



INSTITUTE OF ACTUARIAL
& QUANTITATIVE STUDIES

Subject: Professional Ethics

Chapter: Unit 1 – Chapter 1

Category: Notes

Introduction

Some years ago, one sociologist asked business people, "What does an ethic mean to you?" Among their replies were the following: "Ethics has to do with what my feelings tell me is right or wrong." "Ethics has to do with my religious beliefs." "Being ethical is doing what the law requires." "Ethics consists of the standards of behavior our society accepts." "I don't know what the word means."

Definition & Nature of business ethics:

The term "ethics" is derived from the Greek word "ethos" which refers to character or customs or accepted behaviors. The Oxford Dictionary states ethics as "the moral principle that governs a person's behavior or how an activity is conducted". The synonyms of ethics as per Collins Thesaurus are - conscience, moral code, morality, moral philosophy, moral values, principles, rules of conduct, standards.

Ethics refers to well-founded standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues.

Ethics is a set of principles or standards of human conduct that govern the behavior of individuals or organizations. Using these ethical standards, a person or a group of persons or an organization regulate their behavior to distinguish between what is right and what is wrong as perceived by others. It is not a natural science but a creation of the human mind. For this reason, it is not absolute and is open to the influence of time, place and situation.

In bygone times, kings used to keep food testers who ate the food prepared for the king before it was offered to him. This was royal clinical research to find out if the food was poisoned. The practice did not raise eyebrows because the king was regarded as the most important person in the kingdom, and his life was more precious than that of anyone else. It was the ethics of the time.

— Ethics can be defined as the discipline dealing with moral duties and obligation, and explaining what is good or not good for others and for us.

— Ethics is the study of moral decisions that are made by us in the course of performance of our duties.

— Ethics is the study of characteristics of morals and it also deals with the moral choices that are made in relationship with others.

— Ethics is concerned with truth and justice, concerning a variety of aspects like the expectations of society, fair competition, public relations, social responsibilities and corporate behavior.

Business Ethics

Business ethics is a form of applied ethics. In broad sense ethics in business is simply the application moral or ethical norms to business. Business ethics refers to a 'code of conduct' which businessmen

are expected to follow while dealing with others. 'Code of conduct' is a set of principles and expectations that are considered binding on any person who is member of a particular group. The alternative names for code of conduct are 'code of ethics' or 'code of practice'.

Business ethics comprises the principles and standards that guide behavior in the conduct of business. Businesses must balance their desire to maximize profits against the needs of the stakeholders. Maintaining this balance often requires tradeoffs. To address these unique aspects of businesses, rules - articulated and implicit, are developed to guide the businesses to earn profits without harming individuals or society as a whole.

The coverage of business ethics is very wide as it deals with norms relating to a company and its employees, suppliers, customers and neighbors, its fiduciary responsibility to its shareholders. It reflects the philosophy of business, one of whose aims is to determine the fundamental purposes of a company.

Business ethics stands for the saneness or purity of purpose that is upheld through carefully designed actual practices of business enterprises. It is an embodiment of conscience concern towards execution of business processes in tune with the nobility of the purpose.

Scope of business ethics

Ethical problems and phenomena arise across all the functional areas of companies and at all levels within the company which are discussed below:

Ethics in Compliance: Compliance is about obeying and adhering to rules and authority. The motivation for being compliant could be to do the right thing out of the fear of being caught rather than a desire to be abiding by the law. An ethical climate in an organization ensures that compliance with law is fuelled by a desire to abide by the laws. Organizations that value high ethics comply with the laws not only in letter but go beyond what is stipulated or expected of them.

Ethics in Finance: The ethical issues in finance that companies and employees are confronted with include:

- In accounting - window dressing, misleading financial analysis.
- Related party transactions not at arm's length
- Insider trading, securities fraud leading to manipulation of the financial markets.
- Executive compensation.
- Bribery, kickbacks, over billing of expenses, facilitation payments.
- Fake reimbursements

Case of unethical practice Mr. A, is a respected senior officer in the company, he enjoyed all the benefits and perquisites from the company including car with driver, medical facility, reimbursements of certain expenditures. During the months September, October, December it was observed that his telephonic reimbursements were on a rising note, from Rs. 500 p.m. it went up to Rs. 2500 p.m. The matter was reported and was investigated. It was found that Mr. A has made arrangements with the Telephone Company for making a single bill for two telephone numbers at his residence.

