Solved Scanner Appendix

CS Professional Programme Module - II
(New Syllabus)
(**Solution of December - 2014)**

Paper - 6: Ethics, Governance and Sustainability

Chapter - 1: Introduction: Ethics and Governance
2014 - Dec [1] (b) (i)
Utilitarianism is an ethics of welfare. Business guided by utilitarian approach focuses on behaviours and their results, not on the means of such actions. It can be described by the phrase, "the greatest god for the greatest number." The utilitarian approach prescribes ethical standards for managers in the areas of organisational goals, i.e., maximisation of profits and having efficiency which denotes optimum utilization of scarce resource.
Utilitarianism prescribes that he moral worth of an action is solely determined by its contribution to overall utility, that is, its contribution to the happiness and satisfaction of the greatest member. For example, one may be tempted to steal from a rich wastrel to give to a starving family. Hence, this approach is also referred as consequential approach. Utilitarianism is a general term for any view that holds that actions and policies should be evaluated on the basis of the benefits and costs they impose on the society. The policy which produces the greatest net benefit on lowest net costs in considered right.

Chapter - 2: Ethical Principles in Business
2014 - Dec [2] (a), (b)

(a) Ethical Dilemma
Dilemma is a situation that requires a choice between option that are or seem equally unfavourable or mutually exclusive.

By definition, an ethical dilemma involves the need to choose from among two or more morally acceptable courses of action, when one choice prevents selecting the other, or, the need to choose between equally unacceptable alternatives (Hamric, spross and Hanson, 2000). A dilemma could be right v.s wrong situation in which the right would be a more difficult to pursue and wrong would be more convenient. A right versus wrong dilemma is easier to resolve.

An ethical dilemma is a situation that will often involve an apparent conflict between moral imperatives, in which to obey one would result in transgressing another. This is also called an ethical paradox.

An ethical dilemma involves a situation that makes a person question what is the 'right' or 'wrong' thing to do. Ethical dilemmas makes individuals think about their obligations, duties or responsibilities. These dilemmas can be highly complex and difficult to resolve. Easier dilemmas involve a 'right' versus 'wrong' answer, whereas, complex ethical dilemmas involve a decision between right and wrong.

(b) Integrity Pact

The Integrity Pact (IP) is a tool aimed at preventing corruption in public contracting. It was developed by Transparency International. It consists of a process that includes an agreement between a government or a government department and all bidders for a public contract. It contains rights and obligations to the effect that neither side will pay, offer, demand or accept bribes, collude with competitors to obtain the contract, or engage in such abuses while carrying out the contract. The Integrity Pact also introduces a monitoring system that provides for independent oversight and accountability.

2014 - Dec [2A] (Or) (iii)

Principles of Social and ethical accounting:

1. **Planning :** The company commits to the process of social and ethical accounting, auditing and reporting, and defines and reviews its values and social and ethical objectives and targets.
2. **Accounting :** The scope of the process is defined, information is collated and analysed and performance targets and improvement plans are developed.

3. **Reporting :** A report on the company's system and performance is prepared.
4. **Auditing :** The process of preparing the report and the report itself are externally audited, and the report is made accessible to stakeholders in order to obtain feedback from them.
5. **Embedding :** To support each of the stages, structures and systems are developed to strengthen the process and to integrate it into the company's activities.
6. **Stakeholder engagement :** The concerns of stakeholders are addressed at each stage of the process through regular investment.

Chapter - 3: Conceptual Framework of Corporate Governance

2014 - Dec [1] (a), (b) (ii)

(a) The Board of Directors plays a pivotal role in ensuring good governance. The contribution of directors on the Board is critical to the way a corporate conducts itself. A board's responsibilities derive from law, custom, traditional and current practice. In the present times transparency, disclosure accountability, issues of sustainability, corporate citizenship, globalization are just some of the concerns that the Boards have to deal with. In addition, the Boards have to respond to the explosive demands of the marketplace. This two dimensional role of the Board of Directors is cornerstone in evolving sound, efficient, vibrant and dynamic corporate sector for attaining of high standards in integrity, transparency, code of conduct, accountability as well as the social responsibility.

