Confederation of Indian Industry

CII-ITC Centre of Excellence for Sustainable Development

International Conference on

Striking the Right Balance: Integrating Ethical Business Practices

21 February, 2017 : New Delhi

Background Paper

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New Delhi 110 001, India. Tel.: + 91 11 4150 2301 – 02, Email: sustainability@cii.in,
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PREFACE

The key to the survival of economy of a country is self-reliance. However, survival of society at large is possible only with interdependence among its various units. This interdependence is further resonated in the wake of globalization which has turned the world around us into a global village. The developed economies depend on developing economies for resources such as land labor, etc. while the latter depends on former for its economic and business needs.

This interdependence has opened myriad of opportunity for investors and diversification of businesses. Therefore, global changes have taken place to regulate international trade and business. India is not a by-stander to these changes and is an active participant to international business. With the advent and promotion of policies such as Make in India, it is only matter of time before India emerges as a manufacturing giant. Policy-framers have given its due share of importance to these changes and changes in the policies and other regulations have been made accordingly. As businesses grow there is a drift towards promotion of good corporate governance practices in business organizations.

India has also brought changes to its legislations accordingly. It is however, unfortunate that the policies in India are only tigers on paper. But the fact remains that these policies can be turned into canons of utility by the concerted efforts of stakeholders.

The background paper focuses on describing the kind of challenges which the business organizations face in the present economic environment. It also brings to fore the recent changes brought to legislations and regulations to foster goals of good corporate governance. The paper finally discusses some important aspects of good corporate governance and the ways to implement them in an organization.

LIST OF ABBREVIATIONS

ABMS	-	Anti-Bribery Management System
BSI	-	British Standards Institution
CII	-	Confederation of Indian Industry
FCAP	-	Foreign Corrupt Practices Act
ISO	-	International Organization for Standardization
NVG	-	National Voluntary Guidelines
SEBI	-	Securities Exchange Board of India
SME	-	Small and Medium Enterprises
UK	-	United Kingdom

EXECUTIVE SUMMARY

The business global regime is sans territorial nexus and has emerged as a bridge amidst economies. This has catalyzed shift in the outreach of business organizations. This shift poses challenge for regulators to regulate territorial economy and calls for regulating businesses with increased focus on corporate governance to meet global standards. Moreover, as the investors' awareness and public participation in monetary market increases, it is extremely important that their interests be protected. Therefore, the business operations must be conducted in ethical manner. Ethical business practices come with its own set of challenges, lack of awareness being the primordial. Though the legislators have put in place laws and regulations to be followed by companies, ethical manner of business operation cannot be achieved by mere tick-mark compliance with the legal mandates. This therefore, calls for promotion of organizational integrity model, which focuses on ethical behavior in business organization in an integrated manner. Some of the ways which may help in promotion of this model are – (a) Adopting Code of Conduct (b) Increasing Transparency & Disclosure (c) Establishing Discreetly the Role of Board of Directors (d) Adopting Whistleblower Policy (e) Adopting Risk-Management Techniques and Zero Tolerance Approach.

SMEs face different set of challenges, apart from the basic instinct of survival. These challenges need to be addressed and **PROPTUP (Promote, Practice, Train & Update**) approach must be adopted for dealing with the problems associated in implementation of ethical business behavior in any business organization.

INTRODUCTION

Globalization is the mode of operations in contemporary context. It has pervaded so much so in the life of human beings that it influences culture, dialect, tradition, custom, and flow of information across boundaries. The business operations are also highly influenced and characterized by cross-boundary integration. Globalization has fostered diversification of businesses making way for economic and regulatory interface. It has also caused influx of foreign investments, thereby increasing avenues for investors to make investments. The share of global trade, which implies cross-border diversification of business enterprises, has accelerated with the advent of globalization and it hardly needs mention that the Global 1000 has an enhanced influence over the lives of investors[1]. The business organizations not only influence investors but also the society at large. Therefore, there is also an increased call for business organizations to shoulder the social responsibilities that they have.

However the new trend of globalization comes with its share of glaring ramifications to the extent that they have the capability to inhibit the growth in economic graph of a country as a whole[2]. As the business organizations cross boundaries there arise risks which are not otherwise prominent at the national level. A major risk associated in this context is regulating organizations in an ethical manner and conforming to corporate governance norms. At the national level each country has different regulatory regime and the same cannot be uniformly applied across the globe.

The corporate governance standards are changes which develop over time with the changes in economic environment[3]. The experience of each and every country with respect to corporate governance differs. This differentiates the norms formulated to regulate standards of governance in a country. Since corporate governance differs for each country therefore, it becomes an onerous task to regulate business organizations in this complex web of globalized economic integration.

Regulation of corporate affairs has become of primordial importance for regulators and governmental agencies because of irregularities that have characterized business organizations with the advent of globalization. The tendency of the organization controllers is to make maximum profit (exceedingly personal profit) with the investors' money[4]. Therefore, the regulators also need to protect interests of the investors and as awareness among investors increase there is an increased pressure on regulators to take necessary steps to incorporate measures which would impede unethical business behavior.

In view of increased corporate governance needs and to meet the global standards[5], the legislators in India have brought changes to statutes. The Companies Act, 2013 is milestone legislation in corporate India. The new SEBI Corporate Governance Norms, 2014 are also important in light of increased corporate governance standards. These concerted efforts on different regulatory fronts are all aimed at increasing the goal of adoption of best practices in corporate governance. Simultaneously, the Business Responsibility Reporting has been mandated by SEBI for top 500 companies[6].

Not only external forces, but it is equally important that the organization must be internally motivated to adopt ethical business practices and this calls for development of integrity strategy which more than emphasizing on laws places its reliance on managerial skills towards promotion of responsible business environment.