Characteristics of Business Ethics:

- (i) *A Discipline:* Business ethics are the guiding principles of business function. It is the knowledge through which human behavior is learnt in a business situation.
- (ii) *Ancient Concept:* Business ethics is an ancient concept. It has its origin with the development of human civilization.
- (iii) *Personal Dignity:* The principles of ethics develop the personal dignity. Many of the problems of ethics arise due to not giving dignity to individual. All the business decisions should be aimed by giving dignity to the customers, employees, distributors, shareholders and creditors, etc. otherwise they develop in immorality in the business conducts.
- (iv) *Related to Human Aspect:* Business ethics studies those activities, decisions and behaviors which are concerned with human aspect. It is the function of the business ethics to notify those decisions to customers, owners of business, government, society, competitors and others on good or bad, proper or improper conduct of business.
- (v) *Study of Goals and Means:* Business ethics is the study of goals and means for the rational selection of sacred objects and their fulfillment. It accepts the principles of —Pure goals inspire for pure means|| and —Means justifies the end||. It is essential that goals and means should be based on morals.
- (vi) *Different from Social Responsibility:* Social responsibility mainly relates to the policies and functions of an enterprise, whereas business ethics to the conduct and behavior of businessmen. But it is a fact that social responsibility of business and its policies is influenced by the business ethics.
- (vii) *Greater than Law:* Although the law approves various social decisions, but the law is not greater than ethics. Law is usually related to the minimum control of social customs whereas ethics gives importance to individual and social welfare actions.

Ethics Theories

Theories Ethical theories are based on the previously explained ethical principles. They each emphasize different aspects of an ethical dilemma and lead to the most ethically correct resolution according to the guidelines within the ethical theory itself. People usually base their individual choice of ethical theory upon their life experiences.

Deontology

The deontological theory states that people should adhere to their obligations and duties when analyzing an ethical dilemma. This means that a person will follow his or her obligations to another individual or society because upholding one's duty is what is considered ethically correct (1, 2). For instance, a deontologist will always keep his promises to a friend and will follow the law. A person who follows this theory will produce very consistent decisions since they will be based on the individual's set duties.

Deontology provides a basis for special duties and obligations to specific people, such as those within one's family. For example, an older brother may have an obligation to protect his little sister when they cross a busy road together. This theory also praises those deontologists who exceed their duties and obligations, which is called "supererogation" (1). For example, if a person hijacked a train full of students and stated that one person would have to die in order for the rest to live, the person who volunteers to die is exceeding his or her duty to the other students and performs an act of supererogation.

Although deontology contains many positive attributes, it also contains its fair number of flaws. One weakness of this theory is that there is no rationale or logical basis for deciding an individual's duties. For instance, businessman may decide that it is his duty to always be on time to meetings. Although this appears to be a noble duty we do not know why the person chose to make this his duty. Perhaps the reason that he has to be at the meeting on time is that he always has to sit in the same chair. A similar scenario unearths two other faults of deontology including the fact that sometimes a person's duties conflict and that deontology is not concerned with the welfare of others. For instance, if the deontologist who must be on time to meetings is running late, how is he supposed to drive? Is the deontologist supposed to speed, breaking his duty to society to uphold the law, or is the deontologist supposed to arrive at his meeting late, breaking his duty to be on time? This scenario of conflicting obligations does not lead us to a clear ethically correct resolution nor does it protect the welfare of others from the deontologist's decision. Since deontology is not based on the context of each situation, it does not provide any guidance when one enters a complex situation in which there are conflicting obligations.

Utilitarianism

The utilitarian ethical theory is founded on the ability to predict the consequences of an action. To a utilitarian, the choice that yields the greatest benefit to the most people is the choice that is ethically correct. One benefit of this ethical theory is that the utilitarian can compare similar predicted solutions and use a point system to determine which choice is more beneficial for more people. This point system provides a logical and rationale argument for each decision and allows a person to use it on a case-by-case.

There are two types of utilitarianism, act utilitarianism and rule utilitarianism. Act utilitarianism adheres exactly to the definition of utilitarianism as described in the above section. In act utilitarianism, a person performs the acts that benefit the most people, regardless of personal feelings or the societal constraints such as laws. Rule utilitarianism, however, takes into account the law and is concerned with fairness. A rule utilitarian seeks to benefit the most people but through

the fairest and most just means available. Therefore, added benefits of rule utilitarianism are that it values justice and includes beneficence at the same time.

As with all ethical theories, however, both act and rule utilitarianism contains numerous flaws. Inherent in both are the flaws associated with predicting the future. Although people can use their life experiences to attempt to predict outcomes, no human being can be certain that his predictions will be true. This uncertainty can lead to unexpected results making the utilitarian look unethical as time passes because his choice did not benefit the most people as he predicted (1,2). For example, if a person lights a fire in a fireplace in order to warm his friends, and then the fire burns down the house because the soot in the chimney caught on fire, then the utilitarian now seems to have chosen an unethical decision. The unexpected house fire is judged as unethical because it did not benefit his friends.

Another assumption that a utilitarian must make is that he has the ability to compare the various types of consequences against each other on a similar scale. However, comparing material gains such as money against intangible gains such as happiness is impossible since their qualities differ to such a large extent.

A third failing found in utilitarianism is that it does not allow for the existence of supererogation or heroes. In other words, people are obligated to constantly behave so that the most people benefit regardless of the danger associated with an act (1). For instance, a utilitarian who sacrifices her life to save a train full of people is actually fulfilling an obligation to society rather than performing a selfless and laudable act.

