.

Recommendation 1.2: The board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.

Recommendation 1.3: The board should formalise ethical standards through a code of conduct and ensure its compliance.

Principle 2: Strengthen Composition

The board should have transparent policies and procedures that will assist in the selection of board members. The board should comprise members who bring value to board deliberations.

Recommendation 2.1: The board should establish a Nominating Committee which should comprise exclusively of non-executive directors, a majority of whom must be independent.

Recommendation 2.2: The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

Principle 3: Reinforce Independence

The board should have policies and procedures to ensure effectiveness of independent directors.

Recommendation 3.1: The board should undertake an assessment of its independent directors annually.

Recommendation 3.2: The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

Recommendation 3.3: The board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine years.

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)age 102

Principle 4: Foster Commitment

Directors should devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills.

Recommendation 4.1: The board should set out expectations on time commitment for its members and protocols for accepting new directorships.

Recommendation 4.2: The board should ensure its members have access to appropriate continuing education programmes.

Principle 5: uphold integrity in financial reporting

Recommendation 5.1: The Audit Committee should ensure financial statements comply with applicable financial reporting standards.

Recommendation 5.2: The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors.

Principle 6: Recognise and Manage risks

The board should establish a sound risk management framework E internal controls system.

Recommendation 6.1: The board should establish a sound framework to manage risks.

Recommendation 6.2: The board should establish an internal audit function which reports directly to the Audit Committee.

Principle 7: ensure timely and high quality disclosure

Companies should establish corporate disclosure policies and procedures to ensure comprehensive, accurate and timely disclosures.

Recommendation 7.1: The board should ensure the company has appropriate corporate disclosure policies and procedures. **Recommendation 7.2:** The board should encourage the company to leverage on information technology for effective dissemination of information.

Principle 8: Strengthen Relationship between company and shareholders

The board should facilitate the exercise of ownership rights by shareholders.

Recommendation 8.1: The board should take reasonable steps to encourage shareholder participation at general meetings.

Recommendation 8.2: The board should encourage poll voting.

Recommendation 8.3: The board should promote effective communication and proactive engagements with shareholder.



Corporate Social Responsibility

INTRODUCTION CONCEPT OF CSR

CSR has many interpretations but can be understood to be a concept imposing a liability on the Company to contribute to the society (whether towards environmental causes, educational promotion, social causes etc.) along with the reinforced duty to conduct the business in an ethical manner.

It is also known as corporate conscience, corporate citizenship, social performance or sustainable business/responsible business.

BENEFITS OF CSR

- 1. Strengthened brand positioning
- 2. Enhanced corporate image and reputation
- Satisfaction of economic and social contribution to society
- 4. Contribution to the surrounding society
- Increased ability to attract, motivate and retain employees
- Enhanced sales and market share
- 7. Increased appeals to investors and financial analysts

CORPORATE SOCIAL RESPONSIBILITY - DEFINED

Corporate Social Responsibility is also called Corporate Citizenship or Corporate Responsibility.

Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.

Corporate Social Responsibility can be explained as:

- ✓ Corporate means organized business
- ✓ Social means everything dealing with the people
- ✓ Responsibility means accountability between the two



Corporate social responsibility is operating a business in a manner which meets or excels the ethical, legal, commercial and public expectations that a society has from the business.



CSR is generally understood to be the wav a company achieves a balance or integration of

- ✓ Economic,
- Environmental, and
- ✓ Social imperatives

While at the same time addressing shareholder and stakeholder expectations.

CORPORATE SOCIAL RESPONSIBILITY REQUIRES THE FOLLOWING

- 1) Social, economic, ethical and moral responsibility of companies and managers
- Compliance with legal and voluntary requirements for business and professional practice
- Challenges posed by needs of the economy and socially disadvantaged groups, and
- Management of corporate responsibility activities

DIFFERENCE BETWEEN CSR AND PHILANTHROPY/CHARITY

Philanthropy means the act of donating money, goods, time or effort to support a charitable cause in regard to a defined objective. Philanthropy can be equated with benevolence and charity for the poor and needy.

Philanthropy can be any selfless giving towards any kind of social need that is not served, underserved, or perceived as unserved or underserved. Philanthropy can be by an individual or by a corporate.



Corporate Social Responsibility on the other hand is about how a company aligns their values to social causes by including and collaborating with their investors, suppliers, employees, regulators and the society as a whole. The investment in CSR may be on people centric issues and/or planet issues. A CSR initiative of a corporate is not a selfless act of giving; companies derive long-term benefits from the CSR initiatives and it is this enlightened self-interest which is driving the CSR initiatives in companies.

ADVANTAGES OF GOOD CORPORATE CITIZENSHIP

Business cannot exist in isolation; business cannot be oblivious to societal development. The social responsibility of business can be integrated into the business purpose so as to build a positive synergy between the two.

 CSR creates a favourable public image, which attracts customers. Reputation or brand equity of the products of a company which understands and demonstrates its



- social responsibilities is very high. CSR can build reputation, while those that perform poorly can damage brand and company value when exposed. Brand equity, is founded on values such as trust, credibility, reliability, quality and consistency.
- 2) Corporate Social Responsibility (CSR) activities have its advantages. It builds up a positive image encouraging social involvement of employees, which in turn develops a sense of loyalty towards the organization, helping in creating a dedicated workforce proud of its company.
- Society gains through better neighbourhoods and employment opportunities, while the organisation benefits from a better community, which is the main source of its workforce and the consumer of its products.
- 4) Public needs have changed leading to changed expectations from consumers. The industry/business owes its very existence society and has to respond to needs of the society.
- 5) The company's social involvement discourages excessive regulation or intervention from the Government or statutory bodies, and hence gives greater freedom and flexibility in decision-making.
- 6) The internal activities of the organisation have an impact on the external environment, since the society is an inter-dependent system.
- 7) A business organisation has a great deal of power and money, entrusted upon it by the society and should be accompanied by an equal amount of responsibility. In other words, there should be a balance between the authority and responsibility.

FACTORS AFFECTING CSR

- Globalization coupled with focus on cross-border trade, multinational enterprises and global supply chains - is increasingly raising CSR concerns related to human resource management practices, environmental protection, and health and safety, among other things.
- Governments and intergovernmental bodies, such as the United Nations Organisation for Economic Cooperation and Development and the International Labour Organization have developed compacts, declarations, guidelines, principles and other instruments that outline social norms for acceptable conduct.



Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues.

CORPORATE CITIZENSHIP - BEYOND THE MANDATE OF LAW

Corporate citizenship is a commitment to improve community well-being through voluntary business practices and contribution of corporate resources leading to sustainable growth Corporate responsibility is achieved when a business adapts CSR



well aligned o its business goals and meets or exceeds, the ethical, legal, commercial and public expectations that society has of business.

The term corporate citizenship implies the behaviour, which would maximize a company's positive impact and minimize the negative impact on its social and physical environment. It means moving from supply driven to more demand led strategies; keeping in mind the welfare of all stakeholders; more participatory approaches to working with communities; balancing the economic cost and 'benefits with the social; and finally dealing with processes rather than structures. The ultimate goal is to establish dynamic relationship between the community, business and philanthropic activities so as to complement and supplement each other.

The UN Global Compact

The Global Compact is a voluntary corporate citizenship initiative with two objectives:

"Making the Global Compact and its principles part of business strategy and operations.

"Facilitating cooperation among key stakeholders and promoting partnerships in support of U.N. goals. The Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption are:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



NATIONAL VOLUNTARY GUIDELINES ON SOCIAL. ENVIRONMENTAL AND ECONOMIC RESPONSIBILITIES OF BUSINESS. 2011

The Corporate Social Responsibility Voluntary Guidelines issued by the MCA in December 2009. Government AFTER feedback from stakeholder's review of 2009 Guidelines was undertaken by the Guidelines Drafting Committee (GDC) constituted by the Indian Institute of Corporate Affairs, resulting into the formulation of 2011 Guidelines entitled "National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business" that will mainstream the subject of business responsibilities.

The Guidelines were released by MCA on July 8, 2011.