[1] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2270579
[2] The collapse of banking industry in the U.S. in 2008 is an example of such negative disastrous impact.
[3] https://www.corporatesecretary.com/articles/regulation-and-legal/12277/ten-events-have-changes-corporate-governance/
[4] E.g. – The Enron Scam, Satyam Scandal, the Case of Kingfisher, Saradha Scam etc. speaks volumes about the use of disguised auditing techniques to increase personal gain against the money of investors.
[5] https://www.mca.gov.in/Ministry/pdf/Report_Companies_Law_Committee_01022016.pdf
[6] http://www.sebi.gov.in/cms/sebi_data/attachdocs/1486375066836.pdf

In this paper therefore, we focus on –

- Promotion of ethical business practices and why it is important and for companies
- The various regulatory changes made in India to adopt responsible business practices
- The good and replicable corporate governance practices
- The modes of development of integrity strategy as means to responsible business practices

ETHICAL CULTURE IN BUSINESS ORGANIZATIONS

Ethical behavior in its simplest sense can be defined as behavior guided by unprejudiced concern for each group of stakeholder affected by business operations. Ethical decisions must deliberate upon the accepted norms and how businesses should operate. This deliberation must analyze the impact of any course of action chosen by the company on its stakeholders. The decision would be called ethical if and only if it does not adversely affect any group of stakeholders, whether in the long term or short term of business operation.

However, this task is easier said than done because the business environment is extremely dynamic and not all factors that affect the business organization can be internalized. Though the business organization can regulate the factors which are internal to the organization and affect business operations, but factors which are not internal cannot be controlled and the business operations have to be molded accordingly. And with the opening up of avenues for cross-boundary interaction, dynamism has only amplified.

The corporate organizations sometimes tend to step beyond law and ethical boundaries. This trend has a negative bearing upon stakeholders associated with businesses because in the name of organizational diversification or business promotion, the organizational personnel try to derive personal profits. However, it is interesting to note that the global trend of trust on business organizations to shoulder societal responsibility has increased significantly, including that in India[7]. But contrary to what statistics say, the general trust of public in business operations towards commitment to greater good shows a decline, even though they agree that businesses bring economic prosperity to the country[8]. Therefore, it is increasingly important that businesses undertake ethical operations and conduct their business in responsible manner. If the business organization overlooks the interests of its stakeholders, it has to face risks which may take various forms such as reputational damage, unnecessary increase in cost to the organization, judicial intervention & winding up of the company, etc.

The impetus of ethical business behavior can be increased by external sanctions in the form of legislations and regulations or through internal organizational management. While the former is largely taken care of by the government, the latter can be included in organizational objectives by increasing awareness about adverse impact of unethical business operations. Let us examine the various adverse impacts of unethical business conduct on a business organization.

- **Reputational Risks**

As consumers become more conscious, manufacturers tend to cater to the needs of the customers and develop products with two-fold aims viz. – increasing clientele and retaining existing clients. This has brought into fore the objective of an organization in the, development of brand, stead of mere manufacturing of products. However, the road to building brand is uphill and requires consistent resilience. But once established, the brand goes on to deliver profits to the company in ways more than one.

[7]http://www.edelman.com/assets/uploads/2016/01/2016-Edelman-Trust-Barometer-Global-_-Leadership-in-a-Divided-World.pdf
[8]http://www.edelman.com/assets/uploads/2016/01/2016-Edelman-Trust-Barometer-Global-_-Leadership-in-a-Divided-World.pdf

This process which is onerous on the company can be brought down to ashes with minuscule effort either at the larger organizational level or at the individual level. The recent tussle in the board room led to tumbling of stock prices of Tata[9]. It might appear to be a small conflict but when the larger picture is taken under consideration the results have an adverse impact on the company and have led to fingers being raised on the governance structure within India's largest conglomerate. Volkwagen was struck hard in India after the announcement of fraud of diesel emission norms by them[10]. The estimates mentioned decline of up to 20% in profits of the automotive giant[11] in UK. Similarly Toyota had to suffer losses, on account of recall of over 14 million vehicles, of over $2 billion dollars globally[12]. Such actions tend to question core competence of the company which in turn makes the stakeholder question fundamental policies of the company.

The reputational risk associated with organizational misconduct or unethical conduct, therefore has an adverse impact, and not to mention the size and legacy of the company does not counter such unproductive adversaries. The reputation is dented and it might take years to recover and rebuild the brand. Researchers have concluded that customers' decision to buy a product is also influenced by the company's stand on ethical business behavior[13]. Therefore, it is important for the organization to operate responsibly. Inversely, the organization would also benefit excessively if the brand is built. Responsible business operations increase the trust of the stakeholders in the organization[14] and therefore profit the organization in various ways.

- **Unnecessary Increase in Cost**

Across the globe stringent legislations have been enacted to curb the menace of unethical business behavior such as Foreign Corrupt Practices Act, UK Bribery Act etc. These laws impose fines on companies which do not adhere to the standard norms and if, found involved in malpractices, the fines are elevated further. In substance therefore, the cost to the company is amplified which is indirectly borne by the customers and shareholders[15]. Secondly, if the business organization does not have proper ethical system of business operations in place, it has an adverse impact when major legislative reforms are brought in place and mandated. In the post Sarbanes-Oxley era, most organizations faced increase in the cost of implementation of regulatory changes to their organization[16].

- **Judicial Intervention**

With the increase of stakeholders' awareness, the companies involved in unethical business practices have to face legal implications and are taken to courts. This leads to meticulous investigation and in certain cases, eventually culminating into winding up of companies[17]. These risks affect business organizations, which in turn affect the social lives of stakeholders associated with these organizations and the economy as well. In order to avoid these risks, it is very important that organizations evolve ethical culture which shall foster long-term benefits to the organization.