As per Section 2(10) of the Companies Act, 2013 "Board of Directors" or "Board", in relation to a company means the collective body of directors of the company appointed to the Board of the Company.

A board of directors is a body of elected or appointed members who jointly oversee the activities of a company. They are also referred as board of governors, board of managers, board of regents, board of trustees or simply referred to as "the board".

Proviso 2 to Section 178 of the Companies Act, 2013 provides that the Nomination and Remuneration Committee shall carry out evaluation of every director's performance. Further, Schedule IV of the Companies Act, 2013 provides for the following evaluation mechanism of independent directors:

(i) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

(ii) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

Section 134(2) (p) provides that in case of a listed company and every other public company having such paid up share capital as may be prescribed, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors shall be included in the report by Board of Directors Revised Clause 49 of Listing Agreement provides following for the performance evaluation of independent directors:

(i) The Nomination Committee shall lay down the evaluation criteria for performance evaluation of independent directors.

(ii) The company shall disclose the criteria for performance evaluation, as laid down by the Nomination Committee, in its Annual Report.

(iii) The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated).

(iv) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

Performance evaluation of the board:

(i) How well has the board performed against any performance objectives that have been set?

(ii) What has been the board's contribution to the testing and development of strategy?

(iii) What has been the board's contribution to ensuring robust and effective risk management?

(iv) Is the composition of the board and its committees appropriate, with the right mix of knowledge and skills to maximize performance in the light of future strategy? Are inside and outside the board relationships working effectively?

(v) How has the board responded to any problems or crises that have emerged and could or should these have been foreseen?

(vi) Are the matters specifically reserved for the board the right ones?

(vii) How well does the board communicate with the management team, company employees and others?

(viii) How effectively does it use mechanisms such as the AGM and the annual report? Is the board as a whole up to date with latest developments in the regulatory environment and the market?

(ix) How effective are the board's committees? (Specific questions on the performance of each committee should be included such as, for example, their role, their composition and their interaction with the board.)

(b) (ii)

ICSI Principles of Corporate Governance

Sustainable development of all stakeholders	Ensure growth of all individuals associated with or affected by the enterprise on sustainable basis.
Adherence to ethical standards	Ensure integrity, transparency, independence and accountability in dealings with all stakeholders.

Chapter - 5: Board Effectiveness-Issues and Challenges

2014 - Dec [2] (c)

Lead Independent Director: Internationally, it is considered a good practice to designate an independent director as a lead independent director or senior independent director. He coordinates the activities of other non-employee directors and advises chairman on issues ranging from the schedule of board meetings to recommending retention of advisors and consultants to the management.

California Public Employees' Retirement System (Cal PERS) provides that where the Chairman of the board is not an independent director and the role of Chairman and CEO is not separate, the board should name a director as lead independent director who should have approval over information flow to the board, meeting agendas and meeting schedules to ensure a structure that provides an appropriate balance between the powers of the CEO and those of the independent directors.

Other roles of the lead independent director should include chairing meetings of non-management directors and of independent directors, presiding over board meetings in the absence of the chair, serving as the principle liaison between the independent directors and the chair and leading the board/director evaluation process. Given these additional responsibilities, the lead independent director is expected to devote a greater amount of time to board service than the other directors.

2014 - Dec [2A] (Or) (ii)

Separation of Roles of Chairman and Chief Executive:

First proviso to Section 203 provides for the separation of role of Chairman and Chief Executive Officer subject to conditions thereunder. It provides that an individual shall not be appointed or re - appointed as the chairperson of the company, in pursuance of articles of the company, as well as the managing director or Chief Executive Officer of the company at the same time after the date of commencement of this Act unless:

(a) The Articles of such a company provide otherwise; or
(b) The company does not carry multiple business.

