

## MJ Assumptions - Question Bank

1. Clause 49 of the Listing Agreement issued by SEBI
2. Corporate Social Responsibility Section 135 (2012,2010)
3. Power Corrupts and Absolute Power Corrupts Absolutely
4. Sexual Harassment (2014,2010)
5. In the recent past, many incidents of cyber-crime have occurred at critical infrastructure facilities around the world.

i Stuxnet Virus

ii Ukraine Grid Cyber Attack

iii Bangladesh Cyber hesit

iv India ATM card hack

v Suck fly.

6. Utilitarianism

7. Whistle blower (2015,2014,2012,2011)

8. List out few of the unethical practices which are currently in use in the cyber world and in the World Wide Web (WWW). What recommendations will you make to your organization to improve their cyber security?

What precautions will you take to ensure that your privacy does not get compromised because of your activities in the internet (including the social media)?

9. Define CYBERETHICS. List out some of the issues that need to be considered while framing a Code of Ethics for the use of computers and the internet? (2015,2013,2012,2011)

10. Briefly explain any one of the following scams/frauds that have occurred in India in recent time and the lessons learnt. What needs to be done to prevent such scams in the future. (2015)

11. An organization is as ethical as the top management wants it to be. What is the role of the top management in building and sustaining of an ethical organization? Discuss with examples?

12. Write a short Essay on "Trusteeship, Mahatma Gandhi and Business in the 21st Century (2015,2014,2012,2011,2010,2009)

**13. Normative Ethical systems can generally be broken down into three categories.**

**a) deontological**

**b) teleological**

**c) virtue ethics**

**bring out the difference between these three categories? (2015,2012)**

**14. Corporate Governance (2015,2012,2011,2010)**

**Note: Marked in Bold is a must to do.**

## Question Bank for Business Ethics - By Anil Pandeyji

1- Normative Ethical systems can generally be broken down into three categories.

a) deontological

b) teleological

c) virtue ethics

**bring out the difference between these three categories?**

**Normative Ethics** - Examples of behaviors that are judged as right or wrong in Normative Ethics are **honesty**, lying, and stealing. The behaviors being judged by Normative Ethics are actions that have already occurred and are then being interpreted by the observer to be "**honesty**," "lying," or others.

**Deontological** – Action is not right but result is right another word duty performed may not be correct but **consequences** are correct.

Deontology states that an act that is not good morally can lead to something good, such as shooting the intruder (killing is wrong) to protect your family (protecting them is right). According to **Kant, morality** is affected by rational thought more so than by emotion.

It is exact opposite of Teleological approach. It believes that Actions are not justified by their consequences. Factors other than good or bad outcomes determine the rightness or wrongness (ethicality) of actions or practices. It believes that value of action lies in motives

**Teleological** - The word teleology comes from Greek 'telos' which means end or purpose. This is an ethics approach where actions are judged morally based upon their consequences. It is counter approach to the **deontological ethics**. One example of teleological ethics is '**utilitarianism** – (In **utilitarianism**, this is called the greatest happiness principle, which states that a moral action is one that increases the total utility in the world. In other words, if an action is moral, it increases the amount of happiness in the world. This allows actions to be ranked by morality. Ex- life satisfaction, happiness, Welfare).

**Virtue Ethics - Virtue ethics** is person based rather than action based: it looks at the **virtue** or moral character of the person carrying out an action, rather than at **ethical** duties and rules, or the consequences of particular actions.

Virtue Ethics explains the kind of virtues that have to be present in a person. This calls for Company credibility and Celebrity credibility. Trustworthiness and honesty should be maintained while endorsing the product. Examples: Celebrities like, Aishwarya Rai campaign for eye-bank, Naseeruddin Shah campaign for Help-Age India, thereby developing generosity and traits of virtue & excellence that ought to be respected and practiced.

**Refer Question NO. 4 for details**

historically taken by physicians and other healthcare professionals swearing to practice medicine honestly. It is widely believed to have been written by Hippocrates) to which medical doctors still adhere to this day.

How professional ethics is different than individual ethics in business?

Ethics is a word that can be used loosely, so it's important to understand the meaning of this question by first discussing what is meant by personal ethics or professional ethics.

I assume the questioner is using the term personal ethics to mean one's conscience and the term professional ethics to mean adherence to a professional code. Sometimes those two roles can conflict. For instance, we have cases of doctors who have refused to prescribe the morning after pill, because they believe it will terminate a human life. In this case the doctor has decided that his personal ethics will guide him or her. Alternatively, a police officer may enforce a law that they personally believe is unjust. In this case the police officer has decided to put aside personal concerns and allow professional obligations to guide his or her behavior. Likewise a judge may follow the law and impose the death penalty even though he or she may be personally opposed to it.

Typically people have resolved this by drawing a line between their role as a professional and their role as an individual. They often decide to follow a professional code of ethics when they are acting as a professional even though they may personally disagree. However, if your professional obligations put you in such a state of conflict that you feel you can't uphold your personal ethics, and then you have the option of resigning.

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Q.10 critically evaluates the role of ethics and moral principles in any

Ethics is the science of morals and Morals are the set of rules of behavior whether for the group at a certain period or in an absolute manner at any time and place; no human group can survive without a code of Ethics

Morals can have following roots

- a) social
- b) intuitive
- c) religious

The social origin of morals:

Morals born as language

Primitive code of ethics might have been set of taboos

- Thou shalt not kill
- Thou shalt not steal
- Thou shalt not commit adultery

The forbidden act must have followed by severe punishment

Ex: in group of climbers engaged in adventures of climbing, each member must be responsible and brave, helpful. If not he will be risking the survival of group members, if the rules are not obeyed

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Q4. Bring out the approaches of utilitarian, deontological and virtue theories in business with suitable examples.

'Utilitarianism' & Rule Utilitarianism

Utilitarianism is a normative ethical theory that places the locus of right and wrong solely on the outcomes (consequences) of choosing one action/policy over other actions/policies. As such, it moves beyond the scope of one's own interests and takes into account the interests of others.

Rule Utilitarianism

Rule Utilitarianism is a type of utilitarianism that says rightness of a rule is true and when followed, it is determined by the level of good that is brought out of it as actions are only moral when they are in line with the rules that lead to the greatest good with it. It is used to determine the correctness of an action by use of different methods. Utilitarianism also refers to the moral worth of how one acts or the action performed is determined by the final outcome.

**Bentham's Principle of Utility:**

- (1) recognizes the fundamental role of pain and pleasure in human life,
- (2) Approves or disapproves of an action on the basis of the amount of pain or pleasure brought about i.e, consequences,
- (3) Equates good with pleasure and evil with pain, and
- (4) Asserts that pleasure and pain are capable of quantification (and hence 'measure').

In measuring pleasure and pain, Bentham introduces the following criteria: INTENSITY, DURATION, CERTAINTY (or UNCERTAINTY), and its NEARNESS (or FARNNESS). He also includes its "fruitfulness" and its "purity". In considering actions that affect numbers of people, we must also account for its EXTENT.

John Stuart Mill adjusted the more pleasure-seeking tendencies in Bentham's philosophy by emphasizing

- (1) It is not the quantity of pleasure, but the quality of happiness that is central to utilitarianism,
- (2) The calculus is unreasonable -- qualities cannot be quantified (there is a distinction between 'higher' and 'lower' pleasures), and
- (3) Utilitarianism refers to "the Greatest Happiness Principle" -- it seeks to promote the capability of achieving happiness (higher pleasures) for the most amounts of people (this is its "extent").

**Example: airlines industry**

We all know that business class passengers pay a premium price to get all the luxuries of that class that the airline offers. Now, if you know the huge difference between the price of an economy class ticket and a business class ticket, do you think that the extra amenities that are being offered to the business class travelers, traveling for the same amount of time as the economy class, really worth the very high price? Now, once you come to investigate deeper into this, you'll realize that the premium price charged from the business class travelers - the ones who can easily afford it - are actually used to ease out the burden of deficit that the airline would have to bear if it is to allow the economy class passengers the opportunity for air travel at a lower price. The principle also plays in case of discriminatory pricing strategies of companies when pricing products for different customer segments having different income levels.

**Bombing of Hiroshima and Nagasaki**

How can the inhumane homicide of thousands of people be justified as anything even distantly resembling morality? This is the opinion that the majority of us, who know how (during World War 2) the atomic bombs dropped upon these two Japanese towns nearly wiped out their entire populations, maintain. It was an utterly unnecessary action. However, a few people who were aware that the Japanese were in the process of developing atomic arms themselves debate that had the United States not undertaken this brutal but intervening action, many more nations could have been wiped out in Japan's quest for world dominion. Again, I would like to remind the that this is not my personal opinion, but rather a compilation of what an influential minority forwarded as a justification for the bombings.

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**Deontological theories:**

Deontological theories are defined as focusing on the rights of all individuals and the intentions of the person performing the action. Deontological theories differ quite a bit from utilitarian views on ethics and would not allow the harming of some individuals in order to help other individuals. To the deontologist each person must be treated with the same level of respect and no one should be treated as a means to an end.

Deontology suggests that the principles of ethics are permanent and unchanging and that the obligation to following these principles is at the heart of ethical behavior. Many deontologists believe that the rights of an individual are grounded in what they call, "natural law". Deontology is the product of Immanuel Kant, a German philosopher.

In a short definition, Deontology is the ethical theory that is concerned with duties and rights. In business, employees who showcase a duty based, or deontological based, ethic usually justify their actions and behaviors in terms of honoring company policy or in terms of satisfying their customers.

An employee, who feels very strongly and follows a duty based ethic, usually comes off as an "inside the box" thinker. This employee will do what his boss told him to do, because he is required to honor his boss's directions. Even if the employee recognizes that the boss's commands are irrational or counterproductive, he will still obey. He will also be aware and conscientious about details, usually following a strict or pre set procedure through to completion without finding and taking shortcuts, because he believes that is what the company expects of him.

**Example :**

We should consider an accounts payable clerk this person is responsible for reviewing invoices and financial reports, such as expense reports, to ensure that they follow and conform to policy and then issuing prompt payment. If the company policy required original receipts to justify the items on the expense report, and the employee submitted only photocopies, a clerk with a deontological ethic may decline the report and require the originals to be re submitted. This clerk behaves in this manner because he believes that he has a duty to follow the full and literal policy that the employer has provided to him. He follows this ethic whether the need for originals instead of copies made any difference in the end results. This accounts payable clerk could have saved the company from paying out more than was necessary thus saving the company money.

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**Applying virtue ethics to business**

There are two basic approaches to integrating ethics in business: the action-based approach, and the agent-based approach. The traditional approach is an action-based in that it focuses on developing rules or guidelines to constrain management's actions. These rules or guidelines generally manifest themselves in corporate codes-of-conduct, or codes-of-ethics.

Agent-based approaches generally derive their philosophical foundation from virtue-ethics theory. This theory is attracting increasing interest from business ethicists. In essence, the 'virtue' in virtue-ethics is defined as some desirable character trait, such as courage, that lies between two extremes, such as carelessness and weakness.

Thus the 'virtuous' agent is involved in a continual quest to find balance in decision-making. Such an agent does not apply any specific 'rules' in making decisions, but rather attempts to make decisions that are consistent with the pursuit of a particular kind of excellence that in turn entails exercising sound moral judgment guided by such 'virtues' as courage, wisdom, temperance, fairness, integrity, and consistency.

For **example**, a financial accountant may be able to enhance her company's reported results of operations by crafting a sale-rent back arrangement whereby some of the company's assets are sold, a gain is recorded, all the appropriate accounting pronouncements are adhered to, and the company still has use of its assets. The intent of the transaction was never to rid the company of unwanted assets, but rather to record a gain and thus possibly avoid breaching debt-covenant agreements or get around regulatory requirements.

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Q.5 outline the concepts given by all the philosophers-

- a. utilitarianism
- b. rule utilitarianism
- c. distributive justice
- d. ethics of caring and
- e. ethics of virtue

**Utilitarianism** is a normative ethical theory that places the locus of right and wrong solely on the outcomes (consequences) of choosing one action/policy over other actions/policies. As such, it moves beyond the scope of one's own interests and takes into account the interests of others.

## **2- Bring out the similarity between the ethics of "Nishkam Karma" as brought out in the Bhagawat gita and Immanuel Kant's ethics of "duty for the sake of duty"**

Nishkam Karma - self-less or desire less action is an action performed without any expectation of fruits or results. Ex – 1) Children's are taken care by their parents. 2) Stepping beyond personal goals and agenda while pursuing any action over greater good (APJ Abdul Kalam)

Nishkam Karma is a central theme in the Bhagavad Gita. An important philosophical concept in Karma yoga, it means to act unselfishly, or without personal gain in mind.

When acting out of Nishkam Karma, an individual is acting without any expectation that good will be returned to him/her. In Sanskrit, nishkam means "action without motive," "work without desire" or "desire-less."

In Karma yoga philosophy, there are two central concepts: Sakam Karma and Nishkam Karma. Sakam Karma is to take action under self-centered motivations with the goal of being thanked or receiving goodness in return. Nishkam Karma is the opposite of Sakam Karma and is considered to be selfless action without even the subtle internal hope for a "thank you" or goodness returned.

Ultimately, Nishkam Karma is considered non-attachment to the result of personal actions in life, but with selfless and loving motives. The karmic concept centers on whatever actions a yogi makes within the world for the sake of others and not for self-benefit.

Immanuel Kant's ethics of "duty for the sake of duty" – duty is what a person is obligated or required to do. Ex - Soldiers are supposed to think of their duty to their unit, to their commanders, to their "mission", to their country, to their flag and nothing else. This understanding of duty makes them fearless and killing machines without guilt consciousness.

"duty is what a person is obligated or required to do. Duties can be moral, legal, parental, occupational, professional, etc., all depending on their foundations or grounds. Because a duty can have several grounds, it can be, say, both moral and legal, though it need not be of more than one type." In this sense, duties are often what we have in consequence of some role we play in a social institution, arrangement, or relationship.

