

Faculty of Management Studies

University of Delhi

Semester Examinations – October /November, 2017

Name of Examination: MBA (FT) 2nd year

Paper Name: Business Ethics and Corporate Social Responsibility

Paper No: 6301

Time allowed: 3 hours

Maximum marks: 50

Instructions: Attempt all questions

Serial Number of Question		Total Marks
		50
1	<p>Read the case and attempt questions given in the end.</p> <p>Case- Blood in your Mobiles</p> <p><i>(Adapted from Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization. Pages 378-380).</i></p> <p>As supply chains go increasingly global , we rarely stop to ask the human cost of producing a smart phone or other advanced electronic devices. In the Democratic Republic of Congo (DRC), the use of coltan , a contraction of columbite and tantalite, and its derivative tantalum , to make capacitors for electronic goods becomes a problem when its sale funds civil war; and the social impact on the local community includes death, violence, rape , poor labor conditions and the breakdown of family units. The battles have been raging for almost twenty years, and are funded in large part by the militias' control of mineral deposits , whether directly or through taxing and exploiting artisanal miners and local populations. Artisanal mining is best described as basic. Small teams with primitive tools clear some jungle, dig into the soil and extract what ever minerals they find close to the surface. Through an informal market, minerals are then sold on to middle men and make their way along precarious roots, through multiple palms greased with taxes and</p>	20

bribes.

Illegal trade

In January this year (2014) , the UN Group of Experts published its final report on DRC. It found that while the initiatives by the Organization for Economic Co-operation and Development (OECD) and the International Conference on the Great Lakes Region have advanced mining sites' validation and improved adherence to conflict free and international human rights standards, armed groups continue to control many mining sites and to profit from the minerals trade. The UN Experts Final Report found that tantalum (along with tin and tungsten) continues to be smuggled from Eastern DRC through neighboring countries, undermining confidence in the international certification and traceability of mechanisms.

Baudouin K. Hamuli is the national coordinator for International Conference of the Great lakes Region (ICGLR) . In his role, he chairs the committee of national experts and advises the government on peace in the Eastern part of country . Hamuli says “ Coltan is part of economy of war in eastern DRC. The way coltan has been exploited to date shows very little respect for human rights “.

In Eastern DRC , at least five million people have died in recent conflicts , of which it is estimated around 40 percent were women and children. Recruitment of children as soldiers has been systematic , along with widespread sexual violence as a weapon of war. The warfare is complex and ever changing, with an intricate web of rebels , government backed militia in combat with each other.

The United States Congress has recognized that the ‘exploitation and trade of conflict minerals originating in the DRC is helping to finance conflict characterized by extreme levels of violence in the Eastern DRC, particularly sexual and gender based violence ‘.

In an attempt to address the severe human rights violation, in 2010 Congress enacted section 1502 of the Dodd – Frank Wall Street Reform and Consumer Protection Act. It requires regulated entities to disclose to the Securities and Exchange Commission (SEC) whether any of their products contain conflict material originating from DRC. Where products do contain conflict DRC materials, public companies must submit to SEC , a report disclosing the chain of the custody of the

minerals . { The Dodd – Frank Act defines conflict minerals as the ores columbite – tantalite (coltan) , cassiterite , and wolframite from which , respectively , tantalum, tin, and tungsten are derived. Gold is also defined as conflict mineral }.

Traceability

The first disclosure report under the Dodd – Frank Report were due on 2nd June , 2014. According to Oren Ben – Jeev, a consultant with PricewaterhouseCoopers, who assists companies to comply with the disclosure process, the chain of custody of the conflict materials is difficult to establish . He states. ‘ ‘ Identifying the chain of custody between the origin of the minerals and the finished products into which they are incorporated, compounds in difficulty for every supplier tier between the smelter and the reporting company. At the end of the day, companies that are far down stream cannot conclusively determine the smelters in their supply chain.