Separation of roles is instrumental in determining the composition of the Board in terms of Listing Agreement, depending upon executive or non executive Chairman.

2014 - Dec [3] (b)

Independent Directors are known to bring an objective view in board deliberations. They also ensure that there is no dominance of one individual or special interest group or the stifling of healthy debate. They act as the guardians of the interest of all shareholders and stakeholders, especially in the areas of potential conflict.

Independent Directors bring a valuable outside perspective to the deliberations. They contribute significantly to the decision-making process of the Board. They can bring on objective view to the evaluation of the performance of Board and Management. In addition, they can play an important role in areas where the interest of management, the company and shareholders may diverge such as executive remuneration, succession planning, changes in corporate control, audit function etc.

Independent directors are required because they perform the following important role:

(i) Balance the often conflicting interests of the stakeholders.
(ii) Facilitate withstanding and countering pressures from owners.
(iii) Fulfill a useful role in succession planning.
(iv) Act as a coach, mentor and sounding Board for their full time colleagues.
(v) Provide independent judgement and wider perspectives.

Chapter - 6: Board Committees

2014 - Dec [1] (b) (v)

A company may have as many non-mandatory committees as it would require for efficient oversight of the company. We will discuss about the committees which are generally constituted by corporate.

In addition to the Committees of the Board mandated by the Companies Act, 2013 viz, Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and the CSR Committee, Board of Directors may also constitute other Committees to oversee a specific objective or project. The nomenclature, composition and role of such Committees will vary, depending upon the specific objectives of the company.

The non-mandatory committees depending upon the need like:

1. Strategies Committee
2. Capital Expenditure (Capex) Committee
3. HR Committee
4. Project Appraisal Committee
5. Science, Technology & Sustainability Committee
6. Regulatory, Compliance & Government Affairs Committee.

Chapter -7: Corporate Governance and Shareholder Rights

2014 - Dec [1] (b) (iii), (iv)

(iii) Protection of shareholder rights is sacrosanct for good corporate governance. It is one of the pillars of corporate governance. For the efficient functioning of the capital market, the fundamental requirement is that he investor rights are well protected. The Preamble to Securities and Exchange Board of India Act, 1992 reads as under:

"An Act to provide for the establishment of a Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market and for maters connected there with or incidental thereto."

The central element in corporate governance is the challenges arising out of separation of ownership and control. The shareholders are the true owners of a corporate and the governance function controls the operations of the corporate. There is a strong likelihood that here is a mismatch between the expectations of the shareholders and the actions of the management. Therefore there is a need to lay down clearly the rights of the shareholders and that of the management.

In the Indian context, the SEBI Act, 1992, the various SEBI Regulations and Guidelines and the Companies Act, 2013 enables the empowerment of shareholder rights.

In the international context, the OECD Principles on Corporate Governance which serves as an international benchmark for policy makers, investors, corporations and other stakeholders worldwide also has made extensive recommendations as to the shareholder rights.

(iv) Investor Relations (IR) is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community and other constituencies, which ultimately contributes to a company's securities achieving fair valuation.

Typically, investor elation is a department or person reporting to the Chief Financial Officer. In some companies, investor relation is managed by the public relations or corporate communications departments, and can also be referred to as "financial public relations" or "financial communications".

2014 - Dec [4] (b)

Institutional investors remain alert while investing in a company; they access the health of company before investing resources in it.

Following are the tools used by institutional investors:

1. **One-to-one meetings:** The meetings between institutional investors and companies are extremely important as a means of communication between the two parties.
2. **Voting:** The right to vote which is attached to voting shares is a basic prerogative of share ownership and is particularly important given the division of ownership (shareholders) and control (directors) in the modern corporation. The right to vote can be seen as fundamental tools for some element of control by shareholders.
3. **Focus Lists:** A number of institutional investors have established "Focus lists" whereby they target underperforming companies and include them on a list of companies which have underperformed a main index, such as Standard and Poor's.
4. **Corporate Governance rating systems:** A number of corporate governance rating systems come up with the development of corporate governance. Example of such firms which have developed corporate governance rating systems are de-minor, Standard and Poor's, and Governance Metrics International (GMI).