For Kant, an action fulfilling an ethical duty has greater moral merit if it is performed from duty, but the incentive from which we perform a right action makes no difference to its juridical rightness. Under human conditions, where we have to struggle against unruly impulses, inclinations and desires, a good will is manifested in acting for the sake of duty.

For Kant, all ethical duties are grounded on ends that is why his theory of ethical duties is entirely teleological.

**3- A speedy, fair and efficient "criminal justice system" together with an efficient legal system for "engrossment of contracts" is a pre-requisite for Business Organizations to function ethically. Examine and elaborate with examples.**

Will be uploaded soon



**Q4. List the unwelcome acts or behavior which constitutes Sexual harassment as defined in the sexual harassment of women at workplace (prevention prohibition and redressal act 2013. Briefly describe the procedure prescribed in the said Act for dealing with complaints of sexual Harassment**

The **Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013** is a legislative act in India that seeks to protect women from sexual harassment at their place of work

The Act will ensure that women are protected against sexual harassment at all the work places, be it in public or private. This will contribute to realization of their right to gender equality, life and liberty and equality in working conditions everywhere. The sense of security at the workplace will improve women's participation in work, resulting in their economic empowerment and inclusive growth.

“Sexual Harassment” includes anyone or more of the following unwelcome acts or behavior (whether directly or by implication), namely:

1. Physical contact or advances;
2. A demand or request for sexual favours;
3. Making sexually coloured remarks;
4. Showing pornography;
5. Any other unwelcome physical, verbal or non-verbal conduct of a sexual nature

Very often situations that start off innocently end up in inappropriate and unprofessional behaviors. It is important to remember that workplace sexual harassment is sexual, unwelcome and the experience is subjective. It is the impact and not the intent that matters and it almost always occurs in a matrix of power. It is possible that a woman may experience a single instance of sexual harassment or a series of incidents over a period of time. It is important also to remember that each case is unique and should be examined in its own context and according to the surrounding circumstances as a whole. The following table highlights the subjective

nature of the experience and the impact it may have on the person involved, irrespective of the intent of such behavior. To enable prevention of sexual harassment at the workplace, it is critical to recognize and differentiate between welcome and unwelcome sexual behavior. Listed are some examples of how “unwelcome” and “welcome” behavior is experienced.

### **THE FIRST STEP TO PREVENTION IS: RECOGNITION**

Workplace Sexual Harassment is behavior that is **UNWELCOME SEXUAL** in nature  
A **SUBJECTIVE** experience **IMPACT** not intent is what matters Often occurs in a matrix of **POWER**

#### **Some examples of behavior that constitute sexual harassment at the workplace:**

1. Making sexually suggestive remarks or innuendos.
2. Serious or repeated offensive remarks, such as teasing related to a person's body or appearance.
3. Offensive comments or jokes.
4. Inappropriate questions, suggestions or remarks about a person's sex life.
5. Displaying sexist or other offensive pictures, posters, mms, sms, whats app, or e-mails.
6. Intimidation, threats, blackmail around sexual favours.
7. Threats, intimidation or retaliation against an employee who speaks up about unwelcome behavior with sexual overtones.
8. Unwelcome social invitations, with sexual overtones commonly understood as flirting.
9. Unwelcome sexual advances which may or may not be accompanied by promises or threats, explicit or implicit.
10. Physical contact such as touching or pinching.
11. Caressing, kissing or fondling someone against her will (could be considered assault).
12. Invasion of personal space (getting too close for no reason, brushing against or cornering someone).
13. Persistently asking someone out, despite being turned down.
14. Stalking an individual.

15. Abuse of authority or power to threaten a person's job or undermine her performance against sexual favours.
16. Falsely accusing and undermining a person behind closed doors for sexual favours.
17. Controlling a person's reputation by rumor-mongering about her private life.

**To effectively address workplace sexual harassment complaints, a Complaints Committees must first be aware of their key responsibilities, some of which are highlighted below:**

1. Be thoroughly prepared
2. Know the Act, Policy and/or relevant Service Rules
3. Gather and record all relevant information
4. Determine the main issues in the complaint
5. Prepare relevant interview questions
6. Conduct necessary interviews
7. Ensure parties are made aware of the process and their rights/responsibilities within it
8. Analyze information gathered
9. Prepare the report with findings/recommendations

Dealing with workplace sexual harassment complaints is often complex. Hence Complaints Committee/s must possess critical skills/capacity to effectively carry out their role. That includes a sound grasp of the Act, Vishaka Guidelines, applicable Service Rules, relevant laws and an understanding of workplace sexual harassment and related issues. Complaints Committee skills must include an ability to synthesize information i.e. relevant documents, the law and interviews. They should also be able to communicate effectively, write clearly, listen actively and conduct interviews. They should be competent at showing empathy, being impartial and being thorough. They should be able to identify sexual harassment and its impact.

A Complaints Committee/s is required to be trained in both **skill** and **capacity** to carry out a fair and informed inquiry into a complaint of workplace sexual harassment. An absence of such training will lead to unequal and unfair results, which can cost employers, employees, complainants as well as respondents.

#### **DO'S AND DON'TS FOR COMPLAINTS COMMITTEE**

##### **DO'S**

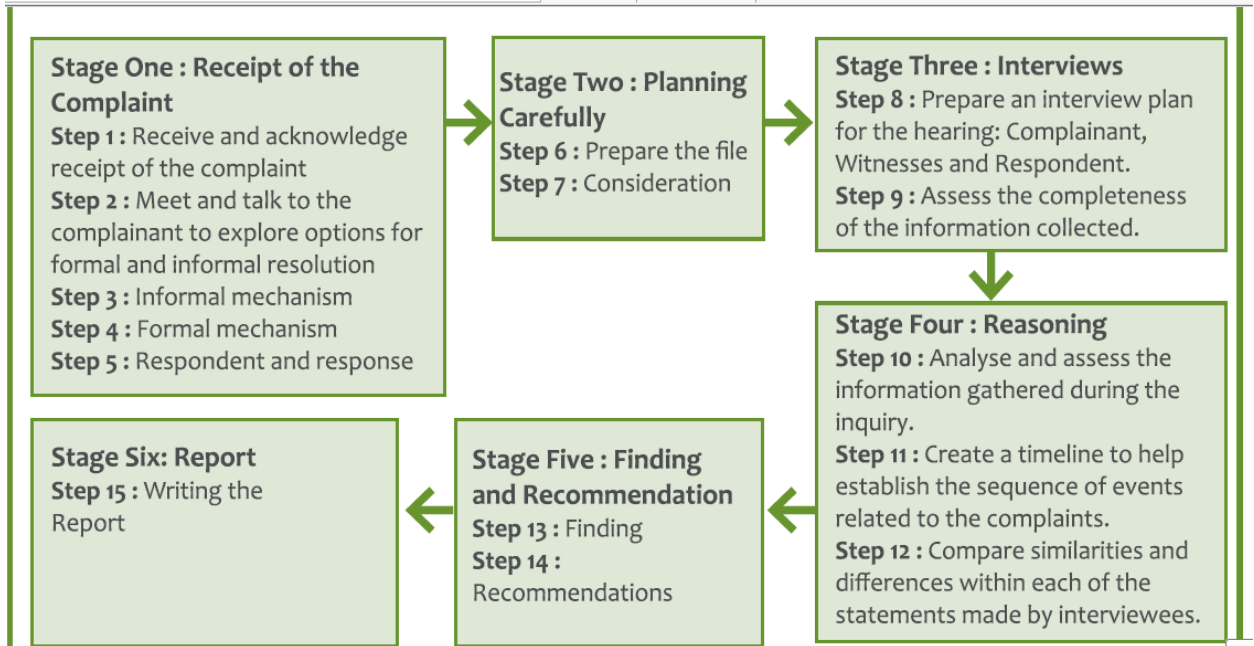
1. Create an enabling meeting environment.
2. Use body language that communicates complete attention to the parties.
3. Treat the complainant with respect.
4. Discard pre-determined ideas.
5. Determine the harm.

##### **DON'TS**

1. Get aggressive.
2. Insist on a graphic description of the sexual harassment.
3. Interrupt.
4. Discuss the complaint in the presence of the complainant or the respondent.

#### **THE SEXUAL HARASSMENT COMPLAINT PROCESS**

The Complaints Committee/s needs to have information on the six stages (including fifteen steps), detailed below, for addressing a complaint of workplace sexual harassment



**Q. 5. Write a short Essay on “Trusteeship, Mahatma Gandhi and Business in the 21<sup>st</sup> Century**

**Trusteeship** is a socio-economic philosophy that was propounded by Mahatma Gandhi . It provides a means by which the wealthy people would be the trustees of trusts that looked after the welfare of the people in general. This concept was condemned by socialists as being in favor of the landlords, feudal princes and the capitalists, opposed to socialist theories.

Gandhi believed that the rich people could be persuaded to part with their wealth to help the poor. Putting it in Gandhiji's words "Supposing I have come by a fair amount of wealth – either by way of legacy, or by means of trade and industry – I must know that all that wealth does not belong to me; what belongs to me is the right to an honorable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community." **Gandhiji** along with his followers, after their release from the prison formulated a "simple" and a "practical" formula where Trusteeship was explained

Trusteeship, as applicable to the corporate world, refers to the act of holding and managing resources on behalf of the stakeholders of the firm. “What’s new about that”, one may query. Given that the traditional take on wealth has almost always been tilted towards owners of corporations, this concept brings in an element of equity, by placing other stakeholders such as employees, customers and society on the same rung as large and small shareholders. The idea is that all wealth, including human, financial and technological resources, belongs to society and the rewards accruing from their use must revert to society at large. The principles of trusteeship can be traced to the concept of collective endeavor and community living. Briefly, these are: Resources must be held and utilized for the benefit of society. Managers are the trustees of the stakeholders and must work towards optimizing stakeholder value, *not merely maximizing shareholder value*. The small investor has as much a say in decisions as the large investor. Thus, the overall approach is towards the macro and the long-term perspective, rather than the short-term, micro perspective which is often geared exclusively to suit the shareholder and top management. At first sight, this seemingly idealistic concept invariably raises a few protests. “The owner/s must be rewarded for bearing risks and supplying expertise”: Definitely. But the reward must be in proportion to the skills and expertise supplied. The increasing instances of ethical transgressions on the part of leaders and CEOs indicates the need for better balance in the risk-reward relationship. The Enron fiasco and the sale of shares worth over \$70m by erstwhile chief Rebecca Mark, a few months before its bankruptcy, is a case in point. “Corporations exist for profits”: They exist to fulfil the needs

of society and in the process, generate profits. Moreover, even if profits were to be the only determinant of policies, trusteeship would still score over inequitable sharing of wealth, since better wealth management automatically leads to more lasting and stable equations with stakeholders. This, in turn, leads to higher profits, goodwill and trust. “Trusteeship might lead to a disincentive for efficiency and efforts”: When individual and group efforts are correctly aligned with social needs, the possibility of de-motivation or deliberate inefficiency does not arise. Conviction in the utility of the concept, coupled with the commitment of top leadership, would ensure efficiency as well as effectiveness.

The TATA group of companies is based around this principle. Trusteeship is the model of responsibility that best describes the group founder – JRD Tata’s view of himself and his role in the world. It was a view that JRD essentially derived from Gandhi. Gandhi talked frequently about the role of business as being that of a trustee or a steward for what you hold. Gandhi’s view of trusteeship was based on the belief that we do not really ‘own’ our wealth but are only trustees of it, meaning that we have to administer our wealth for the benefit and betterment of the community. In the trusteeship model, wealth does not automatically go to the family members but only to those who can function as its trustees. Thus, this idea

of trusteeship challenged the fundamental principles of a capitalist society. JRD adopted this framework any implemented it in a practical way within the TATA ethos.

**Some of the key tenets of trusteeship that I believe are applicable today are:**

Surplus Wealth needs to be kept in trust for the common good and the welfare of others.

To fully adapt the concept of trusteeship a non violent approach needs to be adopted.

Everything that we do must be economically viable as well as ethical at the same time making sure that we build sustainable livelihoods for all.

Economic equality through trusteeship will thus ensure an equitable distribution of wealth amongst all.

Absolute trusteeship is unattainable – but if people behave as trustees then we can develop institutions that are economically viable yet benign.

If we examine the role of business in this context and apply the principles of Trusteeship to todays corporations we can devise a new way of integrating social responsibility within the DNA of the business. This will ensure that our companies no longer need to set up CSR departments to showcase our efforts, instead CSR will be built into everything we do.

The Gandhian perspective is more relevant today that it was ever before. Gandhi wanted to ensure distributive justice by ensuring that business acts as a trustee to it's many stakeholders and specified that economic activities cannot be separated from other activities. Economics is part of the way of life which is related to collective values.

Gandhi says 'true economics stands for social justice, it promotes the good of all equally including the weakest and is indispensable for a decent life'. This has implications at the macro economic level as well as at the micro level, as it talks of equitable distribution of wealth being a measure of success, rather than the current form which as high income disparities. It also builds the case for CSR being embedded within the business values of the private sector as Gandhi clearly states that distribution of wealth is not about charity but about ensuring basic human dignity.

Inherent in this philosophy are entrenched solutions to many of the challenges of the 21st century:

Sustainable consumption – consume what is enough for your needs without doing harm to others.

Utilization of natural resources in a sustainable way – you are a trustee and you need to take care of what has been freely provided by nature.

Dignity of labour and equitable distribution of wealth – wealth alone is not the answer, to feel happy you need to ensure that the people who work for you and society at large is taken care of.

Sustainable livelihoods – and not charity are a key to ensuring human dignity, growth and satisfaction.

So today, while we all agree with the concept of improving stakeholder value, lets redefine value to incorporate much more than profit. It is in this context that the 21st century corporation should see itself.

