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Odisha State Open University, Sambalpur, Odisha
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Management Programme (MP)

MP-12

Ethics, Governance and Social Responsibility

Block - 4

Practices in Ethics, Governance and Social Responsibility

UNIT-1: Best Practices in Business Ethics

Learning Objectives

After going through this Unit, you will be able to:

- Understand what is business ethics
- Appreciate the global nature of business ethics
- Be aware of the prevalence of unethical behaviour around the world
- Appreciate the benefits of ethical companies
- Understand the types of business ethics issues

Structure

1.1 INTRODUCTION

Business ethics (also known as **corporate ethics**) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. These ethics originate from individuals, organizational statements or from the legal system.

Business ethics refers to contemporary organizational standards, principles, sets of values and norms that govern the actions and behaviour of an individual in the business organization. Business ethics has normative and descriptive dimensions. As a corporate practice and a career specialization, the field is primarily normative. Academics attempting to understand business behaviour employ descriptive methods. The range and quantity of business ethical issues reflects the interaction of profit-maximizing behaviour with non-economic concerns.

Interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, most major corporations today promote their commitment to non-economic values under headings such as ethics codes and social responsibility charters.

Ethics are the rules or standards that govern our decisions on a daily basis. Many equate "ethics" with conscience or a simplistic sense of "right" and "wrong." Others would say that ethics is an internal code that governs an individual's conduct, ingrained into each person by family, faith, tradition, community, laws, and personal mores. Corporations and professional organizations, particularly licensing boards, generally will have a written "Code of Ethics" that governs standards of professional conduct expected of all in the field. It is important to note that "law" and "ethics" are not synonymous, nor are the "legal" and "ethical" courses of action in a given situation necessarily the same. Statutes and regulations passed by legislative bodies and administrative boards set forth the "law." Slavery once was legal in the US, but one certainly wouldn't say enslaving another was an "ethical" act.

Best practices are a set of guidelines, ethics or ideas that represent the most efficient or prudent course of action. Best practices are often set forth by an authority, such as a governing body or management, depending on the circumstances. While best practices generally dictate the recommended course of action, some situations require that industry best practices be followed.
Best practices serve as a general framework for a variety of situations. For instance, in the production process, a list of best practices may be given to employees, highlighting the most efficient way to complete their tasks. For accountants, the Generally Accepted Accounting Principles represent best practices for the

profession. An investment manager may follow best practices when managing a client's money, by prudently investing in a well-diversified portfolio.

*The expression "**basic ethical principles**" refers to those general judgments that serve as a justification for particular ethical prescriptions and evaluations of human actions.*

Three basic principles, among those generally accepted in our cultural tradition, are particularly relevant to the ethics of research involving human subjects: the principles of respect of persons, beneficence and justice.

1. Respect for Persons - Respect for persons incorporates at least two ethical convictions: first, those individuals should be treated as autonomous agents, and second, that persons with diminished autonomy are entitled to protection. The principle of respect for persons thus divides into two separate moral requirements: the requirement to acknowledge autonomy and the requirement to protect those with diminished autonomy.

In most cases of research involving human subjects, respect for persons demands that subjects enter into the research voluntarily and with adequate information.

To respect autonomy is to give weight to autonomous persons' considered opinions and choices while refraining from obstructing their actions unless they are clearly detrimental to others. Respect for the immature and the incapacitated may require protecting them as they mature or while they are incapacitated.

Some persons are in need of extensive protection. The extent of protection afforded should depend upon the risk of harm and the likelihood of benefit. The judgement that any individual lacks autonomy should be periodically reevaluated and will vary in different situations.

2. Beneficence - Persons are treated in an ethical manner not only by respecting their decisions and protecting them from harm, but also by making efforts to secure their well-being. Such treatment falls under the principle of beneficence. Two general rules have been formulated as complementary expressions of beneficent actions in this sense: (1) do not harm and (2) maximize possible benefits and minimize possible harms. As with all hard cases, the different claims covered by the principle of beneficence may come into conflict and force difficult choices.

3. Justice - Who ought to receive the benefits of research and bear its burdens? This is a question of justice, in the sense of “fairness in distribution” or “what is deserved.” An injustice occurs when some benefit to which a person is entitled is denied without good reason or when some burden is imposed unduly. Another way of conceiving the principle of justice is that equals ought to be treated equally.

The other three principles of ethics include informed consent, confidentiality and avoiding harm to do well.

- Informed consent

It is important that those participating in the research understand its aims and objectives and that informed consent is given, for research that is carried out with children or vulnerable adults, it is essential to acquire informed consent from a parent, guardian or responsible adult

- Confidentiality

Confidentiality needs to be considered - how will confidentiality be maintained? Is it always appropriate and applicable (i.e. criminal activities, if someone is in harm...etc.)?

- Avoid harm and do well

Ethics can go so far as to suggest that research needs not only avoid harm, but to ensure that its purpose is to do good...how might this impact on the methodology of the research and the impartiality?

Whether you work for a small business or a major corporation, following ethical principles matters.

While businesses have to meet economic expectations, they also have ethical responsibilities. Everyone, from the bottom to the top of the organizational chart, must take care to meet these responsibilities.

People with integrity value other principles, including honesty, respect, personal responsibility, compassion, and dependability. These qualities are integrated into the Six Pillars of Character offered by the Josephson Institute, a nonprofit organization that develops and delivers services and materials to increase ethical commitment. The pillars are:

- Trustworthiness
- Respect
- Responsibility
- Fairness
- Caring
- Citizenship

1.2 IMPORTANCE OF BEST PRACTICE IN ETHICS

A company's ethics is the single most powerful way to differentiate itself from the competition. Customers buy from people before they buy the product or service offered. That means trusting is an ethical business.

Ethical values fall into two distinct categories: core and personal. Core values are intrinsic to a large body, like a civilization, and embody certain characteristics like honesty, courage, justice, fairness and respect for others -- qualities that are recognized by all civilizations, and that don't change over time.

Virtually all business situations can be considered in an ethical light, since just about every action we take -- as well as those we decide not to take -- can be subjected to ethical evaluation. Values aren't just additional factors to consider when making a decision. For that reason, we need to look inside at our core values and make sure that dealing honestly with ourselves and everyone we come in contact with is our first priority.

Leadership Ethics

Your behaviour is disproportionately symbolic to employees. If there's a missing link between what you say and what you do, employees will see it -- and, most likely, emulate the wrong behaviour.

Whether it's simply through ethical behaviour or by instituting a full-blown ethics programme, the company's leader must stand behind his or her actions fully. If a mistake is made, admit it. Anything less runs the risk of breeding cynical attitudes among the staff that are very difficult to dislodge.

Effective moral leadership includes:

- A framework of principles. A personal code of conduct should be so integral to your viewpoint that unethical behaviour never becomes an option.
- "Selling" ethics to others. You are the leader. Lead by example. Your decisions and actions send a clear message of what is tolerated and what isn't.
- Respecting yourself and others. Although people may define "respect" in different ways, everyone knows when they're being "disrespected." Moral leadership supports actions that avoid any harm or discourtesy to others.

Communicating Ethics

When it comes to communicating ethics, several "delivery strategies" are available:

- Safe feedback systems. One true test of a company's commitment to ethics is an atmosphere where employees can safely tell their supervisors about perceived "cracks" in the program. Creating a mechanism for reporting problems encourages such behaviour. This can include (1) suggestion boxes; (2) one-to-one meetings; and/or (3) anonymous hotlines. Employees should never feel they are jeopardizing their positions by reporting ethical concerns.
- Company communications. Look at existing modes of communication for ways to spread the word about your company's dedication to ethical behaviour. Appropriate venues include new employee orientation, sales training sessions, business planning and other day-to-day activities.

Ethics Training

A comprehensive ethics training programme offers these substantial benefits:

- Provides tools for people to behave in an ethical manner
- Enables people to understand the consequences of their behaviour
- Raises awareness that the company values ethical actions

The first step is defining yourself and your business as an ethical enterprise. Take another look at your mission and vision to ensure they are clear, consistent and up-to-date. Communicate those values throughout the organization. Make sure people within the company understand that support and guidance are there when needed.

Ethics Programmes

Dealing with employees is a lot like dealing with your children. You're the role model and authority figure. As a result, you better do what you say you want them to do.

The job of enforcing an ethical standard belongs to the CEO and can't be delegated. The organizational leader is like God. God can have prophets but can't relinquish primary responsibility. Only the CEO can be the custodian of corporate culture.

By its very nature, an ethical structure in the workplace means advocating certain behaviours and discouraging others. Reward and celebrate ethical behaviour. Start by instituting accountability standards for employees at all levels of the organization. Make it clear that your policy is zero tolerance for ethical lapses.

Codes of Conduct

A code of conduct that emphasizes positive values -- including respect for others, quality for customers, responsibility toward society -- can instill a sense of pride among employees. In this environment, each employee understands that his or her decisions have an ethical impact on everyone around them.

What is appropriate to include in the code of conduct? The experts suggest the following guidelines:

- Comply with laws and regulations.
- Avoid sexual or racial discrimination.
- Maintain confidentiality.
- Avoid personal use of company property.
- Avoid conflicts of interest.
- Report illegal activity to your supervisor.

Ethics as Brand Weapon

When a company dedicates itself to fostering an ethical culture, there is no reason it should not be known for this dedication.

A commitment to ethics projects a strong public image. The company's customers, as well as the public at large, respond positively to this, particularly in these ethically troubled times. The message an ethical company sends is: We value people as much, if not more, than profits.

12 Steps to Building Best-practices

More than in the past, employees feel pressured to meet organizational goals. And when employees presume those goals are unreasonable, they may resort to unethical means of reaching them. When managers see employees' apparent success in achieving results, they assume it's appropriate to raise the goals, eventually ensuring no one can achieve them by legitimate means. The bottom-line result is an organization infested with distrust, rationalizations and unethical behaviour.

Fortunately, many of today's most successful organizations have combated the forces that cause employees to believe they have to lie, cheat and steal to survive. These companies have confronted the pressure-to-perform dilemma and have established some forward-thinking best practices for doing more and better work with fewer people.

The formula derived from these best practices is fairly straightforward. But be forewarned. Best practices are easier to describe than to implement. These practices require a desire on the part of all involved to build a working environment based on respect and concern for doing the right things in the right ways.

The 12 elements of best-practices ethics programme include the following. Each element is described in reference to the pressure-to-perform scenario.

1. Vision Statement.

   A vision statement defines the long-term, most desirable future state for the organization. The vision gives employees and managers a first screening test for decisions. They should ask themselves: "Will this decision or action move the organization closer to its vision?" *Example:* When setting performance goals HR should question whether the goals further the vision. But this alone is an insufficient test of the appropriateness of a set of goals. For example, "stretch" goals can further the vision in ways that are inconsistent with company values. A better measurement of the appropriateness of a goal would be: If meeting the goal will require unethical actions, the goal should be rejected.

2. Values Statement.

   A values statement defines general principles of required behavior. It's the standard against which decisions and actions are evaluated to determine if they meet the company's and employees' requirements. *Example:* An organization that adopts the simple values of fairness, honesty and integrity would set only those goals that employees can achieve through honest means, and would require that employees refrain from "gaming the system" and that communication among all parties be truthful.

3. Organizational Code of Ethics.

   A code of ethics gives organization-specific definitions of what's expected and required. The code of ethics should clarify the organization's expectations. The code also defines the consequences for failure to meet the standard. *Example:* In detailing the values of honesty or integrity, the code of ethics would specify that reporting of sales and work times be accurate and truthful, and that failure to meet this standard can be cause for dismissal.

4. Ethics Officer.

   An ethics officer ensures that the ethics systems are in place and functioning. This person monitors the organization to determine if it's making a good faith effort to abide by its stated values that the code of conduct supports those values and that violations of those values are prevented or detected and addressed. The ethics officer usually oversees the ethics communication strategy and mechanisms for employees to obtain guidance and report suspected wrongdoing. *Example:* In the pressure-to-perform case, the ethics officer should encourage and receive communication from employees about the performance standards and determine whether or not those standards constitute an impetus to violate the organization's values and code of ethics.

5. Ethics Committee.

The ethics committee oversees the organization's ethics initiative and supervises the ethics officer. It's the final interpreter of the ethics code and the final authority on the need for new or revised ethics policies. Early in the ethics initiative, it also may act as an ethics task force, creating the infrastructure it will eventually oversee. *Example:* The ethics committee receives information regarding any patterns or trends in employee comments about goal-setting, measurements and rewards, as well as instances of reported misconduct. It's responsible for initiating the organization's response to those patterns and trends, which likely includes a review of the goal-setting guidelines and a test of the reasonableness of current goals. The committee also initiates steps to reverse the pressure to violate the code of ethics to meet artificially high performance standards.