[9]http://www.hindustantimes.com/business-news/tata-group-stocks-tumble-on-sudden-cyrus-mistry-exit/story-zyI9KgKMK9Q5jsVGBYkeeO.html
[10]http://economictimes.indiatimes.com/industry/auto/news/passenger-vehicle/cars/emission-scandal-with-sales-lag-volkswagen-battling-loss-of-market-confidence-in-india/articleshow/49330471.cms
[11]https://www.theguardian.com/business/2016/may/31/vw-volkswagen-profits-down-20-diesel-emissions-scandal
[12]http://www.mmc.com/content/dam/mmc-web/Files/Reputation-Risk-Final-web.pdf
[13]D.E. Lewis, "Corporate Trust a Matter of Opinion," Boston Globe, Sunday, Nov. 23, 2003, p. G2.
[14]http://www.forbes.com/sites/jacquelynsmith/2012/12/10/the-companies-with-the-best-csr-reputations/#3719d4cca727
[15]https://hbr.org/1994/03/managing-for-organizational-integrity
[16]http://www.law.harvard.edu/programs/olin_center/papers/pdf/Clark_525.pdf
[17]Case of Satyam Computers in India (Though the company was not wound but taken over by Tech Mahindra) & Lehman Brothers, wherein the company was wound up

Corporate governance standards, when implemented properly help in increasing consumer confidence. Alternatively it further achieves two-fold ends – firstly, it helps the company in better showcasing its business to stakeholders, thereby strengthening organizations hold and secondly it reduces the cost of non-compliance to the company[18]. Companies which implement strong corporate governance standards receive positive response from investors because such measures are seen as modes of investor interest protection[19].

ETHICAL DILEMMA IN BUSINESS ENVIRONMENT

Decisions in a business organization may be taken by individuals but are influenced by factors more than one. These factors may be external or internal to the organization such as – the laws of the land, internal organizational policies, personal interest/ career objective of the manager etc. The responsibility of decision makers is to reconcile these factors and drive the organization. While some of these factors may be overlooked, one element which may not be overlooked is the mandatory statutory & legal requirements enlisted in the form of corporate governance standards. This calls for an important outcome of any decision taken by a business organization that it must bear in its essence an ethical tinge. However, if not always, often the managers find themselves in a position where they are faced with dilemma which influences the path to ethical decision making. The dilemma can take various forms:

Individual Ethical Dilemma[20]

I. Worthwhile Work

This kind of dilemma arises when the decision-maker is not able to distinguish between the kinds of work that he is doing and the kind of work which he thinks to be worthwhile.

II. Work vs. Family

Decision-makers often face dilemma wherein their family's needs are on one hand and organizational objectives on the other.

III. Going Along With the Crowd

The decisions-makers do not wish to be ousted from the peer group. Therefore, they generally tend to take decisions, which satisfy the group at large.

IV. Misleading Leaders

Sometimes leaders mislead their employees. In such situation an employee is put in dilemma whether to stick to organizational objectives or comply with what the leader demands of their subordinates.

V. Careers and the Common Good

Individuals also come across dilemma if they should seek personal career goals or common good of the organization at large.

[18]https://www.ethics.org/ecihome/research/nbes/nbes-reports/large-companies
[19]http://www.pondiuni.edu.in/storage/dde/downloads/h1040.pdf
[20]These factors have been discussed by professional experts. http://www.bentley.edu/sites/www.bentley.edu.centers/files/2014/10/22/Hanson%20VERIZON%20Monograph_2014-10%20Final%20(1).pdf

Financial Ethical Dilemma

I. Dealing with Staff Performance Issues

II. Improper Accounting for Sales

III. Conflicting Clients' Interests

IV. Financial Interest[21]

Directors' Dilemma

Researchers have identified as many as 34 dilemmas which the directors in the boardroom face while taking decisions for the business organization as a whole[22]. The directors have to constantly ensure that the interests of shareholders are safeguarded and that the board does not take any unethical route to business operation. This mitigation is of polar interests is a difficult task and some directors put at stake their entire career, such as in case of an independent director who blows the whistle of his/ her organization. It is very important that these dilemmas be properly redressed. The organization as a whole should adhere to practices and systems, which if not eliminate, minimize the risk of such dilemmas. Furthermore, employees must be properly trained at each level of the organization so that they may deal with ethical dilemmas effectively.

[21]These accounting related dilemmas have been discussed by practicing accountants. https://www.icaew.com/-/media/corporate/files/technical/ethics/ethical-case-studies/ccabeg-case-studies-accountants-public-practice.ashx?la=en

[22]https://www.icas.com/__data/assets/pdf_file/0009/238572/Shades-of-Grey-Directors-Dilemmas.pdf Some other kinds of dilemma which directors face - https://www.sec.gov/news/speech/1973/040673cook.pdf

CORPORATE GOVERNANCE NORMS & STANDARDS IN INDIA

Indian corporate governance norms' standardization is a recent phenomenon. These norms have existed in India for two decades now. Confederation of Indian Industry (CII) holds the flagship of bringing corporate governance revolution in India, in the year 1998 by developing a voluntary Corporate Governance Code[23]. Following the path paved, the SEBI, the major market regulator in the country, set up the Birla Committee which stated in its report that *"under Indian conditions, a statutory rather than a voluntary code would be far more purposive and meaningful, at least in respect of corporate governance[24]"*. Based on the report of the committee, major corporate governance changes were introduced in Clause 49 of the Listing Agreement of Stock Exchanges. This was the beginning of statutory recognition of corporate governance in the country, which was yet to go a long way ahead becoming the mode of operation for business organizations.

