Corporate Governance and Sustainability: A Commitment to Society

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Abstract
Corporate governance reform efforts of the past decade have confronted decade-old efforts to typical social and environment responsibility of corporations and a mounting awareness that firms’ inedible balance sheet environmental and social impacts can have substantial financial consequences. This encounter has fuelled a question regarding the degree and nature of convergence between corporate governance and corporate social responsibility.

The maximised value for all stakeholders i.e. shareholder, investors, employees, customer, suppliers, environment and the community at large is the aim of corporate governance. For this purpose corporate allocates resources in a proper manner. It can be accounted by evaluating their decision on transparency, inclusivity and responsibility.

This paper will focus on growing demand for enhanced accountability and disclosures across companies on sustainability issues. Stakeholders are concerned that possible violations of workers right and environmental standards even by suppliers may create branding reputational and ultimately financial risk for the companies.

Investors and consumers are placing strong pressure on organisations to consider the impact of environmental, social and economic performance across value chain.

Keywords: corporate, governance, sustainability, sustainable development

Introduction
Corporate governance essentially involves balancing the interests of the many stakeholders in a company - these include its shareholders, management, customers, suppliers, financiers, government and the community by system of rules, practices and processes by which a company is directed and controlled encompassing practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Most companies strive to have a high level of corporate governance. These days, it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance practices.

In today’s market-oriented economy, the need for corporate governance becomes stronger. Also, efficiency as well as globalization are significant factors urging corporate governance to play a dominant role in shaping organizations future. Corporate Governance is essential to develop added value to the stakeholders.

Sustainability issues have become very important in all fields of socio-, political- and economic life involving all stakeholders and requires new approaches and rethinking and bring a dynamic change in governance structures. Sustainability areas need to be identified for strengthening of governance policies to raise the standards which would include prioritizing critical areas, do away with outdated, inconsistent regulations, develop code and regulations, and ensure code meets highest standards, extensive consultation to address challenges along with dissemination and implementation.

Corporate Governance can act as a catalyst for change in addressing sustainability issues for more efficient uses of resources and leading to higher economic growth. Corporate should keep in mind while analyzing their financial potential and economic growth, what would be the overall impact on governance issues such as climate change, access to water, disclosure and transparency, and the impact business operations may have on local communities.
Research Methodology
This paper is based on exploratory research on existing data from a variety of sources, including intergovernmental organizations, governments, academics, and corporate has been reviewed and arranged contextually to contribute in an innovative manner towards sustainability issues.

Literature Review
Kemp and Gibson (2005) examined and elaborated in their paper on the central elements of sustainable development and governance, considering their interrelations as they have emerged from the core themes in sustainable development discourses over the past decade and a half. They argued that sustainability is best viewed as a socially instituted process of adaptive change in which innovation is a necessary element. They discussed four key elements of governance for sustainability, which are integrated into the concept of transition management. Their result is a conceptual framework for policy-making and action-taking aimed at progress towards sustainability.

Kelly and Alam (2008) has discussed in their paper that corporate governance in many companies is now built on sustainable development principles; it involves the recognition of corporate social responsibilities (CSR), and of stakeholders’ legitimate interests in corporate activities. They also discussed that the nature of management decision-making and control has changed. In the new environment, the role of accountants must change as they strive to provide the most useful of information to managers. They also discussed that students can be best prepared for corporate world if academics respond to current developments.

Stern (2008) considers the challenges of building and sustaining frameworks for international collective action on climate changes with important initiative coming from both national government and corporations. The various dimensions of action required to reduce the risks of climate change are considered. These dimensions of remedial action are interdependent: a carbon price is essential to provide incentives for investment in low-carbon technology around the world, and can be strongly complemented by international co-operation to bring down the cost of new low carbon technologies. The success of international co-operation on mitigation will determine the scale of action required for adaptation, that is how we learn to cope with climate change. An overview of existing international co-operation on climate change indicates the immense scale of the problem, and the huge global effort that will be required to resolve this. Responsible corporate governance will be essential to securing a sustainable balance between business, society and the environment.

Steurer (2009) has discussed that sustainable development is commonly defined as development that meets the needs of current generations without compromising the ability of future generations to meet their needs and aspirations. His paper addressed the concept not with regard to economic, social or environmental policy challenges, but regarding its key implications for public governance. It shows that in terms of governance, sustainable development requires horizontal integration of sectoral policies, closer co-operation between different tiers of government, integrating different stakeholders in decision-making, considering different types of knowledge throughout the policy-making process, and balancing short- and long-term time scales. His paper contributed to the sustainable development as well as the governance discourse in basic ways by aggregating these widely accepted normative sustainable development principles to a comprehensive governance reform agenda. By doing so, it also highlights the considerable yet rarely noticed overlap between the discourses on sustainable development and governance.

James and Cotter (2010), investigated in their paper whether the quality of a firm’s corporate governance practices and its sustainability disclosures are inversely related to its assessed default risk. They discussed that It is expected that high reported standards of corporate governance will reduce the assessment of a company’s default risk by lenders, underwriters and ratings agencies, and therefore reduce the cost of debt for such companies. They also discussed that a corporate governance index based on annual report disclosures was developed to rate each company’s corporate governance.
quality. Derivation of this index was centred on corporate governance indicators suggested by prior research and best practice; particularly the Australian Stock Exchange “Principles of Good Corporate Governance and Best Practice Recommendations”. It is similarly expected that the voluntary disclosure of sustainability information (Corporate Social Reporting or CSR) will enhance a firm’s management reputation. The assessment of default risk is captured by a firm’s individual credit rating supplied by Standard and Poor’s. Their results indicated that neither annual report disclosures about corporate governance practices nor sustainability disclosures are significantly related to assessed default risk when firm size is controlled.