6. Ethics Communication Strategy.

   If employees are to know what's expected of them and what resources are available to them, the ethics officer must create a cohesive ethics communication strategy. This strategy ensures that employees have the information they need in a timely and usable fashion and that the organization is encouraging employee communication regarding the values, standards and the conduct of the organization and its members. *Example:* Employees require information about what's expected and how to safely raise their concern if the goals, as set, are unattainable by any means that the organization would condone.

7. Ethics Training.

   Ethics training teaches employees what the organization requires, gives them the opportunity to practice applying the values to hypothetical situations and challenges, and prepares them to apply those same standards in the real world. *Example:* Ethics training enables employees to recognize the ethical dilemma of unreasonable goals and ensures they know what resources are available for safely raising the issue. It also makes it evident to the managers setting those standards that doing so creates an unacceptable condition in the workplace.

8. Ethics Help Line.

   Help lines are not just for reporting unethical conduct. They also make it easier for the organization to provide guidance and interpretation of its expectations when the intent of an ethics policy is unclear. *Example:* In the pressure-to-perform scenario, a call to a help line alerts the organization to the problem and ultimately leads to restoring reasonableness to the sales and performance objectives.

9. Measurements and Rewards.

In most organizations, employees know what's important by virtue of what the organization measures and rewards. If ethical conduct is assessed and rewarded, and if unethical conduct is identified and dissuaded, employees will believe that the organization's principals mean it when they say the values and code of ethics are important. *Example:* Appropriate rewards and measures prevent the unreasonable goals that are the motivation for the lying, cheating and stealing.

10. Monitoring and Tracking Systems.

It isn't enough to track and monitor employee behavior. It's also critical to assess the extent to which employees accept and internalize the organization's values and ethics code. Do they agree with their importance and appropriateness? Do they believe they apply to all employees at all levels? *Example:* If employees suspect that managers know employees are cheating to reach goals and are looking the other way, this may suggest that looking good on the sales reports is more important to managers than doing the right things in the right ways.

11. Periodic Evaluation.

It's important to assess periodically the effectiveness of any initiative, especially an ethics program. Is the commitment still there? What has been the impact of recent changes? Are ethics-related goals and objectives being met? What new challenges are emerging? *Example:* With periodic ethical climate evaluations the pressure to improve sales and service performance can be anticipated, preventing an ethical mess to follow.

12. Ethical Leadership.

The bottom line is that ethics is a leadership issue. Leaders set the tone, shape the climate and define the standards. If managers are trustworthy and trusted, if their motivations are honorable and their expectations crystal clear and if they are paying attention to ethics as an integral element of every business decision, then ethical problems will be rare. Problems arise when the leaders are distracted by other elements of running the organization and fail to ensure that the ethical systems are in place and are effective.

Example: The pressure-to-perform scenario can develop because managers are sidetracked by competition and inadvertently communicate that nothing is more important than sales. The message they should be communicating is that sales, honestly made and honestly reported, are crucial, but that dishonest sales dishonestly reported serve no one.

These 12 best practices can prevent the vast majority of ethics violations, large and small, if they're systematically and systemically applied. Nothing has proven effective in preventing the rogue employee from perverting any system. But these practices can ensure that an organization is doing nothing to encourage good people to do bad things.

1.3 ETHICS AND CORPORATE COMPLIANCE PROGRAMME

Compliance and ethics ("C&E") programmes are organizational policies put in place to promote law abiding and ethical conduct. To be effective, they must be supported by procedures, communications efforts, and cultural attributes. While the principal drivers for such programmes are laws and regulations which offer leniency to companies with good C&E programmes, there are further reasons to embrace C&E and make it a priority. C&E programme law is to some extent the codification of sound management practices.

Corporations have recognized that they need to regain the confidence of the consumer and better their business ethics if they ever hope to profit, and create jobs to get the economy back on track. Thanks to this realization, more and more, we see companies are proving they can be the engines of growth by making ethics a larger part of their business plans. The World's Most Ethical (WME) Companies prove there is a clear correlation between ethical business practices and financial performance. A strong Ethics and Corporate Compliance Programme has become a need for every regulated organization. In addition to ensuring compliance to various regulations, such a program helps organizations to proactively identity risks, improve ethical behaviour within the organization and become audit ready.

In 2015, one of the biggest incidents of corporate fraud that dominated the news was that of German automobile giant, Volkswagen, which came under fire for inserting a "defeat device" in its diesel engines to cheat on emission tests. Today, the company is contending with potential regulatory fines and compensation cases from customers, as well as major reputational repercussions that have severely affected its market share. Meanwhile, in another instance of fraud, electronics conglomerate, Toshiba, was found to have overstated its earnings by nearly $2 billion over seven years, more than four times its initial estimate. With scandals such as these in the limelight, attention to ethics in the workplace has gained momentum.

Ethics and compliance is one of today's highest risk concerns for businesses. This is especially true of organizations in a global marketplace where such risks become harder to identify and mitigate considering that there are often multiple subsidiaries, business units, and third parties involved. As the global market place has evolved, so has the role of a Chief Compliance Officer (CCO) and the corporate compliance teams. These individuals have their task cut out for them, as they strive to balance the ever-increasing compliance demands of regulators and internal stakeholders.

Challenge of Ethics and Corporate Compliance Management

The primary responsibility of a corporate compliance team is to develop compliance strategies and programs, while also implementing processes and tools to identify, oversee, and mitigate compliance issues at an enterprise level. Additionally, with increasing regulatory compliance requirements, the corporate compliance team is required to collaborate with individual departments and regulatory teams to oversee compliance at the departmental level.

Every organization needs to have a compliance strategy in place to determine potential risks, identify ways to mitigate them in time, and outline a future course of action. These strategies need to extend to the department level where compliance violations and issues can often pose a threat to the organizational reputation. Programs, processes, and technologies need to be in place to identify, prioritize, investigate, and address compliance violations and risks before they morph into black swan events. Strong policies and processes are also important in mitigating these risks. In fact, having a robust corporate compliance programme helps organizations maintain compliance with external regulations, as well as internal policies and processes. Training employees on policies also goes a long way towards ensuring an ethical environment.

Building a successful compliance and ethics programme can often be challenging. How do you get from where you are to where you want to be? How can you be ready to deal with risks that you have not faced yet? Here are five best practices:

- Be Proactive in Managing Compliance and Ethics

  An organization's readiness to handle a compliance issue is critical as it impacts brand value and profitability. To that end, successful businesses need to be proactive in terms of establishing controls and processes, defining accountability, and centrally managing compliance requirements so that they are easily accessible to all concerned departments. Being proactive also requires the corporate compliance team to collaborate with other departments and regulatory compliance groups to manage their compliance processes, controls, templates, and timelines. This approach gives the corporate compliance team comprehensive visibility into organizational compliance, so that they can perform regular or ad-hoc assessments to minimize violations.

- Adopt and Communicate an Ethical Profile

  Ethics begins at home. The foundation of an effective ethics and corporate compliance program is a strong and well-communicated code of ethics which can be best represented in terms of policies and procedures. These policies and procedures define the culture and expected behaviour of everyone working in or with the organization. When there are multiple subsidiaries spread out across different geographies, policy creation needs to take into consideration various factors such as subsidiary location and industry. The key to policy creation is to ensure that policies are applicable globally as well as locally. This helps ensure that there are no gaps or loopholes in compliance. Automated tools can add further value by simplifying the process of policy management

- Train Employees on Compliance Policies

  Organizations cannot fully comply with regulations if its employees do not follow organizational policies and procedures. Investing in employee training is always a smart move. Employees need to understand the organization's culture and its ethical boundaries. Technology can play an important role here in the form of learning or training management systems that make it easy to conduct and track multiple training programs.

- Integrate Hotlines with the Corporate Compliance Programme

  Many organizations have found it useful to have hotline numbers for employees to anonymously report issues of bribery, fraud, ethical violations, discrimination, and other incidents of misconduct at the workplace. Integrating hotlines with the company's corporate compliance program can be effective as it helps in tracking each issue from creation to closure.

- Adopt a Risk-based Approach to Compliance Management

  A risk-based approach to compliance and ethics management involves identifying the high risk areas within the organization, and then prioritizing, managing, and monitoring those risks. Compliance risks can be measured and scored from different perspectives such as per business unit, process, and geography. Based on the risk rating, organizations can effectively plan control testing. Issues can be also prioritized based on rating, impact, likelihood, or type.

No organization can comply with rules and regulations overnight. Compliance is a continuous process that requires businesses to keep setting new goals, leverage technology to achieve these goals, assess the results, and again work towards improving the results by setting new objectives. This continuous process will help corporate compliance become an integral part of the business.

Building a Business Ethics and Compliance Programme

Most companies realize that they need to develop and implement a business ethics and compliance programme. An effective programme can:

- Establish a code of conduct that reduces risk of criminal behaviour
- Detect wrongdoing, foster quick investigations, minimize consequences
- Demonstrate company's ethical/legal philosophy during an investigation
- Reduce fines if company is found guilty of wrongdoing
- Enhance company reputation and stature

Looking at the Options

But how do you build an effective programme? Companies find themselves with three options to build the programme:

1. Develop in-house from scratch
2. Hire an external consultant
3. Use a pre-written manual

And most of these companies learn a few lessons – sometimes the hard way.

Making a Strong Decision

Developing an ethics program from scratch can be very time consuming and costly. Also, the company might not have the knowledge or understanding of the complexity involved. But hiring an external consultant is not always a cost effective option either. So what's left?

Developing Your Business Ethics Programme

By using a pre-written template or manual, many companies have found it easier to develop their business ethics programme. And to do this, they look for what a strong programme needs. A highly effective tool for creating, organizing and implementing a sound business ethics and compliance programme should provide:

- Sample policies and procedures
- An Ethics Policy
- Step-by-step instructions for the development of a programme
- A business ethics training programme outline with classroom materials and a detailed session leader's guide
- Business ethics and compliance officer position description
- Templates for employee involvement
- Sample code of conduct

Implementing Your Business Ethics Programme

If the company board has committed to a strong business ethics and compliance programme, the next step is to put the manual in the hands of corporate executives responsible for implementation. Used properly under advice of legal counsel, this efficient tool will yield a solid programme that the board can understand, endorse, and monitor for effectiveness.

With step-by-step guidelines and accompanying examples of policies, procedures, a training programme and an employee survey, such an effective tool provides an excellent road map for implementing an ethics and compliance initiative.

1.4 Implementing Ethics Programme in the Workplace

Do your customers trust and believe in your company? Do you trust and believe your employees? Do your employees trust and believe in you?

Trust and transparency in conduct is ever more important in our information-heavy age, and ethics need to be clearly stated, flowing down form the highest executives. Every employee and client gets their cues from the highly visible executives and owners, and if they are seen to push the limits of ethical behavior, they will as well. That's why a clear and comprehensive ethics policy should be in place.

A corporate ethics policy is a cornerstone to providing employees and clients with concrete guidelines about what is and is not accepted in the workplace, without the need for constant oversight from management. It can also provide transparency in action and goodwill with customers who strive to find companies they can trust.

A good policy does more than just outline concepts of good behaviour, it also communicates expectations and requirements, has buy-in from all levels of business (from the board of directors down), and develops measurements to determine if ethics are being maintained and yielding the desired results.

Creating an ethics policy can be daunting, as evidenced by the how popular the Ethics topic is on Knowledge Leader. The Code of Business Conduct sample document, the Guide to Developing an Effective Code of Conduct and the Ethics Program Review Audit Work Programme are all very popular for a reason.

The Ethics Programme Guide provides a fifteen point plan to developing or strengthening a company's ethics programme.

Here are a few sample points:

Identify and Renew Company Values

Companies without a clear set of values may find themselves at a disadvantage when developing ethics programmes. Ethics programs are most effective when perceived by employees to be "values-driven" rather than simply compliance-driven and values-based programmes are most effective in reducing unethical behaviour, strengthening employee commitment and making employees more willing to deliver bad news to managers. Many companies conduct regular company-wide initiatives that involve employees at all levels of responsibility in renewing company values and updating them when appropriate.

Secure Visible Commitment from Senior Managers

Most ethics professionals agree that it is crucial to enlist senior management support if an ethics programme is to be successful. Senior managers should participate in training sessions, make ethics a regular element in speeches and presentations and align their own behaviour with company standards. If employees view an ethics programme as merely an effort to protect the reputation of top management, the programme may prove more harmful than no programme at all.

Engage the Board of Directors

Engage directors in the ethics process by instituting a board ethics committee or by placing ethics on the board agenda as a regular item for discussion. Consider special training to enable directors to carry out their ethical responsibilities confidently. Many U.S. companies have instituted board ethics committees and training in recent years, a move motivated in part by the many regulations establishing that directors may be held liable for corporate ethical transgressions.

Develop an Ethics Code or Code of Business Conduct

Comprehensive codes are aligned with company values and all applicable laws, address the full range of ethical dilemmas employees are likely to face and are updated regularly as new challenges emerge. It is important to be clear and specific about what is required of employees, where leeway is allowed in decision making and which ethical issues are non-negotiable. Unclear rules and unclear expectations of employees are the single most prominent obstacle to ethical behaviour.