As explained above, act utilitarianism is solely concerned with achieving the maximum good. According to this theory an individual's rights may be infringed upon in order to benefit a greater population. In other words, act utilitarianism is not always concerned with justice, beneficence or autonomy for an individual if oppressing the individual leads to the solution that benefits a majority of people. Another source of instability within act utilitarianism is apparent when a utilitarian faces one set of variable conditions and then suddenly experiences a change in those variables that causes her to change her original decision. This means that an act utilitarian could be nice to you one moment and then dislike you the next moment because the variables have changed, and you are no longer beneficial to the most people.

Rule utilitarianism also contains a source of instability that inhibits its usefulness. In rule utilitarianism, there is the possibility of conflicting rules (1). Let us revisit the example of a person running late for his meeting. While a rule utilitarian who just happens to be a state governor may believe that it is ethically correct to arrive at important meetings on time because the members of the state government will benefit from this decision, he may encounter conflicting ideas about what is ethically correct if he is running late. As a rule utilitarian, he believes that he should follow the law because this benefits an entire society, but at the same time, he believes that it is ethically correct to be on time for his meeting because it is a state government meeting that also benefits the society.

Rights

In the rights ethical theory the rights set forth by a society are protected and given the highest priority. Rights are considered to be ethically correct and valid since a large or ruling population

endorses them. Individuals may also bestow rights upon others if they have the ability and resources to do so. For example, a person may say that her friend may borrow the car for the afternoon. The friend who was given the ability to borrow the car now has a right to the car in the afternoon.

A major complication of this theory on a larger scale, however, is that one must decipher what the characteristics of a right are in a society. The society has to determine what rights it wants to uphold and give to its citizens. In order for a society to determine what rights it wants to enact, it must decide what the society's goals and ethical priorities are. Therefore, in order for the rights theory to be useful, it must be used in conjunction with another ethical theory that will consistently explain the goals of the society (1). For example in America people have the right to choose their religion because this right is upheld in the Constitution. One of the goals of the founding fathers' of America was to uphold this right to freedom of religion. However, under Hitler's reign in Germany, the Jews were persecuted for their religion because Hitler decided that Jews were detrimental to Germany's future success. The American government upholds freedom of religion while the Nazi government did not uphold it and, instead, chose to eradicate the Jewish religion and those who practiced it.

Casulist

The casuist ethical theory is one that compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes. This allows one to determine the severity of the situation and to create the best possible solution according to others' experiences. One drawback to this ethical theory is that there may not be a set of similar examples for a given ethical dilemma. Perhaps that which is controversial and ethically questionable is new and unexpected. Along the same line of thinking, a casuistical theory also assumes that the results of the current ethical dilemma will be similar to results in the examples. This may not be necessarily true and would greatly hinder the effectiveness of applying this ethical theory.

Virtue

The virtue ethical theory judges a person by his character rather than by an action that may deviate from his normal behavior. It takes the person's morals, reputation and motivation into account when rating an unusual and irregular behavior that is considered unethical. For instance, if a person plagiarized a passage that was later detected by a peer, the peer who knows the person well will understand the person's character and will be able to judge the friend. If the plagiarizer normally follows the rules and has good standing amongst his colleagues, the peer who encounters the plagiarized passage may be able to judge his friend more leniently. Perhaps the researcher had a late night and simply forgot to credit his or her source appropriately. Conversely, a person who has a reputation for scientific misconduct is more likely to be judged harshly for plagiarizing because of his consistent past of unethical behavior.

One weakness of this ethical theory is that it does not take into consideration a person's change in moral character. For example, a scientist who may have made mistakes in the past may honestly have the same late night story as the scientist in good standing. Neither of these scientists intentionally plagiarized, but the act was still committed.

What is an Unethical Behavior?

The Civil Service Commission of Philippines defined an unethical behavior as any behavior prohibited by law. In a dynamic business environment, a —large gray area exists that makes it difficult and unclear to distinguish what is ethical. An unethical behavior would therefore be defined as one that is not morally honorable or one that is prohibited by the law. Today, the most common ones are false communication, collusion, conflicts of interest, gifts and kickbacks, health services providers' unfair practices, insider trading, discrimination and harassment, and embezzlement.

False Communications: False communications fall into various categories. They include falsification of auditor's or controller's report or any form of manipulation that does not tell the whole truth. These include cheating on tax returns or inappropriate depreciation schedule and wrong expenses (Brennan Jr., Valtz, Shallenberger & Stanton, 1961, 164). Feeding the public with wrong report of the organization's business performance to make the organization look good is another common practice. In 2001, Enron gave wrong information about their loss because Ken Lay, the CEO of Enron, was advised by some trusted Enron executives to report only \$1.2 billion of the \$7 billion in losses because it was felt that the amount could be explained reasonably without doing more damage to the falling stock price of the company (Collins, 2007, 3). Similar to this was the case of Manville Corporation. The top management of the Corporation suppressed, for decades, evidence which proved that asbestos inhalation was killing their employees.

