



Role of CMAs in building responsible business

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In the wake of rapid changes and emerging dynamic scenario in the business world in recent years stakeholders of companies are increasingly concerned with the conduct of the affairs of the company with focus on disclosure, transparency, accountability, Stakeholders engagement and Internal Controls.

The most important right we have is the right to be responsible

Gerald Amos

Responsible Business practice is about successfully integrating responsible business issues into the core strategy and the day to day operations of the company, including inter-alia aspects relating to Corporate Governance, Corporate Social Responsibility, Risk Management, Code of Conduct and Ethics, Sustainability Reporting, and Annual Business Responsibility Reporting. Responsible business is the responsibility of the enterprises for the impact of their operations on various stakeholders. It aims at maximizing the creation of shared value for all stakeholders. Businesses should actively integrate responsible business practices in their decision making and core business strategy and promote that thinking across the whole of their business and further through to their entire value chain for engaging actively with wider society with focus on Triple Bottom Line i.e People, Profits and Planet, in the pursuit of building a sustainable and responsible business.

The Companies Act, 2013 has considerably enhanced the role and responsibilities of professionals. Following are the key tenets and levers for building a responsible business and the CMAs are expected to play a pivotal role in bringing about the desired responsible business culture in the corporate world.

Risk management

Risk management has always been regarded as an inherent or integral feature of sound business management. The board of a company is responsible for the management of risk. The board must have a clear understanding of the risks facing the company; it must ensure that the organization has effective risk management and control processes; and it must be provided with assurance that the processes and key risks are being effectively managed. The CMAs have a pivotal role to play in the provision of appropriate guidance/advice to the board regarding its duties and responsibilities pertaining to risk management.

Section 177(4) stipulates:

Every Audit Committee shall act in accordance with the

terms of reference specified in writing by the Board which shall, inter alia, include..evaluation of internal financial controls and risk management systems

CMAs have a vital role in ensuring that a sound Enterprise wide Risk Management [ERM] which is effective throughout the company is in place. CMAs should 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 assessing and evaluating risk management efforts in the organization. Risk and control consciousness should spread throughout the organization. It should be ensured that this happens so that the risk factors are duly considered at every stage of formulation of business strategy. It will also create awareness about inter-relationships of risks across business units and at every level in the organization.

Reporting of frauds

If during the course of their professional duties, a CMA has reason to believe that an offence involving fraud is being or has been committed by a company, it is his duty to report the fraud. Section 143 (12) of the Companies Act, 2013 provides that notwithstanding anything contained in this section, if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government within such time and in such manner as may be prescribed. CMAs should be vigilant and act responsibly to ensure early detection and prevention of frauds.

Corporate Social Responsibility

"The price of greatness is responsibility", Winston Churchill often used to say. There is no reason why it should be any different for companies as well.

A new initiative that has been put in place under Section 135 of the Companies Act, 2013 relates to corporate social responsibility (CSR) of companies. Regulations are supposed to modify behavior of those covered by the provisions and ensure that they behave in a socially desirable way. But whether the regulations will act a nudge or a shove depends upon how the regulated entities respond to.

CMAs can play a key and instrumental role in formulation and implementation of CSR strategy. For this first of all they must have a feeling, a desire from the bottom of the heart to do something good for the society, to participate in the welfare of the underprivileged section of the society. Then only one can leverage such attitude and

effectively encourage and drive others for CSR actions. Corporate Social Responsibility is a niche area of Corporate Behavior and Governance that needs to get aggressively addressed and implemented strategically in the organizations. The CMAs can play an effective role in right from conceptualization, deciding the legal form, structure of CSR program, identification of CSR monitoring progress of CSR projects, and conducting Post CSR project completion audit

Business Ethics

Today, the corporate world as a whole is in the process of acquiring a moral conscience. The new and emerging concepts in management like corporate governance, business ethics and corporate sustainability are some of the expressions through which this emerging ethical instinct in the corporate world is trying to express or embody itself in the corporate life

Business ethics comprises the principles and standards that guide behavior in the conduct of business. Businesses must balance their desire to maximize profits against the needs of the stakeholders. Companies must be run ethically in a manner such that all stakeholders-creditors, distributors, customers, employees, competitors, the society at large and governments-are dealt with in a fair and equitable manner. A code of ethics should reflect top managements' desire for compliance with the values, rules, and policies that support an ethical climate.

Clause 49 of the Listing Agreement requires that

- (i) The Board shall lay down a code of conduct for all Board members and senior management of the company. The code of conduct shall be posted on the website of the company.
- (ii) All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The Annual Report of the company shall contain a declaration to this effect signed by the CEO

A major step in developing an effective ethical culture in the organization is constituting an Ethics Committee of the Board and implementing an education program and communication system to bring about the desired awareness amongst the employees about the firm's ethical standards and the professional managers have a key role to play in this regard. CMAs should advise the companies they are associated with regarding the importance of developing appropriate ethics framework in the organization.

Corporate sustainability

Corporate sustainability indicates a new business philosophy as an alternative to the traditional growth and profit maximization model under which sustainable development comprising environmental protection, social justice and equity, and economic development are given more significant focus while recognizing simultaneous corporate growth and profitability. It is a business approach that creates long-term shareholder value by embracing opportunities and managing risks emanating

from economic, environmental and social developments.

Corporate sustainability describes business practices built around social and environmental considerations. Corporate sustainability encompasses strategies and practices that aim to meet the needs of the stakeholders today while seeking to protect, support and enhance the human and natural resources that will be needed in the future.

