PRINCIPLES OF BUSINESS ETHICS

- Ethics is the concern for good behaviour - doing the right thing

- **Six ethical virtues as per Vedanta:**
  Tranquility, Training, Withdrawal, Forbearance, Faith and Focus

- **Mahatma Gandhi: Seven Social Sins:**
  1. **Politics without Principles:**
     The Kings in Indian tradition were only the guardian executors and servants of 'Dharma'.
     Symbol: Rama
  2. **Wealth without work:**
     Idea of bread-labour
     As per Bhagavad Gita: He who eats without offering sacrifice eats stolen food
  3. **Commerce without Morality:**
     Idea of Trusteeship
     A businessman has to act only as a trustee of the society for whatever he has gained from the society.
  4. **Knowledge without Character:**
     Education stands for the all round development of the individual and his character
     System of basic education
  5. **Pleasure without Conscience:**
     There should be sense of social responsibility or accountability in our pleasurable activities
  6. **Science without humanity:**
     Science without the thought of the welfare of humanity is a sin.
  7. **Worship without sacrifice:**
     In religion, we worship, but if we are not ready to sacrifice for social service, worship has no value.

- **Ethics and Morals**
  1. Ethics are the principles of conduct governing an individual or a group
  2. Moral relates to principles of right and wrong
  3. **Distinction between Ethics and Morals:**
     a) **Root word:**
        Ethics = Greek word "ethos", meaning "character"
           Eg: Personal property that should not be taken without social consent (like a court order)

        Moral = Latin word "mos", meaning "custom"
           Eg: If one accepts the authority of a religion, and that religion forbids stealing, then stealing would be immoral.
     b) Character is a personal attribute, while custom is defined by a group over time.
     c) Morals work on a smaller scale than ethics, more reliably, but by addressing human needs for belonging and emulation, while ethics has a much wider scope.

- **Ethics and Feelings:**
  - Ethics is not the same as feelings.
  - Feelings provide important information for our ethical choices.
  - Some people have highly developed habits that make them feel bad when they do something wrong, but many people feel good even though they are doing something wrong.

- **Ethics and Religion:**
  - Ethics is not religion
  - Many people are not religious, but ethics applies to everyone
  - Most religions do advocate high ethical standards but sometimes do not address all the types of problems we face.

- **Ethics and Law:**
  - Ethics is not following the law
  - A good system of law does incorporate many ethical standards, but law can deviate from what is ethical.
  - Law can be made to be a function of power alone and designed to serve the interests of narrow groups.

- **Ethics and Culture:**
  - Some cultures are quite ethical, but others become corrupt or blind to certain ethical concerns
  - Eg: Use of atomic weapons on civilians in Hiroshima and Nagasaki by the United States

- **Ethics and Science:**
  - Ethics is not science
  - Science may provide an explanation for what humans are like. But ethics provides reasons for how humans ought to act.
  - Just because something is scientifically or technologically possible, it may not be ethical to do it.

- **Fundamental problems in identifying the ethical standards:**
  - On what do we base our ethical standards?
  - How do those standards get applied to specific situations we face?

  Five different sources of ethical standards we should use:

  1. **The Utilitarian Approach**
     - This approach deals with consequences
     - The ethical corporate action is the one that produces the greatest good and does the least harm for all who are affected: customers, employees, shareholders, the community, and the environment.

  2. **The Rights/Deontological Approach**
     - This approach starts from the belief that humans have a dignity based on their human nature per se
     - Humans have a right to be treated as ends and not merely as means to other ends.
     - This approach protects and respects the moral rights of those affected.

  3. **The Fairness or Justice Approach**
     - Ethical actions treat all human beings equally-or if unequally, then fairly based on some standard that is defensible.
     - Eg: CEO salaries are hundred times larger than the pay of others. Many ask whether the huge disparity is based on a defensible standard or whether it is the result of an imbalance of power and hence is unfair.

  4. **The Common Good Approach**
     - Life in community is a good in itself and our actions should contribute to that life
     - This approach calls attention to common conditions that are important to the welfare of everyone
     - Eg: Effective police and fire departments, health care, public educational system etc.

  5. **The Virtue Approach**
     - Ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our humanity
     - These virtues are dispositions and habits that enable us to act according to the highest potential of our character
     - Few eg. of virtues: Honesty, Courage, Generosity, Integrity etc.

- **Problems with the five approaches:**
  - We may not agree on the content of some of these specific approaches.
  - We may not all agree to the same set of human and civil rights
  - Different approaches may not all answer the question "What is ethical?" in the same way.

  Nonetheless, each approach gives us important information with which to determine what is ethical in a particular circumstance.

- **Making Decisions – Requirements for making good ethical choice:**
  - A trained sensitivity to ethical issues
  - Weighing the considerations that impact our choice of a course of action

  When practiced regularly, the method becomes so familiar that we work through it automatically without consulting the specific steps.

  Only by careful exploration of the problem, aided by the insights and different perspectives of others, we can make good ethical choices.

- **Business Ethics:**
  - Ethical behaviour creates a positive reputation that expands the opportunities for profit
  - Ethics in business is simply the application of everyday moral or ethical norms to business
  - The strength of an organization's culture influences ethical behaviour, like high in risk tolerance, control, and conflict tolerance
  - An invaluable contribution to practising business ethically is provided by Mahatma Gandhi
  - He advised our countrymen to observe truthfulness in business and reminded them that their responsibility was greater since their conduct would be seen as a reflection of their country

- **Need for Business Ethics:**
  - A businessman has to act only as a trustee of the society for whatever he has gained from the society.
  - Society bestows upon businesses the authority to own and use land and natural resources. In return, society has the right to expect that productive organizations will enhance the general interests of consumers, employees and community. the word "stockholder" has been replaced with "stakeholder"
  - So, under this 'social contract' between society and business, what rules should guide the behavior of business enterprises?
  - Business ethics provides this guidance, including the consequences and complications of their actions which often involves weighing monetary profit against what may be appropriate conduct

- **Ethical Dilemma:**
  Many business issues may seem straight forward and easy to resolve by choosing the one option which appears to be the clear choice, but in reality, one is faced with having to make a choice from various alternatives in which more than one option seems "right" resulting in an ethical dilemma.

  Codes of Ethics are the most widespread means by which companies communicate their ethical standards to the employees or professionals.

  Each person must weigh alternatives and make choices in light of personal values and goals, but also with consideration to organizational and professional success.