These guidelines have been formulated keeping in view the diverse sectors within which businesses operate, as well as the wide variety of business organizations that exist in India today - from the small and medium enterprises to large corporate organizations

THE PRINCIPLES RECOMMENDED BY THE NATIONAL VOLUNTARY GUIDELINES ARE:

S.NO.	PARTICULARS	PROVISIONS	
1	Principle 1:	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	
2	Principle 2:	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	
3	Principle 3:	Businesses should promote the well being of all employees	
4	Principle 4:	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.	
5	Principle 5:	Businesses should respect and promote human rights	
6	Principle 6:	Business should respect, protect, and make efforts to restore the environment	
7	Principle 7:	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	
8	Principle 8:	Businesses should support inclusive growth and equitable development	
9	Principle 9:	Businesses should engage with and provide value to their customers and consumers in a responsible manner	



CORPORATE SOCIAL RESPONSIBILITY UNDER THE COMPANIES ACT. 2013

SECTION 135: CORPORATE SOCIAL RESPONSIBILITY (CSR)

Application of Provision

- ✓ Companies having new worth of Rs. 500 Cr or more
- ✓ Companies having Turn over of Rs. 1000 Cr. Or More
- ✓ Companies having Net Profit of Rs. 5 Cr. Or more

EXAMPLE:

In case of a company which meets the criteria in any of the preceding three financial years (i.e. 2011-12, 12-13, 13-14) but which does not meet the criteria in financial year 2014-15 will need to constitute CSR Committee and comply with provisions of 135 (2) to (5) in the year 2014-15.

However, if the company has made profits in **THE YEARS EARLIER** to 2011-12 but not in the years 2011-12,2012-13 or 201314, it need not comply with section 135.

CONTRIBUTION

The Companies on which section 135 applies are required to contribute 2% of average profits of preceding three years towards CSR activities.

Constitution of CSR Committee

The CSR Committee shall consist of 3 or more directors.

Out of the 3 directors, at least 1 director shall be an independent director.

A private company having only 2 directors on its Board, shall constitute its CSR Committee with 2 directors only.

In case of a foreign Company, the CSR Committee shall comprise of at 2 two persons of which one person shall be a person resident in India authorized to accept on behalf of the foreign company service of notices and other documents, and the other person shall be nominated by the foreign company.

Disclosures in Board's report

The Board's report shall contain

- a) The composition of the CSR Committee;
- b) The contents of CSR Policy; and
- c) The reasons for not spending the amount of 2% in pursuance of its CSR Policy (in case the company fails to spend such amount).

Activities not amounting to CSR

As per Rule 4 and Rule 6 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, following shall not amount to CSR Activities for the purpose of Section 135

The CSR projects or programs or activities undertaken outside India.



- b) The CSR projects or programs or activities that benefit only the employees of the company and their families.
- c) Contribution of any amount, directly or indirectly, to any political party under section 182 of the Companies Act, 2013.
- d) Any activity undertaken in pursuance of normal course of business of a company.

Display of CSR policy on the website

As per Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and Rule 6 of the Companies (Accounts) Rules, 2014, the CSR Policy and its contents shall be displayed on the company's website, if any, as per the particulars specified in the Annexure to the Companies (Corporate Social Responsibility Policy) Rules, 2014.

PENAL PROVISION FOR NOT COMPLYING WITH SECTION 135

- The concept of CSR is based on the principle 'comply or explain'. Section 135 of the Act does not lay down any penal provisions in case a company fails to spend the desired amount.
- Second proviso to sub-section (5) of section 135 provides that if the company fails to spend such amount, the Board shall in its report specify the reasons for not spending the amount.
- 3. In case it does not disclose the reasons for not spending in the Board's report, the company shall be punishable with fine minimum fifty thousand rupees maximum twenty- five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine minimum fifty thousand rupees maximum five lakh rupees, or with both. [Section 134(8)].

CSR Audit

A Corporate Social Responsibility audit aims at identifying environmental, social or governance risks faced by the organization and evaluating managerial performance in respect of those. Corporate Social Responsibility ("CSR") is a broad term however, for the purpose of addressing the scope of a CSR Audit, CSR is about managing and taking into consideration organization's operational, processes and behavioral impact on society and stakeholders from a broad perspective. Contrary to common belief CSR is more than basic legal compliance and is highly connected with and affects organization's bottom line.

In order to ascertain an organizations effective CSR policy, practices and culture, the notion of auditing CSR in organizations is becoming key. However, this requires a substantial shift in the audit profession to include beyond the traditional lines of finance and information technology to wider operational practices that respond to client and professional pressures brought about by a growth in the practice of risk management.

Audits and the process of auditing as we commonly know it is focused on the organizations achievement of its stated and communicated objective; its compliance



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with rules, regulations and legislation; the reliability of its records and information accessible to the public or communicated to the public; the safeguard of its assets. This does not address CSR or CSR related risks. The risks of not paying adequate attention to CSR are clear – reputation damage, lawsuits, and government scrutiny. Internal audit should focus on these risks and assist management to identify appropriate actions. This called for a different approach to audit and in particular an audit that takes into consideration health, safety, environmental, reputational and business probity not to mention CSR governance.

CSR audit has yet to gain momentum but the concept aims to give an independent opinion by external auditor, on the extent of alignment of CSR objectives with the business goals and level of managerial commitment and performance with regard to attainment of social responsibility objectives defined by the company's Board.

An internal audit that is intended to cover CSR should start by creating an understanding of the social responsibility issues that affect the organization and its industry. Following that, the audit should review how management reconciles these sometimes-contrary needs. A CSR audit program can cover all or any of the following risks: - Effectiveness of the operating framework for CSR implementation - Effectiveness of implementation of specific, large CSR projects - Adequacy of internal control and review mechanisms - Reliability of measures of performance - Management of risks associated with external factors like regulatory compliance, management of potential adverse NGO attention, etc. An Indicative CSR Audit Programme is given below:

Segments	Assessment Tools	Scope
30.50	Coverage	The exhaustiveness of CSR objectives
Objectives	Integration	The extent to which the CSR objectives of the company are aligned with its business goals.
	Commitment	The clarity of roles and powers assigned to management for fulfilment of CSR objectives. Integration of Social responsibility throughout the organisation.
Implementation	Processes	Identification of the implementation procedures, time frames, risk and performance management tools for fulfilment of CSR objectives. Manner of delivering CSR activities either by way of foundation/ Trust route or by imbibing them into day to day activities.
	Resources	Allocation of funds, manpower, infrastructure etc.
	Monitoring/Reporting	Internal control systems to monitor the



		adequacy of mechanisms (including periodic reviews) in relation to fulfilment of CSR objectives.
		Reporting: Communication of adequate data in relation to CSR objectives to various stakeholders.
Outcome	Impact Analysis	Analysing the impact of CSR activities carried out by the company in various areas and the quality maintained.
	Feedback	identification of control weaknesses and make recommendations for improvement to CSR programs of the company. Identification of areas requiring changes.



)age 112

Corporate Sustainability

MEANING OF SUSTAINABILITY

Sustainability is based on a simple principle: Everything that we need for our survival and wellbeing depends, either directly or indirectly, on our natural environment.

Sustainability creates and maintains the conditions under which humans and nature can exist in productive harmony, that permit fulfilling the social, economic and other requirements of present and future generations.

SUSTAINABILITY TERMINOLOGIES

Life Cycle Assessment (LCA)

It tracks the environmental impacts of a product from its raw materials through disposal at the end of its useful life. LCA is an important tool for developing an environmental self-portrait and for finding ways to minimize harm. A good LCA can shed light on ways to reduce the resources consumed and lower costs all along the value chain.

Ecological Footprint

The ecological footprint is a measure of human demand on the Earth's ecosystems. It compares human demand with planet Earth's ecological capacity to regenerate it. It represents the amount of biologically productive land and sea area needed to regenerate the resources a human population consumes and to absorb and render harmless the corresponding waste, given prevailing technology and resource management practice.

Environmental Performance Index

Environmental Performance Index (EPI) is a method of quantifying and numerically benchmarking the environmental performance of a country's policies. This index was developed from the Pilot Environmental Performance Index, first published in 2002, and designed to supplement the environmental targets set forth in the U.N. Millennium Development Goals.

Carbon footprint

A carbon footprint is an estimate of how much carbon is produced to support your lifestyle. Essentially, it measures your impact on the climate based on how much carbon you produce. Factors that contribute to your carbon footprint include travel methods and general home energy usage. Carbon footprints can also be applied on a larger scale, to companies, businesses, even countries.

The word 'carbon' in the phrase 'carbon footprint' is often used as a short-cut to describe the main greenhouse gases - carbon dioxide (CO2), methane and nitrous oxide - in terms of carbon dioxide equivalents.



3ge 113

Carbon off setting

Carbon offsets are used to reduce the amount of carbon that an individual or institution emits into the atmosphere. Carbon offsets work a financial system where, instead of reducing its own carbon use, a company can comply with emissions caps by purchasing an offset from an independent organization. The organization will then use that money to fund a project that reduces carbon in the atmosphere. An individual can also engage with this system and similarly pay to offset his or her own personal carbon usage instead of, or in addition to, taking direct measures such as driving less or recycling.