Build Ethics into Mission and Vision Statements

Many companies build ethical values and goals into their mission and/or vision statements. This helps senior managers and employees understand that values and ethical standards are integral to all company operations and planning and not simply an "add-on" to be considered after important decisions have been made.

Integrate Ethics into all Aspects of Company Communications

Leverage existing company infrastructure to demonstrate to employees that ethics is an integral part of all operations and decision making. Integrate ethics and compliance training materials into multiple delivery sources including new employee orientations, management courses, sales training, business meetings, business plans and other aspects of day-to-day activities.

1.5 COCA COLA: A CASE IN EXAMPLE

The Coca-Cola Company

At The Coca-Cola Company, we aim to lead by example and to learn from experience. We set high standards for our people at all levels and strive to consistently meet them. Our sound business principles and practices foster our strong, innovative and collaborative culture, which is committed to ethical behavior, accountability and transparency.

We are guided by our established standards of corporate governance and ethics. We review our systems to ensure we achieve international best practices in terms of transparency and accountability. The foundation of our approach to corporate governance is laid out in our Corporate Governance Guidelines and in the charters of our Board of Directors' committees.

Board of Directors

Our Board of Directors is elected by our shareowners to oversee their interests in the long-term health and the overall success of the Company's business and its financial strength. It serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the shareowners. The Board fulfills its duties, including implementation of risk oversight, with the assistance of various appointed Board committees. The Board also selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Company.

Corporate Responsibility

Corporate responsibility is managed through the Public Policy and Corporate Reputation Council, a cross-functional group of senior managers from our Company and bottling partners. The Council identifies risks and opportunities faced by our business and communities and recommends strategies to address these challenges.

Ethics & Compliance

The core of the ethics and compliance program at The Coca-Cola Company is our Code of Business Conduct. The Code guides our business conduct, requiring honesty and integrity in all matters. All of our associates and directors are required to read and understand the Code and follow its precepts in the workplace and larger community.

Ethics-Line

Our associates, bottling partners, suppliers, customers and consumers can ask questions about our Code and other ethics and compliance issues, or report potential violations, through Ethics-Line, a global Web and telephone information and reporting service. Telephone calls are toll-free, and Ethics-Line is available 24 hours a day, seven days a week, with translators available.

More information about our approach to and administration of ethical business conduct for employees, suppliers, partners, and non-employee directors is detailed in our Ethical Business Conduct page on Journey.

Public Policy Engagement

We participate in public policy dialogues around the world, particularly in the United States. Our aim is to use our resources responsibly to advance public policy that supports our industry and business priorities, our more than 700,000 system associates, our shareowners and the communities we serve.

The Coca-Cola Company and our affiliated Political Action Committees comply with U.S. laws and requirements regarding contributions to political organizations; candidates for federal, state and local public office; ballot measure campaigns; political action committees; and trade associations. The Public and Diversity Review Committee of our Board of Directors reviews our advocacy efforts, including political contributions.

The Coca-Cola Company Governance Documents

- Corporate Governance Guidelines
- By-Laws
- Restated Certificate of Incorporation
- 2016 Proxy Statement
- Our Focus on Conducting Ethical Business
- Mission, Vision and Values
- Our Anti-Corruption Efforts
- Corporate governance at Coca-Cola

1.6 INFOSYS: A CASE IN EXAMPLE

Infosys

Infosys, one of the pioneers in the Information technology industry in India, is a corporation which always stood for ethical and responsible approach to business. It has been consistently viewed as the most transparent and ethical organization by the customers, employees, society and the investor community. Infosys's founder and Chairman Emeritus, N.R.Narayana Murthy, has always been a great follower and advocate of ethics in business. Infosys's top management always championed the case of ethics in each and every one of its actions and messages, both within the company and outside as well.

"Professionalism and ethics are becoming more and more relevant in our quest to become better professionals, in our quest to make this country a better place and this world a better place. And that exactly is the background that we have set out with," Narayana Murthy.

Narayana Murthy, through his simplicity, approach to business, honesty, integrity and professional excellence proved to the world that, ethical conduct, transparency and business acumen are not at variance with each other and are indeed interrelated. He along with his co-founders of Infosys, created perhaps the world's most ethical organization in the world with an incredible ascent on transparency, responsible behaviour and ethical conduct. This has created an organization with a distinctive value system and culture focused on integrity, transparency and responsible approach while pursuing excellence.

While a number of organizations today are engaged in window dressing their accounts and also are trying to communicate a performance far better than the actual, with a view to inflating their valuation, Infosys always followed the policy of naked transparency in front of the investing community, through their ' When in doubt, disclose' approach.

- In addition to complying to the laws of the land where ever it operates, Infosys ensures transparency and accountability through the adoption of a Code of Conduct and Ethics and a Whistle-blower policy. Infosys ensures that every one of the employees is thoroughly oriented with the code of ethical conduct, by incorporating orientation modules on the same in the employee induction programs and also regularly updates all the employees worldwide, through online and offline training and awareness programmes through the 'Do you know your ethics' series of events.
- Through the internal TV channel Infy TV, Sparsh the corporate intranet, direct lectures and training programmes, the CEO & leaders at Infosys regularly talk to their employees about the importance of ethical conduct. An uncompromising stand on ethics is followed by strict actions are taken against the transgressors of the code of conduct, though they are few and far between.
- Infosys has been consistently rated at the highest level of CGR (Corporate Governance Rating) by all the rating organizations and agencies.
- No wonder, Infosys has been consistently enjoying not only financial success but also a very high price-equity ratio that gives it an excellent valuation on the stock markets and a blue chip status.

There is an old proverb that says, “The best time to plant a tree was 20 years ago. The second best time is now.” If you have not implemented a solid ethics policy, then now is the best time. If you already have an ethics policy, then now might be a good time to review it.

1.7 LET’S SUM UP

Several factors play a role in the success of a company that is beyond the scope of financial statements alone. Organizational culture, management philosophy and ethics in business each have an impact on how well a business performs in the long term. No matter the size, industry or level of profitability of an organization, business ethics are one of the most important aspects of long-term success. The importance of business ethics reaches far beyond employee loyalty and morale or the strength of a management team bond. As with all business initiatives, the ethical operation of a company is directly related to profitability in both the short and long term. The reputation of a business from the surrounding community, other businesses and individual investors is paramount in determining whether a company is a worthwhile investment. If a company's reputation is less than perfect based on the perception that it does not operate ethically, investors are less inclined to buy stock or otherwise support its operations. With consistent ethical behaviour comes increasingly positive public image, and there are few other considerations as important to potential investors and current shareholders. To retain a positive image, businesses must be committed to operating on an ethical foundation as it relates to treatment of employees, respect to the surrounding environment and fair market practices in terms of price and consumer treatment.

Ethics concern an individual's moral judgements about right and wrong. Decisions taken within an organization may be made by individuals or groups, but whoever makes them will be influenced by the culture of the company. The decision to behave ethically is a moral one; employees must decide what they think is the right course of action. This may involve rejecting the route that would lead to the biggest short-term profit.

1.8 KEY TERMS

Business ethics, applied ethics, corporate ethics, professional ethics, ethical problems, normative and descriptive dimensions, profit-maximizing, ethics codes, contrivance, conspiracy, ethics regimes, fiduciary, conscience, prudent, best practices, portfolio, benchmarks, autonomy, beneficence, justice, informed consent, integrity, trustworthiness, decision matrix, accountability, core values, cynical attitudes, code of conduct, vision statement, fairness, honesty, ethical leadership, corporate compliance, workplace, proactive, ethical profile, compliance policies.

1.9 SELF-ASSESSMENT QUESTIONS

Q.1 Who in a company is responsible for business ethics?
Q.2 What relevance does ethics have to business?
Q.3 Are business ethics, corporate responsibility and sustainability different?
Q.4 What are some examples of business ethics issues?
Q.5 What is the difference between business ethics and an ethical business?

1.10 FURTHER READINGS

- Baron D.P. (1996), Business and its Environment, Second Edition, Prentice Hall.
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1.11 MODEL QUESTIONS

Q.1 Is there more unethical behaviour in government than in business? Discuss.
Q.2 How does corrupt behaviour resemble or differ from unethical behaviour?
Q.3 What makes an organization ethical?
Q.4 What is being understood by ethical dilemmas in business?
Q.5 Good ethics is good business. Justify this statement.

ANSWER (Self-Assessment Questions)

Ans.1
Employees are the group most responsible for a company's success, since a business is essentially nothing more than a collection of individuals gathered together for a common purpose and with a certain amount of infrastructure and capital. Companies owe an ethical responsibility to employees only insofar as the employees contribute to the success of the company.

Ans.2
Ethics concern an individual's moral judgements about right and wrong. Decisions taken within an organization may be made by individuals or groups, but whoever makes them will be influenced by the culture of the company.

Ans.3
Business ethics, corporate responsibility and sustainability are not different. Ethics encompasses morality, justice, virtue, equality, freedom, moral responsibility, integrity, trust, etc. Corporate responsibility is responsible business and is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and other stakeholders, as well as the environment. Sustainability is a concept that is generally regarded as having emerged from the environmental perspective.

Ans.4
Ethics means different things to different people, but it generally boils down to a basic sense of societal right and wrong. Within the business context, it involves making decisions that align with that sense of right and wrong, as well as with the law. Various examples of ethical dilemmas exist in today's business environment. The most fundamental or essential ethical issues that businesses must face are integrity and trust. Other important business ethics issues are employee behaviour, employee working conditions, supplier/customer relations, discrimination, gross negligence, etc.

Ans.5
Business ethics relates to how any organization conducts its business in order to make profit or achieve other goals. Any organization can seek to do what it does in a way that is guided by ethical values. Whether an organization is judged to be ethical however, will involve a subjective assessment of any of the following: the products and services it offers, its founding priorities, goals and values, its philanthropy, its reputation among its stakeholders, the way it treats customers and staff etc. Business ethics relates to how an organization conducts its business in order to make profit or achieve other goals. Any organization can seek to do what it does in a way that takes ethics seriously. However, whether an organization is judged to be an ethical business, may involve a subjective assessment of any of the following: the products and services it offers, its founding priorities, goals and values, its reputation among its stakeholders, the way it treats customers and staff and so forth.

Unit-2: Best Practices in Corporate Governance

Learning Objectives

After completion of the unit, you should be able to:

- Understand what best practices mean.
- Appreciate the best practice cases on Corporate Governance.
- Best practice Corporate Governance Framework.
- Know the best practice by Infosys Limited.
- Know the best practice by Maruti Udyog Limited.
- Know the best practice by Coca Cola India.

Structure

2.1 Introduction

"Corporate governance", no longer is this term reserved for use by academics and consultants. With the publicity that has attended recent corporate failures and misconduct in the public and private sectors worldwide, everyone involved with governing boards has become aware of the requisite demand for high governance standards and open disclosure. In the wake of the financial crisis governance reporting is a real opportunity to build the confidence of investors and other stakeholders and therefore company value. It's not just about confidence in the financial statements. It is about confidence in the company in general. And it's about showing how the company's business model, strategy and objectives, risk, performance and reward are governed.

The Best Practice Guidelines apply to many different types of organizations ranging from large Corporations to small, special purpose entities. Within this range are included authorities and institutions in the public sector including – universities, and institutes – some of which possess special arrangements for governance and autonomy. While the factors influencing effective board performance are similar in different types of organizations, it is neither intended nor anticipated that every organization should have identical corporate governance practices. There is no "one size fits all" solution. Each organization is encouraged to develop governance tools specific to its individual needs and circumstances. Regardless of individual approaches, however, all public sector organizations should be committed to best practices in corporate governance and should embrace a progressive and engaged governance culture that reflects the principles set out in the Best Practice Guidelines.

The Best Practice Guidelines are evolutionary in nature. They will be reviewed and updated from time to time in response to changing needs, experience and new developments in the "art" of good governance. Best practices are a set of guidelines, or ideas that represent the most efficient or prudent course of action. Best practices are often set forth by an authority, such as a governing body or management, depending on the circumstances. While best practices generally dictate the recommended course of action, some situations require that industry best practices be followed. All organizations are invited to put forward constructive suggestions and comments.

A best practice strategy of corporate governance can help companies:

- The communication of a clear mission and vision.
- Leadership by example.
- Open and communicative management guidelines.
- Performance monitoring.
- Stakeholders' satisfaction.
- Fair and transparent policies.

2.2 Constituents of Best Practices on Corporate Governance

Today adaptation of good Corporate Governance practices has emerged as an integral element for doing business. It is not only a pre-requisite for facing intense competition for sustainable growth in the emerging global market scenario but is also an embodiment of the parameters of fairness, accountability, disclosures and transparency to maximise value for the stakeholders.

The OECD Code recognises that different legal systems, institutional frameworks and traditions across countries have led to the development of a range of different approaches to corporate governance. However, a high degree of priority has been placed on the interests of shareholders, who place their trust in corporations to use their investment funds wisely and effectively is common goal to all good corporate governance regimes.

