
Business Ethics, Governance & Risk: Basic Questions And Answers

Question: 1

The introduction:

Ethical issues:

The specific ethical issues that charathe Code.

- You should not offer or give any funds or property as donation to any government agency or its representatives, in order to obtain any favourable performance of official duties.
- While you are expected to put in best of your efforts in every transaction, you will not be penalised by ICICI Group for delayed performance of a transaction solely on the grounds of refusal to pay bribes.
- You should familiarise yourself and comply with the Bank's Anti-Bribery and Anti-Corruption Policy which is available on the Intranet. You should contact the Compliance Group with any questions on the matter.

Personal Investments:

- To protect the integrity of ICICI Group and its subsidiaries and affiliates, it is essential that you conduct your personal trading as per the framework prescribed for prohibition of insider trading under SEBI (Prohibition of Insider Trading) Regulations, 2015, in an appropriate manner that withstands public scrutiny and does not create even the appearance of impropriety.
- ICICI Group policy and the laws of many countries prohibit trading in securities of any company (listed / proposed to be listed) while in possession of material, non-public information (also known as inside information or UPSI*) of any company. Employees of certain ICICI Group businesses are subject to additional personal trading policy restrictions.
- You should note that using non-public information to trade in securities, or providing a family member, friend or any other person with a “tip”, is illegal. All non public information should be considered inside information and should never be used for personal gain.
- You are required to familiarise yourself and comply with the Code of Conduct laid by the Bank in line with SEBI (Prohibition of Insider Trading) Regulations, 2015 (or such other Code applicable to your Company), as amended from time to time copies of which are available on the Intranet or from the Company Secretary.
- You are required to ensure compliance and conduct your trading in accordance with Code on Insider Trading and the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI) of the respective company.

The conclusion:

ICICI Group encourages responsible behaviour of its employees and colleagues that result in the best possible accident prevention measures. This applies both to the technical planning of workplaces, equipment, and processes and to safety management and personal behaviour in everyday workplace. The quality of our relationships with our suppliers and other external counterparties often has a direct bearing on the quality of our products, services and ultimately our customer relationships. We therefore expect our suppliers to operate to the same standards as we expect of ourselves. All such relationships with external counter-parties should be conducted in professional and impartial manner. Vendor selection and hiring decisions must be made objectively and in best interest of ICICI Group, based on evaluation of integrity, suitability, price, delivery of goods/ service, quality and other pertinent factors. You should commit to fair contract and payment terms with them in return of good service at a good price supplied in a responsible manner. Employees, officers and Directors are prohibited from taking for themselves business opportunities that arise through the use of corporate property, information or position. No employee, officer or Director may use corporate property, information or position for personal gain, and no employee, officer or Director may compete with ICICI Group. Social media allows users to interact with each other by sharing information, opinions, knowledge and interests. Some examples of social media are sites such as Facebook, YouTube, LinkedIn, Orkut, Twitter etc.

Question: 2

The introduction:

Common business objective:

Objectives give the business a clearly defined target. Plans can then be made to achieve these targets. This can motivate the employees. It also enables the business to measure the progress towards to its stated aims.

When someone first sets up in business, he/she may have some unstated aims or objectives - for example to survive for the first year. Other businesses may wish to state exactly what they are aiming to do, such as Amazon, the Internet CD and bookseller, who wants to 'make history and have fun'.

An aim is where the business wants to go in the future, its goals. It is a statement of purpose, e.g. we want to grow the business into Europe.

Business objectives are the stated, measurable targets of how to achieve business aims. A mission statement sets out the business vision and values that enables employees, managers, customers and even suppliers to understand the underlying basis for the actions of the business.

A business may find that some of their objectives conflict with one and other:

- Growth versus profit: for example, achieving higher sales in the short term (e.g. by cutting prices) will reduce short-term profit.
- Short-term versus long-term: for example, a business may decide to accept lower cash flows in the short-term whilst it invests heavily in new products or plant and equipment.