## **Q. 6 what were Dag Hammarskjöld influences which determined his ethics?**

Hammarskjöld was aware of the dialectics and inter-relationship between peace, security and human rights, as his address to the American Jewish Committee in New York on 10 April 1957 testifies: “We know that the question of peace and the question of human rights are closely related. Without recognition of human rights we shall never have peace, and it is only within the framework of peace that human rights can be fully developed.”

He was also aware that the notion of human rights has an explicit socio-economic dimension, which requires measures to redistribute wealth. He therefore concluded a speech on “Asia, Africa and the West” in 1959, when he addressed students at the very place we are gathered today, the University of Lund, with the words: “We thus live in a world where, no more internationally than nationally, any distinct group can claim superiority in mental gifts and potentialities of development. (...) Those democratic ideals which demand equal opportunities for all should be applied also to peoples and races. (...) no nation or group of nations can base its future on a claim of supremacy.”

For the United Nations he confidently claimed that, “the Organization I represent ... is based on a philosophy of solidarity”.<sup>[9]</sup> His role as the highest international civil servant was guided by values that were permeated by this notion of solidarity, his belief in integrity and the loyalty to humanist ethics. On 26 January 1960, towards the end of his journey through more than twenty countries in Africa, he declared at the second session of the Economic Commission of Africa in Tangier: “Partnership and solidarity are the foundations of the United Nations and it is in order to translate these principles into practical measures of economic cooperation that we are gathered today in this hall.”

Hammarskjöld then reverted to the already quoted speech he had given a few months earlier here, where we are assembled today, when he had reminded his audience that, “nobody should forget that colonization reflected a basic approach which may have been well founded in certain limited respects, but which often mirrored false claims, particularly when it touched on spiritual development. Applied generally, it was untenable.”

He reiterated his conviction in his last address to ECOSOC in 1961, when he linked the principles of national sovereignty in the times dubbed “the winds of change” with the belief that international solidarity and social consciousness have to go hand in hand by “accepting as a basic postulate the existence of a world community for which all nations share a common responsibility (...) to reduce the disparities in levels of living between nations, a responsibility parallel to that accepted earlier for greater economic and social equality within nations.”

Hammarskjöld had formulated his ideals, which as a legacy remain valid until today, only a few months into his office on 14 September 1953 in an address at the American Association for the United Nations: “As individuals and as groups we can put our influence to the best of our understanding and ability on the side of what we believe is right and true. We can help in the movement toward those ends that inspire our lives and are shared by all men of good will – in terms very close to those of the Charter of the United Nations – peace and freedom for all, in a world of equal rights for all.”

On 31 October 1956, during the Suez crisis, Hammarskjöld stated before the Security Council in no uncertain terms that in his view “the discretion and impartiality ... imposed on the Secretary-General ... may not degenerate into a policy of expediency”.<sup>[14]</sup> He reiterated this integrity, which guided his conduct in office, in his introduction to the Annual Report of the UN for 1959-1960: “It is my firm conviction that any result bought at the price of a compromise with the principles and ideals of the Organization, either by yielding to force, by disregard of justice, by neglect of common interests or by contempt for human rights, is bought at too high a price. That is so because a compromise with its principles and purposes weakens the Organization in a way representing a definite loss for the future that cannot be balanced by any immediate advantage achieved.”

Hammarskjöld’s ethics, his concept of solidarity, his sense of fundamental universal values and human rights in combination with his respect for the multitude of identities within the human family, as well as his responsibility as the world’s highest international civil servant to assume global leadership, set

standards that have to this day lost none of their value and relevance. The way he defined and executed both his role as international civil servant, as exemplified in remarkable detail and clarity in his famous Oxford Lecture of 30 May 1961 on “The International Civil Service in Law and in Fact as well as how he combined his ethos with his duties was practical international solidarity guided by a loyalty to fundamental values and principles of a nature we are often missing today. In executing his tasks he all too often faced a mission impossible. Hammarskjöld was aware of these limitations. As he wrote in a letter to his friend Bo Beskow on 27 January 1961: “We are far from a world where even a true national interest leads to the individual subordinating himself, not to mention how far we are from the stage where a question of vital international interest is given superiority over a national one.”[17] Just a few weeks earlier, on occasion of the annual celebration of the Human Rights Day on 10th December 1960, Hammarskjöld contemplated in a short statement the linkage between official policies and individual lack of emancipation, when he reminded his audience: “let us not forget that there is a colonialism of the heart and of the mind, which no political decision can overcome and against which the battle must be waged within ourselves, without any exception.”

As Rowan Williams, the former Anglican Archbishop of Canterbury recently stated: “Hammarskjöld was one of the most significant moral influences in international politics in the decades immediately after the war”, who “almost single-handedly shaped the vision for international co-operation and crisis management that we struggle to realize and, however reluctantly, take for granted across a great deal of the globe. (...) Hammarskjöld ... told us, as loudly and clearly as he could, that the vision of a world in which interests converge was a necessary exercise of the imagination. We need a good many more today to echo him.”

More than half a century after his untimely, violent death, Dag Hammarskjöld’s legacy remains a beacon of hope for those in our world, who believe that the United Nations can contribute to a better life on our planet. Roger Lipsey ends his impressive and pioneering new biography on Hammarskjöld, which reconciles the spiritual dimensions and the love for art and nature with the diplomatic skills and the conduct in the political office the Secretary-General held in such an exemplary way, by a quote from another letter Hammarskjöld wrote on 16 March 1957 to Bo Beskow – the Swedish artist who lived with his family not far away from here in the vicinity of Backåkra, where Hammarskjöld had his summer residence. Reflecting on Hammarskjöld today seems to confirm the optimism expressed then by the Secretary-General, who gave his life during the execution of his duties in office: “I take pride in belonging to the family of grasses, and I remain quite green in spite of a lot of trampling.”

**Q. 7: An organization is as ethical as the top management wants it to be. What is the role of the top management in building and sustaining of an ethical organization? Discuss with examples?**

We all know workplace ethics are a crucial part of employment, and organizations that follow certain business ethics have better chances of survival, compared to those whose only goal is to earn profits, even if they have to make several compromises to achieve their goals.

The recent cases of scandals, frauds, and irregularities in various organizations have led to ethics in the workplace making a strong comeback. While businesses focus on profitability and success, it is imperative to train employees on being ethical. Training in ethics helps build a strong team and fosters professionalism amongst employees, thereby increasing productivity.

Work ethics manifest in invisible employee behavior, noticeable by its absence.

Every organization, irrespective of the industry, has certain guidelines which its employees must adhere to. Some common workplace ethics include:

**Being Punctual:** Arriving to work on time, adhering to lunch and breaks on time, and attending scheduled meetings on time.

**Being Responsible:** Putting up honest efforts at the workplace and utilizing time to complete designated tasks and deadlines instead of personal work.

**Dressing Professionally:** Being well-dressed and adhering to the company's dress code and wearing ID cards.

**Working as One Team:** Working well with others, respecting others, and being a good team player.

**Working with a Positive Attitude:** Being pleasant and polite, and take on difficult tasks with a cheerful attitude.

Employees with strong ethics in their personal and professional life might not need much persuasion, unlike those for whom work ethics is a challenge; but everyone needs to be trained on being ethical at the workplace.



## **The role of the top management in building and sustaining of an ethical organization**

### **Top management commitment**

**Stage 1:** In the creation of an ethical organisation, the leadership is an essential component, seeing as leaders can create, maintain or change environment (Trevino & Nelson, 1995, p. 200). Support for the ethics initiative must be elicited from senior management. They can indicate their commitment by participating in training sessions and including ethics as a regular element in speeches and presentations, as well as ensuring that their behaviour is an example to all employees.

### **Code of ethics**

**Stage 2:** A code of ethics provides guidelines for ethical decision-making. Ethical code as 'statements of the norms and beliefs of an organization with the intention to encourage ways of thinking and patterns of attitude that will lead towards the wanted behaviour'. The code of ethics allows the organization to define its position on being an ethical organization, in order that all employees and stakeholders are clear as to what the organization values. The code of ethics provides advice and guidelines concerning expected employee behavior. A code of ethics is an important method of institutionalizing ethics in an organization. The compiling of the code of ethics can be coordinated by the human resource manager or practitioner. It is imperative that a task team comprising of individuals representing a variety of functions and from different levels of the organization be created in order to assist with the writing and implementing of the code.

When a code of ethics is properly designed and 'managed with integrity as a living, dynamic, cultural guide and discipline there should be no doubt about the moral foundation of the organisation'.

### **Ethics training**

**Stage 3:** Ethics training should be provided to employees in order to expose them to the concept of ethics and to empower them with skills to make ethical decisions. A comprehensive programme of ethics training needs to be designed and implemented in order to create and maintain an ethical organization. Training can include lectures, videos, 'cascade' training which is presented by direct supervisors, web- or computer training, games, quizzes, case studies, role plays and simulations. Consideration must be given to designing specialised training for those individuals who may be confronted by special ethical dilemmas, for example, working in countries where bribery is commonplace. The training department will take responsibility for the coordinating and organising of the ethics training, as they are the specialists in this field.

### **Reward structures**

**Stage 4:** In order to ensure that ethical expectations are understood and followed by organizational members, ethical values and guidelines must be reinforced. Reward systems for employees who contribute to the organisation's ethics goals and objectives must be established. reward systems are the 'single most important formal influence' on employees' behaviour at work. Incentives must be integrated into the performance and compensation system. A percentage of bonuses can be linked to ethical performance. Formal performance appraisals are used to determine and allocate these rewards and to reinforce behaviours consistent with expectations on a regular basis. The appraisals can also communicate and reinforce management's expectations as they relate to the performance of each employee.

With the above interventions established as critical and compulsory interventions the following interventions are considered to be optional. The use of these optional interventions will be dependent on the organisation's size and the resources available to implement each option.

### **Ethics audit**

**Stage 1:** ethics audit be conducted prior to implementing an ethics initiative as one can analyse the organisation's environment in order to determine the current behaviour and operations within the organization. The ethics audit serves the purpose of assessing or evaluating the ethical status and ethical

programmes offered by the organisation. An ethics audit will also highlight certain problem areas that may require special attention from the ethics coordinator. Ethics audits are intended to review 'ethics initiatives such as codes of conduct, hotlines and ethics training programmes' After training, regular evaluations can be conducted to ensure that employees are retaining what they have learnt and transferring it to the workplace. Regular audits of the ethics programme should be completed in order to determine the success of the ethics initiative. Regular audits will also highlight the benefits of the ethics programme to management, thereby ensuring continued resources.

**Q8. What is clause 49 of the listing Agreement issues by SEBI in respect of companies listed in the Stock Exchange? In what way is this expected to improve the quality of Corporate Governance in Indian Companies? (V IMP)**

**Clause 49** of the Listing Agreement to the Indian stock exchange comes into effect from 31 December 2005. It has been formulated for the improvement of corporate governance in all listed companies.

In corporate hierarchy two types of managements are imagined:

- i) companies managed by **Board of Directors**; and
- ii) those by a **Managing Director**, whole-time director or manager subject to the control and guidance of the Board of Directors.

- As per Clause 49, for a company with an Executive **Chairman**, at least 50 per cent of the board should comprise independent directors. In the case of a company with a non-executive Chairman, at least one-third of the board should be independent directors.
- It would be necessary for chief executives and chief financial officers to establish and maintain internal controls and implement remediation and risk mitigation towards deficiencies in internal controls, among others.
- Clause VI (ii) of Clause 49 requires all companies to submit a quarterly compliance report to **stock exchange** in the prescribed form. The clause also requires that there be a separate section on corporate governance in the annual report with a detailed compliance report.
- A company is also required to obtain a certificate either from auditors or practicing company secretaries regarding compliance of conditions as stipulated, and annex the same to the director's report.
- The clause mandates composition of an **audit** committee; one of the directors is required to be "financially literate".
- It is mandatory for all listed companies to comply with the clause by 31 December 2005.

Corporate Governance may be defined as "A set of systems, processes and principles which ensure that a company is governed in the best interest of all stakeholders." It ensures Commitment to values and ethical conduct of business; Transparency in business transactions; Statutory and legal compliance; adequate disclosures and Effective decision-making to achieve corporate objectives. In other words, Corporate Governance is about promoting corporate fairness, transparency and accountability. Good Corporate Governance is simply Good Business.

Clause 49 of the **SEBI** guidelines on Corporate Governance as amended on 29 October 2004 has made major changes in the definition of independent directors, strengthening the responsibilities of audit committees, improving quality of financial disclosures, including those relating to related party transactions and proceeds from public/ rights/ preferential issues, requiring Boards to adopt formal code of conduct, requiring **CEO/CFO** certification of financial statements and for improving disclosures to shareholders. Certain non-mandatory clauses like **whistle blower** policy and restriction of the term of independent directors have also been included.<sup>[1]</sup>

The term 'Clause 49' refers to clause number 49 of the Listing Agreement between a company and the stock exchanges on which it is listed (the Listing Agreement is identical for all Indian stock exchanges, including the **NSE** and **BSE**). This clause is a recent addition to the Listing Agreement and was inserted as late as 2000 consequent to the recommendations of the Kumarmangalam Birla Committee on Corporate Governance constituted by the Securities Exchange Board of India (**SEBI**) in 1999.

Clause 49, when it was first added, was intended to introduce some basic corporate governance practices in Indian companies and brought in a number of key changes in governance and disclosures (many of which we take for granted today). It specified the minimum number of independent directors required on the board of a company. The setting up of an Audit committee, and a Shareholders' Grievance committee, among others, were made mandatory as were the Management's Discussion and Analysis (MD&A) section and the Report on Corporate

Governance in the Annual Report, and disclosures of fees paid to non-executive directors. A limit was placed on the number of committees that a director could serve on.

***What's new in Clause 49?***

The revised Clause 49 has suitably pushed forward the original intent of protecting the interests of investors through enhanced governance practices and disclosures. Five broad themes predominate. The independence criteria for directors have been clarified. The roles and responsibilities of the board have been enhanced. The quality and quantity of disclosures have improved. The roles and responsibilities of the audit committee in all matters relating to internal controls and financial reporting have been consolidated, and the Accountability of top management—specifically the CEO and CFO—has been enhanced.

