

# QUESTION BOOK ESG

## CHAPTER 11: BUSINESS ETHICS, CODE OF CONDUCT AND ANTI – BRIBERY

### QUESTION 1:

Managers at all levels and in all functional areas face ethical issues. In fact, there is seldom a decision wherein an ethical dimension is not involved. Matters of right and wrong, just and unjust, fair and unfair arise frequently. In order to deal with these issues, managers need some guidelines. Organizations formulate both business and non-business guidelines in the form of a code of conduct or code of ethics. It is a corporate code of conduct that helps its members to promote high standards of ethics and practice. In this backdrop, explain the similarities and distinction between Code of Conduct and Code of Ethics. **(JUNE 2025) (5 MARKS)**

Ans:

#### Code of ethics:

1. Code of ethics are based upon morals and principles, values which guide the behaviour of the individual. These are guiding principles that outlines the values that help in decision making.
2. This is a wider concept as compared to code of conduct as it is value driven and more flexible in nature.
3. It acts as a public document which shows the philosophy of the organization to the outside world. The target audience is the stakeholders at large.
4. It is purely voluntary in nature hence cannot be enforced. However, code of ethics help in better formation of code of conduct.

5. Violation of code of ethics might not lead to disciplinary action.
6. Example – to work with honesty, integrity and fairness.

**Code of conduct:**

1. Code of conduct is a formal document which outlines the specific expected behavior from the employees and the organization.
2. It is a narrow concept rather specific to the behavior of employees with organization.
3. A code of conduct is a document which is internal to the organization. Target audience here is the employees and the management.
4. Code of conduct is mandatorily required to be published on the website of the company for listed entities and CPSE's.
5. Violation of code of conduct will lead to disciplinary action.
6. Example – anti-bribery code, code on prevention of sexual harassment.

**QUESTION 2:**

**Arunima, an expert in management field, was appointed as independent director on the Board of Sarpen Ltd, a public company engaged in manufacture of petroleum products. Roopen, Company Secretary of the Company was asked to brief Arunima, for her on boarding, about various policies and procedures which were followed by the Company, including the guidelines provided to employees as per the standard governance policies. In one of the conversations, Arunima mentioned to Roopen, tough there are ethical practices across various policies, she would like to see a documented summary of the ethical practices being followed, to check if all the standard practices have been covered. Prepare a brief report covering various standard ethical practices, which a business should adopt.**

**(DEC 2024) (5 MARKS)**

**Ans:**

1. Ethics are principles that guide an individual as to right and wrong conduct. So in other words, ethical behavior is considered as right and anything against it this shall be wrong.
2. When these ethical values are applied in business conduct it becomes business ethics which comprises of both the conduct of individuals in the organization as well as the organization.
3. Standard ethical practices a business should adopt are as follows:

- (i) **Corporate responsibility:** the organization has a corporate responsibility to safeguard the interest of all the internal and external stakeholders.
- (ii) **Social responsibility:** one must not make profit at the cost of society and hence the business should try to give it back to the society, a simple practice could be seen in the form of CSR.
- (iii) **Personal responsibility:** every employee who is working in an organization is expected to act responsibly and with honesty.
- (iv) **Fairness:** every individual possess certain bias but the same should not affect his decision making as that would lead to favoritism which is highly unethical.
- (v) Trustworthiness and transparency.

### QUESTION 3:

Ameya, has recently joined as a Regional Sales Manager of a pharmaceutical company. He has been given a sales target for the year, which is unusually high as per his assessment. On surveying the market, however, he observed that the competitors are achieving such targets. On a deeper analysis, he comes across unethical practices of giving gifts, payments and hospitality benefits to doctors by their medical representatives. This is prohibited by the Uniform Code of Pharmaceuticals Marketing Practices. Ameya, is unwilling to follow the same tactics and contacted the National Sales Manager in this regard, but he hinted at achieving the released targets at whatever cost. He has no other option but to carry out instructions and directed the Area Sales Managers to meet their respective targets while engaging in the practice of unethical incentives to the doctors. Ameya met his friend Arur, a Company Secretary, and in the course of conversation he was mentioning about the unethical practices he was witnessing regularly in his job. He inquired with Arur, if there is something similar which he encounters. Arur replied that he is required to follow the ICSI Anti-Bribery Code. Explain the contents of ICSI Anti-Bribery Code. **(DEC 2024) (5 MARKS)**

Ans.