  Guidelines to address ethical dilemmas:
  1. **Define the problem** clearly.
  2. How would you define the problem if you stood on the **other side of the fence**?
  3. How did the **situation** arise?
  4. To whom are you **loyal** as a person and as a member of the organisation?
  5. What is your **intention** in making this decision?
  6. How does this **intention compare** with the probable results?
  7. Whom could your decision or **action injure**?
  8. Can you **discuss the problem** with the affected parties before you make your decision?
  9. Are you confident that your **position** will be as valid over a long period?

10. Could you **disclose** without any doubt your decision or action to your boss, your CEO, the Board of Directors, your family, society **as a whole**?
11. What is the **symbolic potential** of your action, if understood? If misunderstood?
12. Under what conditions would you allow **exceptions** to your stand?

- **Benefits of Business Ethics:**

1. **Improved Society:**
   Placing high value on ethics, fairness and equal rights resulted in framing of anti-trust laws, establishment of Government agencies and recognition of labour unions.
2. **Easier change management:**
   Continuing attention to ethics in the workplace sensitizes leaders and staff for maintaining consistency in their actions, whether non profit or for-profit.
3. **Strong teamwork and greater productivity:**
   Employees feel a strong alignment between their values and those of the organization with attention and dialogue regarding values in the workplace.
4. **Enhanced employee growth:**
   Attention to ethics in the workplace helps employees face the reality, both good and bad.
5. **Ethics programs help guarantee that personnel policies are legal:**
   In matters of hiring, evaluating, disciplining, firing, etc., an employer can be sued for breach of contract. So the gap between stated corporate culture and actual practice has significant legal, as well as ethical implications.
6. **Ethics programs help to avoid criminal acts "of omission" and can lower fines:**
   Ethics programs help to detect ethical issues and violations early for reporting and addressal.
7. **Ethics programs help to manage values associated with quality management, strategic planning and diversity management:**
   Ethics programs help identifying preferred values and ensuring that organizational behaviors are aligned with those values. Eg: Operating Values: Trust among stakeholders
8. **Ethics helps to promote a strong public image:**
   People see ethical organizations as valuing people more than profit and striving to operate with the integrity and honor.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

- Profits in an ethical manner has lead to the evolution of Corporate Governance
- **Corporate governance** is about promoting corporate fairness, transparency and accountability
- The **core objectives** of Corporate Governance are:
  - focus, predictability, transparency, participation, accountability, efficiency & effectiveness and stakeholder satisfaction
- **Accountability** relates to how well the content of workplace decisions is aligned with the organisation's stated strategic direction
- **Control** involves the process of auditing and improving organisational decisions and actions
- **Stakeholders:**
  - Traditional Governance Model: Management is accountable solely to investors
  - In 20th century governance model shifted from shareholders to stakeholders
  - **List of stakeholders:**
    Employees, Trade Unions, Customers, Shareholders and investors, Suppliers, Local communities, Government, Competitors.
- The OECD (Organisation for Economic Co-operation and Development) Principles 1999 and 2004 reflect global consensus regarding the critical importance of corporate governance.
- **Corporate Governance Measures:**
  Indian Companies are required to comply with Clause 49 of the listing agreement:
  - Board composition and procedure
  - Audit Committee responsibilities
  - Subsidiary companies
  - Risk management
  - CEO/CFO certification of financial statements and internal controls
  - Legal compliance
  - Other disclosures
- **Benefits of Good Corporate Governance:**
  - Protection of investor interests and strong capital markets
  - Rewarded with a higher market valuation
  - Ensures commitment of the board in managing the company in a transparent manner
- **Corporate Social Responsibility (CSR):**

  Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

  CSR can mean different things to different people:

  It means responding to the needs and concerns of people who can influence the success of the company and whom the company can impact through its business activities, processes and products.

For an employee	Fair wages, no discrimination, acceptable working conditions
For a shareholder	Responsible and transparent decisions regarding the use of capital
For suppliers	Receiving payment on time
For customers	Delivery on time
For local authorities	Measures to protect the environment from pollution
For NGO's	Disclosing business practices and performance on issues, such as: – energy conservation and global warming – human rights and animal rights – protection of the rainforests and endangered species – child and forced labour

- **Corporate citizenship:**
  The extent to which businesses meet the **legal, ethical, economic and voluntary responsibilities** placed on them by their stakeholders. The benefits of "good corporate citizenship" include:
  - A stable socio-political-legal environment for business
  - Enhanced competitive advantage through better corporate reputation and brand image
  - Improved employee recruitment, retention and motivation
  - Improved stakeholder relations

- **Need for CSR:**
  Social issues concerning business corporations may be divided into three categories:
  1. Social problems external to the corporation that were not caused by any direct business action like poverty, drug abuse, decay of the cities and so on.
  2. The external impact of regular economic activities. For example pollution caused by production; the quality, safety, reliability of goods and services; deception in marketing practices, the social impact of plant closures and plant location belong to this category.
  3. Issues within the firm and tied up with regular economic activities, like equal employment opportunity, occupational health and safety, the quality of work life and industrial democracy.

- **Common CSR Policies:**
  - Adoption of **internal controls** reform in the wake of Enron and other accounting scandals
  - Commitment to **diversity** in hiring employees and barring discrimination
  - Management teams that view **employees as assets** rather than costs
  - Workplaces that **integrate the views** of line employees into decision making processes
  - Adoption of operating policies that exceed **compliance with** social and environmental **laws**
  - **Use** of natural resources in a more **productive**, efficient and profitable fashion (recycling)
  - Taking **responsibility for conditions** under which goods are produced

- **What CSR management systems promotes?**
  - Adherence to labour standards by them as well their business partners
  - Respect for human rights
  - Protection of the local and global environment
  - Reducing the negative impacts of operating in conflict zones
  - Avoiding bribery and corruption
  - Consumer protection

- **Key strategies companies can use to implement CSR policies and practices:**
  - **Mission, Vision and Values Statements:**
    If CSR is to be regarded as an integral part of business decision-making, it merits a prominent place in a company's core mission, vision and values documents for achieving its aims.
  - **Cultural Values**
    CSR cannot flourish without innovation and independent thinking. Also companies must close the gap between what it says and its actual performance.
  - **Management Structures**
    It is vital to design a structure that aligns the company's mission, size, sector, culture, business structure, geographic locations, risk areas and level of CSR commitment.
  - **Strategic Planning**
    Companies are beginning to incorporate CSR into their long-term planning processes by requiring CSR impact statements for any major proposals.
  - **General Accountability**
    Companies are mentioning CSR issues in job description and performance objectives of employees. This helps in understanding how each person can contribute to the company's overall efforts to be socially responsible.
  - **Employee Recognition and Rewards**
    The system of recruiting, hiring, promoting, compensating and publicly honouring employees can be designed to promote CSR.