The three key constituents of corporate governance are the Board of Directors, the Shareholders and the Management.

- The pivotal role in any system of corporate governance is performed by the board of directors. It is accountable to the stakeholders and directs and controls the management. It stewards the company, sets its strategic aim and financial goals and oversees their implementation, puts in place adequate internal controls and periodically reports the activities and progress of the company in the company in a transparent manner to all the stakeholders.
- The shareholders' role in corporate governance is to appoint the directors and the auditors and to hold the board accountable for the proper governance of the company by requiring the board to provide them periodically with the requisite information in a transparent fashion, of the activities and progress of the company.
- The responsibility of the management is to undertake the management of the company in terms of the direction provided by the board, to put in place adequate control systems and to ensure their operation and to provide information to the board on a timely basis and in a transparent manner to enable the board to monitor the accountability of management to it.

The underlying principles of corporate governance revolve around three basic inter-related segments. These are:

- Integrity and Fairness
- Transparency and Disclosures
- Accountability and Responsibility

The Main Constituents of Good Corporate Governance are:

- **Role and powers of Board:** the foremost requirement of good corporate governance is the clear identification of powers, roles, responsibilities and accountability of the Board, CEO and the Chairman of the board.
- **Legislation:** a clear and unambiguous legislative and regulatory framework is fundamental to effective corporate governance.
- **Code of Conduct:** it is essential that an organization's explicitly prescribed code of conduct is communicated to all stakeholders and is clearly understood by them. There should be some system in place to periodically measure and evaluate the adherence to such code of conduct by each member of the organization.
- **Board Independence:** an independent board is essential for sound corporate governance. It means that the board is capable of assessing the performance of managers with an objective perspective. Hence, the majority of board members should be independent of both the management team and any commercial dealings with the company. Such independence ensures the effectiveness of the board in supervising the activities of management as well as make sure that there are no actual or perceived conflicts of interests.
- **Board Skills:** in order to be able to undertake its functions effectively, the board must possess the necessary blend of qualities, skills, knowledge and experience so as to make quality contribution. It includes operational or technical expertise, financial skills, legal skills as well as knowledge of government and regulatory requirements.
- **Management Environment:** includes setting up of clear objectives and appropriate ethical framework, establishing due processes, providing for transparency and clear enunciation of responsibility and accountability, implementing sound business planning, encouraging business risk assessment, having right people and right skill for jobs, establishing clear boundaries for acceptable behavior, establishing performance evaluation measures and evaluating performance and sufficiently recognizing individual and group contribution.
- **Board Appointments:** to ensure that the most competent people are appointed in the board, the board positions must be filled through the process of extensive search. A well-defined and open procedure must be in place for reappointments as well as for appointment of new directors.
- **Board Induction and Training**: is essential to ensure that directors remain abreast of all development, which are or may impact corporate governance and other related issues.
- **Board Meetings:** are the forums for board decision making. These meetings enable directors to discharge their responsibilities. The effectiveness of board

meetings is dependent on carefully planned agendas and providing relevant papers and materials to directors sufficiently prior to board meetings.

- **Strategy Setting:** the objective of the company must be clearly documented in a long term corporate strategy including an annual business plan together with achievable and measurable performance targets and milestones.
- **Business and Community Obligations:** though the basic activity of a business entity is inherently commercial yet it must also take care of community's obligations. The stakeholders must be informed about the approval by the proposed and on-going initiatives taken to meet the community obligations.
- **Financial and Operational Reporting:** the board requires comprehensive, regular, reliable, timely, correct and relevant information in a form and of a quality that is appropriate to discharge its function of monitoring corporate performance.
- **Monitoring the Board Performance:** the board must monitor and evaluate its combined performance and also that of individual directors at periodic intervals, using key performance indicators besides peer review.
- **Audit Committee:** is inter alia responsible for liaison with management, internal and statutory auditors, reviewing the adequacy of internal control and compliance with significant policies and procedures, reporting to the board on the key issues.
- **Risk Management:** risk is an important element of corporate functioning and governance. There should be a clearly established process of identifying, analyzing and treating risks, which could prevent the company from effectively achieving its objectives. The board has the ultimate responsibility for identifying major risks to the organization, setting acceptable levels of risks and ensuring that senior management takes steps to detect, monitor and control these risks.

Good corporate governance recognizes the diverse interests of shareholders, lenders, employees, government, etc. The new concept of governance to bring about quality corporate governance is not only a necessity to serve the divergent corporate interests, but also is a key requirement in the best interests of the corporates themselves and the economy.

2.3 Best practice Corporate Governance Framework

The corporate governance framework can be outlined into the following:

1. A brief statement on company's philosophy on code of governance.
2. Board of Directors

- Composition and category of directors, for example: promoter, executive, non-executive, independent non-executive, nominee director, which institution represented as lender or as equity investor.
- Attendance of each director at the board meeting and the last AGM.
- Number of other boards or Board Committees in which he/she is a member.
- Number of Board meetings held, dates on which it is held.

3. Audit Committee
   - Brief description of terms of reference.
   - Composition, name of members and chairperson.
   - Meetings and attendance during the year.

4. Remuneration Committee

   a) Brief description.
   b) Attendance.
   c) Remuneration policy

5. Shareholders Committee

6. General body meeting:

   a) Location and time, where the last three AGMs were held.
   b) Whether any special resolution passed last year through postal ballot- details of voting pattern.
   c) Procedure for postal ballot.

7. Disclosures

   a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of company at large.
   b) Details of non-compliance by the company, penalties, and structures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets.
   c) Whistle Blower policy.
   d) Details of compliance with mandatory requirements and non-mandatory requirements of this clause.

8. Means of Communication

   a) Quarterly results.
   b) Any website where displayed.
   c) Newspaper wherein results normally published.

9. General Shareholders information.

2.4 Best Practices@Infosys

Corporate Governance Philosophy

Corporate governance is an ethically driven business process that is committed to values aimed at enhancing an organization's wealth generating capacity. This is ensured by taking ethical business decisions and conducting business with a firm commitment to values, while meeting stakeholders' expectations. At Infosys, it is imperative that our company affairs are managed in a fair and transparent manner. This is vital to gain and retain the trust of our stakeholders.

Our corporate governance framework ensures effective engagement with our stakeholders and helps us evolve with changing times. The publication of the Cadbury Report in the U.K. in 1992 was a significant event in modern corporate governance. The report recommended the arrangement of company boards and accounting systems to reduce corporate governance risks and failures. The enactment of the Sarbanes-Oxley Act, 2002, resulted in the senior management individually certifying the accuracy of their company's financial information. The Dodd-Frank Wall Street Reform and Consumer Protection Act looks to build a safer, more stable financial system to set the foundation for sound economic growth and job safety.

Recently, the Securities and Exchange Board of India (SEBI) sought to amend the equity listing agreement to bring in additional corporate governance norms for listed entities. These norms provide for stricter disclosures and protection of investor rights, including equitable treatment for minority and foreign shareholders.

Many of the amendments are effective from October 1, 2014. The amended rules require companies to get shareholders' approval for related party transactions, establish whistleblower mechanisms, elaborate disclosures on pay packages and have at least one woman director on their boards.

The amended norms are aligned with the provisions of the Companies Act, 2013, and are aimed to encourage companies to ‘adopt best practices on corporate governance’.

We believe that an active, well-informed and independent board is necessary to ensure the highest standards of corporate governance. It is well-recognized that an effective Board is a pre-requisite for strong and effective corporate governance. At Infosys, the Board of Directors (‘the Board’) is at the core of our corporate governance practice and oversees how the Management serves and protects the long-term interests of our stakeholders.

Our corporate governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

Our corporate governance philosophy is based on the following principles:

- Corporate governance standards should go beyond the law and satisfy the spirit of the law, not just the letter of the law
- When in doubt, disclose. Ensure transparency and maintain a high level of disclosure
- Clearly distinguish between personal conveniences and corporate resources
- Communicate externally, and truthfully, about how the Company is run internally
- Comply with the laws of all countries in which we operate
- Have a simple and transparent corporate structure driven solely by business needs
- The Management is the trustee of the shareholders' capital and not the owner

We firmly believe that Board independence is essential to bring objectivity and transparency in the Management and in the dealings of the Company. As on March 31, 2014, the majority of our Board members – seven out of 13 – are independent members. An independent director is nominated as the chairperson of each of the audit, management development and compensation, stakeholders' relationship, nominations and governance, risk management and corporate social responsibility committees.

As part of our commitment to follow global best practices, we substantially comply with the Euro shareholders Corporate Governance Guidelines 2000 and the recommendations of the Conference Board Commission on Public Trusts and Private Enterprises in the U.S. We also adhere to the United Nations Global Compact (UNGC) and the Organisation for Economic Co-operation and Development (OECD) principles.

Corporate Governance Guidelines

Over the years, the Board has developed corporate governance guidelines to help fulfill our corporate responsibility towards our stakeholders. These guidelines ensure that the Board will have the necessary authority and processes in place to review and evaluate our operations when required. Further, these guidelines allow the Board to make decisions that are independent of the Management. The Board may change these guidelines regularly to achieve our stated objectives.

Compliance with the corporate governance codes

We have always believed in maximum fiscal transparency, and benchmarked our disclosure against a host of national and international guidelines and regulations. Some of the notable ones among them are follows:

Corporate Governance voluntary Guidelines, 2009: The Corporate Governance Voluntary Guidelines, 2009, of the ministry of Corporate Affairs (MCA), Government of India encourage the use of better practices through voluntary adoption. These guidelines broadly focus on areas such as the Board and its responsibilities, function, roles and responsibilities of the audit committee, appointment of auditors, compliance with secretarial standard, and a mechanism for whistleblower support. We comply with the Corporate Governance voluntary Guidelines.

SEBI Listing Regulations: The SEBI Listing Regulations (LODR) prescribes various corporate governance recommendations in line with the corporate governance committee constituted by SEBI under the chairmanship of N.R Narayan Murthy which had issued two sets of mandatory and non-mandatory recommendations. These recommendations were eventually incorporated in Clause 49 of the Listing Agreement, and the revised Clause 49 was made effective October ,1 2014.Further , the SEBI Listing Regulations have incorporated these recommendations. We comply with the corporate governance requirements under the Listing Regulations.

Non-mandatory items of corporate governance.

The Company has also ensured the implementation of non-mandatory item such as:

- Separate posts of Chairman, and CEO & MD, and reimbursement of expenses in the performance of duties
- Unmodified audit reports directly to the audit committee.
- The internal auditor reports directly to the audit committee

Naresh Chandra Committee: Following instances of irregularities involving in the U.S and India, the Government of India constituted a high-level committee under the chairmanship of Naresh Chandra in 2002 to examine the auditor-company relationship and to regulate the role of auditors. Chapters 2, 3 and 4 of the Naresh Chandra Committee report are relevant to us. We comply with these recommendations.

Kumar Mangalam Birla Committee: SEBI appointed a committee under the chairmanship of Kumar mangalam Birla in 1999 to promote and raise the standards of corporate governance .The recommendations of the committee were adopted in 2000. We comply with these recommendations.

Euro shareholders Corporate Governance Guidelines 2000: The guidelines issued by Euro shareholders, the confederation of European shareholders associations, are based on the general principles of corporate governance issued by the Organization for Economic Co-operation and Development (OECD) in 1999, but are more specific and detailed .Subject to the statutory regulations in force in India, we comply with these recommendations.

Conference Board Commission on public Trust and private Enterprises in the U.S.: We substantially comply with the findings and recommendations of the Commission, which primarily addressed three key areas – executive compensation, corporate governance, and audit and accounting issues.

OECD principles of Corporate Governance: The OECD principles on corporate governance were first released in 1999 and revised in 2014, and continue to be periodically reviewed. We comply with the recommendations of the OECD.

United Nations Global Compact: The United Nations Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with its 10 principles which cover human right, labour, environment and corruption. We have been a signatory to the UNGC since 2001 and have consistently adopted the 10 principles in our corporate governance framework. The Global Compact incorporates a transparency and accountability policy know as the communication on progress (COP) .As a signatory to the UNGC, we report our progress to UNGC's COP every year. UNGC also recommends standard tools for reporting organizations on the COP such as the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP) framework. We follow the GRI G4 reporting guidelines for our sustainability reporting and are a signatory to the CDP .We have been identified as a company leading climate change action. We have secured a score of 92, which has earned us a 'Performance Band A' rating on the CDP's Global Climate performance Leadership Index (CPLI) and supplier climate Performance Leadership Index (SCPLI)

2.5 Best Practices@Maruti Udyog Limited

Corporate Governance Philosophy

Maruti Suzuki India Limited (the Company) is fully committed to practicing sound corporate governance and upholding the highest business standards in conducting business. Being a value-driven organisation, the Company has always worked towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good corporate

governance, viz., integrity, equity, transparency, fairness, disclosure, accountability and commitment to values. The Company fosters a culture in which high standards of ethical behaviour, individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its Board of Directors, management and employees. The Company has established systems and procedures to ensure that its Board of Directors is well-informed and well-equipped to fulfill its overall responsibilities and to provide the management with the strategic direction needed to create long-term shareholder value.