1. The objective of ICSI anti bribery code is to make sure that the company and its employees, directors, or authorized representatives do not indulge in bribery while doing any kind of business or financial activities for the company.
2. The anti-bribery code is to be applied on a voluntary basis and its scope is applicable to all of its directors, employees, agents, etc.
3. The code of contains the following clauses:

- (i) **Adherence to anti- corruption laws:** the company shall follow all the applicable anti-corruption laws in India.
- (ii) **Bribery in private sector:** company or its employees, directors, or authorized representatives, intermediaries, etc shall not involve in bribery.
- (iii) **Facilitation payments:** no facilitation payment shall be made by the company directly or indirectly
- (iv) **Bribery to foreign public officials:** The company and its affiliates must not offer any unfair benefit whether pecuniary or other to a foreign public official or any third party. This is to make sure they don't try to influence the official's duties in order to gain any improper benefit.
- (v) **Policy for gifts, hospitality and expenses:** the company shall follow a policy for gifts, hospitality and expenses as approved by its board.
- (vi) **Whistle blower mechanism:** the company shall set up a whistle blower mechanism as approved by its board to enable its employees or others to raise concerns and report violations of the code.
- (vii) **Anti- bribery training and awareness programmes:** the company shall put in place anti-bribery code awareness-cum-training program time to time for all the relevant parties.
- (viii) **Monitoring mechanism for anti-bribery code:** the company shall set up mechanisms as approved by its board for regular monitoring of its anti- bribery code.
- (ix) **Sanctions for non-compliance:** any non – compliance of the code is subject to disciplinary mechanism. The disciplinary mechanism shall include nature of offence, penalty and competent authority.

**QUESTION 4(A):**

In a branch of ABC Bank, Branch Manager throughout the year has been under acute pressure to achieve the business targets. At the year-end, he finds that despite his best efforts, he has not been able to achieve the targets given by his team leader. Simultaneously, he found that there are various cash credit limits sanctioned which are not being utilized. On 31st March, he makes debit entries as withdrawals in such unutilized cash credit limits and transfers to current accounts of the borrowers and again reverses these entries on 1st April. In addition, to avoid the mounting pressure of reduction in NPAs, he makes credit transfer entries in cash credit limits not transacted since last six months and reverses these entries on next day after year-end, i.e. 1st April. In this way, he has been

able to manage the achievement of his deposits and advances targets. Also, he has temporarily engaged a boy as attendant. As to employ a casual staff, he was required compliance of laid down policy of the bank, he shown payments made to him as water and cleaning charges under different names. He argues that as no loss has been caused to any one, hence he is right. In the light of above answer the following question:

Evaluate his actions in the light of ethical practices and mention which types of ethical issues are there at his branch. **(OLD SYLLABUS)**

**Ans:**

In the instant case, the branch manager of the company has adopted various unethical practices in order to achieve the targets assigned to him. Considering the facts above ethical issues observed are as mentioned below:

1. The branch manager is manipulating the financials by increasing the deposits amounts and hiding the NPA's. Hence, this is an Issue of Ethics in accounts and finance
2. To avoid compliance of following proper rules for hiring a casual worker, he manipulated the payment data. Hence, it is an issue of ethics in compliance.

**QUESTION 4(B):**

**What do understand by 'Ethics in Compliance'? (OLD SYLLABUS)**

**Ans:**

1. Ethics in compliance refers to the practice of introducing ethical principles into an organization's compliance framework and adhering to law and authority with true letter and spirit.
2. An ethical approach to compliance helps promote culture of honesty and accountability, where employees feel empowered to make principled decisions and report misconduct.
3. ethics in compliance helps prevent misconduct, builds trust with stakeholders, and supports the long-term reputation and sustainability of the organization.
4. Ethical compliance in an organization should not be only the duty of top management but should be made a part of day to day activities of business.
5. Example-A company implements a whistleblower policy that allows employees to report unethical behavior anonymously without fear ensuring both legal compliance and ethical accountability.

**QUESTION 5:**

**“Businesses should conduct & govern themselves with integrity and in ethical, transparent and accountable manner.” Discuss with example. (JUNE 2024) (5 MARKS)**

**Ans.**

1. The word ethics has been derived from a greek word “ethos” also called as “ethicus” which in simple means character so in a nutshell ethics are principles that guide an individual as to right and wrong conduct.
2. When this ethical values are applied in business conduct it becomes business ethics which comprises of both the conduct of individuals in the organization as well as the organization.
3. An Organization shall conduct its business ethically and shall not engage itself in fraud or wrongful activities. Tata group is the best example when it comes to conducting business ethically.
4. A business shall act in a transparent manner and shall make effective disclosure in order to present a true and fair view of the company.
5. A company works within the society from where it borrows resources, it is the responsibility of the company to act in accountable manner and give back to the society and acting sustainably.
6. Ethical conduct minimizes legal and reputational risks associated with unethical practices such as corruption or environmental pollution.
7. consumers, investors, and employees are more likely to trust and engage with businesses that operate ethically and in a transparent manner.
8. Examples of ethical business practices can be ensuring fair wages, safe working conditions, reducing carbon footprint, minimizing waste, providing accurate information about products etc.