- **Communications, Education and Training**
  Employees cannot be held accountable for irresponsible behaviour if they are not aware of its importance. Companies are emphasising the importance of adequate decision-making processes that help them achieve responsible outcomes.

- **CSR Reporting**
  Annual CSR reports can build trust among stakeholders and encourage internal efforts to comply with a company's CSR goals.

• **Various performance and reporting standards:**

The Global Reporting Initiative (GRI)
- Established in 1997
- Convened by CERES (Coalition for Environmentally Responsible Economies)
- Vision: reporting on economic, environmental, and social performance by all organizations becomes as routine and comparable as financial reporting
- GRI accomplishes this vision by developing, continually improving, and building capacity around the use of its Sustainability Reporting Framework.

AA1000
- Launched in 1999
- Based on John Elkington's triple bottom line reporting
- Accountability standard designed to complement the GRI
- Objective to improve accountability & performance by learning through stakeholder engagement
- The AA1000 Stakeholder Engagement Standard (AA1000SES) is generally applicable

Social Accountability 8000
- A comprehensive, global, verifiable performance standard for auditing and certifying compliance with corporate responsibility
- SA8000 is an international standard for improving working conditions
- This standard is based on the principles of the international human rights norms as described in International Labor Organisation conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights.
- This standard apply regardless of geographic location, industry sector, or company size

United Nations Global Compact
- Voluntary international corporate citizenship network
- Initiated to support the participation of both the private sector and other social sectors
- To advance responsible corporate citizenship and universal social and environmental principles
- To meet the challenges of globalization
- Launched in September 2000

Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Published in 1976 and updated in June 2004
- Recommendations addressed by governments to multinational enterprises
- Voluntary principles and standards, not legally enforceable

The Caux Round Table (CRT)
- The CRT is comprised of senior business leaders from Europe, Japan and North America, and is based in Caux, Switzerland
- The CRT has produced "Principles for Business," a document which seeks to express a worldwide standard for ethical and responsible corporate behavior
- The principles include the social impact of company operations on the local community, a respect for rules and ethics, support for multilateral trade agreements that promote the "judicious liberation of trade," respect for the environment and "avoidance of illicit operation," including bribery, money laundering, and other corrupt practices.

The Global Sullivan Principles

- Introduced in 1999
- Voluntary code of conduct for companies doing business in apartheid South Africa
- To support economic, social and political justice by companies where they do business
- To support human rights and to encourage equal opportunity at all levels of employment
- To improve the quality of life for communities, workers and children with dignity and equality

Asian-Pacific Economic Cooperation (APEC) Business Code of Conduct

- Primary international organization for promoting open trade and economic cooperation among 21 member countries
- Issued as a draft in 1999
- Designed to supplement and support companies' existing codes of conduct

- **Benefits of Corporate Social Responsibility**

The Iron Law of Responsibility

- Society gives business its license to exist and this can be amended or revoked at any time if it fails to live up to society's expectations
- Therefore, if a business intends to retain its existing social role and power, it must respond to society's needs constructively
- This is known as the Iron Law of Responsibility
- In the long-run those who do not use power in a manner that society considers responsible, will tend to lose it

Achievement of long term objectives

Technical and creative resources of a business if applied to social problems can help in resolving them. To achieve that, it would implement special programmes for social welfare.

The resulting benefits would be:

- Decrease in crime
- Easier labour recruitment
- Reduced employee turnover and absenteeism
- Easier access to international capital
- Dependable and preferred as supplier, exporter/importer
- A better society would produce a better environment for long-term profit maximisation

Enhanced Brand Image and Reputation

- Customers are drawn to brands and companies with good reputations
- Company considered socially responsible can benefit both from its enhanced reputation with the public as well as its reputation within the business community, increasing a company's ability to attract capital and trading partners

Checks Government Regulation/Controls

- Regulation and control are costly to business
- Businessmen have learnt that once a government control is established, it is seldom removed even though the warranting conditions change.
- By their own socially responsible behaviour, they can prevent government intervention.

Helps minimise Ecological Damage

- The effluents (liquid waste) of many businesses damage the surrounding environment
- By their own socially responsible behaviour, they can prevent government intervention if they are proactive in recognising their ecological responsibility towards society

Improved Financial Performance

A DePaul University study in 2002 showed that overall financial performance of the 2001 Business Ethics Best Citizen companies was significantly better than that of the remaining companies in the Standard and Poor (S&P) 500 Index, based on the 2001 Business Week ranking of total financial performance.

Reduced Operating Costs

- Some CSR initiatives can reduce operating costs dramatically
- Many recycling initiatives cut waste-disposal costs and generate income by selling recycled materials.
- In the human resources arena, flexible scheduling and other work-life programs often save costs through increased productivity

Increased Sales and Customer Loyalty

A number of studies have suggested a large and growing market for the products and services of companies perceived to be socially responsible besides satisfying customers' key buying criteria

Increased Productivity and Quality of Work life

Improved working conditions, lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate in a company.

Increased Ability to Attract and Retain Employees

- Companies having strong CSR commitments find it easier to recruit and retain employees resulting in reduction of recruitment and training costs
- Example: The Corporate Governance Structure of ONGC

WORKPLACE ETHICS

- **Factors Influencing Ethical Behaviour at Work**

Influenced by three key factors:
- Individual moral standards
- Influence of managers and co-workers, and
- Opportunity to engage in misconduct

An individual's ethical behaviour affects not only his or her reputation within the company, but may also contribute to the way in which the company is perceived by others. As individuals, our values are shaped by our personal beliefs.

Various **socio-psychological factors** could be responsible why individuals could develop negative attitudes or lose personal motivation.
- Negative work or life experiences
- Employees failing to respect each others unique personalities
- Overly aggressive financial or business targets
- Pressures to perform and take quick decisions

Examples of ethical issues faced by an individual in the workplace:
1. Relationships with suppliers and business partners
   a) Bribery and immoral entertainment
   b) Discrimination between suppliers
   c) Dishonesty in making and keeping contracts
2. Relationship with customers
   a) Unfair pricing
   b) Cheating customers
   c) Dishonest advertising
   d) Research confidentiality
3. Relationship with employees
   a) Discrimination in hiring and treatment of employees
4. Management of resources
   a) Misuse of organisational funds
   b) Tax evasion

- **Ethical Issues:**

An ethical dilemma exists when one is faced with having to make a choice among perplexing alternatives. Ethical dilemmas faced by managers are highly complex with no clear guidelines due to alternatives that are equally justifiable, and involves significant interest of many "stakeholders" in given situation.