Board of Directors

Composition of the Board

As on 31st March 2016, the Company's board consists of twelve members. The Chairman of the board is a Non-Executive Director. The Company has an optimum combination of Executive

Non-Executive Directors in accordance with Regulation17of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). The board has three Executive Directors and nine Non-Executive Directors, of whom four are Independent Directors. All Independent Directors are persons of eminence and bring a wide range of expertise and experience to the board thereby ensuring the best interests of stakeholders and the Company.

Board Meetings

The board met seven times during the year. The board meets at least four times a year with a maximum gap of one hundred and twenty days between any two meetings. Additional meetings are held, whenever necessary.

Information Supplied to the Board

The board has complete access to all information of the Company. The following information is provided to the board and the agenda papers for the meetings are circulated seven days' in advance of each meeting:

- Annual operating plans, capital and revenue budgets and updates;
- Quarterly results of the Company and its operating divisions or business segments;
- Minutes of the meetings of the audit committee and other committees of the board;
- Information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and Company Secretary;
- Materially important show cause, demand, prosecution and penalty notices;
- Fatal or serious accidents and dangerous occurrences, any materially significant effluent or pollution problems;
- Any material relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company;
- Any issue which involves possible public or product liability claims of a substantial nature;
- Details of any joint venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- Significant labour problems and their proposed solutions;
- Sale of investments, subsidiaries, assets which are material in nature and not in the normal course of business;
- Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement; and
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholder services such as non-payment of dividend, delay in share transfer, etc.

Committees of the Board

I. Audit Committee

Compositions and Meetings

The audit committee met seven times during the year. All the members of the audit committee are financially literate and, the Chairman has expertise in accounting and financial management. The Chairman attends the last annual general meeting to answer shareholders' queries.

The role/terms of reference of the audit committee include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

2. Recommending the appointment, remuneration and terms of appointment of the auditors of the Company.

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

5. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take steps in this matter.

6. Review and monitor the auditors' independence and performance, and effectiveness of the audit process.

7. To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

8. To review the functioning of the whistle blower mechanism.

9. Approval of appointment of the Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate.

10. Carrying out any other function as is mentioned in the charter of the audit committee.

II. Stakeholders' Relationship Committee

The committee oversees redressal of shareholders' and investors' grievances, transfer of shares, non-receipt of annual report, non - receipt of declared dividends and related matters. The committee also oversees the performance of the registrar and transfer agent, recommends measures for overall improvement in the quality of investors' services, approves issue of duplicate /split / consolidation of share certificates and reviews all matters connected with the securities' transfers.

In order to provide efficient and timely services to the investors, the board has delegated the power of approval of issue of duplicate/ split / consolidation of share certificates, transfer of shares, transmission of shares, dematerialisation / rematerialisation of shares not exceeding 2000 equity shares per transaction to the Managing Director and Company Secretary severally.

III. Nomination and Remuneration Committee (NRC)

The role/terms of reference of the NRC include the following:

1. Identify persons who are qualified to become Directors and who may be appointed in senior management and recommend to the board their appointment and removal.

2. Formulate the criteria for determining qualification, positive attributes and independence of a Director and devising a policy on board diversity.

3. Recommend to the board a remuneration policy applicable to Directors, key managerial personnel and other employees.

4. Ensure that - a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;

b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

c) Remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;

IV. Corporate Social Responsibility Committee

1. To frame the CSR policy and its review from time-to-time.

2. To ensure effective implementation and monitoring of the CSR activities as per the approved policy, plans and budget.

3. To ensure compliance with the law, rules and regulations governing the CSR and to periodically report to the Board of Directors.

V. Risk Management Committee

An Executive Risk Management Committee (ERMC) is in place at the management level to review the risk management activities of the Company on a regular basis. The composition of the ERMC consists of the Managing Director & CEO, Joint Managing Director, Whole-time Directors, Vertical Heads and Executive Officers of the Company. The Risk Management Department periodically organises reviews of the risk mitigation and implementation plans of risks with Chairman/Top management.

Management

Management Discussion and Analysis Report

The annual report has a detailed report on management discussion and analysis.

Disclosures made by the Management to the Board

All disclosures related to financial and commercial transactions where Directors may have a potential interest are provided to the board and the interested Directors do not participate in the discussion nor do they vote on such matters.

CEO/ CFO Certification

The Company has institutionalised the framework for CEO/CFO certification by establishing a transparent "controls self-assessment" mechanism, thereby laying the foundation for development of the best corporate governance practices which are vital for a successful business.

Legal Compliance Reporting

The board periodically reviews reports of compliance with all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances. The Company has developed comprehensive legal compliance scheduling and management software by which specific compliance tasks are assigned to specified employees. The software enables planning and monitoring of all compliance activities across the Company.

Code for Prevention of Insider Trading Practices

The Company has instituted a comprehensive code of conduct in compliance with the SEBI regulations on prevention of insider trading. The code lays down guidelines, which advise on procedures to be followed and disclosures to be made, while dealing in shares of the Company and cautions on the consequences of non-compliances.

Shareholders Information (Means of Communications)

- Quarterly, half-yearly and annual financial results
- Monthly sales and production figures are sent to stock exchanges as well as displayed on the Company's website www.marutisuzuki.com.
- In our endeavor to protect the environment, the Company sent the annual report for the year 2014-15 through e-mails to a large number of members who had registered their e-mail ids with either depository participant (DP) or the Registrar & Transfer Agent (RTA) or the Company. This also helped the Company in saving a huge cost towards printing and dispatch.

For those members whose e-mail ids were not registered, the annual report in physical mode was sent by post to their registered addresses.

2.6 Best Practices@Coca Cola India

Coca Cola is committed to good corporate governance, which promotes the long term interests of shareowners, strengthens board and management accountability and helps build public trust in the company.

The Board of Directors have established Corporate Governance Guidelines which provide a framework for the effective governance of the company. The guidelines address matters such as the Board's mission, Directors' responsibilities, Directors' qualifications, and determination of directors' independence, Board committee structure, Chief Executive Officer- Performance evaluation and management succession. The Board regularly reviews developments in corporate governance and updates the Corporate Governance Guidelines and other governance materials as it deems necessary and appropriate.

Corporate Governance Guidelines

The Board of directors of the Coca Cola Company had adopted the following guidelines in furtherance of its continuing efforts to enhance its corporate governance. The board will review and amend these guidelines as it deems necessary and appropriate.

1. Boards Mission and Directors' Responsibilities: The Board is elected by the shareowners to oversee their interests in the long-term health and the overall success of the business and its financial strengths. The Board serves as the ultimate decision making body of the company, except for those matters reserved to or shared with the shareowners. The Board selects and oversees the members of senior management who are charged by the Board with the conducting the business of the company.

Responsibilities

- The core responsibility of the Directors' is to exercise their business judgement to reasonably act in the best interests of the company and its shareholders including its fiduciary duties to the shareowners, in compliance with all applicable laws and regulations. Directors' will also take into account the interests of other stakeholders.

- The Board provides advice and counsel to the CEO and other senior officers of the company while safeguarding the assets of company, maintenance of appropriate financial and other internal controls.

- In discharging their duties, directors may rely on the company's senior executives and outside advisors and auditors. Accordingly, skill and integrity will be the important factors in selection of the company's senior executives and other advisors.

- Directors are expected to attend all meetings of the Board and of the committees on which they serve.

- The Board will hold regularly scheduled meetings at least five times a year. The Chairman of the Board will set the agenda for Board meetings. Any Director may suggest items for inclusion on the agenda. The board will review the company's long-term strategic plans and the most significant financial, accounting and risk management issues facing the company at least one board meeting each year.

2.Board Leadership: The board decides whether the same person to occupy the offices of Chairman of the Board and the Chief Executive Officers, from time to time after considering relevant factors, including the specific needs of the business and in the interest of the Company's shareowners. The Board of directors annually elects one of its members to serve as Chairman of the Board. The Chairman shall preside at all meetings of the company. If the individual elected as Chairman is the CEO, or if Chairman is not independent, the Board appoints a Lead Independent director. The lead independent director expected to serve for more than one year.

3. Directors Qualifications: Directors may be appointed by the Committee on Directors or by shareowners in accordance with the Laws. The assessment will include a review of the nominee's judgement, experience, independence, understanding of the Company's or other related industries, and other such factors as the Committee thinks pertinent in the light of the current needs of the Board.

4. Director Term and Tenure: Directors are elected for a term of one year. The Board does not believe that it should establish limits on the number of the terms a Director may serve. Term limits may cause the loss of experience and expertise important to the optimal operation of the Board. Directors who have served on the Board for an extended period of time can provide valuable insight into the operations and future of the company based on their experience with and understanding the company's history and objectives. Resignation of the same is a matter for discussion for the Board committee. If a board member reaches the age of 74 should submit a letter of resignation to the Board, is to be accepted by Board, if applicable.

5. Committees of the Board: The Board has seven standing Committees: Audit, Compensation, Directors and Corporate Governance, Executive, Finance, Management Development, and Public Issues and Diversity Review. It may establish additional Committees as necessary. Each of the standing committees has its own charter, which sets forth the responsibilities of the committee, the qualifications and procedures of the committee, reporting to Board, self-evaluation, etc.

6. Director Access to Officers, Employees and Information: They have full and free access to officers, employees and the books and records of the company.

7. Director Orientation and Continuing Education: All new Directors must participate in the Company's Orientation Program. This will include presentations by senior management to familiarise new Directors with the company's business and strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct.

8. Annual Performance Evaluation of the Chairman of the Board and the CEO: The Board evaluates the performance of the Chairman ant the CEO against each of his or her goals and objectives pursuant to the Company's plans, and after considering the evaluation of performance, determine the compensation of both.

9. Management Succession: The Board determines policies and principles for selection of the CEO and policies regarding succession in the event of an emergency or the retirement of the CEO.

10. Annual Board Performance Evaluation: The board of Directors will conduct an annual self-evaluation to determine whether the Board and its Committees are functioning effectively. During the year, the Committee on Directors and Corporate Governance shall receive inputs on the Board's performance through its Chairman and oversee review of performance and assess the Board's contribution to specific areas as well as its improvements.

11. Director Compensation: The form and amount of compensation shall be determined by the Committee on Directors and Corporate Governance. The Committee should take into account the responsibilities of the Directors, fees and other forms of compensation being paid by other corporations in which they have shares.

12. Board Interaction with Outside Interested Parties: The Board believes that management speaks for the company. From time to time, at the request of management, individual Board members may meet or otherwise communicate with the various constituents of the company.

2.7 Let's Sum-up

Best practices are a set of guidelines, or ideas that represent the most efficient or prudent course of action. Best practices are often set forth by an authority, such as a governing body or management, depending on the circumstances. While best practices generally dictate the recommended course of action, some situations require that industry best practices be followed. All organizations are invited to put forward constructive suggestions and comments.

Today adaptation of good Corporate Governance practices has emerged as an integral element for doing business. It is not only a pre-requisite for facing intense competition for sustainable growth in the emerging global market scenario but is also an embodiment of the parameters of fairness, accountability, disclosures and transparency to maximise value for the stakeholders.

At Infosys, it is imperative that the company affairs are managed in a fair and transparent manner. This is vital to gain and retain the trust of our stakeholders. We believe that an active, well-informed and independent board is necessary to ensure the highest standards of corporate governance. It is well-recognized that an effective Board is a pre-requisite for strong and effective corporate governance. At Infosys, the Board of Directors ('the Board') is at the core of our corporate governance practice and oversees how the Management serves and protects the long-term interests of our stakeholders.

Maruti Suzuki India Limited (the Company) is fully committed to practicing sound corporate governance and upholding the highest business standards in conducting business. Being a value-driven organisation, the Company has always worked towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good corporate

governance, viz., integrity, equity, transparency, fairness, disclosure, accountability and commitment to values. The Company fosters a culture in which high standards of ethical behaviour; individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its Board of Directors, management and employees.

Coca Cola is committed to good corporate governance, which promotes the long term interests of shareowners, strengthens board and management accountability and helps build public trust in the company. The Board regularly reviews developments in corporate governance and updates the Corporate Governance Guidelines and other governance materials as it deems necessary and appropriate.

2.8 Key Words

Board Procedures: Policies and practices followed by the Board of Directors in the company.

Board Vision: Long-term perspectives and focus of the Board of Directors.

Disclosures: Corporate disclosure refers to the communication of information by people inside the public firms towards people outside

Ensuring compliance: It means conforming to a rule, such as a specification, policy, standard or law.

Investors' preference: Risk preference refers to the attitude people hold towards risks, which is a key factor in studies on investors' decision-making behaviour.