Today corporate governance standards have become mandatory in the country. The mandates have evolved because of the increased outreach of Indian business regime and international shift in the perspective of economies towards corporate governance. These developments to a large extent have been standardized and with respect to good corporate governance, certain factors are considered inevitable. The Indian laws have also evolved in confirmation with the international best standards. It is important to discuss the few principles which form the constituents of good corporate governance in an economy and guide formulation of rules and regulations for implementation of the same. The principles may be categorized as:

- **Principle of Integrity & Fairness**

The principle of integrity and fairness often refers to a quality of a person's character but is always about 'doing the right thing'. Integrity, therefore, is the cornerstone of professional behavior. Amongst other things it is essential that the profession, as a whole, retains its reputation for honesty, straightforwardness, fair dealing, and truthfulness: without this, the profession will lose credibility[25]. The act of business organization must be solely guided by honesty and the decisions-makers must involve in driving the business organization geared by moral values. The principle of fairness additionally puts responsibility on the business organization that it has its avenue of business open for any outsider equally and the opportunity is not sliced off to benefit certain target groups.

- **Principle of Transparency & Disclosures**

Transparency is a characteristic of governments, companies, organizations and individuals that are open in the clear disclosure of information, rules, plans, processes and actions[26]. The stakeholders deposit their trust with business organizations and therefore, it is important that they must be informed about the activities and decisions being made by the organization.

- **Principle of Accountability & Responsibility**

'With great power comes greater responsibility'. Accountability has traditionally been regarded as the means used to control and direct administrative behavior by requiring "answerability" to some external authority[27]. This principle is based on the premise that where interests of third party are involved and the decision is to be taken by another person, then the first person taking decision is answerable to how he/ she arrived at a certain decision.

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[23]http://www.nfcgindia.org/desirable_corporate_governance_cii.pdf

[24]http://www.sebi.gov.in/commreport/corpgov.html

[25]https://www.icaew.com/-/media/corporate/files/technical/ethics/integrity-in-professional-ethics-fee-discussion-paper.ashx?la=en

[26]http://www.transparency-initiative.org/about/definitions

[27]http://scholars.unh.edu/cgi/viewcontent.cgi?article=1022&context=polisci_facpub

At the outset it is important to bear in mind that the responsibility of ensuring adherence to these principles is not the sole responsibility of the top managerial personnel but requires concerted efforts of each and every employee. This does not dilute the effect of the tone at the top and its bearing upon the actions of the employees at the lower echelons of management pyramid in a business organization.

With the aforementioned principles at its epicenter, the regulations in India have evolved and developed over time. It is the case however, that the strictness with which these laws are implemented has been moulded by learning of regulators. The new trends today set new benchmarks and the Indian business organizations must conform to these rules. These become extremely important when Indian business organizations aim at competing in the international business market.

Companies Act, 2013:

The Companies Act, 2013 finds its genesis in the recommendations of Bankruptcy Law Reforms Committee, the High Level Committee on Corporate Social Responsibility, and the Law Commission of India among others. These recommendations focus on increase of corporate governance standards in private companies. These changes are mandatory and need to be installed within the organizational structure in order to comply with the regulatory regime.

1. Vigil Mechanism

The provisions of Section 177 of Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 provide for rules of establishing Vigil Mechanism for:

(a) The Companies which accept deposits from the public;

(b) The Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees.

This mechanism is responsible for safeguarding employees against victimization in any form and provides with direct access to the Chairman of Audit Committee in exceptional cases. The audit committee oversees the functioning of vigil mechanism. In case of companies other than those mentioned above, it is the responsibility of the Board to nominate a director who shall play the role of audit committee for the purpose of vigil mechanism. It is under the aegis of vigil mechanism that whistleblowing within the organization is promoted. Therefore, the organizational structure needs to be subsequently changed and vigil mechanism established for safeguarding employees who either complain or inform about any malpractice within the organization.

2. Auditor's Rotation

The provisions of Section 139 of Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 provide for the procedure of rotation of auditors in companies. The Audit Committee shall recommend to the Board, the name of an individual auditor or of an audit firm who may replace the incumbent auditor on expiry of the term of such incumbent. The primary objective of rotation is that no two auditors, the auditor outgoing after expiry of term and the auditor incoming subsequently, should be related with the company for longer tenure. This shall ensure an objective auditing process. The companies, therefore now need to ensure that an audit committee has been appointed and that the auditors are rotated as per the requirements of law.

3. Independent Directors

The provisions of Section 149 of Companies Act, 2013 read with the Companies (Appointment and Qualifications of Directors) Rules, 2014 provide for appointment and qualifications of independent directors. The following class of companies shall have at least two directors as independent directors:

(i) the Public Companies having paid up share capital of ten crore rupees or more;

(ii) the Public Companies having turnover of one hundred crore rupees or more;

(iii) the Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees

The qualifications of an independent director are contained in section 5 of the rules and it provides for generic guidelines that – 'An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.'

Independent directors have become important in the contemporary corporate governance context. They become the voice of groups outside the board of directors and thereby ensure that decisions of a company are not driven by board's personal interests. Therefore, the companies need to appoint independent directors and ensure compliance.

4. Class Action Suits

The provisions of Section 245 of Companies Act, 2013 read with the National Company Laws Tribunal Rules, 2016 provide for the procedure of bringing class action suits. Such suits can be brought by shareholders collectively in case:

a. The company does not operate within the confines of its charter documents,

b. The company suppresses material facts from its shareholders or misrepresents to them or the depositors,

c. The company does not operate in accordance with all applicable laws.

Class actions suits are filed by group of shareholders who have common grievance against the companies' operations. Such suits are promoted and permitted to restrict multiplicity of suits and speedy redressal of the grievances of shareholders. The provisions of Section 245 have been notified in 2016 and now shareholders in India can file a suit in case of foregoing malpractices by the companies.