Chapter - 8: Corporate Governance and Other Stakeholders

2014 - Dec [2A] (Or) (iv)

The Clarkson Principle of stakeholder management:

Max Clarkson (1922 – 1998) founded the Centre for Corporate Social Performance and Ethics in the faculty of management, now the Clarkson Centre for Business Ethics & Board effectiveness or CC (BE)2. The Clarkson Principles Emerged From a Project undertaken by the Centre for Corporate Social Performance and Ethics:

Principle 1 : Managers should acknowledge and actively monitor the concerns of all legitimate stakeholders and should take their interests appropriately into account in decision –making and operations.

Principle 2 : Managers should listen to and openly communicate with stakeholders about their respective concerns and contribution, and about the risks that they assume because of their involvement with the corporation.

Principle 3 : Managers should adopt processes and modes of behaviour that are sensitive to the concerns and capabilities of each stakeholder constituency.

Principle 4 : Managers should recognize the interdependence of efforts and rewards among stakeholders, and should attempt to achieve a fair distribution of the benefits and burdens of corporate activity among them, taking into account their respective risks and vulnerabilities.

Principle 5 : Managers should work cooperatively with other entities, both public and private to ensure that risks and harm arising from corporate activities are minimized and where they can not be avoided , appropriately compensated.

Principle 6 : Manager should avoid altogether activities that might jeopardize inalienable human rights (e.g. The right to life) or give rise to risks which, if clearly understood, would be patently unacceptable to relevant stakeholders.

Principle 7 : Manager should acknowledge the potential conflicts between

(a) Their own role as corporate stakeholders and

(b) Their legal and moral responsibilities for the interests of all stakeholders, and should address such conflicts through open communication, appropriate reporting and incentive systems and where necessary, third party review.

2014 - Dec [3] (a)

Employee participation in corporate governance systems can be found in many countries and corporations throughout the world. Following are the some important example for ensuring good governance by employees:

1. **Right to consultation:** Where employees must be consulted on certain management decisions. This right increases transparency of management decisions and allows employee opinion to meliorate the asymmetry of information between management and the market.

2. **Right to nominate/vote for supervisory board members:** In many cases employee participation on the board is mandated. This right creates a check and balance system between management and the supervisory board, which in turn creates the perception of greater fairness.
3. Compensation/privatization programs that make employees holders of shares, thereby empowering employees to elect the board members, which, in turn holds management responsible.
   Employees have a stake in the long-term success of the corporation. In that regard the shareholders are not the only residual claimants. "Employees possess skills and knowledge which are specific to their particular corporation and may be of limited value if they were to become employed elsewhere. Moreover, employees care about a wide range of decisions within corporations." - Greenfield (1998).

2014 - Dec [4] (c)

Vendors play a key role in the success of an organisation. The organisation which builds a mutually strong relationship with its vendors improves its overall performance in the marketplace. The time, money and energy used to nurture a positive vendor relationship cannot be measured directly against the company's bottom line. However, a well managed vendor relationship will result in increased customer satisfaction, reduced costs, better quality and better service from the vendor. It ultimately contributes toward the good governance of an organisation. A proper systematic approach of vendor management will benefits all the employees, organisation, customer and vendors.

Chapter - 9: Risk Management and Internal Control

2014 - Dec [2] (d)

COSOs Internal Control Framework:

Internal control consist of five interrelated components. These are derived from the way management runs a business, and are integrated with the management process.

The components are:

(i) Control environment
(ii) Risk assessment
(iii) Control activities
(iv) Information and communication
(v) Monitoring.