Collusion: Collusion, especially with competitors, to fix prices, is an unfair business practice today. This could be considered stealing from customers. However, there are differences of opinion on whether or not price fixing is stealing from customers (Brennan Jr., Valtz, Shallenberger & Stanton, 1961, 174).

Gifts and Kickbacks: Some organizations do not allow their employees to receive gifts from clients during normal course of business. Those who do, generally provide guide lines on limitations as to the amount an employee can receive as gift. Sometimes a buyer may request for kickbacks or entertainment which, if not provided, may lead to the loss of the customer. An employee frequently receives pressure from the management to behave unethically or to obtain profitable business at any cost, which may include the use of any possible dirty tricks. The employees who desire to be retained or promoted have no choice but to dance to the tune of the management. This is because there were cases of those who refused to behave unethically the way management instructed and were fired or nearly fired (Brennan Jr., Valtz, Shallenberger & Stanton, 1961, 165).

Conflict of Interest: Conflict of interest occurs when ones private interest interferes or appears to interfere in any way with the interest of the organization. According to Sliglitz, it can be argued that there is no conflict of interest because, based on Adam Smith's view, the individuals, when pursuing their own self-interest are actually pursuing the general interest of society (Sliglitz, 2003, 2). Some examples of conflicts of interest are: - diverting from the organization for personal benefit, a business opportunity, - using the organization's assets for personal benefit, - accepting any valuable

thing from the organization's customers or suppliers, and - having a financial interest in an organization's competitor.

Unethical practices in the Health Care Sector: There are three common unethical practices in the Health Care Sector. The first is refusing to provide health care services to the patients who have no medical insurance. Some Health Centers do not admit patients who have no insurance unless they can provide evidence that they have the ability to pay for the health service. The second unethical practice in the health care sector is over treating patients to boost income. The third is doing surgery at surgical centers instead of the hospital so that the doctors do not have to —pull call at any hospital.

Insider Trading: Insider trading is an unethical behavior which occurs when a person who has access to confidential information uses or shares the information for securities trading purposes or any other purpose except the conduct of regular company business. The confidential information of the company are not to be used for achieving personal gain neither are they to be disseminated directly or indirectly, to friends, family members and other outsiders who may in turn trade on or misuse the information.

Discrimination and Harassment: Discrimination involves not providing equal opportunity in employment on merit but on other basis such as race, sex, national origin, age, religion, or any other basis not related to the job. Harassment is a derogatory comment or unwelcome sexual advances (FS Networks, Inc., 2004).

Wrong Doing: A large number of people, including top management, are involved in wrong doing both in the public and in the private sectors. The managers of E.E. Hutton, for example, were found guilty of 2000 mail and wire fraud. Similarly, the supervisors of a defense contractor were accused of falsifying time cards (Gellerman, 1986, 85).

Causes of Unethical Behaviors

The study that was commissioned by American Management Association (AMA) and which was conducted by the Human Resource Institute (HRI) using 1121 managers and Human Resource experts as participants, revealed that the leading cause of unethical corporate behavior is —pressure to meet unrealistic business objectives and deadlines.

The study also showed that the second leading factor that causes unethical behavior is the desire to further one's career while the third leading factor is the desire to protect one's livelihood (Schwartz, 2006, 1) and (MacDo, 2006, 1).

Job pressure, according to the study, causes employees to engage in unethical behaviors that include cutting corners on quality control, covering up incidents and lying to customers. Ignorance is another major cause of unethical behaviors.

The study of (AMA) and (HRI), (MacDo, 2006, 1), revealed that the ignorance that the acts are unethical and not knowing the seriousness of the consequences when caught, are causes of unethical behaviors. Competition for scarce resources, power or position can cause individuals to engage in unethical behaviors. Hosmer emphasized that an attempt to improve their corporate competitive positions made managers to take immoral actions (Hosmer, 1987, 439). Bazerman and Banaji felt that the cause of the unethical behaviors in organizations is the presence of a —few bad apples among organizational actors (Bazerman & Banaji, 2004, 111).

The primary cause of unethical behaviors can be traced to lack of maintaining the type of consistent leadership that is necessary for running an ethical organization. This exposes the employees to opportunities that make them engage in unethical behaviors.

Recommendations: The National Defense University proposed three ethical responses to unethical behaviors in their —Strategic Leadership and Decision Making: exit, voice and loyalty. With respect to —exit it is recommended that if one cannot live with the behavior, or the behavior does not meet one's ethical standards, one should leave. The second response, —voice, is to express discomfort with and opposition to the unethical behavior. The third response, —loyalty, supports the idea of remaining in the organization and trying to change it instead of leaving (National Defense University, 1986, 8).

In order to restore and maintain a culture that upholds honest and ethical behaviors, the organizational leaders must verbally promote ethical environment and relentlessly —walk the talk, by making ethical behavior part of the organization's agenda. They need to establish codes of business conduct to guide employees' behaviours.