Global Warming

Global warming is an average increase in the temperature of the atmosphere near the Earth's surface and in the troposphere, which can contribute to changes in global climate patterns. Global warming can occur from a variety of causes, both natural and human induced. In common usage, "global warming" often refers to the warming| that can occur as a result of increased emissions of greenhouse gases from human activities. See climate change, greenhouse effect, enhanced greenhouse effect, radiative forcing, troposphere.

Green washing

Green washing is a form of corporate misrepresentation where a company will present a green public image and publicize green initiatives that are false or misleading. A company might release misleading claims or even true green initiatives while privately engaging in environmentally damaging practices. Companies are trying to take advantage of the growing public concern and awareness for environmental issues by promoting an environmentally responsible image.

CONCEPT OF SUSTAINABLE DEVELOPMENT

It is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.

In 1987, a report of the World Commission on Environment and Development (WCED) of the United Nations (popularly known as Brundtland Report) 1st introduced the concept

SUSTAINABLE DEVELOPMENT

MEANING: it means balances the need for economic growth with environmental protection and social equity.

PCbabain The Ecolaway Expert

Page 114

For example; natural energy resources like Coal, Petroleum etc., should be prudently used and wastage should be avoided so that future generation can have these energy resources for their survival also.

FUNDAMENTAL PRINCIPLE OF SUSTAINABLE DEVELOPMENT

- Need to preserve natural resources for future generation.
- Use of natural resources in a prudent manner without or with minimum tolerable impact on nature.
- Use of natural resources by any state / country must take into account its impact on other states.
- Environmental aspects and impacts of socio-economic activities should be integrated so that prudent use of natural resources is ensured.

ROLE OF BUSINESS IN SUSTAINABLE DEVELOPMENT

Trade and industry being an integral part human society has a pivotal role to play in this direction. United Nations has already initiated **UN global compact**, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. With such commitment a business can ensure that markets, commerce, technology and finance can advance together in ways that would benefit economies and societies universally.

The UN global compact has two objectives:

- 1. Ten principles in business activities around the world.
- Catalyse actions in support of broader UN goals, including the millennium development goals

The initiative is voluntary in nature. The benefits of engagement include the following:

- ✓ Adopting an established and globally recognized policy framework for the development, implementation, and disclosing environmental, social, and governance policies and practices.
- Sharing best and emerging practices to advance practical solutions and strategies to common challenges.
- ✓ Advancing sustainability solutions in partnership with a range of stakeholders, including un agencies, governments, civil society, labour, and other non-business interests.
- ✓ Linking business units and subsidiaries across the value chain with the global compact's local networks around the world - many of these are operating in developing and emerging markets.
- Accessing the united nations' extensive knowledge of and experience with sustainability and development issues.



.115

Utilizing un global compact management tools and resources, and the opportunity to engage in specialized work streams in the environmental, social and governance realms.

CORPORATE SUSTAINABILITY

Corporate sustainability indicates new philosophy as an alternative to the traditional growth and profit-maximization model under which sustainable development comprising environmental protection, social justice and equity, and economic development are given more significant focus while recognizing simultaneous corporate growth and profitability.

It is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability describes business practices built around social and environmental considerations.

CORPORATE SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Although scholars and practitioners often interpret Corporate Sustainability and Corporate Social Responsibility as being nearly synonymous, pointing to similarities and the common domain. The two concepts have different backgrounds and different theoretical paths.

Corporate Sustainability can be considered as the attempt to adapt the concept of Sustainable Development to the corporate setting, matching the goal of value creation with environmental and social considerations.

CSR has many interpretations but can be understood to be a concept imposing a liability on the Company to contribute to the society (whether towards environmental causes, educational promotion, social causes etc.) along with the reinforced duty to conduct the business in an ethical manner.

It is also known as corporate conscience, corporate citizenship, social performance or sustainable business/responsible business.

AS A GOOD CORPORATE CITIZEN, THE COMPANIES ARE REQUIRED TO FOCUS ON THE FOLLOWING KEY ASPECTS

Absolute Value Creation for the Society

Organizations should set its goal towards creation of absolute value to the society. Once it is ensured, a corporate never looks back and its sustainability in long run is built up.

Ethical Corporate Practices



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- ✓ In the short run, enterprise can gain through non-ethical practices.
- However those gains cannot be sustained in long run.
- ✓ Society denies accepting such products or services.
- ✓ For example, in Drug and Pharmaceutical industry, many products are today obsolete due their side effects which such companies never disclosed to protect their sales volume. When they were banned by the WHO or other authorities, they had to stop their production.

Worth of Earth through Environmental Protection

- Resources which are not present everywhere and have economic and social value should be preserved for long term use and be priced properly after considering environmental and social costs.
- ✓ For example, a power plant should build up its cost model efficiently after taking into account cost of its future raw material sourcing, R&D cost for alternate energy source, cost for proper pollution control measures and so on.

Equitable Business Practices

Corporates should not divulge themselves in unfair means and it should create candid business practices, ensure healthy competition and fair trade practices

Creating Market for All

Monopoly, unjustified subsidies, price not reflecting real economic, social environmental cost, etc. are hindrances to sustainability of a business. Simultaneously, a corporate is to build up its products and services in such a way so as to cater all segments of customers/consumers.

Customer confidence is essence to corporate success.

GOVERNMENT'S ROLE IN IMPROVING SUSTAINABILITY REPORTING

SEBI mandated Business Responsibility Reporting in India for top listed companies besides the voluntary reporting for others.

In 2011, MCA, Govt., of India issued the first voluntary reporting framework for reporting on Business Responsibility in the form of 'National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business'.

The similar regulators initiatives are required in other jurisdiction also to encourage the companies to adopt the Reporting on Sustainability aspects.

KYOSEI

Kyosei is a Japanese technique meaning "a spirit of cooperation". Kyosei establishes harmonious relations between the company and - Customers - Suppliers - Competitors.

A concise definition of this word would be "living and working together for the common good," but for some, the definition is broader:



Page 117

All people, regardless of race, religion or culture, harmoniously living and working together into the future." Governments - Natural Environment Kyosei philosophy reflects a confluence of social, environmental, technological and political solutions. It believes that peace, prosperity and social and environmental improvement come through positive action.

IT WORKS IN FIVE STAGES

- ✓ 1st is economic survival of the company
- ✓ 2nd is cooperating with labour
- ✓ 3rd is cooperating outside the company
- √ 4th is global activism, and
- √ 5th is making the government/s a Kyosei partner

CONCEPT OF 'TRIPLE BOTTOM LINE' (TBL)

In 1999 Elkington developed the concept of the Triple Bottom Line which proposed that business goals were inseparable from the societies and environments within which they operate.

Whilst short-term economic gain could be chased, a failure to account for social and environmental impacts would make those business practices unsustainable.

While each of the three pillars of sustainability i.e., economic, social and environment is independently crucial and urgent in the short-run, but in order to reach the goal of sustainability in the long-run, the **three pillars** must be satisfied simultaneously. These three dimensions are deeply inter-connected and they influence and support each other.

The Triple Bottom Line is made up of "Social, Economic and Environmental" aspect and indicated by the phrase "People, Planet, Profit" phrase.

PEOPLE

mean Human Capital. It implies fair and beneficial business practices toward Labour and the community and region in which a corporation conducts its business would create long term value.

PLANET

The Natural Capital. It refers to sustainable environmental practices. A company which decides to follow TBL always keeps in mind that it does no harm nature or creates negative environmental impact.

PROFIT

The concept of profit for TBL Company is somehow wider in all perspective. It is

the reflection of economic impact the organization has on its business activities and that too after meeting all social and environmental cost. It somehow indicates real value addition a corporate made through its various activities.

PCbabain The Ecolaway Expert

are 118

Corporate Sustainability Reporting Framework

CONCEPT OF SUSTAINABILITY REPORTING

Companies are the main contributors to economic, social and environmental well-being. Corporate activities are vital in the present and will have serious bearing on the future.

Therefore, corporate sustainability is imperative for the long-term sustainable development of the economy and society.

Sustainability Reporting is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g. triple bottom line, corporate responsibility reporting, etc.).

WHAT IS THE PURPOSE OF SUSTAINABILITY REPORTING?

Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development.

A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization - including both positive and negative contributions.

BENEFITS OF SUSTAINABILITY REPORTING

- Legitimation of corporate activities, products and services which create environmental and social impacts.
- Increase in corporate reputation and brand value.
- ✓ Gaining a competitive advantage.
- ✓ Comparison and benchmarking against competitors.
- ✓ Increasing transparency and accountability within the company.
- Establishing and supporting employee motivation as well as internal information and control processes.

SUSTAINABILITY REPORTING IN EMERGING ECONOMIES

Investors increasingly recognize the value of robust sustainability reporting and expectations for such reporting have spread to companies in emerging markets.

