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## 'CSR spend will mainly go on education, children and

*With the Companies Bill 2012 stipulating guidelines on corporate social responsibility (CSR) and introducing class action suits, Indian companies are expected to pull up their socks in these areas and respond in a commendable manner. In an email interview, Subroto Bagchi, chairman of MindTree, discusses several nuances of the new legislation and how they might transform the corporate landscape in India. Excerpts:*

### What's your take on the Companies Bill 2012?

The emphasis is on governance, disclosures and higher transparency. Some of the positive provisions are CSR, class action suits, dispute resolution frameworks, enhanced role of the auditors and increased accountability at the board level. Some of the not-so-good ones are buyback and bonus issue provisions that can impact plans for certain companies. The main concern for us all is whether the intent transforms into effective implementation.

### There was a lot of dissent on the 2% mandatory expenditure on CSR. How are companies bracing for it?

I think CSR is an aspect that needs to be

seen in its true spirit – to genuinely do something for a better society, irrespective of what the law says. This is a good opportunity for corporates to show that they care. Now that it has become a rule, some companies will now need to go beyond their internal boundaries. The government should also play a major role in not burdening the companies with overt regulatory hassles. I think education, children

and women are some of the areas that CSR spend will go to. My request to Corporate India, Indian society and the government is not to trivialise the idea. The reason I say so is that large public sector corporations and banks' CSR money can go into dubitable channels and that will be another waste of national resource. I have always maintained that no organisation is an island and we are part of the larger social fabric. At MindTree, we have stayed engaged with the society beyond business. It is neither legal bindings nor admiration that makes us do what we do. This, and not regulation, must be the motive force for every player in the game.

### Do you think this Bill will improve

### corporate governance?

Yes. Like I said before, there is a lot of positive intent such as protection measures to shareholders, higher requirement for transparency and accountability, greater penalty for deviations and violations and newer and faster dispute resolution mechanisms. All these have to be seen from an overall perspective of effective implementation. That said, any law is as good as the people its sets to regulate. We must know that law cannot be a substitute for character.

### Q&A

Subroto Bagchi

### The provision on representation of women on company boards – will it hurt companies?

It is good to have gender diversity within the board and makes good business sense for the overall performance of a company. However, the challenge is whether there are enough people who can fill up this position; and, therefore, the law should provide adequate time for such changes.

### Will there be too much interference from the government in the issues of the company?

I do not believe there will be interference

from the government in the day-to-day working issues of the companies given the following reasons:

The new legislation is the result of detailed consultative process adopted by the government. All key stakeholders' views have been considered, deliberated and only principles acceptable to the majority have been agreed upon. The new legislation paves the way for self-governance with adequate disclosures.

### Will the provisions on controlling the managerial remuneration and making directors more accountable come in the way of sourcing talent?

The current provisions are more than adequate to attract and retain all the directors who are the key stakeholders in any company, since it is they who manage and deliver the results that shareholders seek from them. In any case, should companies want to pay more and there are

valid reasons, the government can on case-to-case basis approve the same. I further do not believe that making directors accountable for their actions will not come in the way of sourcing and retaining talent. With duties of all directors now being defined and there being greater clarity on the role and responsibilities of the independent directors, a director can be held liable, only in respect of such acts of omission by a company which had occurred with his / her knowledge, attributable through board processes, and with his / her consent or connivance or where he / she had not acted diligently. While principles of liability may appear broad, I believe they are just and fair.

### What are the main learnings from the Satyam fraud in the Bill?

The new legislation is forward-looking in its approach; it empowers investors against frauds (which are now defined for the first time) committed by promoters;