Mainly ethical issues can be categorized in the framework of their relation, as below:

Business Relationships
Ethical behaviour within a business involves keeping company secrets, meeting obligations and responsibilities and avoiding undue pressure that may force others to act unethically.
Unethical Practices: Managers influencing employees to use pirated software or stealing competitor's secrets
Ethical Practices: Customer needs as company will reap great profits if they are being treated fairly

Conflicts of Interest
A conflict of interest exists when a person must choose whether to advance his or her own personal interests or those of the organization. To avoid conflicts of interest, employees must be able to separate their personal financial interests from their business dealings. For example: Bribe. Conflicts of interest need not be financial.

Fairness and honesty
Fairness and honesty are at the heart of business ethics and relate to the general values of decision makers. But beyond obeying the law, they are expected not to harm customers, employees, clients, or competitors knowingly through deception, misrepresentation, coercion, or discrimination.
Example: Disclosure of potential harm caused by product use. Fostering competition and making monopolistic practices illegal.

Communications
Communications is another area in which ethical concerns may arise. False and misleading advertising, as well as deceptive personal-selling tactics, anger consumers and can lead to the failure of a business.
Another important aspect of communications that may raise ethical concerns relates to product labeling. Example: Statutory warning on cigarette packing mandatory for cigarette manufacturers.

- **Discrimination**
  The root meaning of the term discriminate is "to distinguish one object from another". Employment discrimination is treating one person better than another because of their age, gender, race, religion or other protected class status.

  Discrimination in employment involves three basic elements:
  - First, it is a decision against one or more employees that is not based on individual merit
  - Second, the decision derives solely or in part from racial or sexual prejudice and false stereotypes
  - Third, the decision has a negative impact on the interests of the employees, perhaps costing them jobs

  Discrimination in employment is wrong because it violates the basic principle of justice by differentiating between people on the basis of characteristics that are not relevant to the tasks they must perform.

  Employment Practices widely recognized as discriminatory are the following:

  Recruitment Practices:
  Firms that rely solely on the word-of-mouth referrals of present employees to recruit new workers tend to recruit only from those racial and sexual groups that are already represented in their labor force. Also, when desirable job positions are only advertised in media that are not used by minorities, recruitment would also tend to be discriminatory.

  Screening Practices:
  Job qualifications are discriminatory when they are not relevant to the job to be performed. Job interviews are discriminatory if the interviewer routinely disqualifies certain class of people.

  Promotion Practices:
  Promotion and transfer practices are discriminatory when employers place males on job tracks separate from those open to women and minorities and rely on the subjective recommendations of immediate supervisors.

  Conditions of Employment:
  This issue is related to fair wages and treatment to workers. Companies subcontracting manufacturing operations abroad are now aware of the ethical issues associated with supporting facilities like child labour that abuse and/or underpay their work forces. Such facilities have been termed "sweatshops."

  Dismissal:
  Firing an employee on the basis of his or her race or sex is a clear form of discrimination. Less blatant but still discriminatory are layoff policies that rely on a seniority system.

- **Harassment**
  Harassment is "tormenting by subjecting to constant interference or intimidation".

  Law prohibits harassing acts and conduct that unreasonably interfere with an individual's work performance or creating an intimidating, hostile or offensive working environment.

  Another type of harassment is sexual harassment - situations in which an employee is coerced into giving into another employee's sexual demands by the threat of losing some significant job benefit. This violates the employee's most basic right to freedom and dignity.

  Sexual harassment is prohibited, and an employer is held responsible for all sexual harassment engaged in by employees.

  Supreme Court in *Vishaka Vs. State of Rajasthan & Others* has held that employers employing women employees must mandatorily constitute a Sexual Harassment Redressal Committee.

- **Importance of Ethical Behaviour at the Workplace**
  If an employer does not take steps to create a work environment where the employees have a clear, common understanding of what is right and wrong, significant problems could arise, including:
  - Increased risk of employees making unethical decisions
  - Increased tendency of employees to report violations to outside regulatory authorities (whistle blowing) because they lack an adequate internal forum
  - Inability to recruit and retain top people
  - Diminished reputation in the industry and the community
  - Significant legal exposure and loss of competitive advantage in the marketplace

- **Guidelines for Managing Ethics in the Workplace**
  Employers who understands the importance of workplace ethics, provide their workforce with an effective framework and guiding principles to identify and address ethical issues as they arise

1) **Codes of Conduct and Ethics:**
Codes of conduct specify actions in the workplace and codes of ethics are general guides to decisions about those actions. Examples of code of conduct includes, preferred style of dress, maintaining confidentiality etc

2) **Establish Open Communication:**
Instead of just creating and distributing an ethics policy, it is important to explain the reasons for the policy and review the guidelines and conduct training to further sensitise employees to potential ethical issues

3) **Ethics decisions in groups:**
Make ethics decisions in groups and make these decisions public. This usually produces better quality decisions and increases the credibility of the decision process by reducing suspicion of unfair bias

4) **Integrate ethics management with other management practices:**
Include ethical values when developing the values statement during strategic planning

5) **Use of cross-functional teams:**
It is vital that the organization's employees feel a sense of participation and ownership in the ethics management program if they are to adhere to its ethical values

6) **Appointing an ombudsperson:**
The ombudsperson is responsible to help coordinate development of the policies and procedures to institutionalise moral values in the workplace where employees can go to ask questions in confidence about the work situations they confront and seek advice

7) **An atmosphere of trust:**
This is also critical in encouraging employees to report ethical violations they observe. This function might best be provided by an outside consultant or provide a tip box to report anonymously

8) **Regularly update policies and procedures:**
To produce behaviours preferred from the code of conduct, job descriptions, management-by-objectives expectations and other relevant control instruments to ensure conformance to the code of conduct

9) **Include a grievance policy for employees:**
To resolve disagreements with supervisors and staff

10) **Set an example from the top:**
Executives and managers not only need to endorse strict standards of conduct but should also ensure that they follow it themselves