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- Large investors in the Stock Exchange are often accused of looking too much at short-term objectives and company performance rather than investing in a business for the long-term.

Concepts and application:

All internal departments worked together to overcome the allegation and re-launch the same product in a way that it would earn the trust of its key consumers and stakeholders:

After the ban of Maggi, India today television team conducted a sting operation in which they approached FSSAI officials pretending to have a food product with high lead levels in October 2015. One of them agreed to pass the samples without conducting any tests. He told the team that they need to pay an amount of Rs. 20,000 on a yearly basis. He revealed that milk samples from one of India's best known companies had been dismissed by deliberately adulterating it, because the company did not agree to bribe the inspectors. He further revealed that they sometimes have pressure to declare food samples of some established brands as unsafe. He also stated that Maggi is an international brand, there may be a possibility that someone asked for a donation and the company denied. He also stated that the laboratories and samples lie under the government, it can do anything. Food and Consumer Affairs Minister Ram Vilas Paswan reacting to the operation said that, "Standard products are being labelled as sub-standard and faulty products are being passed by such corrupt officials. This is a big crime and demand the strongest possible action against all those found guilty and promised to take serious action, although FSSAI is not administered by his ministry.

Commenting on the reports, Union Health Ministry stated that FSSAI has clarified that the officials who have figured in the sting operation are not working in FSSAI but are employees of the UP State Government.

1. Target Online Sales A large percentage of people who use Maggi as a meal are people who are pretty busy and who do not have time to cook. These categories of people are generally found in cities and urban areas. The people who live in cities and urban areas prefer online shopping to a very larger extent. Thus, Maggi should initially focus on publicity of the product online.
2. Increasing the Product Line Maggi should relaunch itself by adding new products to its product line. Adding new products would stimulate the customers to try new products which would also help the company to generate sales. Maggi should basically introduce new flavours into the market under the veg and non-veg category. For example, it can introduce Maggi with Potato flavour under the veg category and Mutton flavour under the non-veg category.
3. Indulging in Positive Publicity For six months, Maggi has been a victim of negative publicity, thus it should do something new which would help them grab the attention of the media and then the public. For example, the company can launch an advertisement campaign with some creativity or should come up with an innovative product which should have the capacity to grab the attention of the media. iv. Target Children and Women Children's should be targeted as would be soft targets. Advertisements should be created mainly focusing and targeting the children. After children, the women would play a significant role in deciding what their family members should eat and what they shouldn't. Thus, focus should be given on women, showing that it is the women who are

making a wise decision by opting for Maggi.

The conclusion:

Today, organizations are operating not only by fulfilling the government regulations, but are partnering for the sustainability and responding to the increased concerns from the consumers and society about human health impact of the products, operations and resources depletion. The company that moves beyond the self-interest and operate selflessly for the betterment of all sectors it affects can actually secure self-interested achievements in the end. Food products industries have to be even more responsive as intake of bad quality product can cause irremediable harm to the health of the consumer and sometimes become the cause of death too. The Nestle India controversy these days have become an eye opener for many on one hand it shows that we Indians easily believe on what is said and not on what the reality is, it is very easy to be fool innocent consumers and make millions and billions of money. Many literate consumers also do not bother to read the ingredients except the expiry date or price on the pack which is their prime concern and it results because of the blind-folded faith in the brand.

Question: 3(a)

The introduction:

Whistleblower:

Employees who discover apparent wrongdoing within an organisation are faced with several options, each of which comprise of both negative and positive aspects.

Generally, a whistle blower may hesitate to report wrongdoings either internally or externally due to a fear of losing their job or being transferred to an undesirable location, being subjected to harassment and victimisation (Lewis, 1997), having their lifestyle, competence and mental health questioned, and becoming a focus of public attention, resulting in a loss of privacy (Criminal Justice Commission [CJC] 1999, p. 2). As well, they may struggle with a sense of disloyalty, where they inadvertently feel as if they are betraying their fellow colleagues or organisation if they report what they know. Larmer (1992 cited Jones 1996) states that a loyal employee will discern that any unethical behaviour can never be in the best interests of an organisation, and to ignore it with silence is in itself disloyal.

