

Ethics_JG Class 09

23rd July, 2024 at 1:00 PM

CORPORATE GOVERNANCE: (1:11 PM)

- Corporate Governance is the system of rules, practices, and processes by which a company is directed and controlled.
- It essentially involves balancing the interests of the many stakeholders like shareholders, management, customers, suppliers, financiers, government, and the community in a company.
- In India, the emphasis on the ethical dimensions of corporate governance has become increasingly prominent, given the country's history of corporate scandals that have highlighted the need for robust governance mechanisms.
- Refer to the PPT.

PRINCIPLES OF CORPORATE GOVERNANCE: (1:20 PM)

- Transparency.
- Accountability.
- Legality: Companies Act 2013 (Mandatory: 2% of the annual profits of the last 3 years should be given to CSR).
- Inclusivity and Diversity.
- Fairness.
- Independence w.r.to decision making. (In PSUs, there is an excessive control of the state).
- Refer to the PPT.

WHY INDIA NEEDS A STRONG CORPORATE GOVERNANCE? : (1:30 PM)

- India has a history of high-profile scams like the stock market scams (of Harshad Mehta, Ketan Parekh), UTI scams, Satyam scandal, etc. which were termed as the outcomes of failed corporate governance.
- There is a need to have strong rules and practices for how companies are run to make sure they're fair to everyone and to keep everyone's trust.
- Hence, there is a need to institutionalize stringent norms surrounding corporate governance to prevent their recurrence.
- Refer to the PPT.

BENEFITS OF ETHICAL GOVERNANCE: (1:34 PM)

- 1. Ethical practices contribute significantly to building a strong brand reputation, which in turn fosters customer loyalty.
- 2. Ethical governance practices increase investor confidence, a crucial factor for companies looking to raise capital efficiently.
- 3. A positive work culture, driven by ethical governance, leads to higher employee satisfaction and retention.
- 4. Ethical governance practices help in identifying and mitigating risks associated with corruption, fraud, and mismanagement.
- Refer to the PPT.

MEASURES TAKEN TO ENHANCE THE CORPORATE GOVERNANCE IN INDIA: (1:47 PM)

- 1. The Companies Act of 2013 introduced several significant provisions aimed at improving corporate governance.
- Here the role of Independent directors is also very significant.
- 2. SEBI has complemented the Companies Act with its own set of guidelines and reforms to strengthen corporate governance.
- 3. Additionally:
 - a) Strengthening Auditing and Financial Reporting.
 - b) Monitoring and Enforcement by Regulatory Bodies.
 - c) Focus on Training and Awareness.
- Refer to PPT.

Independent Directors:

- They are outside or non-executive director of a company, are supposed to be appointed in Publicly listed companies, and are charged with the responsibility of protecting the interest of the minority shareholders.
- Some of the functions to be performed by the Independent directors are as follows:
 - 1. Safeguarding Corporate values such as transparency, accountability, etc.
 - 2. Ensuring objective evaluation of the performance of the Board of Directors (BOD) and the management.
 - 3. Safeguarding the interest of all the stakeholders, especially minority shareholders.
 - 4. Determining the appropriate level of remuneration for the executive directors and senior management.
 - 5. Ensuring the integrity of financial information so that fraud and corruption can be prevented.

CHALLENGES IN CORPORATE GOVERNANCE IN INDIA: (2:03 PM)

- 1. Ensuring consistent enforcement of governance norms and compliance by all companies remains a challenge.
- 2. Instilling ethical values in an organization is a long-term challenge and requires ongoing effort and commitment at all levels of the organization.
- 3. Protecting the interests of minority shareholders against the dominant influence of promoters and major shareholders is still a concern.
- Many a time decisions are taken based on the promoter's or majority stakeholder's interest.
- 4. As global corporate governance standards continue to evolve, ensuring that Indian regulations keep pace and remain aligned with international best practices are crucial for attracting foreign investment.
- Refer to PPT.