Many companies have started preparing and releasing Sustainability Reports which report on economic, environmental, and social impacts of business. Sustainability reporting is a practice to measure, disclose, and be accountable to internal and external stakeholders for organizational, environmental, social and economic performance. CMAs should guide and enlighten the management and encourage them to compile Sustainability Report which has today become a key distinguishing factor in corporate branding.

Business Responsibility Reporting

Realizing that adoption of responsible business practices in the interest of the social set-up and the environment are as vital as their financial and operational performance, Securities and Exchange Board of India (SEBI) vide circular CIR/CFD/DIL/ 8/2012 dated August 13, 2012 inserted a new Clause 55 in the Listing Agreement by mandating inclusion of Business Responsibility Reports ("BR reports") as part of the Annual Report for listed entities. As a starting phase, Business Responsibility Report as part of the Annual Report shall be mandatory for top 100 listed entities based on market capitalization at BSE and NSE. Other listed entities may voluntarily disclose BR Reports as part of their Annual Report.

A Business Responsibility Report contains a standardized format for companies to report the actions undertaken by them towards adoption of responsible business practices. Business Responsibility Report has been designed to provide basic information about the company, information related to its performance and processes, and information on principles and core elements of the Business Responsibility Reporting. CMAs must support and facilitate compilation and presentation of the ABRR in true spirit by providing necessary thrust and direction within the organization for compliance and reporting on the mandated social, economic and environmental parameters.

Vigil Mechanism

Whistle blowing mechanism plays a critical role in implementing Corporate Governance Practices. The effective implementation of Vigil mechanism not only reduces the fraudulent activities but also sends a signal to both internal and external agencies that organization exercises good corporate governance.

According to Section 177(9) of the Companies Act, 2013, Every listed company or such class or classes of companies, as may be prescribed, shall establish a vigil mechanism for directors and employees to report genuine

concerns in such manner as may be prescribed. The vigil mechanism under sub-section (9) shall provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases: Provided that the details of establishment of such mechanism shall be disclosed by the company on its website, if any, and in the Board's report.

The Whistle Blower Policy should include mechanism to encourage employees, vendors, to report evidence of fraudulent activities. It should properly address the processes that the employees should follow in filing their representation alleging suspected impropriety. If this tool of Corporate Governance is used by the CMAs in true letter and spirit, it can be savior for protecting the stakeholders and the larger public interest

Disclosure and reporting

In recent years there has been increased emphasis on the quality of corporate reporting and calls for increased transparency. The company secretary has the responsibility for drafting the governance section of the company's annual report and must ensure that all the requisite information is communicated through this vital document for building the desired trust with the stakeholders. The disclosure requirements under the Companies Act, 2013 with regard to Board of Director Report, Annual Return, Prospectus, notices of meetings and the requirement of hosting the specific information on the website of the company must be duly complied with by the professional managers. While these additional disclosures will increase accountability of the board, it also will provide more information to shareholders and enable informed decision making.

Corporate Governance

Corporate Governance is defined as "The application of best management practices, compliances of law in letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders." Driven by Clause 49 of the Listing Agreement, Indian companies have gradually scaled up their corporate governance practices over the years. Provisions of the Companies Act, 2013 have further attempted to mandate and shore up good governance in companies.

The top five mechanisms, which are vital for implementing an effective Corporate Governance in any organization are : Independence and appropriate composition of the Board, Role of Auditors (Internal and Statutory) and Audit Committee, Whistle Blowing, Shareholder engagement, Transparency, trust, and accountability towards stakeholders. Regulations on corporate governance can only provide the framework or structure to ensure that companies are governed in the best interest of stakeholders at large but its effective assimilation and implementation is to be ensured by the

professionals by active participation in Strategic Planning process, Risk Management process, Internal Control process, MIS, Corporate Communications, Succession Planning, CSR, Board performance evaluation process. This will ensure high level corporate administration in accordance with best governance practices which results would result in well governed and sustainable business for the benefit of its stakeholders at large. CMAs are expected to play a proactive role in creating structure and processes which facilitate building a responsible business.

CMAs being professionals possessing expertise in optimum utilization of organizational resources, efficiency improvement, monitoring of corporate performance, risk management can play a pivotal role in helping and assisting companies in building their business on responsible practices. CMAs need to upgrade their capabilities in the areas mentioned above so as to be in a position to facilitate companies they are associated with to build responsible business.

FELICITATION PROGRAMME

WIRC organized Felicitation Function for the students from Mumbai who have completed Foundation, Intermediate and Final in June 2016 Examination, on Saturday 24th September 2016 at Sydenham College Auditorium, B Road, Churchgate, Mumbai.

CMAA.K.Mukhopadhyay, Vice President - Business Planning, Tata Motors, was Chief Guest & Mr. Indranil Sarkar - CFO of Mumbai Metro Rail Corporation Limited, was Guest of Honour.

CMAs Pradip Desai, Chairman WIRC, CMA Kailash Gandhi, Vice Chairman WIRC, CMA Laxman D. Pawar, Hon. Secretary WIRC and CMA Debasish Mitra- Chairman, Students Members and Chapters Co-ordination Committee and CMA Harshad Deshpande, RCM- WIRC were present on the occasion. More than 300 students attended the function. Prizes were given to all successful students of Mumbai on this occasion by the hands of above dignitaries. WIRC also felicitated all the Rank holders from the Western Region and Students who have completed 12 Days Pre Placement Orientation Programme on this occasion.

On the occasion CMA Harshad Deshpande - Regional Council Member, presented the PPT and explained in detail about the MOU with different Institutions by ICAI.

CMA Harshad Deshpande proposed vote of Thanks. The programme ended with National Anthem and followed by High Tea.