Mulili and Wong (2011) have examines the concept of corporate governance from a historical perspective. Their paper explores how the agency theory and stewardship theory affect corporate governance practices. They focused their paper on public universities of Kenya. With the help of literature review they found that ideals of good corporate governance have been adopted by developing countries since the 1980s. Developing countries differ from developed countries in a wide variety of ways. Therefore, there is need for developing countries to develop their own corporate governance models that consider the cultural, political and technological conditions found in each country. Their paper explores the challenges encountered by developing countries in the process of adopting the corporate governance ideals.

Corporate Governance in India
Corporate governance in India is old as the inception of industries in India. Companies are investing for the sustainable development of the country.

Coal India to focus on CSR to meet Growth Targets
In the year 2011, India’s biggest coal producer Coal India (CIL) is unable to achieve the targeted growth and is unhappy about the same. According to NC Jha Chairman, Coal India, “Zero growth last year and the not so impressive growth this year points out to the fact that something more needs to be done in terms of environment, corporate social responsibility and our initiatives of work.” Coal India has planned to spend Rs 30,000 crores on expansion during 12th Plan Impediments to growth.

Punjab National Bank opens Vocational Rehabilitation Centre in Hospital
In the year of 2011 India’s leading nationalized banks Punjab National Bank has sponsored the Vocational Rehabilitation Centre at the Ernakulam General Hospital as part of its CSR activities. Bank had earmarked Rs 60 crore every year for CSR activities. The centre aims to help those patients who have undergone limb replacement and allied treatment at the General Hospital to earn their livelihood without depending on others. The bank will supply raw materials to the centre for the manufacture of soaps, soap solution, phenyl and paper files. Special hands-on training for manufacturing the items will be given to the patients. The bank has been adjudged ‘CSR Bank 2011’ by the Government of India.

India’s First Centre to Train Underprivileged Youth, Women in Tailoring in Bihar by Raymond
Raymond Ltd, India’s leading textile brand and world leader in Worsted Fabric and Garments, on 15 May, 2012 announced the launch of India’s first training centre to impart tailoring skills to under privileged youth and tailors. Launched in Patna, Bihar by the State’s Chief Minister, Mr Nitish Kumar, this Centre is geared to train 250 candidates in suit, shirt and trouser making in the first academic year. Raymond through this initiative aims to create a network of skilled stylist tailors across India for sharing of knowledge and ideas, while providing customers with quality tailored garments. The Raymond Tailoring Centre shall train over 10000 students in various aspects of tailoring including suit, shirt and trouser making over the next five years. The minimum qualification for admission to the Raymond Tailoring Centre is 8th standard pass. The Raymond Tailoring Centre has been established to help its candidates acquire these special tailoring skills and bring in a sense of empowerment. Special focus shall be given to encourage women
to pursue our programmes, through special reservation for them. We are proud to have the support of the Govt of Bihar in our first step in this direction.”

Raymond will assist the trained students in placements in the 680 The Raymond Shops and other multi-brand outlets. Raymond will also provide them career opportunities in around 100 Raymond workshops which will be setup during this period. The trained tailors will be encouraged to set-up tailor shops and Raymond shall support them in their endeavour in becoming trained stylist tailors.

**Electronics Corporation of India Ltd. (ECIL) Constructs Halls at 2 Schools in Andhra Pradesh**

In the year 2012, ECIL has constructed multi-purpose halls in two government schools. The ECIL has constructed these halls as part of its Corporate Social Responsibility initiative. The Hall at Mandal Parishad Upper Primary School, Harijanwada, Gandhinagar is constructed at a cost of Rs. 8 Lakhs and the hall at Zilla Parishad High School, Kushtaguda with Rs. 11 Lakhs. The halls will enable the students to have their mid-day meals and teachers to conduct special events & to teach with audio-visual aids.

**Concluding remarks**

There are winds of change in India’s Corporate Governance scenario. Most of the Indian Companies are adopting more sustainable reporting guidelines protecting the interest of all stakeholders and balance the conflicting interest of all stakeholders involved. There are two aspects of sustainability issues one is to consider it as a constraint within which to create stakeholder value and the other aspect is to consider participation in improving the living of this and future generations as a corporate responsibility and to adopt more sustainable decision making process. In today’s dynamic environment most Indian companies are embracing the second approach.

As important participants in accelerating national and global economies organizations enjoy and capitalize on natural, human and economic resources. They should embed sustainability a core driver of their strategy and use resources judiciously for keeping the prospects of future generations bright. Sustainability of the environment, climate, social development and corporate economy all depend upon good corporate governance with collaboration of all involved. Corporates with immense economic and social power should work in harmony for economic stability and growth involving environmental and social sustainability as an integral part of their policy guidelines. Corporate can take measures in strengthening its corporate governance policies to address sustainability issues by defining the obstacles preventing sustainable progress; develop programs with many stages and achieve success. Building awareness with all stakeholders like government decision makers, business, academia, media and opinion leaders is another important step that can be taken by corporate to meet the sustainability challenges. Achievable goal.

Indian companies have taken this opportunity to take leadership position in showing to the world that India’s business houses can govern for Sustainability and can innovate cleaner technologies and create greener products for healthier society and create wealth in value based manner.

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