REFORMS REQUIRED TO OVERCOME THE CHALLENGE WITH RESPECT TO CORPORATE GOVERNANCE: (2:15 PM)

- Increasing awareness and understanding of corporate governance principles and also capacity-building initiatives.
- foster a culture of ethics and integrity, including ethical leadership and values-based decision-making.
- Greater Focus on ESG (Environmental, Social, and Governance) Factors.
- Utilizing technology to improve governance practices.
- Regularly updating regulations to reflect the changing business environment and international governance trends. For example: Regular meetings of Corporate entities and Government.

LESSONS THAT WE LEARNT FROM PREVIOUS SCANDALS, AND HOW WE CAN USE THEM IN CASE STUDIES: (2:19 PM)

- Group in lending practices in return for a quid pro quo benefit to her husband, Deepak Kochhar. This case raised serious questions about conflict of interest, lack of transparency, and the failure of internal controls and governance mechanisms at one of India's largest private banks. The controversy centered around accusations that Kochhar had favored the Videocon Group in lending practices in return for a quid pro quo benefit to her husband, Deepak Kochhar. This case raised serious questions about conflict of interest, lack of transparency, and the failure of internal controls and governance mechanisms at one of India's largest private banks.
- Had the Organisation been transparent to its various stakeholders in providing loans, the risk could have been avoided.

Lessons from the above failures:

- Strengthening Oversight and Accountability.
- Ensuring Transparency and Ethical Conduct.
- Enhancing Regulatory Compliance and Supervision.
- Promoting a Culture of Accountability (Encouraging Whistleblower policy).
- Engaging with and considering the interests of all stakeholders.
- Refer to the PPT.

CORPORATE SOCIAL RESPONSIBILITY: (2:24 PM)

- CSR is like a promise companies make to be good citizens.
- It means businesses try to do right by people and the planet while still making money. Instead of just focusing on earning more money, companies using CSR try to help out with social issues, care for the environment, and make sure they operate fairly and honestly.
- As a Corporate entity, it is the responsibility to invest it in the development of the society.

Why CSR is essentially important?

- Reinforces that business success is deeply intertwined with the well-being of society.
- It helps in enhancing a company's reputation.
- It helps in building consumer loyalty.
- It fosters a positive workplace environment.
- It helps in contributing to higher profitability and sustainability.

Components of CSR:

- *CSR is often taken from a narrow point of view. It is much more than providing shelter and food to needy people.*
- *It is actually a Real Corporate Governance.*
- Focusing on a healthy work-life balance.
- Encouraging ethical practices across the supply chain to reflect positively on the company.
Example: Advising with respect to stop using Plastic bags.
- Committing to environmental sustainability through pollution reduction, eco-friendly products, and sustainable solutions.
- Engaging in projects that benefit the local community and their development.

CSR Laws in India:

- This rule is part of the Companies Act of 2013.
- If a company is really big or makes a lot of money, it needs to set aside at least 2% of its earnings to help out with social and environmental projects.

Concerns related to CSR in India:

- Lopsided CSR spending: 85% of money on Health, Education, and Livelihood.
- A large part of CSR spending is focused on the Western and Southern parts of India.
- Companies view CSR as a mere compliance requirement.
- CSR activities are designed without adequate consultation with the local communities.
- Some Companies perceive CSR as a tool to enhance their public image without genuine concerns for social and environmental objectives.
- Companies often end up channeling CSR funds to their NGOs and foundations, therefore defeating the purpose of CSR.
- Lack of adequate mechanisms to monitor and evaluate the impact of CSR activities.
- Break from 2:58 PM

ETHICS IN INTERNATIONAL RELATIONS: (3:19 PM)

- International ethics refers to moral principles and standards guiding nations' behaviors and interactions.
- It underpins international law and treaties, such as the United Nations Charter, aiming to promote peace, security, and cooperation based on mutual respect and the principle of non-interference.
- It is important to promote international peace, a dialogue-based approach to resolving various issues that the world is facing today.

SOME SOURCES FOR INTERNATIONAL ETHICS: (3:23 PM)

- UN Declaration of Human Rights.
- Geneva Conventions.
- Refugee Convention 1951.
- Paris Climate Agreement (UNFCCC) or Montreal Protocol.
- World Trade Organization (WTO).
- Beijing Rules, etc.