There should be the establishment of annual business ethics training for the employees and a good whistle blowing mechanism. Since job pressure was identified as major cause of unethical behavior, in order to reduce the pressure, communications and commitment by top management are recommended.

Kinds of Unethical Behavior in Business

Theft: Theft at work comes in a variety of forms, and often times employees do not view it as unethical behavior, believing no one gets hurt by the action. Employees take home office supplies, use business computers for personal tasks, pad expense accounts and abuse sick time or allotted personal days. Unethical behavior also includes having another employee punch a time card, or not punching out for lunch hours or other non-approved time off. Though these may seem like minor infractions, they eventually have an impact on the bottom line of the company, which then hurts all employees. Theft also affects employee morale and is disheartening to those who choose to behave ethically.

Vendor Relationships: Businesses that buy from and sell products to other businesses are sometimes subject to unethical behavior. The practice of accepting gifts from a vendor in exchange

for increased purchasing is not only unethical, it may have legal repercussions. The same can be said for offering customer kickbacks to increase his purchasing habits. Ethics policies often contain guidelines for giving or accepting gifts with vendors or other business associates, such as a cap on the value of the gift. Other businesses strictly forbid giving gifts or any other item with monetary value. This is a safeguard to prevent any perception of unethical behavior.

Bending the Rules: Bending the rules in a business situation is often the result of a psychological stimulus. If an employee is asked to perform an unethical task by a supervisor or manager, he may do it because his allegiance to authority is greater than his need to abide by the rules. Turning the other way to avoid trouble for another employee is still unethical, even though the motivation may be empathetic. For example, knowing that a coworker is having issues outside work justifies watching him leave early each day without reporting it. Withholding information that can change an outcome also falls under the umbrella of unethical behavior, even if the perpetrator believes he is doing what is in the best interest of the business. For example, if a poor earnings report is withheld until after a stockholder meeting.

Environmental issues: Unethical behavior by companies, such as releasing pollutants into the air, can affect cities, towns, waterways and masses of people. Though accidents can occur, the release of harmful toxins into the environment due to lax safety standards, improper maintenance of equipment or other preventable reasons is unethical. If a business willingly continues production of a product knowing inherent environmental risks exist, it can certainly be categorized as unethical behavior.

Wages and Working Conditions: Other unethical practices include not paying workers a fair wage, employing children under the legal working age and unsafe or unsanitary working conditions. Any practices that are not in compliance with fair labor standards and federal working guidelines fall into this category.

Work ethics

Work ethic is a value based on hard work and diligence. It is also a belief in the moral benefit of work and its ability to enhance character.

Workers exhibiting a good work ethic in theory would be selected for better positions, more responsibility and ultimately promotion. Workers who fail to exhibit a good work ethic may be regarded as failing to provide fair value for the wage the employer is paying them and should not be promoted or placed in positions of greater responsibility.

Five Characteristics of a Good Work Ethics are as follows:

1. Reliability: Reliability goes hand in hand with a good work ethic. If individuals with a good work ethic say they are going to attend a work function or arrive at a certain time, they do, as they value punctuality. Individuals with a strong work ethic often want to appear dependable, showing their

employers that they are workers to whom they can turn. Because of this, they put effort into portraying -- and proving -- this dependability by being reliable and performing consistently.

2. Dedication: Those with a good work ethic are dedicated to their jobs and will do anything they can to ensure that they perform well. Often this dedication leads them to change jobs less frequently, as they become committed to the positions in which they work and are not eager to abandon these posts. They also often put in extra hours beyond what is expected, making it easy for their employers to see that they are workers who go beyond the rest of the workforce and truly dedicate themselves to their positions.

3. Productivity: Because they work at a consistently fast pace, individuals with a good work ethic are often highly productive. They commonly get large amounts of work done more quickly than others who lack their work ethic, as they don't quit until they've completed the tasks with which they were presented. This high level of productivity is also due, at least in part, to the fact that these individuals want to appear to be strong workers. The more productive they are, the more beneficial to the company they appear to those managing them.

4. Cooperation: Cooperative work can be highly beneficial in the business environment, something that individuals with a strong work ethic know well. Because they recognize the usefulness of cooperative practices - such as teamwork -- they often put an extensive amount of effort into working well with others. These individuals commonly respect their bosses enough to work with any individuals with whom they are paired in a productive and polite manner, even if they do not enjoy working with the individuals in question.

5. Character: Those with a good work ethic often also possess generally strong character. This means they are self-disciplined, pushing themselves to complete work tasks instead of requiring others to intervene. They are also often very honest and trustworthy, as they view these traits as befitting the high quality employees they seek to become. To demonstrate their strong character, these workers embody these positive traits daily, likely distinguishing themselves from the rest.

Code of conduct

Code of conduct or what is popularly known as Code of Business Conduct contains standards of business conduct that must guide actions of the Board and senior management of the Company.