**9- "Bribery" and "corruption" are clearly unethical practices. In what way has the "Right to Information act 2005" (RTI act) contributed in reducing this. Also briefly describe the work done by Transparency International to fight this.**

Right to Information Act 2005 mandates timely response to citizen requests for government information. It is an initiative taken by Department of Personnel and Training, Ministry of Personnel, Public Grievances and Pensions to provide a- RTI Portal Gateway to the citizens for quick search of information on the details of first Appellate Authorities, PIOs etc. amongst others, besides access to RTI related information / disclosures published on the web by various Public Authorities under the government of India as well as the State Governments.

**Objective of the Right to Information Act :**

The basic object of the Right to Information Act is to empower the citizens, promote transparency and accountability in the working of the Government, contain corruption, and make our democracy work for the people in real sense. It goes without saying that an informed citizen is better equipped to keep necessary vigil on the instruments of governance and make the government more accountable to the governed. The Act is a big step towards making the citizens informed about the activities of the Government.

What rights are available under RTI Act 2005?

1. Right to Information Act 2005 empowers every citizen to . Ask any questions from the Government or seek any information
3. Take copies of any government documents
4. Inspect any government documents.
5. Inspect any Government works
6. Take samples of materials of any Government work

**Unorganized**      **One Nation**      **One RTI**      **Organized**

**Unorganized:**

- Maze of Online, Offline processes
- Different States, Different Systems
- Tremendous physical paper trail
- Manual & Error-prone
- Time consuming, Not Time bound
- Confusion, Rejections, Safety concerns
- Public money and Resources wasted
- Non traceable, Non-Standardized, At mercy

**Organized:**

**Right to Know Right Information Anywhere Anytime Anyone**

- Single online platform
- Single procedure
- Single payment window
- RTI from anywhere
- Electronic tracking and Information sharing
- Efficient use of public money & resources
- Easy analysis, Improved process

Login for action @ <http://ballotboxindia.com/agprofile/Right-to-Information/51859549>      #OneRTI

**Why is it that RTI works when no other law has worked?**

There have been many good laws in this country but none of those laws worked. Why do you think this law would work? This law is already working. This is because for the first time in the history of independent India, there is a law which casts a direct accountability on the officer for non-performance. If concerned officer does not provide information in time, a penalty of Rs 250 per day of delay can be imposed by the Information Commissioner. If the information provided is false, a penalty of a maximum of Rs 25,000/- can be imposed. A penalty can also be imposed for providing incomplete or for rejecting your application for malafide reasons. This fine is deducted from the officer's personal salary.

**Has any penalty been imposed so far?**

Yes, some officers have been penalized by the Central as well as State Information Commissioners.

**Bureaucracy's fears -- can't people blackmail government servants by obtaining information?**

Let us ask ourselves – what does RTI do? It just brings truth in public domain. It does not create any information. It just removes curtains and brings truth in public domain. Is that bad? When can it be misused? Only if an officer has done something wrong and if that information comes out in public. Is it bad that wrongdoings within the Government should become public and be exposed rather than keeping it under wraps. Yes, once such information is obtained by someone, he could go and blackmail that officer. But why do we wish to protect wrong officers. If any officer is blackmailed, he/she has options available under Indian Penal Code to go register an FIR against a blackmailer. Let that officer do that. However, we can even avoid the possibility of any individual officer from being blackmailed by any individual complainant by putting all information, sought by any applicant, on the website. An applicant is able to blackmail an officer only when that applicant is the only person who obtained that information and threatens to make that public. But if all information sought by him were to be put on website, the possibility of blackmail would be substantially reduced.

**The Role of Transparency International to fight back corruption**

**Transparency International e.V. (TI)** is an international non-governmental organization which is based in Berlin, Germany, and was founded in 1993. Its nonprofit purpose is to take action to combat corruption and prevent criminal activities arising from corruption. It publishes for example the Global Corruption Barometer and the Corruption Perceptions Index. Transparency International has the legal status of a German registered voluntary association (*Eingetragener Verein*) and serves as an umbrella organization. Its members have grown from a few individuals to more than 100 national chapters which engage in fighting corruption in their home countries.

Transparency International is the global civil society organization leading the fight against corruption. It brings people together in a powerful worldwide coalition to end the devastating impact of corruption on men, women and children around the world. TI's mission is to create change towards a world free of corruption.

The organization defines corruption as the abuse of entrusted power for private gain which eventually hurts everyone who depends on the integrity of people in a position of authority.

Transparency International does not undertake investigations on single cases of corruption or expose individual cases. It develops tools for fighting corruption and works with other civil society organizations, companies and governments to implement them. Since 1995, Transparency International has issued an annual Corruption Perceptions Index (CPI); it also publishes a Global Corruption Report, a Global Corruption Barometer and a Bribe Payers Index.

**Transparency International India (TII)** is a leading non political, independent, non-governmental anti-corruption organisation of India. TII has extensive expertise and understanding of issues of corruption in India.

From villages in rural India to the corridors of power in Delhi, TII gives voice to the victims and witnesses of corruption. We work in constructive manner in the interest of the country together with Union and State governments, like minded civil society organizations, corporates, academia, media and common

citizens. The main aim is to reduce corruption, bribery, create deterrence for abuse of power, promote good governance and the rule of law .

We raise awareness about corruption; advocate legal and policy reforms at national and state levels; design practical tools for institutions, individuals and companies wishing to combat corruption; and act as a leading centre of anti-corruption expertise in India.

### **Vision**

To create a corruption-free India, so that the poor do not lose their voice to corruption.

### **Mission**

To lead and support a committed effort to improve transparency and accountability by eradicating corruption through widening of knowledge and catalyzing action.

### **Priority Areas**

Good governance, research, capacity building, communication and advocacy, participatory monitoring, engaging with Government, private sector and NGOs

### **State Centres**

State Centres are crucial to Transparency International India for our work at the grassroots. They support us and provide valuable insight into the ground realities for the implementation of our anti corruption efforts.

**10- Define "Corporate Social Responsibility" (CSR). Section 135 and schedule VII of the companies act 2013 as well as the provisions of the companies (Corporate Social Responsibility policy) rule, 2014 have come into effect from April 1, 2014. Briefly describe what this entails, as far as corporates/companies are concerned.**

**Corporate social responsibility**, often abbreviated "CSR," is a **corporation's** initiatives to assess and take **responsibility** for the company's effects on environmental and **social** wellbeing. The term generally applies to efforts that go beyond what may be required by regulators or environmental protection groups.

The Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the [Companies Act 2013](#) as well as the provisions of the [Companies \(Corporate Social Responsibility Policy\) Rules, 2014](#) to come into effect from April 1, 2014.

**Applicability:** Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e. (a) net worth of the company to be Rs 500 crore or more; (b) turnover of the company to be Rs 1000 crore or more; (c) net profit of the company to be Rs 5 crore or more. Further as per the CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India..

The activities that can be undertaken by a company to fulfil its [CSR](#) obligations include eradicating hunger, poverty, promoting preventive healthcare, promoting education and promoting gender equality, setting up homes for women, orphans and the senior citizens, etc.

**CSR Committee and Policy:** Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors. The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company.

**Definition of the term CSR:** The term CSR has been defined under the CSR Rules which includes but is not limited to:

Projects or programs relating to activities specified in the Schedule; or

Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule.

This definition of CSR assumes significance as it allows companies to engage in projects or programs relating to activities enlisted under the Schedule. Flexibility is also permitted to the companies by allowing them to choose their preferred CSR engagements that are in conformity with the CSR policy.

**Activities under CSR:** The activities that can be done by the company to achieve its CSR obligations include eradicating extreme hunger and poverty, promotion of education, promoting gender equality and



empowering women, reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired, immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability, employment enhancing vocational skills, social business projects, contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and such other matters as may be prescribed.

*Local Area:* Under the Companies Act, preference should be given to local areas and the areas where the company operates. Company may also choose to associate with 2 or more companies for fulfilling the CSR activities provided that they are able to report individually. The CSR Committee shall also prepare the CSR Policy in which it includes the projects and programmes which is to be undertaken, prepare a list of projects and programmes which a company plans to undertake during the implementation year and also focus on integrating business models with social and environmental priorities and process in order to create share value.

The company can also make the annual report of CSR activities in which they mention the average net profit for the 3 financial years and also prescribed CSR expenditure but if the company is unable to spend the minimum required expenditure the company has to give the reasons in the Board Report for non compliance so that there are no penal provisions are attracted by it.

### **11- Compare and contrast the Ancient Indian concept of "Varnashrama Dharma" with the English idealist philosopher F.H Bradley's ethical theory, "My station and its duties"**

According to Hindu texts, *Varnashrama-dharma* is not a man-made system but refers to natural classifications that appear to various degrees in all human societies. Individuals have different innate tendencies for work and exhibit a variety of personal qualities. There are also natural phases in life, when it is easier and more rewarding to perform certain activities. Hinduism teaches that individuals best realise their potential by taking into account such natural arrangements, and that society should be structured and organised accordingly.

Each *varna* and *ashram* has its own specified *dharma*. What may be desirable for one section of society may be degrading for another. For example, absolute non-violence, which includes refraining from animal sacrifice, is essential for the priestly class but considered wholly unworthy of a *kshatriya* (warrior). Generating wealth and producing children are essential for householders, but intimate contact with money and women is spiritually suicidal for the renunciate. Underlying all these apparent differences is the common goal of advancing in spiritual life based on *sanatana-dharma*. Without the spiritual equality and sense of service inherent in *sanatanadharm*a, *varnashrama-dharma* tends to degrade into the rigid and exploitative caste system.

- *Varnashrama-dharma* – duties performed according to the system of four *varnas* (social divisions) and four *ashrams* (stages in life).
- Focus is on responsibilities (which naturally fulfil the rights of others).
- Four *varnas* – *brahmanas* (priests, teachers, and intellectuals), *kshatriyas* (police, army, and administration), *vaishyas* (farmers, merchants, and business people), *shudras* (artisans and workers).
- Four *ashrams* – student life, household life, retirement, and renunciation.

**Still need to be completed**

**12- "Power corrupts and absolute power corrupts absolutely" Discuss this proposition attributed to lord acton, with a few examples from contemporary India.**

"Absolute power corrupts absolutely" is the best known quotation of the 19th century British politician Lord Acton. He borrowed the idea from several other writers who had previously expressed the same thought in different words.

Historian Lord Actons warned that power tends to corrupt, and absolute power corrupts absolutely. This particular statement applies to individuals, institutions, and governments and is as applicable today as it was when he said it in 1887 (Aziz, 2011). The word power is often times defined as the possession of control or command over others; authority; ascendancy: power over men's minds (Dictionary.com). Power is that to which leadership necessarily defaults in the absence of being able to contain and process meaning with others and within oneself. Often times when individuals receive power they tend to act on their own selfish needs, and forget about those individuals that they are supposed to help.

In thinking about the quote mentioned earlier, I believe absolute power corrupts absolutely because of all the examples in history and our modern world. This can be seen in Communist countries, African states, and in South America. All communist countries have been affected by corruption in one way or another. Famous examples include the Soviet Union, Cuba, and China. In Africa, corruption and absolute rule is widespread, in places such as Uganda and Sudan. There was also corruption due to the absolute power found in the Renaissance/Colonial times. Today, throughout the world's developing countries, there are many examples of absolute power corrupting absolutely as there was during the Renaissance/Colonial time period.

Absolute power and corruption are common in countries with communist governments. In China, there was Mao Zedong. Mao led a revolution to create a better life for the peasants and strengthen China, but instead killed thousands of Chinese, destroyed much of his peoples' culture, and damaged the economy (Evans, 2011). Mao's desire for control over people, and his acquisition of it hurt China for years to come. Likewise in Cuba, Fidel Castro is the Communist leader. Castro was born into the working-class, and was angered by the lack of social justice and all the corruption in the government. He led a revolution, which he won, and set himself up as dictator. Now Castro restricts freedom of speech and cracks down on any who oppose his rule in order to stay in power (Evans, 2004). Ultimately Fidel Castro became the very thing he despised after gaining power. Similarly in the Soviet Union, Stalin rose to power and killed and deported millions. Stalin was already an immoral person, but used his power as a means to express his corruption. Before Stalin gained power, he didn't have the control over people that is necessary to harm them, so Stalin's power made him even more corrupt.

In Africa, absolute power governments are found in many countries. In Uganda, Idi Amin, born into an African tribe, worked his way up through the British-controlled government and finally lead a revolution. He then proclaimed himself dictator ("president for life"). Amin committed many atrocities. He sponsored death squads to kill his enemies, he ordered the deportation of all Asians and whites, and he supported terrorist groups (Moreell, 2001). In the same way the Sudan government, which had absolute power, killed thousands, committed many human rights violations, and persecuted people base on their race or religion. Sudan was struck by civil war and atrocities (like the Darfur conflict) for decades. Absolute power gives the government the ability to do anything they want for their people, and in this case, what the government does is not for the better. Additionally in Liberia, Charles Taylor was brought to absolute power. He killed and assassinated human rights and political activists and also took part in a recent civil war. The United Nations has charged Taylor with more than 17 counts of war crimes (Evans, 2004).

There was also corruption in the Renaissance and Colonial eras. During the Renaissance, one of the greatest powers in Europe was the Catholic Church. The Church had great power over almost all Europeans, and became corrupt because of it. In ancient times, the Church cared for its followers, but as time passed and its power grew, the Church began to sell indulgences, practice nepotism, and generally

became immoral (Goman, 2004). Before the French Revolution, most European monarchs were corrupt to some extent. They had everything how they wanted it, and did not care for the common people, sending them off to fight wars and slave away on farms for the monarch's profit. All of the wealth they gained just made them want more, and act even crueler to their subjects. Their absolute power led them to exploit their people. One of the greatest rulers of France was Napoleon Bonaparte. He rose to power in the early 1800's, overthrowing the weak French government and proclaiming himself Emperor for life. Napoleon took away many of the people's rights after his rise to power. Napoleon also manipulated European countries against each other in forceful diplomacy, and fought many wars, simply for more land at the expense of his people (Goman, 2004). Napoleon's absolute power made him eager for conquest and control over all Europe.