IMPORTANCE OF ETHICS IN INTERNATIONAL RELATIONS: (3:32 PM)

- 1. Avoiding Ego and Ideological Clashes.
- 2. Promoting Peace, Respect, and Equality.
- 3. Resolving International Conflicts. Examples: Terrorism, Territorial disputes, Refugee issues, etc.
- 4. Guiding Environmental Initiatives. Example: Climate Change.
- *The marginalized are the most affected as a result of climate change implications, which can be resolved only by adopting an ethical approach.*
- 5. Reducing conflicts in human society.
- *It can nudge the nation to take the diplomatic route to create pressure on those regimes involved in violating the rights of the citizens.*
- 6. Compassion in Natural Disasters.
- Example:
- *Vaccine Maitri is an example of how ethics in international relations can help in promoting a safer world.*
- *India's aid to adversary nations in times of crisis. Example: India's help to Pakistan during Earthquake as Ethical concerns were more important than looking into our national interests.*
- Refer to PPT.

3 MAJOR APPROACHES TO ETHICS IN IR: (3:44 PM)

- Refer to PPT.

1. Realism:

- It assumes IR is guided by national self-interest. According to this approach, morality is not an important consideration in a nation's actions.
- In fact, what motivates or guides a nation's actions is its self-interest.
- Example:
- The U.S. invaded Iraq to eliminate perceived threats (weapons of mass destruction) and to maintain regional stability in the Middle East.

2. Liberalism:

- It emphasizes cooperation, international institutions, and the promotion of global norms and values.
- It contrasts with realism by focusing on the potential for peaceful coexistence and mutual benefits among states.
- Example:
- European Union promotes economic and political cooperation.

3. Constructivism:

- It emphasizes the importance of ideas, beliefs, and identities in shaping international relations.
- Example:
- India initiated to signing of NAM but did not sign either the NATO bloc or the Soviet bloc.

PRINCIPLES OF VALUES OF ETHICS IN IR: (3:48 PM)

- Human Rights at the Heart of Foreign Policy.
- Commitment to Multilateralism, Prosperity, and Environmentalism.
- Global Justice and Responsibility to Protect.
- Principle of Sacrifice.
- Promotion of Peace and Security
- Economic Justice and Fair Trade
- Refer to PPT.

ETHICAL CHALLENGES IN INTERNATIONAL RELATIONS: (3:53 PM)

- Aid programs can perpetuate dependency rather than address the root causes of poverty
- Countries may ignore human rights abuses for political or economic gain.
- Neglect of Global Commons Responsibilities.
- Diplomacy often prioritizes national over global interests, hindering collective action.
- Some states are accused of supporting or harboring terrorist groups to advance their own strategic goals.
- Refer to PPT.

ETHICS IN CONTEMPORARY INTERNATIONAL AID: (3:57 PM)

- Principle of Non-Reciprocity.
- Transparency and Accountability.

Concerns associated:

- Proliferation of Monoculturalism.
- Self-Interest Driven Aid.
- National Security Risks.
- Technology and Profit Motives.
- Interference in Electoral Processes.
- Impact on Sovereignty.
- Refer to the PPT.

ETHICAL CONSIDERATION IN CONFLICTS: (4:02 PM)

- **Just War Theory:**
- This theory questions the ethics behind the use and continuation of force, emphasizing that war should be a last resort, have a just cause, and be waged with proportionality.
- The conflict in Ukraine raises questions about the justification of force and the protection of civilian lives.

Conditions:

- Just Cause.
- Right intentions.
- Reasonable Chance of Success.
- Proportional Benefits to Losses.
- Last Resort.
- Legitimate Authority.
- Refer to PPT.

Other themes that can form potential questions in the Exam:

- Nuclear Weapons and Ethics in IR.
- Ethical perspective with respect to India's decision to provide Aid to its neighbor.
- Terrorism and Ethics.

THE SYLLABUS HAS BEEN COMPLETED.