Increasingly global companies understand that a commitment to sustainability reporting can contribute to financial success. Such transparency allows companies to reach a broader range of investors and customers, enhance operational efficiency, improve brand positioning, and develop leadership in the marketplace.

Recently, in India, corporate environment reporting as a useful adjunct to the concept sustainable development, has been recognized in various policy documents like the approach paper to the 11th plan and the national environment policy 2006.

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Some of the key drivers of sustainability reporting are

S.NO.	PARTICULARS	PROVISIONS	
1 Regulations:		Governments, at most levels have stepped up the pressure on corporations to measure the impact of their operations on the environment. Legislation is becoming more innovative and is covering an ever wider range of activities. The most notable shift has been from voluntary to mandatory sustainability, monitoring and reporting.	
2	Customers:	Public opinion and consumer preferences are a more abstract but powerful factor that exerts considerable influence on companies, particularly those that are consumer oriented. Customers significantly influence a company's reputation through their purchasing choices and brand.	
3	Loyalty:	This factor has led the firms to provide much more information about the products they produce, the suppliers who produce them, and the product's environmental impact starting from creation to disposal.	
4	Ngo's and the media:	Public reaction comes not just from customers but from advocates and the media, who shape public opinion. Advocacy organisations, if ignored or slighted, can damage brand value.	
5	Employees:	those who work for a company bring particular pressure to bear on how their employers behave; they, too, are concerned citizens beyond their corporate roles.	
6	Investors:	Increasingly, investors want to know that companies they have targeted have responsible, sustainable, long-term business approaches. Institutional investors and stock exchange CEO, for example, have moved to request increased sustainability reporting from listed companies, and environmental, social and corporate governance indices have been established such as the dow jones sustainability index	

GLOBAL REPORTING INITIATIVE (GRI)

The Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI), the Netherlands, is a significant system that integrates sustainability issues in to a frame of reporting.

What is GRI Network?



Page 120

The Global Reporting Initiative (GRI) is a large multi-stakeholder network of thousands of experts, in dozens of countries worldwide, who participate in GRI's working groups and governance bodies, use the GRI Guidelines to report, access information in GRI-based reports, or contribute to develop the Reporting Framework in other ways - both formally and informally.

WHAT IS GRI REPORTING?

The GRI Reporting Framework is intended to serve as a generally accepted framework for reporting on an organization's economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location.

It takes into account the practical considerations faced by a diverse range of organizations - from small enterprises to those with extensive and geographically dispersed operations. The GRI Sustainability Reporting Guidelines offer Reporting Principles, Standard Disclosures and an Implementation Manual for the preparation of sustainability reports by organizations, regardless of their size, sector or location.

GLOBAL REPORTING INITIATIVE - SUSTAINABILITY REPORTING GUIDELINES

In this context, the Global Reporting Initiative (GRI) launched the fourth generation of its sustainability reporting guidelines: the GRI G4 Sustainability Guidelines (the Guidelines) in 2013. The aim of G4, is to help reporters prepare sustainability reports that matter, contain valuable information about the organization's most critical sustainability-related issues, and make such sustainability reporting standard practice.

G4 is applicable to all organizations, large and small, across the world. The Guidelines are now presented in two parts to facilitate the identification of reporting requirements and related guidance. It consist of following two parts

Part 1 - Reporting Principles and Standard Disclosures: It contains the reporting principles and standard disclosures and also sets out the criteria to be applied by an organization to prepare its sustainability report in accordance with the Guidelines.

Part 2 - Implementation Manual: It contains reporting and interpretative guidance that an organization should consult when preparing its sustainability report.

The Guidelines are designed to align and harmonize as much as possible with other internationally recognized standards. The Guidelines provide links with the United Nations Global Compact's Ten Principles, 2000; the OECD's Guidelines for Multinational Enterprises, 2011; and the UN's Guiding Principles on Business and Human Rights, 2011.



age 121

Reporting Principles

The Reporting Principles are fundamental to achieving transparency in sustainability reporting and therefore should be applied by all organizations when preparing a sustainability report. The Implementation Manual outlines the required process to be followed by an organization in making decisions consistent with the Reporting Principles.

The Principles are divided into two groups:

1. Principles for defining report content: The Principles for Defining Report Content describe the process to be applied to identify what content the report should cover by considering the organization's activities, impacts, and the substantive expectations and interests of its stakeholders. These Principles are designed to be used in combination to define the report content.

S.NO.	Heading	Principle	Description
1	Stakeholder Inclusiveness	The organization should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.	Stakeholders can include those who are invested in the organization as well as those who have other relationships to the organization. The reasonable expectations and interests of stakeholders are a key reference point for many decisions in the preparation of the report.
2	Sustainability Context	The report should present the organization's performance in the wider context of sustainability.	Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments, and trends at the local, regional or global level. Reporting only on trends in individual performance (or the efficiency of the organization) fails to respond to this underlying question. Reports should therefore seek to present performance in relation to broader concepts of sustainability. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sector, local, regional, or global

3	Materiality Principle	The report should cover Aspects that: Y Reflect the organization's significant economic, environmental and social impacts; or Y Substantively influence the assessments and decisions of stakeholders	Organizations are faced with a wide range of topics on which they could report. Relevant topics are those that may reasonably be considered important for reflecting the organization's economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which Aspects become sufficiently important that they should be reported.
4	Completeness	The report should include coverage of material Aspects and their Boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization's performance in the reporting period.	Completeness primarily encompasses the dimensions of scope, boundary, and time. The concept of completeness may also be used to refer to practices in information collection and whether the presentation of information is reasonable and appropriate.

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3ge 123

2. Principles for Defining Report Quality: The Principles for Defining Report Quality guide on ensuring the quality of information in the sustainability report, including its proper presentation. The quality of the information is important to enable stakeholders to make sound and reasonable assessments of performance, and take appropriate actions. Decisions related to the process of preparing information in a report should be consistent with these Principles. All of these Principles are fundamental to achieving transparency.

Standard Disclosures

There are 2 different types of Standard Disclosures:

General Standard Disclosures:

The General Standard Disclosures are applicable to all organizations preparing sustainability reports. The General Standard Disclosures are divided into seven parts:

- · Strategy and Analysis
- · Organizational Profile
- Identified Material Aspects and Boundaries
- Stakeholder Engagement
- · Report Profile
- Governance
- Ethics and Integrity

Specific Standard Disclosures:

The Guidelines organize Specific Standard Disclosures into three Categories - Economic, Environmental and Social. The economic dimension of sustainability concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. The Social Category is further divided into four sub-Categories, which are Labor Practices and Decent Work, Human Rights, Society and Product Responsibility.

UN GLOBAL COMPACT' & OBJECTIVES OF THIS INITIATIVE

The UN Global Compact presents a unique and powerful platform for participants to advance their commitments to sustainability and corporate citizenship.

The Global Compact is a voluntary corporate citizenship initiative with two objectives:

- Making the global compact and is principles part of business strategy and operations.
- Facilitating cooperation among key stakeholders and promoting partnership in support of U.N. goals.



124

ROLE OF BUSINESS IN SUSTAINABLE DEVELOPMENT IN THE LIGHT OF UN GLOBAL COMPACT INITIATIVE

United Nations has initiated UN Global Compact, a strategy policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour environment and anti-corruption. Through the process a business can ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

A company that signs on the Global Compact specifically commit itself to:

- ✓ Set in motion changes to business operations so that the global compact and its principles become part of management, strategy, culture and day- to -day operations;
- ✓ Publish in its annual report or similar public corporate report (i.e. sustainability report) a description of the ways in which it is supporting the Global Compact and its principles (Communication on progress);
- Publicly advocate the Global Compact and its principles via communications vehicles such as press releases, speeches, etc.

UNITED NATIONS GLOBAL COMPACT'S TEN PRINCIPLES, 2000

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By incorporating the Global Compact principles into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success. The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

TEN PRINCIPLES

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.



Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

CHALLENGES IN MAINSTREAMING SUSTAINABILITY REPORTING

- 1. GOVERNMENT ENCOURAGEMENT
- 2. AWARENESS
- 3. EXPERTISE KNOWLEDGE
- 4. INVESTOR BEHAVIOUR

SUSTAINABILITY INDICES

WHAT IS DOW- JONES SUSTAINABILITY ONDEX

The Dow Jones Sustainability Indices are the first global indices tracking the financial performance of the leading sustainability- driven companies worldwide, it was launched in 1999.

The Dow Jones Sustainability World Index comprises more than 300 companies that represent the top 10% of the leading sustainability companies out of the biggest 2,500 companies in the Dow Jones world Index.

In addition to the composite DJSI World, there are six specialized subset indexes excluding alcohol, gambling, tobacco, armaments & firearms and adult entertainment.