So why does power corrupt? It corrupts because it gives license to unconsciousness and neglect. It corrupts because it licenses individuals to unilaterally, unreflectively and thus arbitrarily impose their will on others. It licenses individuals to impose their will without having properly engaged and processed through the reality at hand. Power inflates the ego and through it the ego is erroneously led to believe it has the power to make people, ideas and even reality itself disappear without due process. In the big picture nothing is further from the truth. As stated before power corrupts because it gives license to unconsciousness in doing this it not only destroys the growth opportunity of the victim of such imposition, but no less the growth opportunity of the victimizer. Failure to engage another in consciousness, not only does the other individual harm, but it also does serious harm to oneself, for in both cases the precious opportunity to extend consciousness by way of self-organizing nature is altogether lost, corrupted.

In conclusion, I truly believe absolute power corrupts absolutely because of all the examples in history and our modern world. In Communist countries, Stalin, Mao, and Castro killed thousands and restricted human rights to stay in power. In Africa, leaders practiced ethnic cleansing, persecution, and committed wartime atrocities, which wouldn't have been possible without their absolute power. In history, specifically the Renaissance and Colonial eras, absolute power's corruption caused the Church and other European rulers to manipulate their subjects for their own wealth and profit. All in all, the corruption of absolute power has been the downfall of many countries, and has created some of the most terrible events in our history.

**Q.13. critically discuss the view that “Advertising” promotes market Imperfection and is against the interest of consumers. What are the common unethical practices used in Advertising. Explain with examples?**

Advertising is the paid communication of firms and other organizations directed towards consumers and the broad society.

TV and radio spots, billboards, paid spaces in the press and other means are used to vehicle key messages about products, brands, brand values, and identities. The typical expected effects are to raise sales, to maintain them over time, and to improve the general image of the firm.

Advertising follows logically after listening to consumer requirements, introducing productive conditions, distributing the goods. However, the actual sequence - and emphasis deriving from the diverse sub-cultures - can be quite differentiated.

Massive advertising is typical of big oligopolists operating in a large consumer market (e.g. Coca Cola and Pepsi Cola).

Ethics means a set of moral principles which govern a person’s behavior or how the activity is conducted. And advertising means a mode of communication between a seller and a buyer.

**Thus ethics in advertising means a set of well defined principles which govern the ways of communication taking place between the seller and the buyer.** Ethics is the most important feature of the advertising industry. Though there are many benefits of advertising but then there are some points which don’t match the ethical norms of advertising.

**An ethical ad is the one which doesn’t lie, doesn’t make fake or false claims and is in the limit of decency.**

Nowadays, ads are more exaggerated and a lot of puffing is used. It seems like the advertisers lack knowledge of ethical norms and principles. They just don’t understand and are unable to decide what is correct and what is wrong.

The main area of interest for advertisers is to increase their sales, gain more and more customers, and increase the demand for the product by presenting a well decorated, puffed and colorful ad. They claim that their product is the best, having unique qualities than the competitors, more cost effective, and more beneficial. But most of these ads are found to be false, misleading customers and unethical. The best example of these types of ads is the one which shows evening snacks for the kids, they use coloring and gluing to make the product look glossy and attractive to the consumers who are watching the ads on television and convince them to buy the product without giving a second thought.

**Ethics in Advertising is directly related to the purpose of advertising and the nature of advertising.** Sometimes exaggerating the ad becomes necessary to prove the benefit of the product. For e.g. a sanitary napkin ad which shows that when the napkin was dropped in a river by some girls, the napkin soaked whole water of the river. Thus, the purpose of advertising was only to inform women about the product quality. Obviously, every woman knows that this cannot practically happen but the ad was accepted. This doesn’t show that the ad was unethical.

**Ethics also depends on what we believe.** If the advertisers make the ads on the belief that the customers will understand, persuade them to think, and then act on their ads, then this will lead to positive results and the ad may not be called unethical. But at the same time, if advertisers believe that they can fool their customers by showing any impractical things like just clicking fingers will make your home or office fully furnished or just buying a lottery ticket will make you a millionaire, then this is not going to work out for them and will be called as unethical.

Recently, the Vatican issued an article which says ads should follow three moral principles - Truthfulness, Social Responsibility and Upholding Human Dignity.

Generally, big companies never lie as they have to prove their points to various ad regulating bodies. Truth is always said but not completely. Sometimes its better not to reveal the whole truth in the ad but at times truth has to be shown for betterment.

Pharmaceutical Advertising - they help creating awareness, but one catchy point here is that the advertisers show what the medicine can cure but never talk about the side effects of that same thing or the risks involved in intake of it.

Children - children are the major sellers of the ads and the product. They have the power to convince the buyers. But when advertisers are using children in their ad, they should remember not to show them alone doing there work on their own like brushing teeth, playing with toys, or infants holding their own milk bottles as everyone knows that no one will leave their kids unattended while doing all these activities. So showing parents also involved in all activities or things being advertised will be more logical.

Alcohol - till today, there hasn't come any liquor ad which shows anyone drinking the original liquor. They use mineral water and sodas in their advertisements with their brand name. These types of ads are called surrogate ads. These type of ads are totally unethical when liquor ads are totally banned. Even if there are no advertisements for alcohol, people will continue drinking.

Cigarettes and Tobacco - these products should be never advertised as consumption of these things is directly and badly responsible for cancer and other severe health issues. These as are already banned in countries like India, Norway, Thailand, Finland and Singapore.

Ads for social causes - these types of ads are ethical and are accepted by the people. But ads like condoms and contraceptive pills should be limited, as these are sometimes unethical, and are more likely to loose morality and decency at places where there is no educational knowledge about all these products.

## **10 Examples of Unethical Marketing Practices That Can Destroy your Reputation**

### **1. Making false, exaggerated, or unverified claims**

In a desperate bid to compel potential and existing customers to buy their products or services, some marketers use false statements, exaggerated benefits, or make unverifiable claims about their offers. This is common in the weight loss industry, where marketers convince potential buyers that a particular product can help them shed so-and-so pounds within two weeks without exercise or dieting!

### **2. Distortion of facts to mislead or confuse potential buyers**

This is another common unethical marketing practice. A typical example is when a food processing company claims that its products are sugar-free or calorie-free when indeed they contain sugar or calories. Such a company is only trying to mislead potential buyers, since they are unlikely to buy the products if it is made known that they contain sugar or calories.

### **3. Concealing dark sides or side effects of products or services**

This unethical marketing practice is rife in the natural remedies industry, where most manufacturers deceive potential buyers that their products have no side effects because they are "*made from natural products*". But in reality, most of these products have been found to have side effects, especially when used over a long period. In fact, there's no product without side effects—it's just that the side effects might be unknown. It's better to say, "*There are no known side effects*" than to say "*there are no side effects*".

### **4. Bad-mouthing rival products**

Emphasizing the dark sides of your rival's products in a bid to turn potential customers towards your own products is another common but unethical marketing practice. Rather than resort to this bad strategy, you should emphasize on those aspects that make your offer stand out from the rest of the pack. That's professional and ethical.

## **5. Using women as sex symbols for advertising**

The rate at which even reputable brands are resorting to this unethical marketing practice is quite alarming. If you observe TV, billboard, and magazine adverts, there's something common to most of them; a half-naked lady is used to attract attention to the product or service being advertised. While it might be intuitive to use models in adverts for beauty products and cosmetics, having half-naked models in adverts for generators, heavy machinery, smartphones, and other products not strongly related to women is both nonsensical and unethical.

## **5. Using fear tactics**

This is another common unethical marketing practice among snake oil salespersons. You will hear them saying something like: *"This price is a limited-time offer. If you don't buy now, you might have to pay much more to buy it later because the offer will end up in two days time, and the price will go up."* The only motive behind those statements is to prompt the potential buyer to make a decision on the spot. And that's wrong. *Why subject someone to undue pressure because you want to make money off him or her?*

## **7. Plagiarism of marketing messages**

Though uncommon, some business owners and salespersons engage in using the exact marketing messages of their competitors to market their own products or services. Creativity is a huge part of marketing, and using other businesses' marketing messages just passes you off as being creatively bankrupt and fraudulent.

## **8. Exploitation**

This is charging for much more than the actual value of a product or service. For marketing efforts to remain with ethical limits; the prices of your offers must be equal to or less than the value they give the buyer. If the value is less than the cost, it's unethical.

## **9. Demeaning references to races, age, sex, or religion**

Ethical marketing must be devoid of all forms of discrimination. If your marketing messages contain lines that place people of certain age range, sex, religion, nationality, or race at a higher level than others, then you are crossing the bounds of ethical marketing.

## **10. Spamming**

Spamming is when you send unsolicited emails to potential customers, encouraging them to buy your products or services. This is the commonest unethical marketing practice done online. The number of time you send such emails doesn't matter. Whether you send them once, or on occasions, or frequently, you remain a spammer.

**14- Briefly explain any one of the following scams/frauds that have occurred in India in recent time and the lessons learnt. What needs to be done to prevent such scams in the future.**

Financial Scams have not been uncommon in India. A scam is a means of getting money by deception or in an illicit way with a fake identity or documents. India, has now and then seen many scams in the financial world which has shaken Dalal Street. Some of these have caused a lot of financial distress to the common man.

The Securities Exchange Board of India has been reviving rules and regulation in a aim to plug the loop holes in the securities market. Here are few famous scams from the long list of scams in India till date.

#### **Harshad Mehta Case**

Talking of scams, how can we forget Harshad Mehta. He was known to have fooled many investors by taking advantage of loop holes in the system. This was probably the most publicized scam and came to be know as the Harshad Mehta scam.

Harshad and his associates initiated a securities scam by diverting funds of about Rs 5,000 crore from the banks to stockbrokers between April 1991 to May 1992.

After the scam was exposed, the stock markets crashed and Mehta was arrested and banned from trading in the stock markets.

#### **Ketan Parekh**

Following the footsteps of Mehta, Ketan Parekh had bigger plans. He conned banks and exchanges like the Allahabad Stock Exchange and the Calcutta Stock Exchange, and bought shares in fictitious names to manipulate the share prices in companies.

Ketan was a chartered accountant who used to run a family business, named NH Securities.

#### **Satyam Scam**

India's one of the biggest corporate scandal affecting India-based company Satyam Computer Services in 2009 in which Satyam Company's chairman Ramalinga Raju confessed that he manipulated accounts to show increased sales, profits and margins from 2003 to 2008.

CBI took over the investigation and filed three partial charge sheets over the course of the year. It later merged those three partial charge sheets into a single charge sheet.

On April 9, 2015, B. Ramalinga Raju, along with 9 others were pronounced guilty in the Satyam Scam.

#### **Roop Bhansali scam**

CRB was once a top-notch investment banking firm, started by C R Bhansali. Roop Bhansali, through mutual funds, fixed deposits and debentures collected money from investors.

With the help of non-existent companies he is raised money and transferred to his other shell companies or others who invested with him.

#### **Subrata Roy**

Subrata Roy case is also called Sahara India Pariwar investor fraud case. In this case Subrata Roy, the chairman of the Sahara India failed to return Rs 24,000 crore plus interests to its investors as directed by the Supreme Court of India.

Eventually, he was arrested by Uttar Pradesh police on a Supreme Court warrant. Then Supreme court of India granted interim bail on condition that he should deposit Rs 10,000 crore with Securities and Exchange Board of India(SEBI). Subrata was eventually taken into judicial custody and sent to Tihar jail,



along with two other Sahara directors, for failing to deposit Rs 10,000 crore to SEBI as per Supreme court of India orders.

He got released on parole in May 2016 to attend the last rites of his deceased mother then the parole got extended.

### **NSEL Scam**

Money from investors were siphoned off as the most of the underlying commodities did not exist and the buying and the selling of commodities was being only conducted only on paper.

Investors were attracted by offering fixed returns on paired contracts in commodities. And it was lately, found out the stocks were missing.

The NSEL is a company promoted by Financial Technologies India Ltd and the NAFE. Jignesh Shah along with Shreekant Javalkar were accused of the scam.

### **TO Prevent Scams, take the following actions**

Modern scams are sophisticated and not intuitive nor easy for the lay person or indeed large sections of media to understand.

The large amount of money involved create a situation where there is a regular and constant attempt by smart/shrewd entrepreneurs and businessmen with the help of lawyers/lobbyists/crooked politicians and bureaucrats to rig the system and invariably win through contracts and concessions. Modern scams are victimless in that the victims are not obvious.

The victims of these crimes are the taxpayers and citizens of the country to whom this money and assets belong.

The only permanent way for us to stop scams is to work on both prevention and deterrence.

### **5-point plant**

- 1.** Increase disclosure requirements by the government on all contracts, PPPs and concessions involving public money or assets.
- 2.** Improve the effectiveness of parliamentary oversight on government and executive by making parliamentary committees stronger as well as more transparent to the public.
- 3.** Create deterrents by creating fast track prosecution for white collar crimes.
- 4.** This may require complete overhaul and changes in our criminal justice system that is still designed around petty crime and criminals and is totally ineffective in dealing with sophisticated financial crimes of the day.
- 5.** Media has played an important role in curving a public opinion, and that is why the nation as a whole is angry and engaged on this issue.

A permanent solution, thus, to such scams and corruption is alert citizen and conscientious media.