ENVIRONMENT & ETHICS

- Gandhiji said “There's enough on this planet for everyone's needs but not for everyone’s greed.”
- Industrial and technological development has provided us with material prosperity but has also created unique environmental threats to us and to future generations.
- **Sustainable Development:**
  - Concept brought into focus by Brundtland Report
  - It stated that economic growth has to be environmentally sustainable
  - High economic growth means high rate of extraction, transformation and utilization of nonrenewable resources
  - A nation or society should satisfy its requirements without jeopardizing the interest of future generations
  - Therefore, an element of resource regeneration have to be incorporated in developmental programmes
  - Twenty first century markets shall be driven by the requirements of sustainable environments
- **Pollution and Resource Depletion**
  - Pollution refers to the undesirable and unintended contamination of the environment by the manufacture
  - Resource depletion refers to the consumption of finite or scarce resources
  - Pollution is also a type of resource depletion because contamination of air, water or land diminishes their beneficial qualities

  Air Pollution:
  - Air pollution has increased exponentially as industrialization expanded
  - The most prevalent form of air pollution are the gases and particulates spewed out by industrial processes
  - Air pollutants decrease agricultural yields, deteriorate exposed construction materials through corrosion, are hazardous to health and life and threaten disastrous global damage in the form of global warming, destruction of the stratospheric ozone layer and acid rains.
  - Worst industrial disasters of all time occurred in Union Carbide’s plant in Bhopal on the night of 03.12.1984.

  Global Warming:
  - Greenhouse gases, such as, carbon dioxide, nitrous oxide, methane, and chlorofluorocarbons, occur naturally in the atmosphere to absorb and hold heat from the sun, preventing it from escaping back into space, to keep the earth's temperature about 33°C warmer than it would otherwise be, so that life can evolve and flourish
  - However, industrial, and other human activities during the last 50 years have released substantially more greenhouse gases into the atmosphere, particularly by the burning of fossil fuels such as oil and coal, rising the levels of greenhouse gases and resulting in increasing amounts of heat, raising temperatures around the globe
  - This rising heat will expand the world's deserts, melt the polar ice caps, causing sea levels to rise, make several species of plants and animals extinct, disrupt farming, and increase the distribution and severity of diseases
  - The increase in levels of greenhouse gases would require reducing current emissions of greenhouse gases by 60% to 70%, an amount that would seriously damage the economies of both developed and developing nations

  Ozone Depletion:
  - A layer of ozone in the lower stratosphere screens all life on earth from harmful ultraviolet radiation
  - This ozone layer, however, is destroyed by CFC gases, which have been used in aerosol cans, refrigerators, air conditioners, industrial solvents, and industrial foam blowers.
  - When released into the air, CFC gases rise; in 7 to 10 years, they reach the stratosphere, where they destroy ozone molecules and remain for 75 to 130 years, continuing all the while to break down additional ozone molecules
  - This results in the shrinking of the ozone layer and subsequent increase of ultraviolet rays which could cause several hundred thousand new cases of skin cancer and could also lead to considerable destruction of the 75 percent of the world's major crops that are sensitive to ultraviolet light
  - But ozone depletion has been minimized with adoption of the Vienna Convention on ozone depletion in the year 1985 and Montreal Protocol on substances that deplete the ozone layer in the year 1989.

  Acid Rain:
  - Acid rain is a threat to the environment that is closely related to the combustion (burning) of fossil fuels which are heavily used by utilities to produce electricity
  - Burning fossil fuels, particularly coal containing high levels of sulphur, releases large quantities of sulphur oxides and nitrogen oxides into the atmosphere
  - When these gases are carried into the air, they combine with water vapour in clouds to form nitric acid and sulphuric acid.

- These acids are then carried down in rain, raising the acidity of the water sources
- Acid rain directly damages forests and indirectly destroys the wildlife and species that depend on forests for food and breeding.
- It also contaminates drinking water and damage objects, particularly those made of iron, limestone, and marble

Water Pollution:
- Oceans have been used as disposal sites for intermediate and low-level radioactive wastes
- Water is essential to human life as well as to industrial growth and development
- World's per capita supplies of water is shrinking and number of factors have contributed to this
- Increase in population and economic activity, particularly in urban areas, has resulted in increased demands for water and the demand is met by diverting the water from agricultural irrigation

Land Pollution:
- **Solid Wastes:** Each year people living in cities produce tons of solid wastes. City garbage dumps are significant sources of pollution, containing toxic substances such as cadmium (from rechargeable batteries), mercury, lead (from car batteries and TV picture tubes), vanadium, copper, zinc.
- **Hazardous or toxic substances** are those that can cause increase in mortality rates or irreversible or incapacitating illness or those that have other seriously adverse health or environmental effects. Benzene is a common industrial toxic chemical used in plastics, drugs, gasoline etc. Benzene workers are several times more likely than the general population to get leukemia. Vinyl chloride is another such chemical.
- **Depletion of fossil fuels:** Fossil fuels depletion at an exponentially rising rate results in the loss of forest habitats. Combined with the effects of pollution it has led to the extinction of a phenomenal number of species.

Ecological Ethics:
- An ecological system is an interrelated and interdependent set of organisms and environments, such as a lake, in which the fish depend on small aquatic organisms, which in turn live off decaying plant and fish waste products.
- Business firms (and all other social institutions) are parts of a larger ecological system.
- Business firms depend on the natural environment for their energy, material resources, and waste disposal, and that environment in turn is affected by the commercial activities of business firms.
- Unless businesses recognize the interrelationships and interdependencies of the ecological systems within which they operate and unless they ensure that their activities will not seriously injure these systems one cannot hope to deal with the problem of pollution.
- Ecological ethics is based on the idea that the environment should be protected not only for the sake of human beings but also for its own sake. Problems like global warming, ozone depletion and disposal of hazardous wastes that concern the entire world.

Conservation of Natural Resources:
Conservation refers to the saving or rationing of natural resources for later uses. In a sense, pollution control is a form of conservation. Pollution "consumes" pure air and water, and pollution control "conserves" them for the future.

Few decades ago, the corporate world, the industry or others engaged in the use of natural resources were not concerned for environment and resource depletion. Now, not only in India but all over the world, there is a growing concern for social responsibility and ethical norms in all spheres of human activities. This translates into reducing of pollution and incorporating environmental values in governance.

In India many companies have come to realize that ethical practices make good business sense especially the organisations engaged in exports as these organisations have to satisfy the importer in regard to the quality, ethics and environmental standards.

Developments in India:
Chipko movement in 1973: When people embraced the trees to prevent their felling by the government. In big cities in India, air pollution is a problem due to industries, power plants and automobiles.

In pursuant to the Stockholm Conference, India passed the Air (Control and Prevention of Pollution) Act 1981, the Factories Act, 1948, containing provisions for preventing pollution.