ENVIRONMENT. SOCIAL, GOVERNANCE (ESG)

INDEX ESG describes the environmental, social and corporate governance issues that investors are considering in the context of corporate behaviour.

Integration of ESG refers to the active investment management processes that include an analysis of environmental, social, and corporate governance risks and opportunities and sustainability aspects of company performance evaluation.

The ESG index employs a unique and innovative methodology that quantifies a company's ESG practices and translates them into a scoring system which is then used to rank each company against its peers in the market.

Its quantitative scoring system offers investors complete transparency on Environmental, Social & governance issues of a company.

KEY PERFORMANCE INDICATORS:

- Environment
- Energy use and efficiency
- 3. Greenhouse gas emissions



 $_{\rm age}126$

- 4. Water use, Use of ecosystem services
- Employees, Poverty and community impact
- 6. Supply chain management

STANDARD & POOR'S ESG INDIA

Index Standard & Poor's ESG India index provides investors with exposure to a liquid and tradable index of 50 of the best performing stocks in the Indian market as measured by environmental, social, and governance parameters.

The index employs a unique and innovative methodology that quantifies a company's ESG practices and translates them into a scoring system which is then used to rank each company against their peers in the Indian market.

Its quantitative scoring system offers investors complete transparency.

THE CREATION OF THE INDEX INVOLVES A TWO STEP PROCESS

- ✓ The first of which uses a multi-layered approach to determine an 'ESG' score for each company.
- ✓ The second step determines the weighting of the index by score.

SPECIAL NOTE:

Index constituents are derived from the top 500 Indian companies by total market capitalizations that are listed on National Stock Exchange of India Ltd. (NSE). These stocks are then subjected to a screening process which yields a score based on a company's ESG disclosure practices in the public domain.

SUSTAINABILITY REPORTING FRAMEWORK IN INDIA

The Ministry of Corporate Affairs (MCA) recommends sustainability reporting in India. Considering the importance of sustainability in businesses, MCA launched Corporate Social Responsibility Voluntary Guidelines in 2009.

This voluntary CSR Policy addresses six core elements -

- 1. Care for all Stakeholders
- 2. Ethical functioning
- 3. Respect for Workers
- 4. Rights and Welfare
- Respect for Human Rights
- 6. Respect for Environment and Activities for Social and Inclusive Development.

To take this further, in 2011 MCA issued National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business' which encourages reporting on environment, social and governance issues.

In line with the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business and considering the larger interest of public disclosure



Page 127

regarding steps taken by listed entities from a Environmental, Social and Governance ("ESG") perspective, SEBI decided to mandate inclusion of Business Responsibility Reports ("BR reports") as part of the Annual Reports for listed entities.

SEBI in its (Listing Obligations and Disclosure Requirements) Regulations, 2015 has required that the annual report of a listed entity shall contain BRR describing initiative taken by them from an environmental, social and governance perspective in the prescribed format [Regulation 34(2)(f)]. Business Responsibility Report is a disclosure of adoption of responsible business practices by a listed company to all its stakeholders. This is important considering the fact that these companies have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive disclosures on a regular basis. SEBI has prescribed a format for 'Business Responsibility Report'. It contains a standardized format for companies to report the actions undertaken by them towards adoption of responsible business practices.

THE BRR FRAMEWORK IS DIVIDED INTO FIVE SECTIONS:

Section A: General Information about the Organisation - Industry Sector, Products & Services, Markets, other general information

Section B: Financial Details of the Organisation - Paid up capital, Turnover, Profits, CSR (Corporate Social Responsibility) spend.

Section C: Other Details - BR initiatives at Subsidiaries and Supply-chain Partners

Section D: BR Information - Structure, Governance & Policies for Business Responsibility

Section E: Principle-wise Performance - Indicators to assess performance on the 9 Business Responsibility principles as envisaged by the National Voluntary Guidelines (NVGs

RELATION BETWEEN INTEGRATED REPORTING AND SUSTAINABILITY REPORTING

Sustainability reporting is a process that assists organizations in setting goals, measuring performance and managing change towards a sustainable global economy one that combines long term profitability with social responsibility and environmental care.

Sustainability reporting - mainly through but not limited to a sustainability report - is the key platform for communicating the organization's economic, environmental, social and governance performance, reflecting positive and negative impacts.

The Aspects that the organization deems to be material, in response to its stakeholders' expectations and interests, drive sustainability reporting. Stakeholders can include those who are invested in the organization as well as those who have other relationships with the organization.

Integrated reporting is an emerging and evolving trend in corporate reporting, which in general aims primarily to offer an organization's providers of financial capital with an

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integrated representation of the key factors that are material to its present and future value creation.

Integrated reporters build on sustainability reporting foundations and disclosures in preparing their integrated report. Through the integrated report, an organization provides a concise communication about how its strategy, governance, performance and prospects lead to the creation of value over time.

Therefore, the integrated report is not intended to be an extract of the traditional annual report nor a combination of the annual financial statements and the sustainability report. However, the integrated report interacts with other reports and communications by making reference to additional detailed information that is provided separately.

are 128

CONVENTIONS AND TREATIES ON ENVIRONMNET, HEALTH SAFETY & SOCIAL SECURITY ISSUES

INTRODUCTION

Climate change, biodiversity loss, deforestation and air and water pollution are not confined by human-imposed boundaries as waterways, watersheds, oceans, biodiversity, ecosystems and the atmosphere tend to span countries, continents or the globe.

Moreover, in a highly globalized world, raw materials, finished goods and waste are transported across nations and continents. Often times resulting in environmental degradation and pollution throughout the entire life cycle of a product or process.

The demand for a good in one country can result in environmental degradation of another country. For example, the demand for timber or agricultural products in the United States can cause rampant deforestation in tropical regions. Also, the excessive consumption of electronic devices such as cell phones or laptops generates thousands of tons of electronic waste (e-waste), which contains heavy metals and other toxic materials. E-waste generated by developed nations is often exported to countries such as China, India or other places with lax environmental laws and enforcement.

The realization that environmental issues are more often than not of transboundary nature requires international collaboration and cooperation. As a result, numerous international agreements/conferences have entered into force in the hopes of fostering a concerted effort in addressing some of the most pressing problems. Some of the most widely known international environmental agreements include.

UNITED NATIONS CONFERENCE ON HUMAN ENVIRONMENT

The United Nations Conference on the Human Environment (also known as the Stockholm Conference) was an international conference convened under United Nations auspices held in Stockholm, Sweden from June 516, 1972.

It was the UN's first major conference on international environmental issues, and marked a turning point in the development of international environmental politics. One of the key issues addressed was the use of CFCs (chlorofluorocarbons) which seemed to be responsible for the depletion of the ozone layer.

The Stockholm Conference laid framework for future environmental cooperation; led to the creation of global and regional environmental monitoring networks and the creation of the United Nations Environment Programme.



3me 129

UNITED NATIONS ENVIRONMENT PROGRAMME

United Nations Environment Programme (UNEP), established in 1972, is the voice for the environment within the United Nations system.

UNEP acts as a catalyst, advocate, educator and facilitator to promote the wise use and sustainable development of the global environment.

To accomplish this, UNEP works with a wide range of partners, including United Nations agencies, international organizations, national governments, non-governmental organizations, the private sector and civil society.

The Mission of the United Nation's Environment Programme is "To provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations."

BRUNDTLAND COMMISSION

The Brundtland Commission, formally the World Commission on Environment and Development (WCED), known by the name of its Chair Gro Harlem Brundtland, was convened by the United Nations in 1983.

The Commission was created to address growing concern "about the accelerating deterioration of the human environment and natural resources and the consequences of that deterioration for economic and social development.

In establishing the Commission, the UN General Assembly recognized that environmental problems were global in nature and determined that it was in the common interest of all nations to establish policies for sustainable development.

The Report of the Brundtland Commission, Our Common Future, published in 1987, deals with sustainable development and the change of policies needed for achieving that. The definition of this term in the report is quite well known and often cited: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

United Nations Conference on Environment and Development

The United Nations Commission on Sustainable Development (CSD) was established by the UN General Assembly in December 1992 to ensure effective follow-up of United Nations Conference on Environment and Development (UNCED) (known as the Earth Summit) held in Rio De Janeiro.



Page 130

THE FOLLOWING DOCUMENTS WERE THE RESULT OF THE RIO SUMMIT

- ✓ Agenda 21
- ✓ The Rio Declaration on Environment and Development
- ✓ A statement of forest principles
- ✓ The United Nations Framework Convention on Climate Change
- ✓ The Convention on Biological Diversity -
- ✓ Montreal Protocol on Substances that Deplete the Ozone Layer

AGENDA - 21

Agenda 21 - a blueprint for sustainable development into the 21st Century, was agreed during the "Earth Summit" at Rio in 1992, and signed by 179 Heads of State and Government.