Concepts and application:

The ethical reason/s for becoming a whistle blower:

When a person encounters wrongdoing in the public sphere, his or her first step should probably be to use the organization's internal whistle blowing mechanisms. William Black, professor of law and economics at University of Missouri-Kansas City, was himself a whistle blower when he worked as a Savings and Loan regulator in the 1980s. During a term as visiting scholar at the Ethics Center, he wrote about his experience:

Whistle blowers in the public sector often face the unique problem that their disclosure may constitute a crime. This can create an ethical dilemma when the ongoing misconduct is severe

and there is no reasonable prospect that the abuse will end absent blowing the whistle....I would still recommend trying to get the responsible organs (e.g., your agency's/department's congressional oversight committees and/or inspector general) to take action first unless the threat to public safety was imminent.

All government bodies should have fairly straightforward lines of authority. For example, if a councilperson has a problem with city staff, he or she would go to the city manager. If an employee of the water district sees wrongdoing, he or she would start with a supervisor and move up the chain of command, and so forth. It's always best to start with the mechanisms the organization has set up to deal with problems because these represent the best chance at an amicable solution.

If this process does not produce results, however, it's not enough to say, "Well, I did my best." If wrongdoing is not being addressed within the organization, it may be time to move outside—to the district attorney, the grand jury, or to the press.

The conclusion:

No, as an employee if I become a whistle blower, then I am not being disloyal towards my employer because a leaker must determine if the conduct he or she is exposing represents actual wrongdoing or if it simply represents a policy disagreement.

Question: 3(b)

The introduction:

Business ethics:

Business ethics ensure that a certain basic level of trust exists between consumers and various forms of market participants with businesses. For example, a portfolio manager must give the same consideration to the portfolios of family members and small individual investors. These kinds of practices ensure the public receives fair treatment. Business ethics are meant to ensure a certain level of trust between consumers and corporations, guaranteeing the public fair and equal treatment. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally versus maintaining a competitive advantage over other businesses. Firms display business ethics in several ways.

Concepts and application:

Reasons to showcase that study and understanding of ethics makes for a better manager, good business and happy society:

Business Ethics and Employee Morale:

It has been proven time and again that employees who are satisfied with the environment in which they work are more productive than workers who are unhappy. Unethical practices in the workplace can cause widespread unrest with employees, leading to a greater sense of dissatisfaction with the work that they are doing and with their employers. However, when

business ethics are encouraged by management and company executives lead by example, the ability of employees to focus on the work they need to complete increases exponentially. Productivity increases when fewer distractions are present and morale is high, and this leads to greater profit levels for the company.

Employee happiness can also have an impact on turnover and retention, as unsatisfied workers are more prone to seek out other opportunities, regardless of higher pay or benefits offered by their current employer. Continuous recruitment and training of new employees can reduce the capital a company can otherwise spend on revenue-producing activities, ultimately shrinking its long-term profits.

Business Ethics and Public Image:

Companies would be nothing without shareholders and investors, and as such, operating with business ethics in mind is most important when interacting with these crucial players. It is common for the profitability of publicly traded companies to decline rapidly when they encounter situations where information regarding unethical behaviour is discovered. When confidence is lost, it can be a struggle for a company to regain the trust of the public, its investors, and its shareholders; profitability may take years to build up again.

The conclusion:

All companies rely on consumers for profits and consumers prefer doing business with ethical companies. According to a study conducted by Nielsen, 55% of online shoppers in 60 countries would accept paying more for goods or services from companies that are focused on having a positive impact on society and the environment. Studies also show that more than 50% of consumers cease spending their money with companies that are unethical. This is particularly easy given the number of substitute products available in the global economy. Implementing a sound ethical policy at a company ensures a positive impact on all stakeholders, from investors to employees to consumers.