Laws and regulations: Laws are prescribed by a competent authority, and Regulations are issued by organisations, departments and agencies to carry out the intent.

Transparency: Lack of hidden agendas and conditions, accompanied by the availability of full information required for collaboration, cooperation, and collective decision making.

2.9 Self-Assessment Questions

1. What do you mean by the Best Practices?

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2. Outline the various important Constituents of Best Practices in Corporate Governance.

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3. Briefly explain the responsibility of the Board of the Directors in the company.

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2.10Further Readings

1. H.R. Machiraju, Corporate Governance, Himalaya Publishing House.
2. A.C. Fernando, Corporate Governance Principles, Polies and Practices, Pearson.
3. Corporate Governance, Francis Cherunilam, Himalaya Publishing House, Mumbai.
4. Corporate Governance: Principles, Mechanisms & Practice, Swami Parthasarathy, Biztantra, New Delhi.
5. Conceptual Framework of Corporate Governance, Sharma, Priyanka Kaushik, Macmillan Publishers India Ltd., Noida, U.P.

2.11 Model Questions

1. How the best practices on corporate governance helps in the long-run functioning of the company. Explain taking an example from the context of an Indian Company.
2. Broadly explain different constituents of best practices on corporate governance. Explain how these constituents are incorporated in a company taking an example of the best practices followed by Maruti Udyog Ltd.
3. Explain about the corporate governance guidelines of Infosys.

UNIT-3: Best Practices in Corporate Social Responsibility

Learning Objectives

After completion of the unit, you should be able to:

- Understand what best practices mean.
- Know why best practices are needed.
- Appreciate the best practice cases in Corporate Social Responsibility
- Know the best practice in CSR by Tata Group
- Know the best practice in CSR by TVS.
- Know the best practice in CSR by Infosys.

Structure

3.1 Introduction

CSR focuses on three primary areas: economic success, social responsibility and environmental responsibility. Economic success is the wise use of financial resources. Social responsibility is respect for people. Environmental responsibility is respect for life and the wise management and use of natural resources.

Guidelines for economic success include focusing on corporate profitability (company), providing reasonable compensation for employees' economic prosperity (employees), which translates to the community's economic prosperity through taxes, salaries and also monies spent with vendors, suppliers and civic and philanthropic efforts (community).

Guidelines for social responsibility include impacting positively your community either locally and/or globally and utilizing responsible business governance in an ethical and professional manner. This includes not just treating employees in a fair and non-exploitive way, but implementing diversity and fair hiring practices and dealing with employees in a fair, private and confidential manner.

Guidelines for environmental responsibility are conserving the use of natural resources and energy to the extent practicable, reducing the quantity of energy consumed and reducing the supply chain impact by requiring vendors to offer green products or have sustainability policies in their business.

Good corporate governance and corporate responsibility towards society are so inextricably interlinked that we cannot separate one from the other. If providing good governance to its stakeholders and the society at large is what is expected of a corporate, it is because it receives so much from the society that it is only appropriate that the corporate gives back to it at least something in return in the form of good governance. It is thus understood that good corporate governance itself is part and parcel of corporate responsibility to society. According to Prof. Robert Dahl, it is obligatory on part of business organisations to be socially responsible as they primarily exist to benefit society. He expressed his view thus: "Today, it is absurd to regard the corporation simply as an enterprise established for the sole purpose of allowing profit making. We, the citizens, give those special rights, powers and privileges, protection and benefits on the understanding that their activities will fulfil our purposes. Corporations exist because we allow them to do so. And we allow them to exist only as they continue benefit us. Every corporation should be thought of as a special enterprise whose existence and decisions can be justified only in so far they serve public or social purposes."

3.2 Corporate Social Responsibility Policy

Corporate bodies' involvement in CSR activities is not a new concept in India. Industrial majors are engaged in social development activities since long back. CSR in India has traditionally been seen as a philanthropic activity. While the corporate houses have been traditionally engaged in doing CSR activities voluntarily, the new CSR provisions put formal and greater responsibility on companies to set out clear framework and process to ensure strict compliance. The new Companies Act 2013 (hereinafter referred to as 'the Act'), has introduced the idea of CSR to the forefront and through its "Comply-or-Explain" mandate. It mandates qualifying companies to constitute Corporate Social Responsibility Committee to effectively monitor CSR activities of the Company. Further the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as "CSR Rules") lay down the framework and modalities of carrying out CSR activities which are specified in Schedule VII of the Act.

Hewlett-Packard India: A Case-in-Example

OBJECTIVE & SCOPE The main objective of the CSR Policy is to lay down guidelines for Hewlett-Packard India Sales Private Limited to make CSR as one of the key focus areas to adhere to HP's Global Living Progress strategy that focuses on making a positive contribution to society through high impact, sustainable programs. This Policy covers current as well as proposed CSR activities to be undertaken by the Company and examining their alignment with Schedule VII of the Act as amended from time to time. It covers the CSR activities which are being carried out in India only and includes strategy that defines plans for future CSR activities. The Company proposes to implement its CSR activities in various sectors stated hereunder:

- Healthcare
- Sanitation
- Drinking Water
- Education
- Rural Development
- Vocational Skills
- Entrepreneurship Skills
- Employment Opportunities
- Facilities for Senior Citizens
- Medical Aid
- Old Aged Homes
- Women Hostels
- Special Employment Opportunities for Women
- Environment Protection
- Animal Welfare
- Conservation of Natural Resources
- Protection of National Heritage
- Promoting and development of Art and Culture
- Public Libraries
- Promotion and development of traditional arts and handicrafts
- Measures for armed forced veterans, war widows and their dependents
- Promotion and development of rural sports and National Games

- Contribution to funds set by the Central or State Government for development and welfare of Scheduled Castes, Scheduled Tribes and minorities
- Contribution to technology incubators located within academic institutions
- Go Green Initiatives
- Human Rights
- Any other area as may be prescribed by Schedule VII amended from time to time

3.3 Why best practices are considered important?

A best practice may be a particular method, or it may be a whole program or intervention. "Best practice" status is sometimes conferred either officially – by a government body, professional association, or other authoritative entity – or by published research results. In general, a method or program gains such status by being:

- *Measurable. That* means that its goals are clear and that progress toward them can be measured. A smoking cessation program, for instance, can find out exactly what percentage of the smokers it served quit, and remained smoke-free after a year. It can also compare that percentage to similar percentages for other smoking cessation programs and for the general population.
- *Notably successful.* The method or program not only gains good results, but makes more progress toward achieving its goals than most others with similar aims.
- *Replicable.* The method or program is structured and documented clearly enough so that it can be reproduced ("replicated" is the formal term that social scientists, health professionals, government agencies, and funders often use) elsewhere.

One answer to this question is obvious: employing a method or program that's been tested and found successful increases the chances that you'll accomplish your goals, and that life will therefore be better for the folks who participate. There are, however, further reasons why the use of a best practice can be advantageous.

- **Using a recognized best practice makes it easier to justify the work**. If an organization or initiative is starting from scratch, the community – and especially potential participants – may be justifiably sceptical about what it's doing. Demonstrating that it's using a practice that has been shown to be effective can relieve at least some of that scepticism and gain support.
- **Using recognized best practices can bolster the credibility of an organization**. It shows not only that the organization is using a tested process, but that it has been thinking ahead and conducting research to make sure it's doing the best job possible.

- **Using best practices can** make it easier to get funding. Funders look more favourably on proposals that can demonstrate proven success.

3.3 Components of Best Practices on CSR

Corporate Governance: Within the ambit of corporate governance, major issues are the accountability, transparency and conduct in conformity with the laws. Good corporate governance policy would enable the company to realize its corporate objectives, protect shareholder rights, meet legal requirements and create transparency for all stakeholders.

Business Ethics: Relates to value-based and ethical business practices. 'Business ethics defines how a company integrates core values – such as honesty, trust, respect, and fairness – into its policies, practices, and decision making. Business ethics also involves a company's compliance with legal standards and adherence to internal rules and regulations.'

Workplace and labour relations: Human resources are most important and critical to a company. Good CSR practices relating to workplace and labour relations can help in improving the workplace in terms of health and safety, employee relations as well as result in a healthy balance between work and non-work aspects of employees' life. It can also make it easier to recruit employees and make them stay longer, thereby reducing the costs and disruption of recruitment and retraining.

Affirmative action/good practices: Equal opportunity employer, diversity of workforce that includes people with disability, people from the local community etc., gender policy, code of conduct/guidelines on prevention of sexual harassment at workplace, prevention of HIV/AIDS at workplace, employee volunteering etc. are some of the good practices which reflect CSR practices of the company.

Supply Chain: The business process of the company is not just limited to the operations internal to the company but to the entire supply chain involved in goods and services. If anyone from the supply chain neglects social, environmental, human rights or other aspects, it may reflect badly on the company and may ultimately affect business heavily. Thus, company should use its strategic position to influence the entire supply chain to positively impact the stakeholders.

Customers: The products and services of a company are ultimately aimed at the customers. The cost and quality of products may be of greatest concern to the customers but these are not the only aspects that the customers are concerned with. With increased awareness and means of communication, customer satisfaction and loyalty would depend on how the company has produced the goods and services, considering the social, environmental, supply-chain and other such aspects.

Environment: Merely meeting legal requirements in itself does not comprise CSR but it requires company to engage in such a way that goes beyond mandatory requirements and delivers environmental benefits. It would include, but not limited to, finding sustainable solutions for natural resources, reducing adverse impacts on environment, reducing environment-risky pollutants/emissions as well as producing environment-friendly goods.

Community: A major stakeholder to the business is the community in which the company operates. The involvement of a company with the community would depend upon its direct interaction with the community and assessment of issues/risks faced by those living in the company surrounding areas. This helps in delivering a community-focused CSR strategy – making positive changes to the lives of the people and improving the brand-image of the company. Involvement with the community could be both direct & indirect – through funding and other support for community projects implemented by local agencies.

3.4 Best Practices in CSR by Tata Group

ABOUT TATA GROUP

Tata Group was founded in 1868 by Jamshetji Tata and is regarded as the largest conglomerate in India. It comprises of over 100 independent operating companies and operates in more than 100 countries across six continents. Tata Sons is the principal investment holding company and promoter of Tata companies. In 2015-16, the revenue of Tata companies, taken together, was $103.51 billion. These companies collectively employ over 660,000 people. There are 29 publicly-listed Tata enterprises with a combined market capitalisation of about $130.13 billion (as on March 31, 2017). Tata companies with significant scale include Tata Steel, Tata Motors, Tata Consultancy Services, Tata Power, Tata Chemicals, Tata Global Beverages, Tata Teleservices, Titan, Tata Communications and Indian Hotels.

TATA GROUP CSR INITIATIVE

Corporate Social Responsibility has always one of the prime objectives of the Tata group. The mission statement of TATA "To improve the quality of life of the communities we serve globally through long-term stakeholder value creation based on Leadership with Trust" suggests clearly that the group puts the interests of community over making money. CSR has been inculcated in the bloods of the group by its founder Mr. Jamshedji Tata who granted scholarships for young talented students to study abroad in 1892. He was a firm supporter of Gandhiji 's racial equality campaign in South Africa. Tata group, as its responsibilities towards the society's growing need in science & technology, has given the country its first science center and atomic research center. Not just in its own company, Tata makes it a point that the companies with which it deals also align with its policies of putting community at the front. In the year 2004, the then MD of Tata Steel, B. Muthuraman, announced that Tata Steel (then called TISCO) would not deal with companies, which does not conform to TATA's CSR standards.

TATA GROUP COMPANIES CSR ACTIVITIES

Since the companies in the Tata Group function as independent identities, the CSR activities followed in each of these companies is slightly varied.

1.TATA STEEL

Tata Steel's Vision strikes a balance between economic value as well as ecological and societal value by aspiring to be "a Global Benchmark in Value Creation and Corporate Citizenship". It guides the Company in its race to excel in all areas of sustainability. Tata Steel makes it a point to contribute 5-7% of its profit after tax on various CSR activities.

The company works in tandem with the Government, National & International NGOs to provide sustainable development of the community. The various bodies in the company focusing on those activities include: -

a) Tata Steel Rural Development Society (TSRDS)

   TSRDS aims at the social development of the rural communities living around Tata Steel. Currently, it is present in 600 villages and helps the villagers in livelihood generation, empowerment and health & hygiene.

b) Tribal Cultural Society (TCS)

   TCS aims at associating with the marginalized communities, i.e. the ancient tribes of Odisha, Jharkhand & Chhattisgarh and help them preserve and promote their ethical identity.

c) Tata Steel Family Initiatives Foundation (TSFIF)

   TSFIF aims at providing family planning, maternal health and infant health planning services. It also focusses on Drinking Water & Sanitation, AIDS awareness amongst others.

d) Tata Steel Skill Development Society (TSSDS)

   TSSDS, started in the year 2012, and focusses on developing the technical skills of the young students in Jharkhand.