The Code may include the following:

- (a) Company Values.
- (b) Avoidance of conflict of interest.
- (c) Accurate and timely disclosure in reports and documents that the company files before Government agencies, as well as in Company's other communications.

- (d) Compliance of applicable laws, rules and regulations including Insider Trading Regulations.
- (e) Maintaining confidentiality of Company affairs.
- (f) Non-competition with Company and maintaining fair dealings with the Company.
- (g) Standards of business conduct for Company's customers, communities, suppliers, shareholders, competitors, employees.
- (h) Prohibition of Directors and senior management from taking corporate opportunities for themselves or their families.
- (i) Review of the adequacy of the Code annually by the Board.
- (j) No authority of waiver of the Code for anyone should be given.

The Code of Conduct for each Company summarizes its philosophy of doing business. Although the exact details of this code are a matter of discretion, the following principles have been found to occur in most of the companies:

- Use of company's assets;
- Avoidance of actions involving conflict of interest;
- Avoidance of compromising on commercial relationship;
- Avoidance of unlawful agreements;
- Avoidance of offering or receiving monetary or other inducements;
- Maintenance of confidentiality;
- Collection of information from legitimate sources only.
- Safety at workplace
- Maintaining and Managing Records
- Free and Fair competition
- Disciplinary actions

To create a code of ethics, an organization must define its most important guiding values, formulate behavioral standards to illustrate the application of those values to the roles and responsibilities of the persons affected, review the existing procedures for guidance and direction as to how those values and standards are typically applied, and establish the systems and processes to ensure that the code is implemented and effective. Codes of ethics are not easily created from boilerplate. Ideally, the development of a code will be a process in which Boards and senior management actively debate and decide core values, roles, responsibilities, expectations, and behavioral standards.

Model Code of Business Conduct & Ethics

Commitment to ethical professional conduct is a MUST for every employee of the company in all of its businesses/units/subsidiaries. This code, consisting of imperatives formulated as statements of

personal responsibility, identifies the elements of such a commitment. It contains many, but not all issues, employees are likely to face.

The code is intended to serve as a basis for ethical decision-making in the conduct of professional work. It may also serve as a basis for judging the merit of a formal complaint pertaining to violation of professional ethical standards.

It is understood that some words and phrases in a code of ethics and conduct document are subject to varying interpretations and that any ethical principle may conflict with other ethical principles in specific situations. Questions related to ethical conflicts can best be answered by thoughtful consideration of fundamental principles rather than reliance on detailed regulations. In case of conflict, the decision of the Board shall be final.

Applicability This code is applicable to the Board Members and all employees in and above Officers level (hereinafter collectively referred to as "Employee(s)"). All employees must read and understand this code and ensure to abide by it in their day-to-day activities.

General Moral Imperatives

1. Contribute to society and human well being

This principle concerning the quality of life of all people, affirms an obligation to protect fundamental human rights and to respect the diversity of all cultures. We must attempt to ensure that the products of our efforts will be used in socially responsible ways, will meet social needs and will avoid harmful effects to health and welfare of others. In addition to a safe social environment, human well-being includes a safe natural environment. Therefore, all of us who are accountable for the design, development, manufacture and promotion of company's products, must be alert to, and make others aware of, any potential damage to the local or global environment.

2. Avoid harm to others

"Harm" means injury or negative consequences, such as loss of property, property damage or unwanted health and environmental impacts. This principle prohibits use of men, material and technology in ways that result in harm to our consumers, employees and the general public. Wellintended actions, including those that accomplish assigned duties, may lead to harm unexpectedly. In such an event, the responsible person or persons are obligated to undo or mitigate the negative consequences as much as possible. Be honest and trustworthy Honesty is an essential component of trust. Without trust an organization cannot function effectively. All of us are expected not to make deliberately false or deceptive claims about our products/systems, but instead provide full disclosure of all pertinent limitations and problems.

3. Be fair and take action not to discriminate

The values of equality, tolerance, respect for others, and the principles of equal justice govern this imperative. Discrimination on the basis of race, sex, religion, age, disability, national origin, or other such factors is an explicit violation of this code.

4. Practice integrity in our inter-personal relationships

In our relationships with colleagues, we should treat them with respect and in good faith. In the same way we ourselves would expect them to treat us. The principle to be adopted to guard against loose talk or in its worst form-character assassination is not to say anything behind one's back and never utter something, which cannot be put in writing.

5. Honor confidentiality

The principle of honesty extends to issues of confidentiality of information. The ethical concern is to respect all obligations of confidentiality to all stakeholders unless discharged from such obligations by requirements of the law or other principles of this code. We therefore, will maintain the confidentiality of all material non-public information about company's business and affairs.

6. Professional Responsibilities

Live the Company's Values-each day. We must live the Company's Values-each day. For quick reference our core values are:

7. Ownership

This is our company. We accept personal responsibility and accountability to meet business needs.

8. Passion for winning

We all are leaders in our area of responsibility with a deep commitment to deliver results. We are determined to be the best at doing what matters most.