Other air pollution measures enacted:
- Motor Vehicles Act, 1988
- The Industries (Development and Regulation) Act, 1951
- Mines and Minerals (Regulation and Development) Act, 1957

Eco- friendly Business Practices:

Business and Industry are closely linked with environment and resource utilization. They have to recognize environmental management as the priority area and a key determinant to sustainable development. Accordingly, waste management is to be done through following systems.

1. Minimum production of waste
2. Maximizing reuse of waste and recycling
3. Promoting environmentally sound waste disposal practices

If companies redesign products and adopt latest technologies available; they can achieve the goals of reduction in wastage and resources depletion. A change is needed at all levels starting from organisational structure, finance, manufacturing, marketing, operations, accounting and other related disciplines.

A good environmental practice improves corporate performance. Markets of new millennium will be able to create wealth if they respond to the challenges of sustainable development as unsustainable products will become obsolete.

Industries based on natural resources, like minerals, timber, fiber, and foodstuffs, etc. have a special responsibility for:

1. adopting practices that have built-in environmental consideration
2. introducing processes that minimize the use of natural resources and energy, reduce waste and prevent pollution
3. making products that are “environment-friendly”, with minimum impact on people and ecosystem
4. Green accounting systems: Conventional accounts may result in policy decisions which are non-sustainable for the country. Green accounting on the other hand is, focused on addressing such deficiencies in conventional accounts with respect to the environment. If the environmental costs are properly reflected in the prices paid for goods and services then companies and ultimately the consumer would adjust market behaviour in a way that would reduce damage to environment, pollution and waste production. Such measures would facilitate the approach of “Polluter Pay Principle”.

Ethical and eco-friendly business practices are moving towards standard corporate norms

ETHICS IN MARKETING AND CONSUMER PROTECTION

- **Ethics and Marketing**

The task of marketers is to influence the behaviour of customers. To accomplish this goal, marketers have a variety of tools at their disposal.

Ethics are standards of moral conduct. It is easy to be ethical when no hardship is involved. The test comes when things are not going well. Pressures arise in all walks of life, and marketing is no exception.

Marketing executives face the challenge of balancing their own best interests in the form of recognition, pay, and promotion, with the best interests of consumers, their organizations, and society into a workable guide for their daily activities. In any situation they must be able to distinguish what is ethical from what is unethical and act accordingly, regardless of the possible consequences.

- **Ethical Guidelines**

Many organizations have formed codes of ethics that identify specific acts (bribery, accepting gifts) as unethical and describe the standards employees are expected to live up to. These guidelines lessen the chance that an employee will knowingly or unknowingly violate a company's standards. For young executives, these codes can be valuable guides.

However, it is not realistic for an organization to construct a two-column list of all possible practices, on headed "ethical" and the other "unethical." Rather, a marketer must be able to evaluate a situation and formulate a response.

- **Behaving Ethically In Marketing**

Marketing executives should practice ethical behavior. Four pragmatic reasons for ethical behavior:

To reverse declining public confidence in marketing
Periodically we hear about misleading package labels, false claims in ads, phony list prices, and infringements of well established trademarks. Though such practices are limited to only a small proportion of all marketing, the reputations of all marketers are damaged. To reverse this situation, companies must set high ethical standards and enforce them.

To avoid increases in government regulation
Business apathy, resistance, or token responses to unethical behavior simply increase the probability of more government regulation. Indeed, most of the governmental limitations on marketing are the result of management's failure to live up to its ethical responsibilities at one time or other.

To regain the power granted by society
If marketers do not use their market influence power and speak out on economic issues in a socially acceptable manner, that power will be lost in the long run.

To protect the image of the organization
Buyers often form an impression of an entire organization based on their contact with one person. More often than not, that person represents the marketing function. Sales person not only represents company, but literally, he is the company.

- **Healthy Competition and Protecting Consumer's Interest**

Competition – Challenges and Changes:
With globalisation and progressive liberalization of trade, it has become imperative for many countries to have a new line of rethinking on the existing pattern of policies on trade, customs and usages not only within their economy but across the frontiers of other countries also.

India has been taking adequate steps for integrating itself with the new changes and challenges thereby market functioning, positioning becomes effective and competitive. In this regard, Government introduced Competition Bill in the Parliament and few sections came into force in 2003.

What is Competition?
Competition is a situation in a market in which firms or sellers independently strike for the buyers' patronage in order to achieve a particular business objective, for *example* profit, sales or market share - World Bank, 1999.

A pre-requisite for a good competition is unrestricted trade liberty. The handicap for free market is income distribution system. The problems in an unregulated market can be overcome by posturing competition by which the interest of the consumer can be protected.

Competition Policy and Law:
The Competition Policy is regarded as genus, of which, the Competition Law is specie. Competition Law provides necessary powers to the commission to enforce and implement the Competition Policy. The central economic goal of the Competition Policy is the preservation and promotion of the competitive process.

In conditions of effective competition, competitors will be having equal opportunities to compete for their own economic interest and therefore the quality of their outputs and resource deployment will be given top priority in order to sustain and succeed in the market by meeting consumers demand at the lowest possible cost.

Competition Laws in UK and US:
US: Sherman Anti-trust Act, the Clayton Act and the Federal Trade Commission Act
UK: The UK Competition Act, 1988, UK Competition Law, 2002 (by the Enterprise Act)

Competition Act, 2002:
- To establish a commission to prevent practices having adverse effect on competition
- To promote and sustain competition in markets
- To protect the interests of consumers
- To ensure freedom of trade and incidental matters

Parameters of Competition Law:
- **Prohibition of certain agreements**, which are considered to be anti-competitive in nature. Agreements like exclusive dealings (supply and distribution), shall be presumed as anticompetitive if they cause or likely to cause an appreciable adverse effect on competition within India.
- **Abuse of dominant position** by imposing unfair conditions or limiting and restricting production of goods or services or indulging in practices resulting in denial of market excess are prohibited.
- **Regulation of combinations** which cause or likely to cause an appreciable adverse affect on competition within the relevant market in India is also considered to be void

Interpretation of "consumer" in the Consumer Protection Act will be the same as in Competition Act. In the latter, "consumer" will also include a person who purchases goods for resale or for any commercial purpose or for personal use.