SEBI Norms, 2014:

SEBI is the apex market regulator and, since the early years of this millennium, is involved in promoting and mandating corporate governance regulations in the country. The norms earlier emphasized on generic corporate governance[28]. However, the new norms address specific areas of corporate governance and are in consonance with changes incorporated in the Companies Act, 2013. An important development in this frame is the mandate upon companies to establish, apart from the statutory committees, a risk management committee by the Board of directors. Another aspect of new norms is the emphasis on requirement of approval of related party transactions. For approval of such transactions, special resolution has to be passed by way of voting except the participation of related parties. The related party transactions are widely defined under the SEBI norms because it provides for additional relationships apart from those defined under the Companies Act.

[28]http://www.ficci-ccg.com/reading_material/circulars/SEBI%20Circular_Sept%2015.pdf

Business Responsibility Reporting:

Ministry of Corporate Affairs in the year 2011 came up with 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVGs). These guidelines contain comprehensive principles to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the said principles. In the year, 2012 keeping in mind the interest of larger interest of public disclosure, it was agreed that these voluntary guidelines must be made a mandate. Subsequently, Business Responsibility Report was made part of the Annual Report and disclosures therein.

International Anti-Bribery Management System & Corporate Governance Standards:

The following international standards on corporate governance have been recently developed, which the Indian organizations must adopt in their organization keeping in mind the future needs of business environment:

1. ISO 37000 Series[29]

ISO 37001, Anti-Bribery Management Systems (ABMS), is an international standard that specifies a series of measures to help organizations prevent, detect and address bribery. This is a new international standard which has been published in 2016. This has developed on the basis of standards prescribed under BS 10500. In a nutshell, this standard includes adopting an anti-bribery policy, appointing a person to oversee anti-bribery compliance, training, risk assessments and due diligence on projects and business associates, implementing financial and commercial controls, and instituting reporting and investigation procedures. It is designed to help organizations implement ABMS, or enhance the controls they currently have. It helps to reduce the risk of bribery occurring and can demonstrate to their stakeholders that their organization have put in place internationally recognized good-practice anti-bribery controls.

The objective of the standard is to prohibit bribery and require reasonable and proportionate measures to be taken to prevent bribery and to detect, report, and deal with bribery in any form in which it may occur. Although, the requirements of this International Standard are generic and are intended to be applicable to all organizations, regardless of type, size and nature of business, and whether in the public, private or non-governmental sectors. A typical business has diverse groups as stakeholders such as clients, customers, contractors, sub-contractors, consultants, suppliers, vendors, advisors, agents, distributors, representatives and intermediaries which are faced by different types and degree of risks and should therefore be treated differently as per the risk assessment conducted by the organization. The measures required by ISO 37001 are designed in a way that it could be integrated with existing management processes and controls. It follows the common high-level structure for ISO management system standards, for easy integration with the management of the organization.

Although the emphasis should be that ABMS which is to be implemented by the organization shall be reasonable and proportionate having regard to the nature and extent of bribery risks which the organization faces and taking into account the size, scale, and nature of the organization together with the organization's existing and potential business associates and applicable laws, obligation and duties.

[29]http://www.iso.org/iso/catalogue_detail?csnumber=65034

2. BS 10500 Series[30]

The standard prescribed by the British Standard Institution (BSI). BSI 10500 is a tool to combat irregularities related to bribe at the international level. BSI is UK's national standards organization, recognized globally for its independence, integrity and innovation in the production of standards and information products that promote and share best practices. BSI works with businesses, consumers and government to make sure that the international standards are useful, relevant and authoritative. BSI has been instrumental in creation, development and promotion of instantly recognizable and replicable standards[31].

The 10500 Series of standards was first introduced in 2011, and specifies the requirements and processes for implementation of ABMS. It ensures that organizations have the right policies, procedures and controls in place to manage the risk of bribery. One of the salient features of this standard is that it is scalable and can be used by any type of organization irrespective of its size or nature.

The purpose of this standard is to encourage organizations to adopt internationally recognized practices in preventing bribery, in any form, by adopting and implementing ABMS. The BSI 10500 could also be used as a project pre-qualification requirement which would enable the organization to undertake projects where the risk of bribery is negligible or low. A key component of this standard is enacting and implementing the Anti-Bribery Policy as a part of ABMS. The policy may be brief, a simple statement by the organization but should prohibit bribery and should implement measures to prevent, detect, report, and deal with bribery in any form it may construe to occur. The organization shall elucidate the procedure in the Anti-Bribery Policy which should ensure that, in relation to all business associates which pose a more than negligible bribery risk, all contracts between the organization and the business associate contain prohibition of bribery and where it is not reasonable to require the contract to contain such prohibition, that the absence of the prohibition will be a negative factor taken into account in undertaking the risk assessment for the kind of business association under consideration. For risk assessment and overseeing implementation of ABMS by the organization, a suitably qualified or experienced manager (compliance manager) of appropriate seniority by allocating appropriate responsibility must be appointed.

3. ISO 31000:2009[32]

ISO 31000:2009 risk management – principles and guidelines, provides principles, framework and a process for managing risk. It can be used by any organization regardless of its size, activity or sector. Using ISO 31000 can help organizations increase the likelihood of achieving objectives, improve the identification of opportunities and threats and effectively allocate and use resources for risk treatment.

However, ISO 31000 cannot be used for certification purposes, but does provide guidance for internal or external audit programs. Organizations using it can compare their risk management practices with an internationally recognized benchmark, providing sound principles for effective management and corporate governance.

[30]https://www.bsigroup.com/en-IN/BS-10500/
[31]http://www.bsigroup.com/LocalFiles/en-IN/Case-studies/BS%2010500%20Balfour%20Beatty-case-study.pdf
[32]http://www.iso.org/iso/home/standards/iso31000.htm

CHALLENGES TO IMPLEMENTATION OF CORPORATE GOVERNANCE STANDARDS

The regulators emphasize on implementation of corporate governance policies, which are generic in nature, without paying much attention to issues at the grass-root level. Thus, in the name of implementation, the business organizations take the 'tick-box route', thereby showcasing compliance to the outsiders/ stakeholders. This leaves loopholes in the system which may be exploited for personal benefit. But this must not lead to the conclusion that the business organizations use 'tick-box route' to necessarily leave room for personal benefit. Surveys have concluded that employees and managers wish to work in an environment where there is least corruption. However, while implementing corporate governance policies at the grassroot level, the managers are faced with varied challenges which need to be addressed which shall ensure intended implementation of corporate governance standards within the organization.