Agenda 21 is a guide for individuals, businesses and governments in making choices for development that help society and the environment. Agenda 21 deals with

- Social and economic dimensions: developing countries; poverty; consumption patterns; population; health; human settlements; integrating environment and development.
- Conservation and management of resources, atmosphere; land; forests; deserts; mountains; agriculture; biodiversity; biotechnology; oceans; fresh water; toxic chemicals; hazardous radioactive and solid waste and sewage.
- Strengthening the role of major groups, women; children and youth; indigenous peoples; non-governmental organisations; local authorities; workers; business and industry; farmers; scientists and technologists.
- Means of implementation: finance; technology transfer; science; education; capacity-building; international institutions; legal measures; information.

RIO DECLARATION ON ENVIRONMENT AND DEVELOPMENT

The Rio Declaration on Environment and Development consists of following 27 principles intended to guide future sustainable development around the world, (some of them are as follows)

- Human beings are at the centre of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature.
- 2. States have, in accordance with the Charter of the United Nations and the principles of international law, the sovereign right to exploit their own resources pursuant to their own environmental and developmental policies, and the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction.
- The right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations.



3 131

- In order to achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it.
- All States and all people shall cooperate in the essential task of eradicating poverty as an indispensable requirement for sustainable development, in order to decrease the disparities in standards of living and better meet the needs of the majority of the people of the world.
- 6. The special situation and needs of developing countries, particularly the least developed and those most environmentally vulnerable, shall be given special priority. International actions in the field of environment and development should also address the interests and needs of all countries.
- 7. States shall cooperate in a spirit of global partnership to conserve, protect and restore the health and integrity of the Earth's ecosystem. In view of the different contributions to global environmental degradation, States have common but differentiated responsibilities. The developed countries acknowledge the responsibility that they bear in the international pursuit to sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command.
- To achieve sustainable development and a higher quality of life for all people, States should reduce and eliminate unsustainable patterns of production and consumption and promote appropriate demographic policies.
- States should cooperate to strengthen endogenous capacity-building for sustainable development by improving scientific understanding through exchanges of scientific and technological knowledge, and by enhancing the development, adaptation, diffusion and transfer of technologies, including new and innovative technologies.

STATEMENT OF FOREST PRINCIPLES

It is a Non-Legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation and Sustainable Development of all types of Forests. The guiding objective of these principles is to contribute to the management, conservation and sustainable development of forests and to provide for their multiple and complementary functions and uses.

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

The United Nations Framework Convention on Climate Change (UNFCCC or FCCC) is an international environmental treaty produced at the United Nations Conference on Environment and Development (UNCED). The treaty is aimed at stabilizing greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic (due to human activity) interference with the climate system.

CONVENTION ON BIOLOGICAL DIVERSITY

The convention on Biological Diversity, known informally as the Biodiversity Convention, is an international treaty that was adopted in Rio de Janerio in June 1992.

THE CONVENTION HAS THREE MAIN GOALS:



32 Jane 137

- 1. Conservation of biological diversity
- 2. Sustainable use of the component
- Fair and equitable sharing of benefits arising from genetic resources.

In other words, its objective is to develop national strategies for the conservation and sustainable use of the biological diversity.

The Montreal Protocol on Substances that Deplete the Ozone Laver

It is a protocol to the Vienna Convention for the Protection of the Ozone Layer, an international treaty designed to protect the ozone layer by phasing out the production of numerous substances believed to be responsible for ozone depletion. The treaty was opened for signature on 16 September 1987, and entered into force on 1 January 1989, followed by a first meeting in Helsinki, May 1989.

Since the Montreal Protocol came into effect, the atmospheric concentrations of the most important chlorofluorocarbons and related chlorinated hydrocarbons have either leveled off or decreased. It is believed that if the international agreement is adhered to, the ozone layer is expected to recover by 2050.

KYOTO PROTOCOL

The Kyoto Protocol, adopted at the third Conference of the Parties to the UNFCCC in Kyoto, Japan, in 1997 came into force in 2005, is an international agreement linked to the United Nations Framework Convention on Climate Change.

The major feature of the Kyoto Protocol is that it sets binding targets for 37 industrialized countries and the European community for reducing greenhouse gas (GHG) emissions. These amounts to an average of five per cent against 1990 levels over the five-year period 2008-2012.

The major distinction between the Protocol and the Convention is that while the Convention encouraged industrialized countries to stabilize GHG emissions, the Protocol commits them to do so.

The Protocol requires developed countries to reduce their GHG emissions below levels specified for each of them in the Treaty. These targets must be met within a five-year time frame between 2008 and 2012, and add up to a total cut in GHG emissions of at least 5% against the baseline of 1990.

The Kyoto Protocol is generally seen as an important first step towards a truly global emission reduction regime that will stabilize GHG concentrations at a level which will avoid dangerous climate change. As a result of the Protocol, governments have already put, and are continuing to put legislation and policies in place to meet their commitments; a carbon market has been created; and more and more businesses are making the investment decisions needed for a climate-friendly future.



Page 133

THE TARGETS COVER EMISSIONS OF THE SIX MAIN GREENHOUSE GASES, NAMELY:

- Carbon dioxide (C02)
- 2. Methane (CH4)
- Nitrous oxide (N20)
- Hydro fluorocarbons (HFCs)
- Per fluorocarbons (PFCs)
- 6. Sulphur hexafluoride (SF6)

BALI ROADMAP

At the 2007 United Nations Climate Change Conference in Bali, Indonesia in December, 2007, the participating nations adopted the Bali Roadmap as a two-year process to finalizing a binding agreement in 2009 in Denmark.

The Bali Road Map consists of a number of forward-looking decisions that represent the various tracks, essential to reaching a secure climate future. The Bali Road Map includes the Bali Action Plan, which charts the course for a new negotiating process designed to tackle climate change, with the aim of completing this by 2009.

To conduct the process, a subsidiary body under the Convention was set up, called the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA). To discuss future commitments for industrialized countries under the Kyoto Protocol, the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol established a working group in December 2005, called the Ad Hoc Working Group on further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP).

United Nations Conference on Sustainable Development Rio+20

The United Nations Conference on Sustainable Development (Rio+20) took place in Rio de Janeiro, Brazil on 2022 June 2012. It resulted in a focused political outcome document which contains clear and practical measures for implementing sustainable development.

In Rio, Member States decided to launch a process to develop a set of Sustainable Development Goals (SDGs), which will build upon the Millennium Development Goals and converge with the post 2015 development agenda.

The Conference also adopted guidelines on green economy policies. Governments also decided to establish an intergovernmental process under the General Assembly to prepare options on a strategy for sustainable development financing.

The Rio +20 Conference also galvanized the attention of thousands of representatives of the UN system and major groups.

PCbabain The Ecolowey Expert

34 Jan

It resulted in over 700 voluntary commitments and witnessed the formation of new partnerships to advance sustainable development.

MILLENNIUM DEVELOPMENT GOALS TO SUSTAINABLE DEVELOPMENT GOALS

The Milennium Development Goals (MDGs) are eight international development goals that were officially established following the Millennium Summit of the United Nations in 2000, following the adoption of the United Nations Millennium Declaration.

All 189 United Nations members states and agreed to achieve these goals by the year 2015.

The goals are:

- 1. Eradicating extreme poverty and hunger,
- 2. Achieving universal primary education,
- 3. Promoting gender equality and empowering women,
- 4. Reducing child mortality rates,
- 5. Improving maternal health,
- 6. Combating HIV/AIDS, malaria, and other diseases,
- 7. Ensuring environmental sustainability, and
- 8. Developing a global partnership for development.

INTERNATIONAL FOREST CARBON INITIATIVE

The International Forest Carbon Initiative is a key part of Australia's international leadership on reducing emissions

Rio+20 was a 20-year follow-up to the 1992 Earth Summit/ United Nations Conference on Environment and Development (UNCED) held in the same city, and the 10th anniversary of the 2002 World Summit on Sustainable Development (WSSD) in Johannesburg.

The Initiative will support international efforts to reduce deforestation through the United Nations Framework Convention on Climate Change (UNFCCC). It aims to demonstrate that reducing emissions from deforestation and forest degradation can be part of an equitable and effective international agreement on climate change. A central element is the Initiative's focus on developing practical demonstration activities, particularly in Indonesia and Papua New Guinea.

INTERNATIONAL LABOUR ORGANISATION (ILO)

The international Labour Organisation (ILO) is the only tripartite United Nations agency that brings together representatives of government, employers and workers to jointly shape policies and programmes to achieve its defined objectives.