2014 - Dec [3] (c), (d)

(c) As a top level officer and board confidante, a Company Secretary can pay a role in ensuring that a sound Enterprise wide Risk Management [ERM] which is effective throughout the company is in place. The board of directors may have a risk management sub-committee assisted by a Risk Management Officer. As an officer responsible for coordination and communication for effective corporate functioning and governance, a Company Secretary shall ensure that there is an Integrated Framework on which a strong system of internal control is built. Such a Framework will become a model for discussing and evaluating risk management efforts in the organization. Risk and control consciousness should spread throughout the organization. A Company Secretary can ensure that this happens so that the risk factor will come into consideration at the every stage of formulation of a strategy. It will also create awareness about inter-relationships of risks across business units and at every level of the organization.

(d) Risk Management as per Clause 49 (VI) under the listing agreement:

(i) The company shall lay down procedures to inform Board Members about the risk assessment and minimization procedures.
(ii) The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
(iii) The company through its Board of Directors shall constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

2014 - Dec [4] (d)

The idea of sustainability reporting is that how an organization contributes or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments and trends at the local, regional or global level. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sectoral, local, regional or global level.

Chapter - 10: Corporate Governance in Banks, Insurance and Public Sector Companies

2014 - Dec [2] (e)

Corporate Governance in Public Sector Undertaking:

The Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises has issued Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSE).

(a) **CPSEs listed in Stock Exchanges:**
In so far as listed CPSEs are concerned, they have to follow the SEBI guidelines on corporate governance. In addition, they may follow those provisions in guidelines which do not exist in the SEBI guidelines and also do not contradict any provisions in the SEBI guidelines.

(b) **Non-listed CPSEs:**
As per DPE directive, each PSE should strive to institutionalize good corporate governance practices broadly in conformity with the SEBI guidelines. The listing of the non-listed CPSEs in the stock exchanges may also be considered within a reasonable time frame to be set by the Administrative Ministry concerned in consultation with the CPSEs concerned. The non-listed CPSEs may follow the Guidelines on Corporate Governance, which are voluntary in nature.

Chapter - 11: Corporate Governance Forums

2014 - Dec [1] (c)

The International Corporate Governance Network ("ICGN") is a not-for-profit company limited by guarantee and not having share capital under the laws of England and Wales founded in 195. It has four primary purposes:

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

The Network's mission is to develop and encourage adherence to corporate governance standards and guidelines and to promote good corporate governance worldwide.

Membership of ICGN is open to those who are committed to the development of good corporate governance. The Membership section explains the benefits of membership, the different types of membership and how to join the ICGN. The ICGN is governed by the ICGN Memorandum and Articles of Association.

The management and control of ICGN affairs are the responsibility of the Board of Governors. The Board in turn appoints a number of committees to recommend policy positions, to implement approved projects and to perform such functions that he Board may specify.

The functions of the ICGN Secretariat were first undertaken by the Association of British Insurers (ABI) and then in 200, by the Institute of Chartered Secretaries and Administrators (ICSA) in London.

2014 - Dec [2A] (Or) (i)

Mission of National Foundation for Corporate Governance:

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

NFCG endeavours to build capabilities in the area of research in corporate governance and to disseminate quality and timely information to concerned stakeholders. It works to foster partnerships with national as well as international organisations.

2014 - Dec [4] (a)

The Institute annually bestows upon a corporate leader the **"ICSI Lifetime Achievement Award for Translating Excellence in Corporate Governance into Reality"** keeping in view the attributes like:

(i) Outstanding contribution to social upliftment and institution building;
(ii) Exemplary contribution in enhancement of stakeholders' value;
(iii) A visionary with innovative ideas;
(iv) Long tradition of trusteeship, transparency and accountability;
(v) Qualities of leadership, team spirit, integrity and accountability;
(vi) Proven track record of adherence of statutory obligations; and
(vii) Social acceptance and approval.