- **Diversity of Business and Operational Outreach**

With the advent of globalization, business organizations originating in one country have crossed boundaries. The laws which regulate business operations are diverse and vary with each order and so do the corporate governance standards. There are no strict international standards to regulate and the fact remains that there can never be. In this milieu, therefore it becomes difficult to regulate businesses uniformly. It is not only difficult for the powers that be to enumerate uniform standards, but is equally difficult for the top managerial personnel to cater to needs of such diverse employee base and check the activities of employees towards promoting ethical business practices. This is not only an issue internationally, but holds true intra-nationally. States have different regulatory frame within the country with respect to business operations and not all states have the same ease of doing business[33]. Therefore, the increase of outreach of businesses within the country poses a similar problem of uniform regulation. Thus, diversity of operational outreach is a major challenge towards implementation of corporate governance standards.

- **Lack of Awareness & Restricted Flow of Information**

The second most pivotal challenge to corporate governance standards' implementation is lack of awareness, which in a business organization may take two forms:

i. Internal lack of awareness about organization's policy:

It is not uncommon that many employees within the organization are not aware about the policies of the company with respect to corporate governance. Therefore, they do not raise concerns.

SATYAM SCANDAL

A major scandal was revealed in 2009, most surprisingly not by regulators but based on the confession of the accused, revealed the organizational bypass of corporate governance standards. In Satyam scandal case, the alleged forgery continued for 7 years beginning from 2002, until 2009. The top-level management at Satyam increasingly played with the books of account and portrayed earning of profits, when the company was actually incurring losses. This was done with the prime aim of keeping the stock prices high and boosted its marketing capitalization. This case is primordial example of restricted flow of information and how investors are misled, whereas the managers earn benefit on the same.

http://www.hindustantimes.com/business/satyam-scam-all-you-need-to-know-about-india-s-biggest-accounting-fraud/story-YTfHTZy9K6NvsW8PxIEEYL.html

[33]http://www.thehindu.com/business/Economy/A.P.-Telangana-top-in-ease-of-doing-business/article16086728.ece

ii. Lack of awareness about external policies:

Some business organizations (generally SMEs) are of the opinion that corporate governance policies are formulated keeping in view the needs of large business organizations and the smaller ones have no use of them or need to abide by them. As a corollary to this, some employees who face difficult situations inside or outside the organization generally succumb to social pressure because of their lack of awareness about laws which may help them come out of the situation easily.

Apart from the fact that, employees are not aware about laws & policies, another decisive element is the flow of information from managers. This is different from policies, but is related to organization's operational policy. The management of a business organization is responsible for taking decisions and day-to-day operation. The information held with the management personnel is better than the information of the stakeholders and investors who are informed by the former. Therefore, the management may be able to drive investor behavior in a manner which delivers benefits to the management instead of the investors.

- **Underassessment & Understatement of Risks Associated with Future Business Operations**

Another challenge to implementation of corporate governance policy with a stronghold on organizational performance than, it merely being a 'tick-box route' is the underassessment of risks associated with business operations[34]. The tendency is that, the managers tend not to pay attention until an aftermath of risk identification failure follows. It is only in the post risk-stricken phase that companies tend to adopt measures and install mechanisms in place to curb the risk. Otherwise, generally the risk assessment is understated and consequences of risk are under-assessed.

- **The General Corporate Tendency**

The changes in Companies Act have been brought recently and its impact on the overall governance is yet to be measured. However, history shows that India has treated its fraudsters liberally[35] and subsequently, the organizations tend not to deter in undertaking unethical business operations. Globally also this issue prevails. It is a general perception that the wrongdoers can get away with it, and therefore they undertake such risks[36]. In India, it is evident how the courts of laws are characterized by delay and latches. Therefore, the laws instead of being deterrent become propeller of fraud and allied activities.

The famous Harshad Mehta Scam, which allegedly involves amounts over Rs. 31,000 crore continues, without finality of decision, in the court of law for more than two decades now. The mockery of states is accentuated by the fact that special court was instituted for speedy resolution of the case. 24 years have elapsed since the outbreak of the scam and the creditors' money is yet to see the light of the day.

In the Satyam scam also it took half a decade for the court to arrive at a decision. Though the major convicts have been imposed heavy penalties and put behind the bars, the delay itself is reflective of the doldrums in the Indian legal system.

http://economictimes.indiatimes.com/news/politics-and-nation/the-harshad-mehta-case-where-time-has-overtaken-justice-by-a-mile/articleshow/53052771.cms

[34]http://www.oecd.org/daf/ca/risk-management-corporate-governance.pdf
[35]Though Arbitrage Research Institute and UN Global Compact (2013), Fraud and Corruption in Private Sector in India
[36]Gellerman, Saul W., Why 'Good' Managers Make Bad Ethical Choices? Harvard Business Review on Corporate Ethics, Harvard Business Review Press, Pp. – 49-66

- **Reluctance of Board Members & Organizational Culture**

Employees in an organization are highly influenced by the environment in which they work. Therefore, if the Board does not promote and disseminate information about the policies on good governance, the employees may be reluctant to speak on certain practices which are in sheer violation of the company's policy. Retaliation has been identified as an impediment to the reporting of wrongful conduct in an organization[37]. Retaliation may come from other employees or the Board itself and may take different forms. The consequences of retaliation have long-term significance. Therefore, a reluctant board and culture of organization which does not promote their employees to speak about malpractices is another major impediment to promotion of ethical business practices. Reluctance of board members to promote ethical culture is very important because business organizations are driven by them. Reluctance on their part would imply reluctance of the organization writ large. Employees would be motivated to undertake risks against the policies of corporate governance if they assume that the company would protect them in case the interests of companies are served[38].