Other initiatives by the company include Tata Steel Adventure Foundation which focusses on outbound leadership especially in the field of mountaineering; Tata Relief Committee to help people during major disasters.

In addition, Tata Steel has actively provided assistance to the Indian Government in various occasions like hosting Lifeline Express alongside Indian Railways as the world's 1st hospital train benefiting more than 6 lakh rural Indians.

2. TATA MOTORS

Tata Motors signed the United Nations Global Compact and actively participates in the initiatives in the areas of education, healthcare, employability and conservation of environment.

a) Education

Educational initiatives include providing scholarships, facilities and infrastructure for better accessibility to qualitative education, better co-curricular activities for the holistic development of students. The initiatives are not just restricted to India but also include countries like Thailand, South Korea, where Tata Motors has its subsidiaries/ supplier.

b) Employability and Skill Development

Tata Motors has collaborated with 112 ITI in 19 states of India. It also focusses on empowering women through self-help groups. The Grihini Social Welfare Society employs more than 1000 women and has a turnover of 13 crores.

c) Environmental Conservation

Tata Motors has put a lot of focus on reducing environment footprints. It has taken initiatives to reduce Green House Gas emissions by 22,581.62 tonnes of CO_2 while total energy consumed per vehicle produced has also decreased.

d) Healthcare

The company has actively taken initiatives on curative and preventive healthcare facilities. Hospitals, Clinics, awareness camps, mobile clinics are few such facilities provided. The company also made it a point to train its rural workers to cure minor ailments in their villages.

3. TATA CHEMICALS

Tata Chemicals, also a signatory of United Nations Global Compact, is one of initial organizations to organize Impact Camps, to provide eye care to patients in Mithaur Hospitals. It has also set-up Shristi Welfare Centre at Munnar, its source of raw materials for Tata Tea. Shristi includes: -

a) **Dare School Project** which provides children with core academics and other co-curricular activities like cooking, gardening, weaving etc.
b) **Dare Strawberry** to train youngsters make natural strawberry
c) **Athulya** for providing training to physically challenged people on handmade paper
d) **Aranya** for training disabled in various dyeing techniques.

4. TATA POWER

Tata Power and its subsidiaries spent a total of 47.02 crores under CSR initiatives in FY 2016. The company focused on 5 key areas –

a) Primary Education to girl child
b) Health & Drinking Water
c) Livelihood & Employability
d) Inclusive Growth
e) Social Capital & Infrastructure

The company in 2016 reached out to 230 schools, 6700 households, and 36700 students through various initiatives.

TATA TRUSTS

Apart from CSR activities through its companies, TATA group has enormous contribution to the Indian Society through Tata Trusts in the following form

1. Health Infrastructure

a) Tata Memorial Hospital, Jamshedpur which initiated the National Cancer Grid & Palliative Care Facility
b) Community based Management of Acute Malnutrition (CMAM) in Nandurbar, Maharashtra - a three arm trial run using existing Government machinery
c) Centralised kitchens for Tribal schools which provides hygienic and nutritious food to 15,000 children everyday
d) Provides 60,000 meals everyday
e) Centre for hearing impaired, rural health development program etc.

2. Technology in Education

TIE has 4 major objectives: -

a) bridging the digital divide and fostering digital citizenship
b) creating learning interest and improving attendance and retention
c) enhancing learning achievement
d) improving learning processes and pedagogy

TIE has developed the Connected Learning Initiative (CLIx) for high school students to learn through interactive modules, simulations, games etc.

TIE also has tied up with the Khan Academy to provide free online and offline educational resources.

3. Tata Water Mission

The Tata Water Mission aims at tackling water crisis through technology innovations, innovative financial models. This has been implemented in 8 states in India including Odisha.

4. Rural Upliftment

Tata Trust's rural upliftment portfolio covers income generation, food security, regaining agriculture dynamism etc.

It includes programmes like Kharash Vistarotthan Yojana, Sakh ke Vikas, Sukhi Baliraja initiative amongst others. Other Tata Trust initiative includes in the urban poverty, energy portfolios etc.

Conclusion

For bringing back and maintaining the general balance in the economic and social arena it is evident to think deeply and act wisely about CSR. Every business house owes some responsibility towards the society, nation and world in general which provide it with all human, material and natural resources. Considering the long run growth and sustainable development following the norms of CSR, devising new policies and effective implementation is inevitable to bring and sustain a balance between corporate world and society, present generation and upcoming generation, man and nature. As far as the Tata group is concerned, it has gone a long way in fulfilling its duty and responsibility towards the society and the nation. It has reached the masses to elevate their lives, to nurture their dreams and to hone their skills justifying the statement of the founder — "We do not claim to be more unselfish, more generous and more philanthropic than other people. But we think we started on sound and straightforward business principles, considering the interests of the shareholder, our own, and the health and welfare of the employees, the sure foundation of our prosperity".

3.5 Best Practices in CSR by TVS

TVS Motor Company Limited ('TVSM' or 'the Company'), a part of the 100-year-old, TVS group, is the manufacturer of two and three wheelers. The Company has been an early adopter of Corporate Social Responsibility ('CSR') initiatives, along with its holding company, namely Sundaram-Clayton Limited, its subsidiaries and associates (SCL Group of companies). SCL Group of companies recognized that integrating social, environmental and ethical responsibilities into the governance of businesses would ensure their long term success, competitiveness and sustainability.

SCL Group of companies believe that in alignment with its vision, it will continue to enhance value through its CSR initiatives and promote social sustainability, sustainable development of the environment and social welfare of the people and society at large, more specifically for the deprived and underprivileged persons.

Accordingly, SCL Group of companies established Srinivasan Services Trust (SST) in 1996, as its social arm aimed at providing a dedicated approach to community development and also to fulfill their CSR commitments.

Over the past 18 years, SST has made effort to bring a change in the lives of the people in rural India by creating self-reliant models of sustainable development and environment, and to make our planet a better place for future generations.

Besides, the Group has been rendering various charitable activities / services through its specific organizations that cater to the wellbeing of the society by providing education, medical assistance, and other benefits to the needy.

The Company in accordance with the requirements under the Companies Act, 2013 ("Act") and the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("Rules"), constituted a CSR Committee, which formulated Policy on Corporate Social Responsibility ("CSR Policy") and recommended the same to the Board of Directors of the Company (" Board") for its approval. The Board vide its resolution dated 3rd February 2015, approved and adopted the CSR Policy with immediate effect. This policy encompasses the Group's philosophy for giving back to society asTVS Motor Company Limited ('TVSM' or 'the Company'), a part of the 100-year-old, TVS group, is the manufacturer of two and three wheelers. The Company has been an early adopter of Corporate Social Responsibility ('CSR') initiatives, along with its holding company, namely Sundaram-Clayton Limited, its subsidiaries and associates (SCL Group of companies).

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OBJECTIVES/GOALS

This CSR policy aims the following objectives/goals:

- To make CSR a key business process for sustainable development of the society.
- To directly or indirectly take up programs that benefit the communities in vicinity wherever the Company operates and results, over a period of time, in enhancing the quality of life & economic wellbeing of the local populace.

CSR POLICY

The company aims at spending a defined portion of its net profit for the betterment of Indian society through:

a) Healthcare.
b) Education, literacy promotion.
c) Improving rural infrastructure
d) Rural/community development: welfare programmes, economic empowerment of women, income generating programmes, childcare
e) Community relations: involving employees in community development, providing social amenities, assisting community groups in micro financing and credit assistance
f) Environment

g) Tribal development

PROVIDING TRAINING FOR EMPLOYMENT

- The trust runs a number of welfare activities alone by itself or in collaboration with other like-minded NGOs. For example, at a hamlet, Santhavasal in Tamil Nadu, SST offers a training programme in collaboration with the Hyderabad-based Dr. Reddy's Labs.
- The Livelihood Advancement Business School (ABS) a programme undertaken by LABS offers training in different vocational streams.
- The LABS training programme in Padavedu is just one of the multifarious activities carried out by the SST.

RURAL DEVELOPMENT ACTIVITIES

The major thrust areas in this regard are:

- Economic development
- Health
- Education
- Infrastructure facilities
- Eco-friendly environment

Economic development

SST has helped the formation of Self-help groups (SHG) in following locations: Padavedu (131SHG), Tirukurungudi (93SHG), Nava Tirupathi (24SHG), Mysore (49SHG), Hosur (41SHG).

a) **Income Generation** Programmes using locally available raw materials from agriculture, viz., Banana fibre extraction and value-added products, Agarbathi and Chapathi making, Mushroom cultivation, Apiculture (Honey bee), Dairying, Sheep rearing, Appalam's and Masala powder have been started. There are 231 Self Help Groups that are coordinated and involved in income generating activities.
b) **Vocational Training** for Educated Unemployed youth in collaboration with Dr. Reddy's Foundation under LABS programme in Padavedu and Hosur.
c) **Appropriate Technology** such as drip irrigation and quality seeds provided for enhancing agricultural outputs of farmers.
d) **University-Industry Partnership** for Rural Development has been forged with Tamil Nadu Agriculture University, Coimbatore and partnership with the Indian Institute of Technology (IIT) in areas of Rainwater harvesting, environmental sanitation, etc.

Health Services

a) **Major Eye Camps** conducted in all locations in co-ordination with Aravind Eye Hospital. 12,000 cataract surgeries were performed in collaboration with Indian Oil Ltd. (IOL) since 1996 in all locations.
b) **Dental Check-up** and pediatric health programmes for school children covering 20000 children in Padavedu and tirupathi.
c) **Alcoholism Treatment Residential Camp** through T.T.K Hospital, Chennai.
d) Veterinary Camps
e) Individual and collective toilets have been constructed to stop open defecation and maintain health and hygiene standards of the children.

Education- General and Vocational

a) **Schools Improvement facilities** include construction of toilets with running water, balwadi construction, fencing, drinking water, sports and cultural programmes.
b) **SST also runs Schools** at Hosur and Tumkar
c) **Adult Education** in collaboration with Tata Consultancy Services initiated in all the operational sites.
d) TVS Academy and SST have been creating an interface between Government School Teachers for activity-based learning techniques.

Infrastructure Facilities

Such as roads and drains, street lights, public library, health sub-center, desilting of village water ponds, community hall, public toilets, etc. have been provided by the Trust directly, as well as in partnership under "Namakku Naame Thittam I Village Self Sufficiency Scheme".

Eco-Friendly Environment

a) With a view to increasing green coverage and protecting forests, Joint Forest Management (JFM) programme has been undertaken at Padavedu and tirukkurungudi in co-ordination with the Tamil Nadu Forest Department, The Energy Research Institute (TERI), New Delhi, and TVS group companies.
b) Social forestry, Horticultural and Wasteland development programmes are being executed in all locations.

ECO-TOURISM

Eco-tourism is being encouraged by SST Reserved Forests of Javadi Hills along with Tamil Nadu Forest Department and Care Earth. A number of species of animals, birds and insects are spotted in along the ecological zones having opportunity to help local youth to be employed as forest guides.

TRIBAL DEVELOPMENT

a) SST has also initiated various tribal development activities in partnership with the Department of Anthropology, University of Madras in various hamlets.
b) Another unique project of Environment Management Plan, Community-based model on rejuvenation of river Nambi at Thirukurungudi has been planned, for which a piolet project viz., individual toilets, oxidation pond, solid liquid waste management has been completed in Levenjipuram ward.
c) Organic farming and low economic input and sustainable agriculture (LEISA technique), has been initiated in all locations. The T.S. Srinivasan Centre for Rural Training at Hosur offers a 10-month course on the above subject.

FOREST MANAGEMENT

SST has four objectives in this regard: - reforestation of denuded lands soil and moisture conservation measures, increasing incomes for those dependent on the forests for a living, and better infrastructure in the village.

AFFORESTATION AND CONSERVATION EFFORTS

The Tamil Nadu Forest Department (TNFD) has been implementing Joint Forest Management (JFM), known as Tamil Nadu Afforestation Programme (TAP), since 1997 with the financial assistance from Japan Bank of International Cooperation to re-green the Eastern Ghats.

Conclusion

The above analysis of the multidimensional work carried out by the Srinivasan Services Trust exemplify clearly how corporate can do wonders if they pool their material and human resources to promote the welfare of the community. In this case, TVS Motor Company Ltd, and Sundaram Clayton Ltd, by forming a trust, motivating its workers, funding their activities, and helping them join hands with other NGOs and government departments; have helped to rejuvenate a sizeable part of Tamil Nadu's rural economy. The Trust has adopted a multi-pronged approach and has been trying to address various issues and problems which the rural economy faces. They have found that if there is a strong will, desire and commitment to uplift the poor, resources are not a constraint and an unstinted co-operation of the rural folk can be taken for granted. The excellent work done by the SST of TVS Group Companies is a model of Corporate Social Responsibility worth emulation by other Indian corporate. By showing exemplary commitment and involvement in the welfare of the underprivileged sections of society, far beyond the call of its duty and responsibility, the Loyala Institute of Business Administration (LIBA) conferred on the company the prestigious Mother Teresa Award for Corporate Citizen on March 31, 2004.