Consumer Interest and Public Interest:
1. Both are not same and need to be distinguished. In the name of public interest, many governmental policies are formulated which are anti-competitive in nature. If the consumer is at the fulcrum, consumer interest and consumer welfare should have primacy in all such policies.
2. Consumers are affected by pricing policies, financing practices, quality of goods, services and various trade practices. They are clearly distinguishable from manufacturers, who produce goods and wholesalers or retailers, who sell goods.
3. Public interest is something in which society as a whole has some interest. However, there is a justifiable apprehension that in the name of "public interest", governmental policies may be fashioned and introduced which may not be in the ultimate interest of the consumers. The asymmetry arises from the fact that all producers are consumers but most are producers as well. What is desirable for them in one capacity may be inimical in the other capacity. Eg: A farmer wants the price of goods he consumes to be as cheap as possible but wants the highest price for his produce. A government wishing to encourage agriculture for self-sufficiency in food as a national security measure faces the conflict: should it support high prices to encourage production or low prices to protect the consumer. This is a characteristic public interest-consumer interest conflict.

Competition and Consumer Welfare:
Competition means rivalry in the marketplace, which is regulated by a set of policies and laws to achieve the goals of economic efficiency and consumer welfare. It is the consumers who are supposedly the biggest beneficiaries of competition. On the other hand, it is the consumers who are the main losers due to anti-competitive activities in a market.

At the macro level, the design and implementation of a competition policy promotes the advancement and increased welfare of the poor. At the micro level, an effective competition regime or consumer law can prevent consumer abuses, both at industry level as well as in a village or locality where one shopkeeper can cheat the whole community.

United Nations Guidelines for Consumer Protection:
Various steps and measures around eight themes (UNCTAD, 2001):
- Physical safety, Economic interests, Standards, Essential Goods and services, Redress, Education and information, Specific areas concerning health, Sustainable consumption

Eight consumer rights made explicit in the Charter of Consumers International:
Right to basic needs, Right to safety, Right to choice, Right to redress, Right to information, Right to consumer education, Right to representation, Right to healthy environment

These rights can be used as touchstones for assessing the consumer welfare implications of competition policy and law.

- **Consumer Protection Councils in India**

  Objectives of the Central Council shall be to promote and protect the rights of the consumers such as:

  a) the right to be protected against the marketing of goods and services which are hazardous to life and property

  b) the right to be informed about the quality, quantity, potency, purity, standard and price of goods/services, so as to protect the consumer against unfair trade practices

  c) the right to be assured, wherever possible, access to a variety of goods, and services at competitive prices

  d) the right to be heard and to be assured that consumer's interest will receive due consideration at appropriate terms

  e) the right to seek redressal against unfair/restrictive trade practices or unscrupulous exploitation of consumers

  f) the right to consumer education

  The State & District Consumer Protection Council shall also promote the above objectives.

ETHICS IN ACCOUNTING AND FINANCE

Finance and accounting professional's responsibility is not restricted to satisfy the needs of any particular individual or organization. It becomes imperative that they adhere to certain basic ethics while acting in public interest in order to achieve his objective.

Various accounting scandals witnessed during the past few years have put a serious question mark on the role of the finance and accounting professional in providing the right information for decision making.

There are a few professionals who are directly involved in fraudulent activities, however, the majority, at most of the times, refused to challenge what they had already known. Eg: *Company*: Enron. *Whistle blower*: Sherron Watkins

- **Ethics and Ethical Dilemma:**

Various individuals would be having different opinions on the same subject because of which what is perceived as right by one may be considered wrong by the other. This is the essence of the term 'Ethics'.

Ethical behavior implies such course of actions which are taken after giving due thought to their impact on the society and other stake holders. Hence when accounting and finance professionals at Enron did not report of the wrongs which they believed were being done at the top, their behaviour amounted to being unethical in spite of the fact that they were not directly involved in any of the fraudulent or manipulative activities.

Ethical Dilemmas exist when finance and accounting professionals need to choose from amongst alternatives and there are (1) significant value conflicts among differing interests, (2) actual alternatives which can all be justified and (3) significant consequences to all stakeholders.

Eg: Finance and accounting professional who has been asked to provide a profit forecast which needs to be given to a banker for a much wanted loan to be utilized in launching a new product. The company has not been doing well for the past few years and without this loan there is a likelihood of its closing down. However, the loan can only be availed if the banker is convinced that the projected profitability shall be at least Rs. 50,00,000 per annum. A optimistic projection of the profits shows that if everything goes extremely well the company may be able to make profits of Rs. 50,00,000. However, a realistic assumption provides a much lower figure.

In such a situation the concerned professional will need to resolve the dilemma of the type of profit forecast to be provided to the banker. In case he gives a realistic projection the company may not get the loan and perhaps may need to close down. On the other hand if he makes an optimistic projection, he may be misleading the banker. There is no right answer to such a situation. Both actions proposed have got their own risks.

- **Potential Conflicts:**

  For a finance and accounting professional working as consultant or auditor

  Finance and accounting professional in public practice should take reasonable steps to identify circumstances that could pose a conflict of interest. For *example*, when a professional accountant in public practice competes directly with a client or has a joint venture or similar arrangement with a major competitor of a client.

  For a finance and accounting professional working as an employee

  Finance and accounting professional should support the legitimate and ethical objectives established by the employer and the rules and procedures drawn up in support of those objectives. Nevertheless, where compliance with the fundamental principles is threatened, finance and accounting professional must consider a response to the circumstances.

  Finance and accounting professional may face pressure to:

  – Act contrary to law or regulation
  – Act contrary to technical or professional standards
  – Facilitate unethical or illegal earnings management strategies
  – Lie to, or otherwise intentionally mislead (including misleading by remaining silent) others, in particular
  – The auditors of the employing organization
  – Regulators
  – Issue, or otherwise be associated with, a financial or non-financial report that materially misrepresents the facts

- **Creating an Ethical Environment**

  Following three points need to be addressed for creating a sound ethical environment in any company:

  1. **Ensuring that employees are aware of their legal and ethical responsibilities**

     Ethical organisations would have policies to train and motivate employees toward ethical behaviour. In India Wipro was amongst the pioneers to establish an organized set of beliefs which would guide business conduct.

2. **Providing a communication system between the management and the employees so that anyone in the company can report about fraud and mismanagement without the fear of being reprimanded**
   In India Wipro has introduced a helpline comprising of senior members of the company who are available for guidance on any moral, legal or ethical issues that an employee of the company may face.

3. **Ensuring fair treatment to those who act as whistle blowers**
   This is perhaps the most important and sensitive issue. Fair treatment to whistle blowers is a basic necessity to check fraud. The appreciation is much more needed from within the company rather than outside.