9. Passion development

People are our most important asset. We add value through result driven training and we encourage & reward excellence.

10. Consumer focus

We have superior understanding of consumer needs and develop products to fulfill them better.

11. Teamwork

We work together on the principle of mutual trust and transparency in a boundary less organization. We are intellectually honest in advocating proposals, including recognizing risks.

12. Innovation

Continuous innovation in products and process is the basis of our success.

13. Integrity

We are committed to the achievement of business success with integrity. We are honest with consumers, business partners and each other.

Strive to achieve the highest quality, effectiveness and dignity in both the processes and products of professional work Excellence is perhaps the most important obligation of a professional.

We must strive to achieve the highest quality, effectiveness and dignity in all that we are responsible for each day.

14. Acquire and maintain professional competence

Excellence depends on individuals who take responsibility for acquiring and maintaining professional competence. We must participate in setting standards for appropriate levels of competence, and strive to achieve those standards.

15. Know and respect existing laws

We must obey existing local, state, national, and international laws unless there is a compelling ethical basis not to do so. We should also obey the policies, procedures, rules and regulations of the company. Violation of a law or regulation may be ethical when that law or rule has inadequate moral basis or when it conflicts with another law judged to be more important. If one decides to violate a law or rule because it is viewed as unethical, or for any other reason, one must fully accept responsibility for one's actions and for the consequences.

16. Accept and provide appropriate professional review

Quality professional work depends on professional reviewing and critiquing. Whenever appropriate, individual members should seek and utilize peer review as we as provide critical review of the work of theirs. Manage personnel and resources to enhance the equality of working life Organizational leaders are responsible for ensuring that a conducive environment is created for fellow employees to enable them delivering their best. We all, therefore, are responsible for ensuring human dignity of all our colleagues, ensuring their personal and professional development and enhancing the quality of working life.

17. Deal with the Media tactfully

We should guard against being misquoted and finding ourselves compromised. Our role as individuals is always to be tactful and to avoid comment and to pass enquiries to those who are authorized to respond to them.

18. Be upright and avoid any inducements

Neither directly nor through family and other connections indirectly, should we solicit any personal fee, commission or other form of remuneration arising out of transactions involving Company. This includes gifts or other benefits of significant value, which might be extended at times, to influence business-especially during bulk purchase of commodities for the organization or awarding a contract to an agency etc. We are likely to be offered various gifts by vendors/parties/agencies and people associated with Company under different wraps or generally on personal celebrations or functions or religious festivals etc.

Our flow of communication is not rigid and people are free to express themselves at all levels. However, this informality should not be misunderstood. What it means is that though there is a free exchange of opinions in the process of arriving at a decision, but after the debate is over and a policy consensus has been established, all are expected to adhere and abide by it, even when in certain instances we may not agree with it individually. In some cases policies act as a guide to action, in others they are designed to put a constraint on action. We all must learn to recognize the difference and appreciate why we need to observe them.

19. Conduct ourselves in a manner that reflects credit to the Company

All of us are expected to conduct ourselves, both on and off-duty, in a manner that reflects credit to the company. The sum total of our personal attitude and behavior has a bearing on the standing of Company and the way in which it is perceived within the organization and by the public at large.

20. Be accountable to our stakeholders

All of those whom we serve, be it our customers, without whom we will not be in business, our shareholders, who have an important stake in our business and the employees, who have a vested interest in making it all happen-are our stakeholders. And we must keep in mind at all times that we are accountable to our stakeholders. "Inside information" gained from the Company or otherwise must not be used for personal gains. We undertake to comply with the Company's Code of Conduct for Prevention of Insider Trading.

21. Identify, mitigate and manage business risks

It is our responsibility to follow our institutionalized Company's Risk Management Framework to identify the business risks that surround our function or area of operation and to assist in the company-wide process of managing such risks, so that Company may achieve its wider business objectives. All of us should continuously ask ourselves "What can go wrong and what am I doing to prevent it from going wrong."

22. Protect Company's properties

We all are perceived as Trustees of Company's properties, funds and other assets. We owe fiduciary duty to each stakeholder, as their agent, for protecting the Company's assets. We, therefore, must safeguard and protect the Company's assets against any misappropriation, loss, damage, theft, etc. by putting in place proper internal control systems and procedures and effectively insuring the same against any probable fire, burglary, fidelity and any other risk.

23. Compliance with the Code

As employees of Company, we will uphold and promote the principles of this code

The future of the organization depends on both technical and ethical excellence. Not only is it important for employees to adhere to the principles expressed in this Code, each employee should encourage and support adherence by other employees.

Treat violations of this code as inconsistent association with the organization Adherence of professionals to a code of ethics is largely a voluntary matter. However, if any of us do not follow this code by engaging in process misconduct, the matter would be reviewed by the Board and its decision shall be final. The Company reserves the right to take appropriate action against the guilty employee.