SMES AND CORPORATE GOVERNANCE

Corporate governance related issues in a small and medium scale enterprise vary from the business organizations which have been existent for longer period of time in the business environment. The SMEs have two fold objective and both of them are equally important. The first objective is to firmly establish their business in the market and the second objective is to adhere to the regulations and corporate governance. The SME cannot bypass any of these objectives; neither can one supersede the other. However, sometimes due to the small size and nascent stage of organizational setup, the SMEs tend to forego corporate governance in the name of unnecessary burden to the organization. This tendency is not, in totality, apathetic. However, a proper balance needs to be maintained. The following major challenges have been identified while implementing corporate governance standards in SMEs:

- **Lack of Standards:**

Unlike large listed companies, the standards for implementation of corporate governance in SMEs are not uniform. Therefore, each small company has its own mode of implementing corporate governance. The authorities cannot also keep a check on these standards, which vary from organization to organization. There is weak corporate governance code in SMEs which must be addressed[39]. Therefore, uniform corporate governance code must be developed. This will help in boosting the organizational set up of SMEs and better assess the corporate governance of these organizations.

- **Cost Concerns:**

SMEs in general suffer from financial constraints[40] and they consider implementation of corporate governance standards as a burden on their already limited funds. There is therefore, a general tendency to deter from adopting corporate governance standards.

- **Lack of Awareness:**

SMEs sometimes also face lack of awareness about the benefits of implementing corporate governance standards.

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[37]http://www.ethics.org/research/nbes/nbes-reports/nbes-2013

[38]Gellerman, Saul W., Why 'Good' Managers Make Bad Ethical Choices? Harvard Business Review on Corporate Ethics, Harvard Business Review Press, Pp. – 49-66

[39]http://economictimes.indiatimes.com/small-biz/policy-trends/need-to-implement-smes-corporate-governance-code-rbi/articleshow/12641597.cms

[40]http://www.kantakji.com/media/3334/w111.pdf

INDICATORS OF GOOD CORPORATE GOVERNANCE & WAYS TO IMPLEMENT THEM

The indicators of good corporate governance practices have developed with passage of time. These practices do not remain static. India prior to liberalization was a controlled and closed economy, which did not draw much attention towards corporate governance because state regulated the funding of the companies. During this phase rudimentary forms of corporate governance was applicable. However, with opening up of the economy, need was felt for corporate governance reforms. With the advent of 21st century, major reforms were incorporated and ameliorated in consonance with needs of national & international business environment. The various reforms listed above are descriptive of the efforts of regulators towards achieving the goal of good corporate governance.

Researchers have identified various practices which business organizations should adopt in order to boost corporate governance standards. A subtrahend list of best corporate governance practices is mentioned here:

1. Formalizing Governance Policies – Code of Conduct

Formalizing governance policy refers to developing and establishing guidelines for conduct by employees in an organization. The company should establish guidelines regulating the conduct and operation of business. These formal governance policies may take the form of code of conduct which the organization should mandate upon employees while dealing within or outside the organization. It is equally important that while framing these formal governance policies the organization must take under consideration various aspects with which the organization is constantly in interaction. The following broad factors may be employed while formalizing governance policies:

I. Policy on Gifts & Beneficial Receipts by Organization & Employees

The organization must not allow corruption in any form to germinate and therefore must adopt a policy on how gifts are to be accepted by the employees.

II. Policy on Promotion of Human Welfare

a) Policy on Equality:

The organization should rigidly implement a culture of equality and must not discriminate in any manner whatsoever.

b) Policy on Human Rights & Dignity:

The company should state in its policy that human rights should be safeguarded and that each employee must be treated with dignity and respect irrespective of position the employee holds in the organization. The use of obscene or foul language or disrespecting gestures must be prohibited. The Code of Conduct developed by Siemens is exhaustive in this regard and its policy makes specific statement on basic behavioral conduct promoting mutual respect, honesty and integrity among its employees.

C) Policy on Anti-Sexual Harassment:

The organization should further frame strict policy against harassment of all its employees irrespective of gender. Speak-up culture needs to be promoted and if an employee is victimized, strict action should be taken against the culprit, without foregoing the law of tenets of law of the land.

III. Policy on Biodiversity & Environmental Safety

Every organization works in inter-dependence with the society. Some companies which are involved in processes of manufacturing, set up their factories and they have to take environmental concerns under consideration. Apart from this each company must develop a policy for promotion of sustainable use of available resources that would help in the development of the biodiversity. The operations of the organization must not adversely affect the surrounding environment.

IV. Policy on Conflict of Interest

Since business organizations comprise of individuals from multi-dimensional background, their interests differ significantly. Values of personnel are also varied and are construct of social, cultural, regional, and other such factors. Therefore, a conflict of interest is nothing short of being inevitable in business operations. It is therefore incumbent on the company to make policy to deal with conflict of interest which may arise. These policies must not be buoyed merely by organizational interests but take into consideration practical factors which can influence the business operation decision.

V. Policy in Day-to-Day Operations

The company should also state its policy on the day to day operations of the company and how the employees should behave while dealing with members within and outside the organization.

The code of conduct in this regard can also include the Policy on Behavioral Conduct of Employees: The process of formalization helps in ways more than one. Primarily it helps in setting the tone of top managerial personnel towards the kind of organizational culture they aim at securing. Secondly it ensures uniform conduct across various groups of stakeholders thereby integrating business operations of the organization. It also further ensures that outsiders deal with the organization in accordance with formal policies and do not whimsically persuade employees in to activities which the organization does not seem fit.