International Labour Organisation (ILO)

The International Labour Organisation (ILO) was created in 1919, as part of the Treaty of Versailles that ended World War I, to reflect the belief that universal and lasting peace can be accomplished only if it is based on social justice. The security, humanitarian, political and economic considerations, were the driving force behind the creation of ILO.

The areas of improvement listed in the Preamble remain relevant today, for example:

- Regulation of the hours of work including the establishment of a maximum working day and week
- Regulation of labour supply, prevention of unemployment and provision of an adequate living wage
- Protection of the worker against sickness, disease and injury arising out of employment
- 4. Protection of children, young persons and women
- Provision for old age and injury, protection of the interests of workers when employed in countries other than their own
- 6. Recognition of the principle of equal remuneration for work of equal value
- 7. Recognition of the principle of freedom of association
- 8. Organization of vocational and technical education, and other measures.

The ILO is the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes, to achieve its defined objectives.

ECOLOGICAL FOOTPRINT' IS A MEASURE OF HUMAN DEMAND ON THE EARTH ECO SYSTEMS

The **ecological footprint** is a measure of human demand on the Earth's ecosystems. It compares human demand with planet Earth's ecological capacity to regenerate it. It represents the amount of biologically productive land and sea area needed to regenerate the resources a human population consumes and to absorb and render harmless the corresponding waste, given prevailing technology and resource management practice.

REGULATORY FRAMEWORK OF ENVIRONMENT PROTECTION IN INDIA

The Water (Prevention and Control of Pollution) Act

IT was enacted in 1974 to provide for the prevention and control of water pollution, and for the maintaining or restoring of wholesomeness of water in the country. The Act was amended in 1988.

The Air (Prevention and Control of Pollution) Act

PCbaban The Ecoloway Expert

age 136

IT was enacted in 1981 and amended in 1987 to provide for the prevention, control and abatement of air pollution in India. –

The Environment (Protection) Act

IT was enacted in 1986 with the objective of providing for the protection and improvement of the environment. It empowers the Central Government to establish authorities [under section 3(3)] charged with the mandate of preventing environmental pollution in all its forms and to tackle specific environmental problems that are peculiar to different parts of the country. The Act was last amended in 1991.

National Green Tribunal (NGT)

The National Green Tribunal has been established on 18.10.2010 under the National Green Tribunal Act 2010 for effective and expeditious disposal of cases relating to environmental protection and conservation of forests and other natural resources. It is a specialized body equipped with the necessary expertise to handle environmental disputes involving multi-disciplinary issues. The Tribunal shall not be bound by the procedure laid down under the Code of Civil Procedure, 1908, but shall be guided by principles of natural justice.

The Forest Conservation Act 1980

IT was enacted to help conserve the country's forests. It strictly restricts and regulates the de-reservation of forests or use of forest land for non-forest purposes without the prior approval of Central Government. To this end the Act lays down the pre-requisites for the diversion of forest land for non-forest purposes. –

The Indian Forest Act, 1927

IT consolidates the law relating to forests, the transit of forest-produce and the duty leviable on timber and other forest-produce.

The Biological Diversity Act 2002

IT was born out of India's attempt to realise the objectives enshrined in the United Nations Convention on Biological Diversity (CBD) 1992 which recognizes the sovereign rights of states to use their own Biological Resources. The Act aims at the conservation of biological resources and associated knowledge as well as facilitating access to them in a sustainable manner and through a just process For purposes of implementing the objects of the Act it establishes the National Biodiversity Authority in Chennai

ECOMARK



Page 137

- A Scheme on Labeling of Environment Friendly Products To increase consumer awareness, the Government of India launched the eco-labeling scheme known as Ecomark' in 1991 for easy identification of environment-friendly products.
- Any product which is made, used or disposed of in a way that significantly reduces the harm it would otherwise cause the environment could be considered as Environment-Friendly Product.
- The 'Ecomark' label is awarded to consumer goods which meet the specified environmental criteria and the quality requirements of Indian Standards.
- Any product with the Ecomark will be the right environmental choice. An earthem pot has been chosen as the logo for the Ecomark scheme in India.
- The familiar earthern pot uses a renewable resource like earth, does not produce hazardous waste and consumes little energy in making. Its solid and graceful form represents both strength and fragility, which also characterises the eco-system.

The specific objectives of the scheme are as follow

- ✓ To provide an incentive for manufacturers and importers to reduce adverse environmental impact of products.
- ✓ To reward genuine initiatives by companies to reduce adverse environmental impact of their products.
- ✓ To assist consumers to become environmentally responsible in their daily lives by providing information to take account of environmental factors in their purchase decisions.
- ✓ To encourage citizens to purchase products which have less harmful impacts on environment
- ✓ Ultimately to improve the quality of the environment and to encourage the sustainable management of resources.

THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

The 2030 agenda for Sustainable Development is a plan of action for people, planet and prosperity. It also seeks to strengthen universal peace in larger freedom. The 17 Sustainable Development Goals and 169 targets demonstrate the scale and ambition of this new universal Agenda. They seek to build on the Millennium Development Goals and complete what these did not achieve. They seek to realize the human rights of all and to achieve gender equality and the empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic,

social and environmental. The Goals and targets will stimulate action over the next fifteen years in areas of critical importance for humanity and the planet.

SUSTAINABLE DEVELOPMENT GOALS

Goal 1. End poverty in all its forms everywhere

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Goal 3. Ensure healthy lives and promote well-being for all at all ages



- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Goal 5. Achieve gender equality and empower all women and girls
- Goal 6. Ensure availability and sustainable management of water and sanitation for all
- Goal 7. Ensure access to affordable, reliable, sustainable and modem energy for all
- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- Goal 10. Reduce inequality within and among countries
- Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
- Goal 12. Ensure sustainable consumption and production patterns
- Goal 13. Take urgent action to combat climate change and its impacts*
- Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- **Goal 17.** Strengthen the means of implementation and revitalize the global partnership for sustainable development



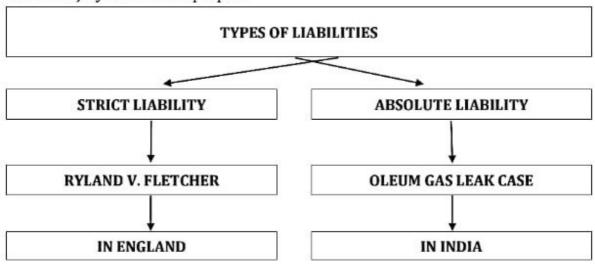
PRINCIPLES OF ABSOLUTE LIABILITY.

It is the fundamental principle of law that

SIC UTERE TUO UT ALIENUM NON LAEDAS MEANS:

(ENJOY YOUR OWN PROPERTY IN SUCH A MANNER AS NOT TO INJURE ANOTHER PERSONS)

But there are certain occasions and activities, by which there are chances of causing harm or injury to the useful peoples.



STRICT LIABILITY RULE IN RYLAND V. FLETCHER

The person who, for his own purpose, brings on his land and collects and keeps there anything likely to do mischief if it escapes, must keep it in at his peril; and if he does not do so is prima facie answerable for all the damage which is the natural consequence of its escape."



The liability under this rule is strict and it is no defence that the thing escape without that persons wilful act, default or negligence or that he had no knowledge of its existence.

CASE FACTS

The defendant was a mix owner, and he employed some independent contractors who were apparently competent, to construct a reservoir on his land to provide water for his mill. In the course of work the contractors came upon some old shafts and passages on the defendant's land. They communicated with the mines of the plaintiff, a neighbour of the defendant, although no one suspected this, for the shafts appeared to be filled with earth. The contractors did not block them up, and when the reservoir was filled the water from it burst through the old shafts and flooded the plaintiffs mines. It was found as a fact that the defendant had not been negligent, although the contractors had been. But the House of Lords held the defendant liable.

On the basis of liability in this case rule propounded by the house of lord.

For the application of the rule therefore the following three essentials should be there:

- (1) Some dangerous thing must have been brought by a person on his land.
- (2) The thing thus brought or kept by a person on his land must escape.
- (3) It must be non-natural use of land.

EXCEPTIONS TO THE RULE

The following exceptions to the rule have been recognized by RYLANDS V FLETCHER

- (1) Default of the claimant
- (2) Act of God
- (3) Statutory Authority
- (4) Consent of the claimant
- (5) Act of third party.

ABSOLUTE LIABILITY (NO EXCEPTION FROM ABSOLUTE LIABLITY)

THIS Rule laid down by Supreme Court of India in the OLEUM GAS LEAK CASE

Where an enterprise is engaged in a hazardous or inherently dangerous activity, the enterprise is strictly and absolutely liable to compensate all those who are affected by the accident and such liability is not subject to any exceptions.