3.6 Best Practices in CSR by Infosys

Infosys Limited was started in 1981 by seven people with US$ 250. Today, the company is a global leader in consulting, technology and outsourcing with revenues of US$ 7.231 billion (FY13). Many of the world's most successful organizations rely on Infosys to deliver measurable business value. Infosys providesbusiness consulting, technology, engineering and outsourcing services to help clients in over 30 countries build tomorrow's enterprise. The company award-winning Infosys Labs and its breakthrough intellectual property can be leveraged as a co-creation engine to accelerate innovation across the enterprise. Infosys pioneered the Global Delivery Model (GDM), based on the principle of taking work to the location where the best talent is available, where it makes the best economic sense, with the least amount of acceptable risk. Continued leadership around GDM enables Infosys to drive extraordinary efficiencies and free up clients‟ resources for strategic transformation or innovation initiatives. Infosys has a global footprint with 67 offices and 69 development centers in US, India, China, Australia, Japan, Middle East, UK, Germany, France, Switzerland, Netherlands, Poland, Canada and many other countries. Infosys and its subsidiaries have 155,629 employees as by Dec 31, 2012. Infosys takes pride in building strategic long-term client relationships. 97.5% of its revenues come from existing customers. Infosys gives back to the community through the Infosys Foundation that funds learning and education.

CSR in Infosys

Infosys Limited has been an early adopter of Corporate Social Responsibility initiatives. Along with a sustained economic performance, environmental and social stewardship is also a key factor for holistic business growth. We established the Infosys Foundation in 1996 as a not-for-profit nodal body aimed at providing a dedicated approach to community development and also to fulfill our CSR commitments. Infosys Foundation works towards removing malnutrition, improving healthcare infrastructure, supporting primary education, rehabilitating abandoned women and children, and preserving Indian art and culture. Infosys Foundation partners with non-government organizations (NGOs) to make a difference among local communities. The Company's focus has always been to contribute to the sustainable development of the society and environment, and to make our planet a better place for future generations.

Infosys Foundation has worked to support the underprivileged in society and enrich their lives.

Promoted by Infosys Technologies Limited, the Foundation began its work in Karnataka, India, gradually extending its activities to the states of Tamil Nadu, Andhra Pradesh, Maharashtra, Orissa and Punjab. Making high-quality healthcare the norm is an ongoing challenge. Since its inception, the Foundation has initiated several activities that benefit the rural and urban poor. Apart from constructing hospital wards, donating hi-tech equipment and organizing health camps, the Foundation also distributes medicines to economically-weaker sections in remote areas.

It is organizing an annual mela that empowers penniless women or building orphanages that give children a better life, the Foundation's activities address the needs of society's most neglected. The Foundation has organized unique annual melas in different parts of the country, including Bangalore and Sedam in Karnataka, and Chennai in Tamil Nadu, to distribute sewing machines to poor women and help them earn a livelihood. The Foundation also offers an edge to deprived and rural students, through its activities. In one of the largest rural education programs in the country, the foundation has donated 10,200 sets of books in Karnataka alone, and in Andhra Pradesh, Karnataka, Orissa and Kerala, under its Library for Every Rural School project. Through this program, the Foundation has set up more than 10,150 libraries in rural government schools. A minimum of 200 books, depending on the strength of the school, is provided.

The Foundation has helped revive the art of the weavers of Pochampalli village in Andhra Pradesh. It helps organize cultural programs to promote artists in rural areas of Karnataka and Andhra Pradesh. It organizes programs like puppet shows and other cultural events to encourage artistes and performers in rural areas of Karnataka and Andhra Pradesh, and offers them financial assistance to carry forward their art.

Since 2004, Infosys has embarked on a series of initiatives to consolidate and formalize its academic relationships worldwide under the umbrella of a program called Ac E – Academic Entente. Through case study writing, participation in academic conferences and university events, research collaborations, hosting study trips to Infosys Development Centers and running the in Step Global Internship Program, the company communicates with important stakeholders in the academia.

Infosys Foundation has implemented projects in four key areas: Healthcare; Social Rehabilitation &Rural Upliftment; Learning & Education; and Art & Culture. Apart from the Foundation, Infosys Technologies develops programs in the area of environment, health and safety (EHS).

Objectives

Infosys CSR policy intends to:

- Strive for economic development that positively impacts the society at large with minimal resource footprint.
- Embrace responsibility for the company's actions and encourage a positive impact through its activities on hunger, poverty, malnutrition, environment, communities, stakeholders and society.

Focus Areas

In accordance with the requirements under the Companies Act, 2013, Infosys CSR activities, amongst others, will focus on:

• HUNGER, POVERTY, MALNUTRITION AND HEALTH: Eradicating extreme hunger, poverty and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water.

• EDUCATION: Promoting education including special education and employment-enhancing vocational skills especially children, women, elderly and the differently-abled and livelihood enhancement projects; monetary contributions to academic institutions foe establishing endowment funds, chairs, laboratories etc., with the objective of assisting students in studies.

• RURAL DEVELOPMENT PROJECTS: Strengthening rural areas by improving accessibility, housing, drinking water, sanitation, power and livelihoods thereby creating sustainability villages.

• GENDER EQUALITY AND EMPOWERMENT OF WOMEN: Promoting gender equality and empowering women; setting up homes, hostels and day care centres for women and orphans; setting up old age homes and such other facilities for senior citizens; and adopting measures for reducing inequalities faced by socially and economically backward groups.

• ENVIRONMENTAL SUSTAINABILITY: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining the quality of soil, air and water.

• NATIONAL HERITAGE ART AND CULTURE: Protecting national heritage art and culture, including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promoting and developing traditional arts and handicrafts.

CSR Committee

The company appointed a committee with 3 independent directors and one executive director as per the rule of companies Act 2013. The purpose of is to formulate and monitor the CSR policy of the company. The CSR committee has adopted a policy that intended to strive for economic development that positively impacts the society at large with a minimal resources footprint and be responsible for the corporation's actions and encourage a positive impact through its activities on the environment, communities and stakeholders. The committee will be overseeing the activities/ functions of Infosys Foundation in identifying the area of CSR

Activities, Programs and execution of initiatives as per predefined guidelines. The committee also helps in reporting the activities which are initiated on a period.

Governance

The Company through a registered trust or a registered society can undertake CSR activities as per the provisions of the Companies Act, 2013. Accordingly, Infosys Foundation or such other entity will work closely with and support the Board and the CSR Committee in implementing CSR activities of the Company. Infosys Foundation or such other entity will assist the CSR Committee in identifying the areas of CSR activities, programs and execution of initiatives as per defined guidelines. Infosys Foundation or such other entity will also assist the Board and the CSR Committee in reporting the progress of deployed initiatives and in making appropriate disclosures (internal/external) on a periodic basis.

Funding, Selection and Monitoring Process

Infosys Foundation or such other entity will receive requests for funding of project throughout the calendar year. Its panel of experts will evaluate proposals received under the Foundation's focus areas and projects will be prioritized by assessing their impact. The Foundation or such other entity will then forward its recommendations to the CSR Committee. The CSR Committee will deliberate on the proposals and approve proposals for implementation at its discretion. Infosys representatives and/or Infosys Foundation or such other entity will collaborate with stakeholders to monitor the status of each project and will report its findings to the CSR Committee periodically.

Conclusion

Clause 135 introduced by the Companies Act 2013 would go a long way in strengthening the social initiatives taken by the companies. Apart from boosting transparency and accountability, it would also open Up the Avenue for Corporate Social Responsibility Consulting. However, steps are required to be taken to sort out issues of penalties in the event of non-disclosure, scope of Schedule VII, internal controls etc. If the law is followed in true letter and spirit, India Inc. Would succeeds in discharging its social responsibility in an

effective and efficient manner. Currently, the stance of CSR in India is headed in a positive direction as there already exist a multitude of enabling organizations and regulatory bodies such as the DPE, MCA, and IICA that have already set the wheels in motion and are playing an important role in making CSR a widespread practice and ensuring success in reducing inequalities without risking business growth. The CSR agenda in India is changing and beginning to follow global CSR trends: it is, for example, integrating CSR into core business processes, ensuring that CSR takes root in top management and assigning CSR responsibilities to corporate departments. Indian CSR is not well balanced between internal and external stakeholders. Indian companies tend to aim their CSR engagement at external stakeholders especially communities rather than internal stakeholders. However, the long tradition of CSR in India indicates and the recent changes in the Indian CSR agenda further underline that

CSR in India has considerable potential for improving corporate environmental and social conduct.

3.7 Let's Sum-up

Thus Corporate Social Responsibility (CSR) is about how companies manage the business processes to produce an overall positive impact on society. Thus companies consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. This is seen to extend beyond the statutory obligation to comply with legislation as organisations are voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large. If a company chooses to follow the way of CSR, it will integrate ethical concerns in its activities and in its interaction with all the stakeholders. This implies that the corporate units' function in such a way that their CSR activities in all likelihood actually reach out to the beneficiaries-the society in general. The ethical considerations are aimed at preparing the groundwork for expecting the correct reaction or response of their CSR generated activities.

As rightly put forth by J.R.D TATA, the founder of TATA STEEL, 'Every company has a special continuing responsibility towards the people of the area in which it is located and in which its employees and their families live.' The aspect of social responsibility of a company is mainly concerned with the role of the company in addressing issues of societal benefit and of reduction in social costs. There have been different instances where businesses originate in social awareness and welfare. Corporate Social Responsibility is a growing movement and to sustain it, it is necessary to improve and promote the interest in investment and the competence of both the society in general and of the governments in the individual countries to adjust to the CSR programme.

The Company TVS has been an early adopter of Corporate Social Responsibility ('CSR') initiatives, along with its holding company, namely Sundaram-Clayton Limited, its subsidiaries and associates (SCL Group of companies). SCL Group of companies recognized that integrating social, environmental and ethical responsibilities into the governance of businesses would ensure their long term success, competitiveness and sustainability.

3.8 Key Terms

1. Social responsibility: Corporate these days should engage themselves in various welfare developmental activities in which they operate their businesses.

2.Affirmative action/good practices: Equal opportunity employer, diversity of workforce that includes people with disability, people from the local community etc., gender policy, code of conduct/guidelines on prevention of sexual harassment at workplace, prevention of HIV/AIDS at workplace, employee volunteering etc. are some of the good practices which reflect CSR practices of the company.

3. Environment protection: Merely meeting legal requirements in itself does not comprise CSR but it requires company to engage in such a way that goes beyond mandatory requirements and delivers environmental benefits.

3.9 Self-Assessment Questions with Answers

1. Why best practices are considered important?

One answer to this question is obvious: employing a method or program that's been tested and found successful increases the chances that you'll accomplish your goals, and that life will therefore be better for the folks who participate. There are, however, further reasons why the use of a best practice can be advantageous.

- Using a recognized best practice makes it easier to justify the work. If an organization or initiative is starting from scratch, the community – and especially potential participants – may be justifiably sceptical about what it's doing. Demonstrating that it's using a practice that has been shown to be effective can relieve at least some of that scepticism and gain support.
- Using recognized best practices can bolster the credibility of an organization. It shows not only that the organization is using a tested process, but that it has been thinking ahead and conducting research to make sure it's doing the best job possible.
- Using best practices can make it easier to get funding. Funders look more favourably on proposals that can demonstrate proven success.

2. Explain the various important components of best practices in CSR.

- Corporate Governance
- Business Ethics
- Workplace and labour relations
- Affirmative action/good practices
- Supply Chain
- Customers Environment
- Community

(For details, refer to: 1.4 Components of Best Practices on CSR)

3. What are the focus areas of CSR activities offered by Infosys?

In accordance with the requirements under the Companies Act, 2013, Infosys CSR activities, amongst others, will focus on:

- Hunger, Poverty, Malnutrition And Health

- Education
- Rural Development Projects
- Gender Equality And Empowerment Of Women
- Environmental Sustainability
- National Heritage Art and Culture.

(For details, refer to: 1.6 Best Practices in CSR by Infosys)

3.10 Further Readings

1. Shrivastava Harsh and Shankar Venkateswaran (2001), The Business of Social Responsibility- The Why, Where and How of Social Responsibility of India, Book for Change.
2. K. M Mittal, "Social Responsibilities of Business- Concepts, Areas and Progress", Chanakya Publications, Delhi.
3. Sanjay K. Agarwal, Corporate Social Responsibility in India, SAGE Publications Inc., USA.

3.11 Model Questions

1. Explain why companies should engage themselves in corporate social responsibility, taking an example of an Indian company.
2. "Corporate Social Responsibility (CSR) is about how companies manage the business processes to produce an overall positive impact on society". Do you agree with this statement?
3. Highlight the major contributions made by Tata Groups in India.

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