### **10 things that can ensure prevention of such scams in future:**

- 1.** Create a new regime of mandatory disclosures by the government and its agencies for all contracts involving taxpayer money and/or assets
- 2.** The government must have outside legal and advisory help while negotiating contracts and not rely only on bureaucrats.
- 3.** The government must ensure that our Criminal Penal code has amendments to deal with and enable rapid prosecution of white collar crimes and scams.
- 4.** Remove Section 311 that requires prior sanction from the government to prosecute its officers.
- 5.** Make Parliamentary oversight of the government more effective and more institutionalised. Make such oversights transparent and available to media and citizens.

For example, the proceedings of the parliamentary committees should be made available to the media and public as transcripts.

- 6.** Ensure that government policy is always about the public and not about private and personal interests.
- 7.** Legislation must be initiated to regulate lobbyists and business chambers, to prevent advocacy changing to corruption and to protect against policy capture instead of policy advocacy.
- 8.** Ensure government policies are not always bombastic rhetoric and full of loopholes for exploitation. This will minimise administrative/political discretion.
- 9.** Create a new cadre of independent regulators, backed by parliamentary statutes that oversees most of these sectors.

For example, bureaucrats must be chosen as regulators only in exceptional cases of high integrity and capability. Such Independent Regulators must also have oversight on them to ensure that there is no regulatory capture.

- 10.** Lastly and most importantly both media and the general public must create an awareness that the government is a trustee of public money and assets and the people are the real owners.

If trustees violate the trust, people should not sleep, but must react.

**15- "Climate change is the greatest challenge of our time. It is indeed an ethical issue. An approach that focuses entirely on ethics is hindered by the difficulty that no decisive and collective action is guaranteed by a transformation of individual ethical values" - Discuss.**

In recent decades, scientific and technological discoveries have rapidly accelerated the dissolution of the traditional obstacles that long separated the nations and peoples of the world. At the same time, with the erosion of cultural barriers, society is undergoing a spiritual transition. The impact of improved educational standards and information technologies is increasing global awareness, and the fundamental unity of the human race is becoming increasingly apparent.

**<http://www.bahai.org/documents/essays/dahl-dr-arthur/climate-change-ethical-challenges>  
for details**

## Q 22. List out the Evolutionary Theories of Ethics and discuss any one of them?

Ethical theory serves as the foundation for ethical solutions to the difficult situations people encounter in life. In fact, for centuries, philosophers have come up with theoretical ways of telling right from wrong and for giving guidelines about how to live and act ethically. Here are a few ethical theories to whet your appetite:

- **Virtue ethics** states that character matters above all else. Living an ethical life, or acting rightly, requires developing and demonstrating the virtues of courage, compassion, wisdom, and temperance. It also requires the avoidance of vices like greed, jealousy, and selfishness.
- **Utilitarianism** holds that the amount of happiness and suffering created by a person's actions is what really matters. Thus, acting rightly involves maximizing the amount of happiness and minimizing the amount of suffering around you. Sometimes you may even need to break some of the traditional moral rules to achieve such an outcome.
- **Kantianism** emphasizes the principles behind actions rather than an action's results. Acting rightly thus requires being motivated by proper universal principles that treat everyone with respect. When you're motivated by the right principles, you overcome your animal instincts and act ethically.
- **Contract theory** proposes thinking about ethics in terms of agreements between people. Doing the right thing means abiding by the agreements that the members of a rational society would choose. So for contract theorists, ethics isn't necessarily about character, consequences, or principles.
- **Care ethics** focuses ethical attention on relationships before other factors. As a result, acting rightly involves building, strengthening, and maintaining strong relationships. Acting rightly thus displays care for others and for the relationships of which they are a part. To care ethicists, relationships are fundamental to ethical thinking.

### THEORIES OF ETHICS

**Ethics is a branch of philosophy that, at its core, seeks to understand and to determine how human actions can be judged as right or wrong. We may make ethical judgments, for example, based upon our own experience or based upon the nature of or principles of reason. Those who study ethics believe that ethical decision making is based upon theory and that these theories can be classified. What follows is a very brief description of four classes of ethical theories (See Garrett, Baillie, & Garrett, 2001):**

1. *Consequentialism*
2. *Kantian Deontologism*
3. *Natural Law*
4. *Virtue Ethics*

#### **Consequentialism**

Ethical theories that fall under the classification of consequentialism posit that the rightness or wrongness of any action must be viewed in terms of the consequences that the action produces. In other words, the consequences are generally viewed according to the extent that they serve some intrinsic good. The most common form of consequentialism is utilitarianism (social consequentialism) which proposes that one should act in such a way to produce the greatest good for the greatest number.

#### **Kantian Deontologism**

Deontologism is a position based, predominately, on the work of Immanuel Kant. Most simply, deontologism suggests that an act must be performed because the act in some way is characterized by universality (i.e. appropriate for everyone) or that it conforms with moral law (formal rules used for judging the rightness or wrongness of an act). According to this theoretical position, the rightness or wrongness of some acts are independent of the consequences that it produces and the act may be good or evil in and of itself.

### **Natural Law**

This theoretical position suggests that one may, through rational reflection on nature (especially human nature), discover principles of good and bad that can guide our actions in such a way that we will move toward human fulfillment or flourishing. This position suggests that human beings have the capacity within themselves for actualizing their potential.

### **Virtue Ethics**

Virtue ethics consists of two differing approaches to ethics and can, therefore, be confusing to understand. Very briefly, the first approach to ethics in this theoretical orientation proposes that there are certain dispositional character traits (virtues) that are appropriate and praiseworthy in general and or in a particular role. More formally, virtue ethics represents a "systematic formulation of the traits of character that make human behavior praiseworthy or blameworthy"

The second approach to virtue ethics not only identifies the virtues, but focuses on their integration into what can be described as "practical wisdom" or "right reason." Practical wisdom is the phrase used to describe ones ability to choose patterns of actions that are desirable. These patterns of actions are informed by reasoning that is, in part, influenced by habits of emotional experience or virtues (Baillie, 1988), but also by the depth and breath of experience available to the human being as he or she is placed in society. In the next section of this module you will have the opportunity to see the definitions of ethical principles. As you read the definitions, think about how the ethical theories that you have just studied are embedded within these principles.

**Q. 30: Define CYBERETHICS. List out some of the issues that need to be considered while framing a Code of Ethics for the use of computers and the internet?**

**Cyberethics** is the philosophic study of ethics pertaining to computers, encompassing user behavior and what computers are programmed to do, and how this affects individuals and society. For years, various governments have enacted regulations while organizations have defined policies about cyberethics. Cyber ethics refers to the code of responsible behaviour on the Internet. Just as we are taught to act responsibly in everyday life, with lessons such as “Don’t take what doesn’t belong to you,” and “Do not harm others,” -- we must act responsibly in the cyber world as well.

There are many unique challenges we face in this age of information. They stem from the nature of information itself. Information is the means through which the minds expands and increases its capacity to achieve its goals, often as the result of an input from another mind. Thus, information forms the intellectual capital from which human beings craft their lives and secure dignity.

However, the building of intellectual capital is vulnerable in many ways. For example, people's intellectual capital is impaired whenever they lose their personal information without being compensated for it, when they are precluded access to information which is of value to them, when they have revealed information they hold intimate, or when they find out that the information upon which their living depends is in error. The social contract among people in the information age must deal with these threats to human dignity. The ethical issues involved are many and varied, however, it is helpful to focus on just four. These may be summarized by means of an acronym -- **PAPA**.

**Privacy:** What information about one's self or one's associations must a person reveal to others, under what conditions and with what safeguards? What things can people keep to themselves and not be forced to reveal to others?

**Accuracy:** Who is responsible for the authenticity, fidelity and accuracy of information? Similarly, who is to be held accountable for errors in information and how is the injured party to be made whole?

**Property:** Who owns information? What are the just and fair prices for its exchange? Who owns the channels, especially the airways, through which information is transmitted? How should access to this scarce resource be allocated?

**Accessibility:** What information does a person or an organization have a right or a privilege to obtain, under what conditions and with what safeguards?

**Codes of ethics in computing**

Four notable examples of ethics codes for IT professionals are listed below:

**RFC 1087**

In January 1989, the Internet Architecture Board (IAB) in RFC 1087 defines an activity as unethical and unacceptable if it:

1. Seeks to gain unauthorized access to the resources of the Internet.
2. Disrupts the intended use of the Internet.
3. Wastes resources (people, capacity, computer) through such actions.
4. Destroys the integrity of computer-based information, or
5. Compromises the privacy of users.<sup>[16]</sup>

**The Code of Fair Information Practices**

The Code of Fair Information Practices<sup>[17]</sup> is based on five principles outlining the requirements for records keeping systems. This requirement was implemented in 1973 by the U.S. Department of Health, Education and Welfare.

1. There must be no personal data record-keeping systems whose very existence is secret.
2. There must be a way for a person to find out what information about the person is in a record and how it is used.
3. There must be a way for a person to prevent information about the person that was obtained for one purpose from being used or made available for other purposes without the person's consent.
4. There must be a way for a person to correct or amend a record of identifiable information about the person.
5. Any organization creating, maintaining, using, or disseminating records of identifiable personal data must assure the reliability of the data for their intended use and must take precautions to prevent misuses of the data.<sup>[18]</sup>

### **Ten Commandments of Computer Ethics**

The ethical values as defined in 1992 by the Computer Ethics Institute; a nonprofit organization whose mission is to advance technology by ethical means, lists these rules as a guide to computer ethics:

1. Thou shalt not use a computer to harm other people.
2. Thou shalt not interfere with other people's computer work.
3. Thou shalt not snoop around in other people's computer files.
4. Thou shalt not use a computer to steal.
5. Thou shalt not use a computer to bear false witness.
6. Thou shalt not copy or use proprietary software for which you have not paid.
7. Thou shalt not use other people's computer resources without authorization or proper compensation.
8. Thou shalt not appropriate other people's intellectual output.
9. Thou shalt think about the social consequences of the program you are writing or the system you are designing.
10. Thou shalt always use a computer in ways that ensure consideration and respect for your fellow humans.<sup>[19]</sup>

### **(ISC)<sup>2</sup> code of ethics**

(ISC)<sup>2</sup> an organization committed to certification of computer security professional has further defined its own code of ethics generally as:

1. Act honestly, justly, responsibly, and legally, and protecting the commonwealth.
2. Work diligently and provide competent services and advance the security profession.
3. Encourage the growth of research – teach, mentor, and value the certification.
4. Discourage unsafe practices, and preserve and strengthen the integrity of public infrastructures.
5. Observe and abide by all contracts, expressed or implied, and give prudent advice.
6. Avoid any conflict of interest, respect the trust that others put in you, and take on only those jobs you are qualified to perform.
7. Stay current on skills, and do not become involved with activities that could injure the reputation of other security professionals.<sup>†</sup>

## Or

### CODE OF ETHICS

These are statements of behavioural ideals, exhortations, or prohibitions common to a culture, religion, traditional profession, corporations and trade associations. Codes combine philosophical with admonitions to avoid certain illegal actions and espouse certain moral principles, especially those that elevate personal behaviour.

The Ten Commandments is the most well known code of ethics known worldwide. In addition, we have all heard of Code of ethics in the form of Hippocratic Oath that all the Doctors are supposed to take prior to being awarded permission to practice medicine.

### Types of Codes of Ethics

Principle-Based – Designed to enable the employee to make ethical decisions based on appropriate values e.g., “treat people fairly” or “don’t be dishonest”

Policy-Based – Guideline as to how to act in specific ethical dilemma situations (reducing the need for thinking)

- (a) Conflicts of interest
- (b) Disseminating proprietary information
- (c) Receiving and giving political gifts
- (d) Equal opportunities

### Organizational Structures to Promote Ethics

- (a) Ethical Ombudsman – Corporate conscience keeper is appointed who can be reported to for any ethical wrong doing by any employee in the company.
- (b) Ethics Committee – Group appointed to monitor company ethics.
- (c) Ethics Training Programs
- (d) Hot lines- Employees can report questionable behaviour, possible fraud, waste, or abuse ( i.e., Blow the Whistle”) on those numbers.

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**Q 31. In recent past many incidents of cyber-crime have occurred at critical infrastructure facilities around the world some of these are:**

- 1. Stuxnet virus**
- 2. Ukraine grid cyber attack**
- 3. Bangladesh cyber hesit**
- 4. Indian ATM card hack**
- 5. Suck fly**

**What lessons are to be drawn from the above cyber-crimes? What are the challenges in implementations of cyber security for critical infrastructure facilities?**

Cyber crimes are any crimes that involve a computer and a network. In some cases, the computer may have been used in order to commit the crime, and in other cases, the computer may have been the target of the crime.

**1. Stuxnet Virus** - Stuxnet is a malicious computer worm, first identified in 2010, that targets industrial computer systems and was responsible for causing substantial damage to Iran's nuclear program. The software was designed to erase itself in 2012 thus limiting the scope of its effects. The worm is believed by many experts to be a jointly built American-Israeli cyberweapon. although no organization or state has officially admitted responsibility. Anonymous American officials speaking to The Washington Post claimed the worm was developed during the Bush administration to sabotage Iran's nuclear program with what would seem like a long series of unfortunate accidents.

Stuxnet specifically targets programmable logic controllers (PLCs), which allow the automation of electromechanical processes such as those used to control machinery on factory assembly lines, amusement rides, or centrifuges for separating nuclear material. Exploiting four zero-day flaws. Stuxnet functions by targeting machines using the Microsoft Windows operating system and networks, then seeking out Siemens Step7 software.

**2. Ukraine grid Attack :** The December 2015 Ukraine power grid cyber attack took place on 23 December 2015 and is a considered to be the first known successful cyber attack on a power grid. Hackers were able to successfully compromise information systems of three energy distribution companies in Ukraine and temporarily disrupt electricity supply to the end consumers. Most affected were consumers of Ukrainian 30 substations were switched off, about 230 thousand people were left without electricity for a period from 1 to 6 hours.

