

Ivth unit continuation

B.law B.com 1st year 2nd semester for B.com honours Section A & B, General

Q) Explain some of the legal aspects of a; 1) corporate social responsibility (CSR) and,
2) corporate governance

Ans;

1) CSR ; it includes social obligations , environmental quality, peace, security, poverty alleviation, human rights ..etc. A company has to balance their economic and social obligations i.e. CSR .

LEGAL ASPECTS: u/s 135 C.A 2013 companies having net worth Rs.500crores or more or turn over of Rs.1000crores or more or a net profit of Rs.5crores or more in the previous financial year –have to establish ‘corporate social responsibility committee ‘ with 3 or more directors including 1 independent director –their duty is ,a)to recommend CSR activities b)to recommend expenditure on CSR activities c)to monitor CSR policy of the company .

Company has to disclose this on its website – at least 2% of average net profits of 3 previous years shall be spent on CSR activities . Preference shall be given to local areas where the company operates –if not spent the board shall mention that in their report to AGM .

CSR activities includes ;a) eradicating poverty and hunger b)education ,gender equality ,women empowerment c)reducing child mortality rate d)environment protection e)enhancement of employment skills f)S.C ,S.T welfare activities .. etc .

The benefits of CSR to corporate performance includes; a)brand image b)minimizing ecological damage c)improving financial performance d)customer loyalty etc.

THE IRON LAW OF CSR:

Business must respond to the society’s needs since society has given license to it for its existence-which can be taken back if it fails to live up to expectations . The benefits of it includes decrease in crime/ labour recruitment / access to international capital / a better society ..etc.

2) CORPORATE GOVERNANCE ; A formal system of accountability and control for ethical and socially responsible organizational decisions and use of resources . ‘Promoting corporate fairness ,transparency and accountability’.

Benefits of good corporate governance includes ;a)protection to investors b)strong capital markets c)higher market evaluation d)proper discharge of responsibility towards stake holders who includes employees , customers , vendors , local community , society , government , competitors etc.

Governance includes decision making and implementing them.

Note: students are advised to follow a good text book to have a good understanding.---

Amareshwara rao