Chapter - 12: Legislative Framework of Corporate Governance-An International Perspective

2014 - Dec [2A] (Or) (v)

Corporate Governance in Singapore:

The Listing Manual in Singapore requires listed companies to describe in company's Annual Reports their corporate governance practices with specific reference to the principles of the Code of Corporate Governance (the Code), as well as disclose and explain any deviation from any guideline of the Code. Companies should make a positive confirmation at the start of the corporate governance section of the company's Annual Report that they have adhered to the principles and guidelines of the Code or specify each area of non-compliance.

The Code of Corporate Governance was first issued by the Corporate Governance Committee ("CGC") on 21 March 2001. Compliance with the Code is not mandatory but listed companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their annual reports. A revised Code was issued on 14 July, 2005.

The Code of Corporate Governance came under the purview of Monetary Authority of Singapore (MAS) and SGX with effect from 1 September 2007. The Corporate Governance Council ("Council") conducted a comprehensive review of the Code and submitted its recommendations to MAS on 22nd

November 2011. MAS issued a revised Code of Corporate Governance on 2nd May, 2012. The 2012 Code of Corporate Governance supersedes and replaces the Code that was issued in July 2005. The Code will take effect in respect of Annual Reports relating to financial years commencing from 1st November, 2012.

Chapter - 13: Corporate Social Responsibility

2014 - Dec [6] (c)

CSR Standard - ISO 26000:

ISO 26000 is the international standard giving guidance on social responsibility and is intended for use by organizations of all types both public and private sectors, in developed and developing countries. It provides guidance on principles of social responsibility, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behaviour into existing organizational strategies, systems, practices and processes.

It intends to assist organizations in contributing to sustainable development. It is intended to encourage them to go beyond legal compliance, recognizing that compliance with law is a fundamental duty of any organization and an essential part of their social responsibility. ISO 26000 is not a management system standard. It is not intended or appropriate for certification purposes or regulatory or contractual use.

2014 - Dec [6A] (Or) (i)

National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business:

The Ministry of Corporate Affairs had released Voluntary Guidelines on CSR in 2009 as the first step towards main streaming the concept of Business Responsibilities. Keeping in view the feedback from stakeholders, it was decided to revise the same with a more comprehensive set of guidelines that encompasses social, environmental and economical responsibilities of business. Accordingly, MCA issued a new set of National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business in July 2011.

The Guidelines emphasize that businesses have to endeavor to become responsible actors in society, so that their every action leads to sustainable growth and economic development. Accordingly, the Guidelines use the terms 'Responsible Business' instead of Corporate Social Responsibility (CSR) as the term 'Responsible Business' encompasses the limited scope and understanding of the term CSR.

The Guidelines have been articulated in the form of nine (9) Principles with the Core Elements. A suggested approach for adopting these guidelines, the steps for building a strategy for responsible business as well as business responsibility reporting framework, have been prescribed under the Guidelines.

Chapter - 14: Sustainability

2014 - Dec [6A] (Or) (iii)

Carbon footprint:

A carbon footprint is an estimate of how much carbon is produced to support your lifestyle. Essentially, it measures your impact on the climate based on how much carbon you produce. Factors that contribute to your carbon footprint include travel methods and general home energy usage. Carbon footprints can also be applied on a larger scale, to companies, businesses, even countries. The word 'carbon' in the phrase 'carbon footprint' is often used as a short-cut to describe the main greenhouse gases - carbon dioxide (CO_2), methane and nitrous oxide in terms of carbon dioxide equivalents.

Carbon offsetting:

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

Chapter - 15: Corporate Sustainability Reporting Framework

2014 - Dec [5] (a)

(i) **Importance of sustainability reporting:**

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

(ii) **Available framework for sustainability reporting:**

The idea of sustainability reporting is that how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments and trends at the local, regional, or global level. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sectoral, local, regional or global level.

(iii) **Challenges involved in Main streaming Sustainability Reporting:**

Since the Sustainability Reporting is relatively a new concept, many organization find it difficult to prepare sustainability. Following may be considered as the challenges in main streaming sustainability reporting:

1. Government Encouragement
2. Awareness
3. Expertise Knowledge
4. Investor Behaviour.

2014 - Dec [6] (d), (e)

(d) Global Reporting Initiative (GRI):

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

(e) UN-Principles for Responsible Investment (PRI):

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The Principles were launched by the UN Secretary-General Kofi Annan at the New York Stock Exchange in April 2006. The Principles were designed to be applied by all investors, with a special focus on fiduciary institutions with long-term perspectives.