**QUESTION 6:**

**Business Ethics' is the study of business situations, activities and decisions where issues of right and wrong are addressed. It acts as guidelines for the way a business conducts itself and its transactions. In this context, what are the salient features of Business Ethics? (JUNE 2024) (5 MARKS)**

**Ans:**

1. Ethics are standards which guides as to what is right or wrong, thus it relates to standards of conduct which helps in differentiating right from wrong.
2. Business ethics is application of ethical value in business behavior, this is relevant to both i.e. the individual in the organization as well as the organization as a whole. It ensures certain level of trust between consumers and market participants and increases the brand value of the organization.
3. Salient features of business ethics include:
  - It is based upon morals and social values which guides the business.
  - It is voluntary in nature.
  - It is a relative term i.e. it changes from business to business.
  - It is a new concept.
  - It is implemented in form of code of conduct which lets the people within the organization know as to what to do and what not to do.

**QUESTION 7:**

**Explain the term "ethical dilemma" and the mode to come out of ethical dilemma. (JUNE 2022) (5 MARKS)**

**Ans:**

1. Ethical dilemma is also known as ethical paradox. It is situation in choosing among two possible options, neither of which is absolutely acceptable.  
In other words, An ethical dilemma is a situation in which a person has to choose between options that are all equally favorable.
2. Common ethical issues are unethical accounting, social media ethics, harassment and discrimination, health and safety, corporate espionage and disclosure.
3. Ethical dilemma can be resolved by following ways:
  - (i) Considering the options available: list all the alternative courses of action available.
  - (ii) Consider the consequences: consider all the possible consequences negatives as well as positive associated with all the possible options.

- (iii) Analyzing actions: Actions should be analyzed from different perspectives. It is important to ask that how do the available options align with core moral principles such as honesty, fairness, equity, and awareness of social and environmental vulnerability. this helps ensure that decisions are not just practical or beneficial in the short term, but also ethically sound and socially responsible in the long term.
- (iv) Make decisions and act with commitment
- (v) Evaluate the system: Consider the circumstances that led to the dilemma, with the goal of understanding and removing the factors that caused it. Suggest changes to the system after discussing the issue with the person involved.

### QUESTION 8:

**“The Prevention of Corruption Act, 1988 enacted to combat corruption in public sector and not in the private sector businesses of India.” Do you agree with the statement? Justify your answer with the help of provided provision in the Prevention of Corruption Act, 1988. (DEC 2021) (5 MARKS)**

**Ans.**

1. Yes, I firmly agree with the above statement regarding the prevention of corruption act, 1988.
2. The prevention of corruption act, 1988 criminalizes gratification accepted by public authorities, other than any legal remuneration. It further also punishes the person indulged into giving the bribe.
3. The PCA deals only with bribery of public servants. it does not extend to bribery or corruption in the private sector.
4. “Public servant” means:
  - Any person remunerated by government for performance of any public duty.
  - Any person in pay of local authority.
  - A judge.
  - Any person authorized by court of justice to discharge any duty in the administration including liquidator, receiver
  - Any arbitrator referred by the court or competent public authority.
  - Any person who holds an office in election commission and takes part in conducting elections in the country.
  - Any person who is a chairman/ employee by whatever name called in any board which conducts examination or makes selection.

- Any person who is a vice chancellor or member of governing board/ professor or any employee of any designation in any university under the state.

**QUESTION 9:**

**Discuss in brief the composition of Lokpal and its powers (JUNE 2019) (5 MARKS)**

**Ans.**

1. The Lokpal is created to hear cases of corruption against certain public officials for any offence committed under the prevention of corruption act, 1988.
2. Under the act the Lokpal has the power to receive complaints against the prime minister as well.
3. Lokpal shall comprise of:
  - A chairperson, who is or has been a chief justice of india or has been a judge of supreme court.
  - Such number of members not exceeding 8.
  - In the above case not less than 50% of the members shall be judicial members and not less than 50% of the members shall be from SC/ST/ OBC/minority/women
  - A person should be eligible to be appointed as a Judicial member if he is or has been a judge of supreme court or he is or has been chief justice of high court.
  - Further to become a member other than a judicial member, the person must have a minimum 25 years of experience in the field of anti-corruption, law, banking, insurance.
4. There are multiple powers given under the act to Lokpal which amongst many include the following:
  - (a) Supervisory power: The lokpal has the power of superintendence and the power to give directions to the Delhi special police establishment (DSPE) as well as the central vigilance commission (CVC) to conduct preliminary inquiry as well as investigation.
  - (b) Search and seizure: If the lokpal is of the opinion that any document which is relevant has been secreted then it may order the search for such document by its own agency as well as any independent agency including DPSE. Further if required for further prosecution it may also authorize seizure and retention of the same.
  - (c) Powers of civil court:
    - Summoning and enforcing attendance;
    - Requiring the discovery and production of any document;
    - Receiving evidence on affidavits;
    - Requisitioning any public record or copy thereof from any court or office;
    - Issuing commissions.