- **Reasons for Unethical Behaviour**
  A creation of a proper ethical environment requires a proper understanding of the reasons which lead to unethical behaviour. Four such reasons are discussed below:
  1. **Emphasis on short term results**
     Manipulating accounting entries to depict good profitability can help companies raise further capital from the market which leads to downfall of companies. Example: Enron and WorldCom
  2. **Ignoring small unethical issues:**
     Companies need to develop an environment where small ethical lapses are taken seriously so that they do not repeat in the future. Otherwise, they could lead to larger problems.
  3. **Economic cycles:**
     When Enron was doing well, there were no question marks on its financial statements. However, when the economy took a downward turn, managers took decisions which were compromises over the established code of conduct to keep the investors in the market satisfied.
  4. **Accounting rules:**
     In the era of globalisation and cross border flow of capital, accounting rules are changing faster than ever before. The rules have become more complex and it is difficult to identify deviations from these set of requirements

- **Fundamental principles relating to Ethics**
  1. **The principle of Integrity:**
     The following acts of responsibility would help accounting & finance professionals to comply with this principle:
     – Avoid being involved in activities which would impair the goodwill of the organisation
     – Communicate adverse as well as favourable information with those concerned
     – Refuse any gift or favour which could influence actions taken or to be taken
     – Refuse to get involved in any activity which adversely affect the achievement of organisations objective
     – Avoid conflicts and advise related parties on apparent conflicts which could arise in the future
  2. **The principle of objectivity:**
     Accounting and finance professionals should stick to their professional and financial judgement. They should not allow bias, conflicting interests or undue influence of others to override their business judgements.
  3. **The principle of confidentiality:**
     Accounting and financial management practitioners should refrain from disclosing confidential information related to their work. The only exception to this principle is when there are requirements to disclose information under a legal obligation or because of some statutory ruling.
  4. **The principle of professional competence and due care:**
     Finance and accounting professionals need to update their professional skills from time to time which ensures that the client/employer receives competent professional services based upon current developments in the related areas
  5. **The principle of professional behavior:**
     Accounting and finance professionals should comply with relevant laws and regulations and avoid such actions which may result into discrediting the profession

- **Threats to fundamental principles:**
  – **Self-interest threats**, which may occur as a result of the financial or other interests of a finance and accounting professional
  – **Self-review threats**, which may occur when a previous judgment needs to be reevaluated by the finance and accounting professional responsible for that judgment

- **Advocacy threats** occur when a professional promotes a position or opinion to the point that subsequent objectivity may be compromised
- **Familiarity threats** occur when finance and accounting professional has close relationships in the work environment and such relationships impair his selfless attitude towards work.
- **Intimidation threats** occur when a professional may be prohibited from acting objectively by threats

- **Examples of circumstances creating above mentioned threats:**

Threat	For finance and accounting professionals working as consultants or auditors	For finance and accounting professionals working as an employee
Self interest	▪ A financial interest in a client or jointly holding a financial interest with a client ▪ Undue dependence on total fees from a client ▪ Having a close business relationship with a client ▪ Concern about the possibility of losing a client ▪ Potential employment with a client	▪ Financial interests, loans and guarantees in the company the professional is working ▪ Incentive compensation arrangements ▪ Inappropriate personal use of corporate assets ▪ Commercial pressure from outside the employing organisation
Self review	▪ The discovery of a significant error during a re-evaluation of the work ▪ Reporting on the operation of financial systems after being involved in their implementation ▪ Having prepared the original data used to generate records that are the subject matter of the engagement ▪ A member of the assurance team being, or having recently been, a director or Officer of that client	Such threats occur when business decisions or data is subjected to review and justification is required to be given by the same professional who was responsible for taking such decisions or preparing that data
Advocacy threat	▪ Promoting shares in a listed entity when that entity is a consultancy or a financial statement audit client. ▪ Acting as an advocate on behalf of an assurance client in litigation	Finance and accounting professionals may promote the organization's legitimate goals and objectives, provided any statements made are neither false nor misleading
Familiarity threats	▪ A member of the engagement team having a close family relationship with a director or officer of the client ▪ A former partner of the firm being a director/ officer/ employee of the client in a position to exert direct and significant influence over the subject matter of the engagement ▪ Accepting gifts or preferential treatment from a client, unless the value is clearly insignificant	▪ A finance and accounting professional, in a position to influence reporting or decisions having a close family member who is in a position to benefit from that influence ▪ Long association with business contacts influencing business decisions ▪ Acceptance of a gift or preferential treatment, unless the value is clearly insignificant
Intimidation threat	▪ Being threatened with dismissal or replacement ▪ Being threatened with litigation ▪ Being pressured to reduce inappropriately the extent of work performed in order to reduce fees	▪ Threat of dismissal or replacement of the finance and accounting professional or a close family member over a disagreement about the application of an accounting principle or the way in which financial information is to be reported for external use as well as for decision making

- **Safeguards to ensure an ethical environment that may eliminate or reduce the abovementioned threats:**

⇒ Some of the safeguards created by the profession, legislation or regulation are as follows:
  - Educational, training and experience requirements for entry into the profession
  - Continuing professional development requirements
  - Corporate governance regulations
  - Professional standards and disciplinary procedures
  - External review by a legally empowered third party of the work by concerned professionals

⇒ Safeguards in the work environment are as follows:
  - The employing organisation's ethics and conduct programs
  - Recruitment procedures emphasizing the importance of employing high caliber competent staff
  - Strong internal controls
  - Appropriate disciplinary processes
  - Leadership that stresses the importance of ethical behavior

- Policies and procedures to implement and monitor the quality of employee performance
- Appropriate training and education on changes in policies and procedures
- Policies and procedures to encourage employees to communicate to senior levels without fear of retribution

- **Ethical Conflict Resolution:**
  The following needs to be considered, either individually/together with others, during a conflict resolution process:
  a) Relevant facts
  b) Ethical issues involved
  c) Fundamental principles related to the matter in question
  d) Established internal procedures
  e) Alternative courses of action

  Having considered these issues, finance and accounting professional should determine the *appropriate course of action* that is consistent with the fundamental principles identified. The professional should also weigh the consequences of each possible course of action.

  If the matter remains unresolved, the professional should *consult with other appropriate persons* within the firm or employing organization for help in obtaining resolution.

  If a significant conflict cannot be resolved, a professional may wish to *obtain professional advice* from the relevant professional body and thereby obtain guidance on ethical issues without breaching confidentiality.

  If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a professional should, where possible, *refuse to remain associated* with the matter creating the conflict.