**3. Bangladesh Bank heist:** In February 2016, instructions to steal US\$951 million from Bangladesh Bank, the central bank of Bangladesh, were issued via the SWIFT network. Five transactions issued by hackers, worth \$101 million and withdrawn from a Bangladesh Bank account at the Federal Reserve Bank of New York, succeeded, with \$20 million traced to Sri Lanka (since recovered) and \$81 million to the Philippines (about \$18 million recovered). The Federal Reserve Bank of NY blocked the remaining thirty transactions, amounting to \$850 million, at the request of Bangladesh Bank. It was identified later that Dridex malware was used for the attack.

**4. Indian ATM Card Hack:** Banks in India will either replace or ask users to change the security codes of as many as 3.2 million debit cards in what's emerging as one of the biggest ever breaches of financial data in India, people aware of the matter said. Several victims have reported unauthorised usage from locations in China.

Of the cards, 2.6 million are said to be on the Visa and Master-Card platform and 600,000 on the RuPay platform. The worst-hit of the card-issuing banks are State Bank of India, HDFC ..

The breach is said to have originated in malware introduced in systems of Hitachi Payment Services, enabling fraudsters to steal information allowing them to steal funds. Hitachi, which provides ATM, point of sale (PoS) and other services.

#### **5. Suck Fly:**

Cybersecurity has become one of the top buzz words in the current century. ICT has made a big impact across all industries and the way of doing business and customers using their services. Globalization and new trade practices have brought in lot of advantages to enterprises and consumers for marketing, selling and utilizing products and services in a seamless manner.

This phenomenon also had brought in some major challenges in terms of security of using those services. Traditional model of purchasing goods by going to shops, showrooms and warehouses had changed now. ICT has transformed the entire spectrum by creating a new world called cyber world where all above stated transaction can be performed by sitting in any corner of the world.

As there is always good & bad in all worlds, cyber world has also evolved with both these sides. Due to this, cybersecurity has become inevitable to enterprises. Along with Information Security, this new baby cybersecurity also got more attention from many forums. There is still a lot of confusion in industrial communities trying to understand the difference between Information Security & Cyber Security.

The process of safeguarding all information assets relating to business formed the core of Information Security. Cybersecurity can be defined as the process of safeguarding all assets which are directly or indirectly exposed to cyber world. This basic understanding should be taken forward by enterprises when they discuss about cybersecurity. This goes on from conceptual understanding and formulating a strategy for cybersecurity. But this will not be cakewalk to enterprises considering the current scenarios on the ground.

Each industry has its own model of business, revenue generation mechanism, business process flows and technology usage. Cybersecurity for enterprises becomes challenging because of these diversity factors. There are lot of challenges in terms of adopting the right & suitable strategy for the business. We will discuss about some of the top five challenges faced by enterprises while trying to implement cybersecurity strategy.

### **Challenge – 1: Industries / Business environment:**

Business environment for each industry is different from each other. Most of them offer products & services which are exposed to internet directly. They also hold critical information about their customers, partners & vendors which has to be safeguarded.

The major challenge in this area is determining adequate security practices in the enterprise & providing support for business objectives. Financial & Retail industries having different models like PCI-DSS while healthcare & automotive will have some other priorities. The highly regulated industries might have already adopted a best in class security practices and finding the best match in terms of strategy remains a greater challenge for all C-Level executives in the enterprises.

### **Challenge – 2: Legal & Regulatory requirements:**

Industries which directly touch heart & soul of mankind are mostly regulated by the sovereign states. This ranges from financial, healthcare, retail, automobile & life sciences. These countries have laid a mandate through various Acts / Legislations to follow security practices & industry best models. It was a common scene in the past decade that most of the western countries were serious about information security, privacy and usage of cyberspace for good purposes.

### **Challenge-3: Enterprise – IT Architecture**

IT systems have transformed over a period of years in enterprises by serving business requirements. It was once upon a time solving business requirements & providing best of services to clients, partners & customers. But in the current trend security is also one of the top priorities in IT systems which were never stated in the requirements a decade back and it is gaining its importance in the current scenarios.

Enterprise architecture was designed over a period of years had lot of constraints like technology limitation, legacy systems increased the worries of implementing a security strategy across the board. OWASP & other security communities are gaining popularity in spreading the word of awareness to development groups for Secure-SDLC. Enterprise management had to realize the importance of these activities and support it for delivering products & services to their customers with security embedded to it.

### **Challenge-4: Management Support:**

There are numerous ideas which come from middle-level & higher management for adopting a strategy for security. This fact is mainly due to the fact that security is involved in all parts of their daily activities. All these ideas need to be streamlined and presented to the board level decision making authorities. Board will evaluate these ideas and strategies against their business objectives. Decisions to adopt are taken but there is a major challenge on the roles & responsibilities of various stakeholders to implement it.

There is a common belief in all departments in the enterprise that security is taken care by Information Security department. This is directly reflected in the culture of the organization where security processes are followed for the sake of audit purposes. Company board and management have to understand that security is responsibility of all individuals.

### **Challenge-5: Awareness Culture:**

There are lot of threat vectors like cyber espionage, phishing, malware & DOS (Denial of Service) which constitutes as cybercrimes spreading across the geographies. United States & European Union have strongly reacted and have come up with strict laws which can help business world & citizens to react if they were made victims of those attacks.

However the rest of the world is yet to catch up on strong cyber laws and governance frameworks on managing the attacks from cyber world. Enterprises have also got their major role in spreading awareness culture among their employees, stakeholders and customers.

### **Solutions:**

Enterprises should first go through a self-assessment on their current security standards and practices and get the holistic picture of their current state against the risk

Derive cybersecurity strategy considering the best interest of business objectives and risk appetite of the organization

Invest in right set of people, process and technology to drive the strategy across the organization by defining clear roles and responsibilities

Consider in resolving security challenges in enterprise architecture with the help of industry best practices and technologies available

Define management metrics on measuring the effectiveness of the cybersecurity strategy which got translated in to programs and projects

NIST has designed cybersecurity framework which has five stages (Identify, Protect, Detect, Respond, and Recover) with detailed requirements which can be a base starting point for enterprises

Summary:

Industries and technology are transforming at rapid speed in terms of reaching out to all corners including the virtual world. Cybersecurity is inevitable for any enterprise and appropriate attention has to be given to it. There is always a cat and mouse game played in this cyber world and enterprises should be in the top of the game and overcome the challenges to implement the strategy. This is very much essential to protect the interests of employees, shareholders, customers and by enlarge to society.

**36) List out few of the unethical practices which are currently in use in the cyber world and in the World Wide Web (WWW). What recommendations will you make to your organization to improve their cyber security?**

**What precautions will you take to ensure that you privacy does not get compromised because of your activities in the internet (including the social media)?**

Answer

Ethical Dilemmas:

**1. Invasion of Privacy**

The wrongful intrusion into a person's private activities by other individuals or by the government. Tort law protects one's private affairs with which the public has no concern against unwarranted exploitation or publicity that causes mental suffering or humiliation to the average person. The right to be left alone is not always superior to the rights of the public and it may or may not exist or may exist to a lesser degree with regard to the life of a public figure, such as a politician or other person in whom the public has a rightful interest. The right to personal privacy is encompassed as an aspect of liberty protected against government interference by the Constitution's dueprocess clause.

**2. Theft**

In common usage, theft is the taking of another person's property without that person's permission or consent with the intent to deprive the rightful owner of it. The word is also used as an informal shorthand term for some crimes against property, such as burglary, embezzlement, larceny, looting, robbery, shoplifting, library theft and fraud. In some jurisdictions, theft is considered to be synonymous with larceny; in others, theft has replaced larceny. Someone who carries out an act of or makes a career of theft is known as a thief. The act of theft is known by terms such as stealing, thieving, wicksing, and filching.

**3. Hacking**

The word "hacking" has two definitions. The first definition refers to the hobby/profession of working with computers. The second definition refers to breaking into computer systems. While the first definition is older and is still used by many computer enthusiasts (who refer to cyber-criminals as "crackers"), the second definition is much more commonly used. In particular, the web pages here refer to "hackers" simply because our web-server logs show that every one who reaches these pages are using the second definition as part of their search criteria.

**4. Security**

Computer security (Also known as cybersecurity or IT Security) is information security as applied to computers and networks. The field covers all the processes and mechanisms by which computer-based equipment, information and services are protected from unintended or unauthorized access, change or destruction. Computer security also includes protection from unplanned events and natural disasters.

**5. Copyright infringement**

Copyright infringement (or copyright violation) is the unauthorized or prohibited use of works covered by copyright law, in a way that violates one of the copyright owner's exclusive rights, such as the right to reproduce or perform the copyrighted work, or to make derivative works. For electronic and audio-visual media, unauthorized reproduction and distribution is also commonly referred to as piracy

**6. Unfair competition**

A branch of intellectual property law, unfair competition is a term applied to all dishonest or fraudulent rivalry in trade and commerce. This term is particularly applied to the practice of endeavoring to substitute one's own goods or products in the market for those of another for the purpose of deceiving the public.

**7. Virus**

A computer virus is a type of malware that, when executed, replicates by inserting copies of itself (possibly modified) into other computer programs, data files, or the boot sector of the hard drive; when this

replication succeeds, the affected areas are then said to be "infected". Viruses often perform some type of harmful activity on infected hosts, such as stealing hard disk space or CPU time, accessing private information, corrupting data, displaying political or humorous messages on the user's screen, spamming their contacts, or logging their keystrokes. However, not all viruses carry a destructive payload or attempt to hide themselves—the defining characteristic of viruses is that they are self-replicating computer programs which install themselves without the user's consent.

## **8. Videoconferencing**

Videoconferencing is the conduct of a videoconference (also known as a video conference or videoteleconference) by a set of telecommunication technologies which allow two or more locations to communicate by simultaneous two-way video and audio transmissions. It has also been called 'visual collaboration' and is a type of groupware.

## **9. Piracy**

Cyber piracy involves various deceptive practices that companies or individuals engage in to profit from online users. Within the legal aid community, these deceptive practices result in confusion for the public (particularly clients and potential clients) as well as take advantage of the good-will and reputation of legal aid organizations. Without a system to address cyber piracy, legal aid programs risk the chance that the public, especially unsophisticated online users, will not reach legitimate legal aid website and will be confused and possibly extorted on websites posing as legal aid.

## **10. Online Defamation**

Generally, defamation is a false and unprivileged statement of fact that is harmful to someone's reputation, and published "with fault," meaning as a result of negligence or malice. State laws often define defamation in specific ways. Libel is a written defamation; slander is a spoken defamation.

## **11. Fraud**

The definition of what constitutes computer fraud becomes ever more complex with the ingenuity of people who intend to deceive, misrepresent, destroy, steal information, or cause harm to others by accessing information through deceptive and illegal means. Just as individuals have to be careful when they are walking down the street or in their homes when they lock the doors at night, they need to be careful of the many examples of fraud that will make their way onto their computers.

## **To improve cyber security**

- Use anti-virus software and keep it up-to-date.
- Activate the software's auto-update feature to ensure your cyber security is always up-to-date.
- Don't open email from unknown sources.
- Be suspicious of unexpected emails that include attachments whether they are from a known source or not.
- When in doubt, delete the file and the attachment, and then empty your computer's deleted items file.
- Use hard-to-guess passwords. Passwords should have at least 8 characters with a mixture of uppercase and lowercase letters as well as numbers.
- Change passwords frequently.
- Do not give your password to anyone.
- Protect your computer from Internet intruders by using firewalls.
- Don't share access to your computers with strangers. Check your computer operating system to see if it allows others to access your hard-drive. Hard-drive access can open up your computer to infection.

- Back up your computer data and consider keeping one version off-site.
- Regularly download security protection updates known as patches. Patches are released by most major software companies to cover up security holes that may develop in their programs.
- Make sure your co-workers know what to do if your computer system becomes infected.
- Train employees on how to update virus protection software, how to download security patches from software vendors, and how to create a proper password.
- Designate a person to contact for more information if there is a problem.

In addition, you may want to consider the following:

- Set up secure e-mail for your employees. This way you can send secure e-mail messages to anyone regardless of their e-mail provider
- Regularly scan your computer for spyware - Use a legitimate anti-spyware program to scan your computer and remove any of these files. Check carefully before downloading an anti-spyware program – some are actually spyware in disguise!
- Evaluate your software's settings - It is especially important to check the settings for software that connects to the internet (browsers, email clients, etc.). Use the highest level of security that still gives you the functionality you need.
- Avoid unused software: If you have programs on your computer that you do not use, consider uninstalling them.
- Dispose of sensitive information properly - Simply deleting a file does not completely erase it. When you delete a file, all you've really done is tell the computer that it can reuse the space assigned to that file for something new. The remains intact, until the computer reassigns and overwrites those chunks of disk space with new files. To ensure that an attacker cannot access these files, make sure that you adequately erase sensitive files. Several programs are available online that can help remove all files.
- **Implement VPNs for all connections** :Networks that are protected only by generic security measures are more vulnerable to attack. Implement [virtual private network \(VPN\)](#) connections between office locations and make their use easy—and mandatory—for mobile employees who may connect through public Wi-Fi services.

### **Precautions to be taken while using Social media**

1. Use caution when you click links that you receive in messages from your friends on your social website. Treat links in messages on these sites as you would links in e-mail messages.
2. Know what you've posted about yourself. A common way that hackers break into financial or other accounts is by clicking the "Forgot your password?" link on the account login page. To break into your account, they search for the answers to your security questions, such as your birthday, hometown, high school class, father's middle name, on your social networking site. If the site allows, make up your own password questions, and don't draw them from material anyone could find with a quick search.
3. Don't trust that a message really is from whom it says it's from. Hackers can break into accounts and send messages that look like they're from your friends, but aren't. If you suspect that a message is fraudulent, use an alternate method to contact your friend to find out. This includes invitations to join new social networks.
4. To avoid giving away e-mail addresses of your friends, do not allow social networking services to scan your e-mail address book. When you join a new social network, you might receive an offer to enter your e-mail address and password to find out if your contacts are on the network. The site might use this information to send e-mail messages to everyone in your contact list or even everyone you've ever sent an e-mail message to with that e-mail address. Social networking sites should explain that they're going to do this, but some do not.
5. Type the address of your social networking site directly into your browser or use your personal bookmarks. If you click a link to your site through e-mail or another website, you might be entering your account name and password into a fake site where your personal information could be stolen.