The PRI Initiative aims to help investors integrate the consideration of environmental, social and governance (ESG) issues into investment decision-making and ownership practices across all asset classes and regions and in so doing, help contribute to the creation of a sustainable financial system.

Chapter - 16: Legal Framework, Conventions, Treaties on Environmental and Social Aspects

2014 - Dec [6] (a), (b)

(a) 'Eco-mark' in 1991 for easy identification of environment-friendly products. Any product which is made, used or disposed of in a way that significantly reduces the harm it would otherwise cause the environment could be considered as Environment-Friendly Product. The 'Eco-mark' label is awarded to consumer goods which meet the specified environmental criteria and the quality requirements of Indian Standards. Any product with the Eco-mark will be the right environmental choice.

An earthen pot has been chosen as the logo for the Eco-mark scheme in India. The familiar earthen pot uses a renewable resource like earth, does not produce hazardous waste and consumes little energy in making. Its solid and graceful form represents both strength and fragility, which also characterises the eco-system.

(b) The Kyoto Protocol, adopted at the third Conference of the Parties to the UNFCCC (COP 3) in Kyoto, Japan, in 1997 came into force in 2005, is an international agreement linked to the United Nations Framework Convention on Climate Change. The major feature of the Kyoto Protocol is that it sets binding targets for 37 industrialized countries and the

European community for reducing greenhouse gas (GHG) emissions. These amount to an average of five per cent against 1990 levels over the five-year period 2008-2012.

The Protocol places a heavier burden on developed nations under the principle of "common but differentiated responsibilities." This has two main reasons. Firstly, those countries can more easily pay the cost of cutting emissions. Secondly, developed countries have historically contributed more to the problem by emitting larger amounts of GHGs per person than in developing countries.

Chapter - 17: Principles of Absolute Liability

2014 - Dec [5] (b)

The Apex Court held that the rule laid down by supreme Court in Oleum gas leak case (AIR 1987 SC 1086), namely that once the activity carried on is hazardous or inherently dangerous, the person carrying on such activity is liable to make good the loss caused to any other person by his activity irrespective of the fact whether he took reasonable care while in carrying his activity is by for the more appropriate one and binding, the rule is premised upon the very nature of the activity carried on. In the words of the Constitution Bench, 'such an activity can be tolerated only on the condition that the enterprise engaged in such hazardous or inherently dangerous activity indemnifies all those who suffer on account of the carrying on of such hazardous or inherently dangerous activity regardless whether it is carried on carefully or not. The Constitution Bench has also assigned the reason for stating the law in the said terms. It is that the enterprise (carrying on the hazardous or inherently dangerous activity) alone has the resource to discover and guard against hazards and dangerous and not the person affected and the practical difficulty on the part of the affected person in establishing the absence of reasonable care or that the damage to him was foreseeable by the enterprise.

2014 - Dec [6A] (Or) (ii)

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

organisation, in the management of health and safety with fatal consequences. The Corporate Manslaughter and Corporate Homicide Act, 2007 is a landmark in law. For the first time, companies and organisations can be found guilty of corporate manslaughter as a result of serious management failures resulting in a gross breach of a duty of care. The Act, which came into force on 6 April 2008, clarifies the criminal liabilities of companies including large organisations where serious failures in the management of health and safety result in a fatality. Prosecutions will be of the corporate body and not individuals, but the liability of directors, board members or other individuals under health and safety law or general criminal law, will be unaffected. And the corporate body itself and individuals can still be prosecuted for separate health and safety offences. Companies and organisations should keep their health and safety management systems under review, in particular, the way in which their activities are managed and organised by senior management.

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