24. Miscellaneous

Continual updation of code

This code is subject to continuous review and updation in line with any changes in law, changes in company's philosophy, vision, business plans or otherwise as may be deemed necessary by the board.

25. Credo

Most Companies skip the important part of developing the company's credo. A good credo gives the company a reason to exist; it develops the spirit of employees motivating them at all times. It is a statement of common values that allows employees to understand the importance of the stakeholders and services provided. It is the force which makes them work together to achieve a consistent high standard.

Sam Walton, founder of Wal-Mart, established the "Three Basic Beliefs" as his company's credo. These are: – Respect for the Individual – Service to our Customers – Strive for Excellence

Johnson & Johnson The overarching philosophy that guides business in Johnson & Johnson is their Credo termed as 'Our Credo', a deeply held set of values that has served as the strategic and moral compass for generations of Johnson & Johnson leaders and employees. The Credo challenges Johnson & Johnson to put the needs and well-being of the people we serve first. It also speaks to

the responsibilities it has to its employees, to the communities in which the company lives and works and the world community, and to its shareholders. Johnson and Johnson believes that its Credo is a blueprint for long-term growth and sustainability that's as relevant today as when it was written.

Ethics in Marketing

Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. The issue of marketing ethics is not limited to the kind of products alone. It also deals with how such products are delivered to the customers. The ethical issues confronted in this area include: — Pricing: price fixing, price discrimination, price skimming. — Anti-competitive practices like manipulation of supply, exclusive dealing arrangements, tying arrangements etc. — misleading advertisements. — Contents of advertisements. — Use of decision — Children and marketing. — Surrogate advertising: Many liquor firms carry advertisements of products like apple juice, soda water etc. — Black markets, grey markets.

Ethics in Production

This area of business ethics deals with the duties of a company to ensure that products and production processes do not cause harm. Some of the more acute dilemmas in this area arise out of the fact that there is usually a degree of danger in any product or production process and it is difficult to define a degree of permissibility, or the degree of permissibility may depend on the changing state of preventative technologies or changing social perceptions of acceptable risk. — Defective, addictive and inherently dangerous products and —Ethical relations between the company and the environment include pollution, environmental ethics, carbon emissions trading — Ethical problems arising out of new technologies for eg. Genetically modified food — Product testing ethics. The most systematic approach to fostering ethical behavior is to build corporate cultures that link ethical standards and business practices. More and more companies recognize the link between business ethics and financial performance. Companies displaying a "clear commitment to ethical conduct" consistently outperform companies that do not display ethical conduct.

Public Good

1. Attracting and retaining talent

People aspire to join organizations that have high ethical values. Companies are able to attract the best talent and an ethical company that is dedicated to taking care of its employees will be rewarded with employees being equally dedicated in taking care of the organization. The ethical climate matter to the employees. Ethical organizations create an environment that is trustworthy, making employees willing to rely, take decisions and act on the decisions and actions of the co-employees. In such a work environment, employees can expect to be treated with respect and consideration for their colleagues and superiors. It cultivates strong teamwork and productivity and support employee growth. Retaining talented people is as big a challenge as getting them in the first place. Work is a means to an end for them, not an end in itself. The relationship they have with their employer must be a

mutual, win-win one, in which their loyalty should not be taken for granted. Talented people will invest their energy and talent only in organizations with values and beliefs that match their own. In order to achieve this match, managers need to build cultures, compensation and benefits packages, and career paths that reflect and foster certain shared values and beliefs.

2. Investor Loyalty

Investors are concerned about ethics, social responsibility and reputation of the company in which they invest. Investors are becoming more and more aware that an ethical climate provides a foundation for efficiency, productivity and profits. Relationship with any stakeholder, including investors, based on dependability, trust and commitment results in sustained loyalty.

3. Customer satisfaction

Customer satisfaction is a vital factor in successful business strategy. Repeat purchases/orders and enduring relationship of mutual respect is essential for the success of the company. The name of a company should evoke trust and respect among customers for enduring success. This is achieved by a company that adopts ethical practices. When a company because of its belief in high ethics is perceived as such, any crisis or mishaps along the way is tolerated by the customers as a minor aberration. Such companies are also guided by their ethics to survive a critical situation. Preferred values are identified ensuring that organizational behaviors are aligned with those values. An organization with a strong ethical environment places its customers' interests as foremost. Ethical conduct towards customers builds a strong competitive position. It promotes a strong public image.

4. Regulators

Business should act ethically not only to benefit itself and its reputation but also all the key stakeholders. Regulators eye companies functioning ethically as responsible citizens. The regulator need not always monitor the functioning of the ethically sound company. The company earns profits and reputational gains if it acts within the confines of business ethics.

To summarize, companies that are responsive to employees' needs have lower turnover in staff. — Shareholders invest their money into a company and expect a certain level of return from that money in the form of dividends and/or capital growth. — Customers pay for goods, give their loyalty and enhance a company's reputation in return for goods or services that meet their needs. — Employees provide their time, skills and energy in return for salary, bonus, career progression, and learning.