These difficulties are borne out by number of US Government Accountability Office (GAO) reports . Under section 1502 of the Dodd – Frank Act, the Department of Commerce was required to compile a list of all known conflict – processing facilities worldwide by January 2013. According to most experts’ smelters and refiners, are the main ‘ choke point’, of the conflict minerals supply chain. Thus an accurate list of smelters would be extremely useful in determining conflict minerals sourcing. However Commerce Department has had many issues in compiling a consolidated list., For example out of 278 conflict minerals smelters identified, 82 were located in China, so data on these smelters is largely inaccessible to US government. Also conflict minerals smelting operations are highly mobile, and often in remote and unsafe areas.

Though the government’s smelter list preparation is delayed , head way has been made to create independently verified conflict – free supply chain. For example many major tech firms like Apple, Hewlett – Packard, and Intel are members of Industry led Conflict Free Smelters Program. The program identifies smelters that are conflict free according to the concepts of OECD. Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict – Affected and High - Risk Areas and Section 1502 of Dodd – Frank. Over 85 smelters have been identified as conflict free as of April 2014. Only five months after Dodd- Frank provisions were signed into federal law by President Obama ,in July 2010, The International Conference of Great Lakes

Region in the DRC introduced its own conflict minerals certification scheme for the Great Lakes region. This means that all coltan and conflict minerals that leave DRC must now be accompanied by a certification that recognizes their bona-fides.

Formalization

The first certification was issued to a mine in Rwanda in November , 2013. However the DRC has been slow to certify its mines and harmonization of laws across countries in the region has been another hurdle to over come. The remoteness of Eastern DRC and the sheer number of mines (estimated at over , 2000) makes it difficult for DRC mine officials to ensure that mines have not been overrun by armed groups. Lack of infrastructure prevents the development of proper economies of scale and impedes transparency. But despite these significant obstacles Mr Hamuli remains steadfast in his commitment to the task. ‘ Formalization of the artisanal sector will bring miners into the economy, thus unlocking financial opportunities for people to improve their lives. Currently , lack of regulation of the artisanal mining is causing misery’, he said.

Conflict minerals are essential components in all advanced electronic devices. There is little we as consumers can do to change this. But we can vote with our wallets to support those tech companies that demonstrate their commitment to implementing comprehensive due diligences processes in their supply chains.

The Fairphone initiative, based in Amsterdam , offers first conflict mineral free smart phone , and Intel now manufactures a conflict mineral free microprocessor. Raise Hope for Congo , a campaign of NGO - The Enough Project , ranks electronics companies based in their actions to contribute to a clean minerals trade in the DRC. Next time you reach for your smart phone or tablet, perhaps its worth considering what your response will be.

Questions

- i. What are the human rights issues involved in the manufacturing of smart phones? At what levels, in value chain involved in the smart phone production are human rights being violated? (5 marks)
- ii. Who are the stakeholder groups in the case with respect to a

	<p>commodity like smart phone. Rank order the degree of responsibility each group has towards protection of human rights in the entire value chain of smart phones? Give your justification for the rankings. (5 marks)</p> <p>iii. Design interventions for the three most empowered stakeholder groups, which can be implemented and put into action by the producers of smart phones to reduce human rights violations. (5 marks)</p> <p>iv. What efforts have been made by governments and corporations in the case, to regulate the production, purchase and use of coltan in the manufacturing of smart phones. Present your answer in the form of a figure (5 marks).</p>	
2.	Evaluate the strengths and weaknesses of Islamic, Indian, Chinese and Western ethical philosophies. Which of these would you recommend for a country like India from the point of view of radically improving the ethical values of people at top and ground levels?	10
3.	Describe the unethical business practices used in any two of the functional areas of business. (10 marks)	
	<p>i. Marketing</p> <p>ii. Advertising</p> <p>iii. Mergers and Acquisitions</p> <p>iv. Human Resource Management</p> <p>v. Privacy, Human Rights & Corporate Espionage</p> <p>vi. Finance</p>	10
4.	<p>Create an ethical policy document for FMS. The document should contain the following details:</p> <ul style="list-style-type: none"> Vision & Mission of FMS Core values of Teachers, Students, Employer organizations, and Non teaching staff Structure of ethical violation committee Whistle Blowing policy, correction mechanisms and disciplinary action 	10