The enterprise cannot escape liability by showing it had taken all reasonable care and there was no negligence on its part.

This principle, however, has been rarely applied since it was formulated.

CASE FACTS:

Shriram Food and Fertilizers Industry a subsidiary of Delhi Cloth Mills Limited was producing caustic and chlorine.

On December 4th and 6th 1985, a major leakage of Oleum gas took place from one of the units of Shriram Food and Fertilizers Limited in the heart of the capital city of Delhi which resulted in the death of several persons that one advocate practicing in the Tis Hazari Courts died.

The leakage was caused by a series of mechanical and human errors. This leakage resulted from the bursting of the tank containing oleum gas as a result of the collapse of the structure on which it was mounted and it created a scare amongst the people residing in that area.

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Hardly had the people got out of the shock of this disaster when, within two days, another leakage, though this time a minor one took place as a result of escape of oleum gas from the joints of a pipe.

On 6th December, 1985 by the District Magistrate, Delhi under Section 133(1) of Cr.P.C, directed Shriram that within two days Shriram should cease carrying on the occupation of manufacturing and processing hazardous and lethal chemicals and gases including chlorine, oleum, super-chlorine, phosphate, etc at their establishment in Delhi and within 7 days to remove such chemicals and gases from Delhi.

At this juncture M.C.Mehta moved to the Supreme Court to claim compensation by filing a PIL for the losses caused and pleaded that the closed establishment should not be allowed to restart.

ABOUT M.C. MEHTA (MAHESH CHANDER MEHTA)

M.C Mehta (Mahesh Chander Mehta) Mahesh Chandra Mehta is a public interest attorney from India. He was awarded the Goldman Environmental Prize in 1996 for his continuous fights in Indian courts against pollution-causing industries.

He received the Ramon Magsaysay Award for Asia for Public Service in 1997. M.C Mehta established MC Mehta Environmental Foundation MCMEF is a non-profit, non-governmental committed organization working nationwide for the protection of the environment, the rights of the people to clean and fresh water and air, the promotion of sustainable development, and the protection of the cultural heritage of India.

Mission:

We pledge to create an interactive movement at the national level for environmental and social justice.

- To provide a forum for concerned citizens, NGOs and activists working for the survival
 of living beings, sustainable development and social change.
- To provide training to and sharpen the skills of young lawyers, scientists and activists in order to strengthen environmental law and policy.

BHOPAL GAS DISASTER

On the night of Dec. 2nd-3rd, 1984, the most tragic industrial disaster in history occurred in the city of Bhopal, Madhya Pradesh.

Bhopal Gas Disaster being the worst industrial disaster of the country has raised complex legal questions about the liability corporations engaged in hazardous activity



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3ge 141

Union Carbide Corporation, (UCC) an American Corporation, with subsidiaries operating throughout the World had a chemical plant in Bhopal under the name Union Carbide India Ltd., (UCIL).

The chemical plant manufactured pesticides called Seven and Temik. Methyl Isocyanate (MIC), a highly toxic gas is an ingredient in the production of both Seven and Temik.

On the night of tragedy, MIC leaked from the plant in substantial quantities and the prevailing winds blew the deadly gas into the overpopulated hutments adjacent to the plants and into the most densely occupied parts of the city.

It was estimated that 2660 persons-lost their lives and more than 2 lakh persons suffered injuries, some serious and permanent, some mild and temporary.

On Dec 7th, 1984, the first law suit was filed by a group of American lawyers in the United States on behalf of thousands of Indians affected by the gas leak.

All these actions were consolidated in the Federal Court of United States. On 29th Mar. 1985 the Government of India enacted legislation, called The Bhopal Gas Disaster (Processing of Claims) Act providing the Government of India to have the exclusive right to represent Indian plaintiffs as in India and also elsewhere in connection with the tragedy.

Judge John F. Keenan of the US District Court after hearing both the parties dismissed the Indian consolidated case and declared that Indian Courts are the appropriate and convenient forum for hearing the plea of those affected.

The case moved to the Indian Courts, starting in the Bhopal High Court, till it finally reached the Supreme Court, Finally in, 1989, the Supreme Court of India came out with a overall settlement of claims and awarded U.S. \$470 million to the Government of India on behalf of all Bhopal victims in full and final settlement of all the past, present and future claims arising from the disaster.

WATER POLLUTION

Water Pollution refers to the contamination of water bodies and resources making water unsuitable for both humans and other living things.

Humans can be affected by water pollution as water pollution make water unsuitable for drinking, cooking, washing, bathing and also





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142

recreational activities (domestic use)Marine Animals living in these water bodies will also be affected as they will be poisoned when consuming the water, or when they consume the pollutants in the water which are normally very poisonous.

Pollution in the Ganges River The settlements built along the river, as well as the dumping of waste water have resulted in the serious pollution in the Ganges. Some people even cremate and dump the bodies of the deceased into the river during holy rituals.

Leather industry is one of the three major industries besides paper and textiles, consuming large quantities of water for processing of hides and skins into leather.

Naturally most of the water used is discharged as waste water containing organic and toxic inorganic materials which when discharged as such will deplete dissolved oxygen content of the receiving water courses resulting in the death of all aquatic life and emanating foul odour.

The MC. Mehta v. Union of India also known as the Kanpur Tanneries or Ganga Pollution case is among the most significant water pollution case. Detailed scientific investigations and the reports were produced before the Court as evidence.

The alarming details given by M.C. Mehta about the extent of pollution in the river Ganga due to the inflow of sewage from Kanpur only, the Court came down heavily on the Nagar Mahapalika (Municipality) and emphasised that it is the Nagar Mahapalika of Kanpur that has to bear the major responsibility for the pollution of the river near Kanpur city.

WATER POLLUTION & SOME IMPORTANT CASE LAWS:

IN VINEET KUMAR MATHURV. UNION OF INDIA

The Court took note of the continued violation of the State, as well as industries by continuing to pollute water by discharging effluents and also in not setting up of common effluent treatment plants. The Court initially directed the officers of the State Pollution Board to visit the polluting industrial establishments and make a fresh inspection of the Effluent Treatment Plants installed in the said establishments and of their working.



After inspection, if it was found that the treatment plants are deficient in any respect or the deficiency pointed out earlier still continues, the Board will give reasonable time for

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the industries to cure the deficiencies. However, the time so given should not extend beyond the deadline set up by the Court. The Board was directed to file its report within fifteen days. The Court further held that if the industries do not obtain the consent of the State Pollution Board for running their units, before the fixed time limit the industries will stop functioning there after.

AMBUJA PETROCHEMICALS V. A.P. POLLUTION CONTROL BOARD

One of the industries covered by the Patencheru belt of treatment plants was served with a notice for violating the Water (Prevention and Control of Pollution) Act.

The industry replied to the notice. The Board however, not satisfied with the reply of the industry, directed its closure. The same was challenged in the High Court.

The High Court dismissed the petition of the industry observing that under the Act, the Board had a mandate to take action against an erring industry. The High Court could not sit in appeal against the action of the Board considering the expertise of the Board in these aspects.

The High Court observed that it was open to the industry to comply with the direction of the Board and make a representation which the Board would consider and if satisfied allow the industry to operate. One of the aspects to be observed here is that the industry had raised all sorts of pleas including that it was a sick industry etc. which was not appreciated by the High Court.

BHAVANI RIVER - SHAKTI SUGAR MILLS LTD

The issue was pertaining to pollution of river Bhavani from the effluents discharged by the industry. The Board under Section 33-A of the Act had issued directions, which were aimed at ensuring proper storage of the effluent in lagoons and for proper treatment and disposal of the treated effluent. The Supreme Court held that the violations of pollution law by the industry were serious, and the same was posing a health hazard. The Court directed that the industry be closed and also directed the Board to submit a compliance report within ten days.

Corporate Manslaughter and Corporate Homicide Act 2007, United Kingdom

In the United Kingdom, the Corporate Manslaughter and Corporate Homicide Act introduced a new offence, across the UK, for prosecuting companies and other organisations where there has been a gross failing, throughout the organisation, in the management of



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health and safety with fatal consequences.

The Corporate Manslaughter and Corporate Homicide Act 2007 is a landmark in law. For the first time, companies and organisations can be found guilty of corporate manslaughter as a result of serious management failures resulting in a gross breach of a duty of care

The Act, which came into force on 6 April 2008, clarifies the criminal liabilities of companies including large organisations where serious failures in the management of health and safety result in a fatality.

Prosecutions will be of the corporate body and not individuals, but the liability of directors, board members or other individuals under health and safety law or general criminal law, will be unaffected. And the corporate body itself and individuals can still be prosecuted for separate health and safety offences.

Companies and organisations should keep their health and safety management systems under review, in particular, the way in which their activities are managed and organised by senior management.