6. Be selective about who you accept as a friend on a social network. Identity thieves might create fake profiles in order to get information from you.
7. Choose your social network carefully. Evaluate the site that you plan to use and make sure you understand the privacy policy. Find out if the site monitors content that people post. You will be providing personal information to this website, so use the same criteria that you would to select a site where you enter your credit card.
8. Assume that everything you put on a social networking site is permanent. Even if you can delete your account, anyone on the Internet can easily print photos or text or save images and videos to a computer.
9. Be careful about installing extras on your site. Many social networking sites allow you to download third-party applications that let you do more with your personal page. Criminals sometimes use these applications to steal your personal information. To download and use third-party applications safely, take the same safety precautions that you take with any other program or file you download from the Web.
10. Think twice before you use social networking sites at work.
11. Talk to your kids about social networking.



### **37.WHISTLE-BLOWING - IMP**

#### **Definition:**

Whistle blowing is the voluntary act of disclosure of malpractices in his/ her workplace by an insider at a level not generally expected of him.

A Whistleblower is a person who reveals wrongdoings within an organization to public or persons of authority.

(Please note that not every act of whistle blowing is an act of ethical conduct. On the contrary, a large number of whistle blowings are motivated by desire to draw revenge on boss or management. It is actually breach of psychological contract and a patently unethical conduct).

#### **When can the whistle be blown?**

Any insider may wave the red flag when he witnesses the following in the organization –

- (a) Crime
- (b) Corruption
- (c) Civil offences (including negligence, breach of contract, etc)
- (d) Harassment
- (e) Injustice
- (f) Danger to health and safety or environment
- (g) Cover up of any of these

#### **Whistleblower's Act**

The whistle blowers act defines various terms relating to whistle blowing and lays down the legislative framework relating to this concept. Basically, the act mandates a company to establish a whistleblowers policy. The policy supports and protects the rights of a whistleblower

Many countries have enacted the Whistleblower's act, like – US has included the Whistle Blowers Act as part of Sarbanes Oxley Act.

#### **What does a Whistle Blowers policy contain?**

- (a) A whistleblowers policy defines the scope of malpractices of an organization.
- (b) It lays down the procedure to report such allegations.
- (c) Policy establishes an independent investigation team who would investigate these claims. And
- (d) Most importantly, it defines the roles, responsibilities and the rights of a whistleblower.

#### **Roles , Rights and Responsibilities of Whistle Blower's**

- (a) A whistleblower must behave responsibly when he makes a claim under the

policy. He should make his report in confidence to the extent of the limitations of the law and the policy. He must understand that his motive is irrelevant for the validity of the report and if it is found that there was an intentional filing of a false report – which is improper – he will be severely penalized depending upon the policy, facts of the matter and the final decision of the independent committee.

(b) All the employees of the company have a duty to cooperate with the investigations made thereon.

(c) The whistleblower's confidentiality is maintained. However, in a breach in this, in events wherein his identity to become known to select few is crucial, he will be informed of this citing the reasons for doing so. He also has a right to be protected from retaliation – this could be in the form of harassment, loss of job, humiliation etc.

### Advantages of WB policy

The advantages of a whistle blowers policy are many.

(a) It acts as a very effective anti corruption tool as the insider has first hand fresh information and he is able to supply clinching evidence for pinning down the guilty.

(b) If done at early stages, it can help check corruption. By protecting the whistleblowers, corrupt and misbehavior in others can be deterred.

(c) It also helps to place honest ethical employees right in the centre of administration unlike situations where they are helpless spectators or are bullied into acceptance by their corrupt colleagues who dominate the show.

(d) Making whistle blowing official and acceptable would also obviate anonymous petitioning and unauthorized leaking of news to the media leading to the loss of reputation of the company.

(e) Very effective as anti- corruption tool as insider has first hand and fresh information, ensuring clinching evidence

(f) Can help check corruption if done at early stages

(g) Protecting Whistle Blowers may deter misbehavior by others

(h) Also helps in placing honest employees in centre of administration

(i) Making policy official and acceptable would obviate anonymous petitioning and unauthorized leaks to media

## Problems in Whistle Blowing

- (a) A 'squealer' disrupts trust, teamwork and open communication – creating fear & suspicion
- (b) Expectation of loyalty from every employee – may face organizational ostracism
- (c) WB discourages corruption – but can also discourage initiative, willingness to take bold decisions and encourage negativism, defensiveness
- (d) Risk of WB used to blackmail colleagues or even bosses
- (e) Most often than not, it is seen that the very few subordinates have the courage to blow the whistle on top officers. Ultimately, it is these big game hunters go scot-free and the poor small fish get caught and fried!

### **Whistle Blowing in the Indian Context**

- (a) India does not have a Whistleblower's act.
  - (b) Law Ministry is working on a Whistle Blowers bill – for a while now!
  - (c) SEBI amended Clause 49 of Listing Agreement – listed companies to have a WB policy – but this is not mandatory!
  - (d) Companies like Infosys, Wipro, Tata Motors have a sound WB policy in place.
  - (e) Great need for WB policy especially for companies working in global environments
- And finally, all that is needed for evil to prevail is for good men to do nothing!

### **38. CORPORATE GOVERNANCE**

Corporate Governance is acceptance by management to safeguard the rights of shareholders as true owner of the corporation and their role as trustees on behalf of the shareholders. Corporate Governance is all about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company.

Corporate Governance emanates from business ethics. It is about conducting the business in an honest and transparent manner where by every stake holder, viz, owners, employees, shareholders, suppliers, customers, government, society and even competitors, gets its rightful share from the business and no single entity is able to corner disproportionate share of profits.

Voluntary adherence to honest business practices has been eroding over the years as evident by recent exposures. Enron/Arthur Anderson, Worldcom and Zerox are rather famous examples, but there have been many in the recent past. Watergate scam of 80's in US had led to formation of what is now popularly called Cadbury' Committee. Some very large multinational banks have failed in the last decade. Failure of Bank of Credit and Commerce International in 1992 being the largest and most rattling one. The malpractices were so heinous and rampant that it earned the epithet of "Bank of Crooks and Criminals International".

But such happenings are not new. Only their scale has grown due to globalization. But such failures of seemingly healthy businesses brought into focus the need for corporate governance. It led to a feeling that many of the good business practices, hitherto left as ethical choice, need to be codified. And thus took the birth of concept of Corporate Governance.

In India the concept of Corporate Governance took its birth after the Stock Market scams of 90s first led by Harshad Mehta and later by Ketan Parikh. Securities and Exchange Board of India was formed in 1992 to check Irregularities and ensure smooth functioning of Stock Exchanges. However, even before it could get its act together, Harshad Mehta scam broke out. Even later, there were large scale scams involving Co-operative Banks, Finance companies, Plantation companies, large Stock broking houses and so on. Even Unit Trust of India was not spared of the irregularities. But while so many companies turned sick and small investors lost billions of their hard earned money, promoters continued to prosper nevertheless.

SEBI constituted a committee on corporate governance under the Chairmanship of Mr Kumar Mangalam Birla, a leading Industrialist and member of Board of SEBI.

#### **Need for Corporate Governance**

1. No information is given to investors regarding diversification, expansion, change in business, loss of business etc and instead used by promoters and top management for insider trading at the cost of small investors.
2. Many large companies are known to manipulate rules and even Govt Policies with the help of bureaucracy and political meddling.
3. If investors, FII and general public, put their money, they have every right to ask information about company.

### **Objective of Corporate Governance**

The fundamental objective of Corporate Governance is the enhancement of shareholder's value, keeping in view the interest of other stake holders. This harmonises the need to strike a balance at all times between the need to enhance shareholder's wealth whilst not being too detrimental to the interests of other stakeholders in the company.

### **Factors Influencing Corporate Governance: Four factors which influence corporate governance: -**

1. The ownership structure of company
2. Financial Structure
3. The structure of the company Board
4. The Legal, political and regulatory environment within which company operates.

### **How to Achieve Good Corporate Governance?**

Since the voluntary compliance to sound corporate practices have failed in large measure, there is a need to codify the good practices as law. There is a need to institute checks and balances in the functioning of the Management and the Board. Thus, Kumar Mangalam Birla Committee was appointed by SEBI to make recommendations.

The committee made number of recommendation, some being for mandatory compliance (Suffixed with "M" in following text) and others being non mandatory (suffixed with "V"). Kumar Mangalam Birla Committee laid a great emphasis on Board of Directors for ensuring Corporate Governance. Even among the directors, it trusted independent directors to be the real watch dogs for ensuring corporate governance. Independence has been unambiguously defined in the report and following are the salient recommendations of Birla Committee:

**1. Number of Non Executive Directors (M)** – The Non-Executive Directors bring external and wider perspective and independence to the decision making. Committee recommended that minimum 50% of the directors should be nonexecutive directors.

**2. Increasing the Number of Independent Directors (M)** – Even though non executive directors are expected to bring in better objectivity and independence in decision making, there is still ample room for bigotry since every non executive director is not an independent director (Nominee Directors are not independent directors). Therefore, it recommended following minimum numbers of independent directors in the board

(a) In case Chairman of the Board of Directors is a Non Executive Director, one third of total Directors should be Independent Directors.

(b) If Chairman is an Executive Director, half the Directors should be Independent Directors.

**3. Attractive Financial Remuneration (V)** – Committee recommended attractive financial remuneration to ensure that people of merit are attracted to take up the directorship of the companies.

**4. Nominee Directors (M)** – Nominee directors do not represent their own company but also the general stakeholders as well. They, thus, have same responsibility and accountability towards general shareholders as any other director. They are, therefore, prohibited from communicating material information to any department of parent company which they could use to play in stock market.

**5. Audit Committee (M)** – It should consist of at least 3 members and all non executive directors with majority being independent directors. The Chairman should be an Independent Director. The committee should meet at least thrice a year. Committee has powers to investigate any activity within its terms of reference.

**6. Frequency of Board Meetings (M)** – The Committee recommended that board meetings should be held at least four times in a year, with a maximum time gap of four months between any two meetings.

**7. Limit on Number of Directorships (M)** – The Committee recommended that a director should not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director.

**8. Transparency in Declaring Remuneration of all Directors (M).**

**9. Accounting Standards and Financial Reporting (M) –**

(a) Consolidation of Accounts of Subsidiaries – The companies should be required to give consolidated accounts in respect of all its subsidiaries in which they hold 51 % or more of the share capital.

(b) Segment Reporting – Financial reporting in respect of each product segment should be available to shareholders and the market to obtain a complete financial picture of the company.

(c) Disclosure and treatment of related party transactions

**10. Disclosure of Interest by Directors (M)** – The Committee recommended that disclosures must be made by the management to the board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the company at large (for e.g. dealing in company shares, commercial dealings with bodies, which have shareholding of management and their relatives etc.)

**11. Report on Corporate Governance (M)** – The Committee recommended that there should be a separate section on Corporate Governance in the Annual Reports of companies, with a detailed compliance report on Corporate Governance.. Unfortunately, there is more of lip service than real intent in this field. The industry, Company Law Board, SEBI and even Government have all been less than keen on achieving good corporate governance. Despite the reports on Corporate Governance being available with every implementation agency for over 10 years, little has been done to implement the recommendations. While there is talk of SEBI issuing a guideline increasing the number of independent directors, there is virtually no talk in any quarter on the

suggestion to introduce a random appointment of auditor from a selected pool of auditors.

### **39. Utilitarianism**

The nature of Utilitarianism

Utilitarianism is an effort to provide an answer to the practical question “What ought a man to do?” Its answer is that he ought to act so as to produce the best consequences possible.

#### **Basic concepts**

In the notion of consequences the Utilitarian includes all of the good and bad produced by the act, whether arising after the act has been performed or during its performance. If the difference in the consequences of alternative acts is not great, some Utilitarians do not regard the choice between them as a moral issue. According to Mill, acts should be classified as morally right or wrong only if the consequences are of such significance that a person would wish to see the agent compelled, not merely persuaded and exhorted, to act in the preferred manner.

In assessing the consequences of actions, Utilitarianism relies upon some theory of intrinsic value: something is held to be good in itself, apart from further consequences, and all other values are believed to derive their worth from their relation to this intrinsic good as a means to an end. Bentham and Mill were hedonists; i.e., they analyzed happiness as a balance of pleasure over pain and believed that these feelings alone are of intrinsic value and disvalue. Utilitarians also assume that it is possible to compare the intrinsic values produced by two alternative actions and to estimate which would have better consequences. Bentham believed that a hedonic calculus is theoretically possible. A moralist, he maintained, could sum up the units of pleasure and the units of pain for everyone likely to be affected, immediately and in the future, and could take the balance as a measure of the overall good or evil tendency of an action. Such precise measurement as Bentham envisioned is perhaps not essential, but it is nonetheless necessary for the Utilitarian to make some interpersonal comparisons of the values of the effects of alternative courses of action.

#### **Methodologies**

As a normative system providing a standard by which an individual ought to act and by which the existing practices of society, including its moral code, ought to be evaluated and improved, Utilitarianism cannot be verified or confirmed in the way in which a descriptive theory can; but it is not regarded by its exponents as simply arbitrary. Bentham believed that only in terms of a Utilitarian interpretation do words such as “ought,” “right,” and “wrong” have meaning and that whenever anyone attempts to combat the principle of utility, he does so with reasons drawn from the principle itself. Bentham and Mill both believed that human actions are motivated entirely by pleasure and pain; and Mill saw that motivation as a basis for the argument that, since happiness is the sole end of human action, the promotion of happiness is the test by which to judge all human conduct.