2. Increasing Transparency & Disclosure of Information: Adopting Forensic Auditing Techniques

Disclosure of information, of any decision which affects the interests or rights of shareholders is important. The disclosure must be made with the prime view of bringing transparency in the system. Though disclosure is important legally also but information disclosure in addition to what is legally required fosters garnering of shareholders' trust. This information may then be used by any group of stakeholder associated with the company. However, the task of managers and decision-makers in this regard is crucial because they must assure that a balance is made between the amounts of information divulged, on the one hand this is necessary for transparency and that on the other hand this would not impede the interests of the company. In this regard, proper channels of communication must be established and communication policy must be adopted by the organization for timely disclosure. Information disclosure and transparency has far-reaching long-term benefits:

a It guarantees stakeholders' trust.

b It ensures analyzed decisions by creditors based on information disclosed.

c It ensures transparency within and outside the organization.

d It ensures compliance with the laws.

[41] Key Agreed Principles to Strengthen Corporate Governance For U.S. Publicly traded Companies, at https://www.nacdonline.org/files/PDF/KEY%20AGREED%20PRINCIPLES%202011.pdf

3. The Board, Its Composition, Functions & Powers

The Board of Directors is the central mechanism for oversight and accountability in our corporate governance system. 'It is charged with the direction of the corporation, including responsibility for deciding how the board itself should be organized, how it should function, and how it should order its priorities[41]'. There are many factors which influence effectiveness of the board. Therefore, a company which aims at ensuring best corporate governance practices in its organizational set up must strike the right balance of these factors. The following factors must be considered for the board to effectively address the issues related to corporate governance in the company:

I. Size of the Board:

The statute provides for minimum three directors. The board size should be in accordance with the needs of business organization. Though, small board size also ensures that decisions of top managerial personnel are not criticized unnecessarily, which may be the case when the board-room is large, the latter is better able to meticulously delve into the issues at hand.

II. Structure of the Board

In India the Unitary structure of board is adopted in which there exists a single board to take decisions and implement, comprising of various kinds of directors headed by a Chairman. On the contrary certain companies adopt a Dual structure where two boards exist – (1) Supervisory Board (2) Management Board. The former is appointed by shareholders and employees and the latter is appointed by the former. This ensures independence of board members. The shareholders also do not feel alienated and therefore, this system increases their trust in the business operation and organization.

III. Composition of the Board

The company may choose any kind of board composition for regulating the affairs of the company. It may be mixed or non-executive. The mixed board composition is the kind of composition in which the executive and non-executive directors form part of the same board. However, when the board comprises of only non-executive directors, it is referred to as non-executive board.

IV. Ownership & Shareholding by Directors

In this respect also the company must ensure that the shareholding pattern distributed among directors is not arbitrary and excessively high. High concentration of share may to some point ensure value-maximization, as has been suggested by researchers. But it also has the capacity to negate the idea, because influence of some director would be more than others which may have the capability to impede organizational development.

V. Remuneration of Directors

Remuneration of directors must be commensurate and gauged against parameters which drive ethical business of the company. Linking remuneration directly with profits can have grave ramifications. Therefore, the managers must take reasonable measures and ensure that directors are remunerated enough to keep them motivated but not so excessively to blur their vision about ethical & unethical business practices.

4. Whistleblower Policy

The new statute has incorporated provision for whistleblowing mechanism. Therefore, establishing a vigil mechanism is now legal mandate. The organizational leaders must make concerted efforts towards developing and cultivating a speak-up culture for identification of unethical behavior at any operational level, which shall ensure that business objectives are achieved in responsible manner. Such mechanism would also help the company identify risk at an early stage and thereby prepare the organization for better handling untoward circumstances. But there are impediments to developing this culture and therefore the organizational leaders need to show strong support towards building the culture. One of the biggest challenges is to inhibit retaliation against an employee who blows the whistle. This can be easily ensured by the top managerial personnel if they establish proper communication channels and allow accessibility to the authorities concerned for raising concern and thereby addressing the issue raised.

The following step-by-step procedure may be adopted:

I. Establishing the Whistleblower Mechanism
II. Disseminating information about the mechanism
III. Allowing employees to speak-up, whenever they find irregularities
IV. Protection of identity of employees
V. Protection of employee against peer retaliation
VI. Investigation of the concern raised
VII. Addressing the concern based on investigation

5. Risk Management & Zero Tolerance Approach

Future of any business organization is dependent on foreseeability of its managers. An important factor which determines the sustainability of businesses is management of risk. The entire process of management of risk is exhaustive and various organizations have different risks. Therefore, the organization must identify the risks and mitigate them according to the needs. Simultaneously organizations should even adopt mechanism which would deter arising of risks. This can be ensured by adopting 'zero tolerance approach' towards unethical behavior in organization. If the employees know in advance that any practice which hampers the organizational standard shall be dealt with harshly, it would restrict their behavior, subsequently improving organizational health and decreasing the probability of risk.

[42] https://hbr.org/1994/03/managing-for-organizational-integrity

PROPTUP

[PROMOTE, PRACTICE, TRAIN & UPDATE]: STRATEGY TO BUSINESS RESPONSIBILITY

The use of aforementioned standards for driving organization towards ethical business operations is also called Integrity Strategy. Integrity strategy 'is broader, deeper, and more demanding than a legal compliance initiative. Broader in that it seeks to enable responsible conduct, deeper in that it cuts to the ethos and operating systems of the organization and its members, their guiding values and patterns of thought and action and more demanding in that it requires an active effort to define the responsibilities and aspirations that constitute an organization's ethical compass[42]'. The top-managerial personnel who represent face of the company cannot have pervasive control over each and every business operation. For proper management, it is of paramount importance that certain functions be delegated and autonomy granted to employees at various levels of organization. But with grant of such autonomy, crop chances of abuse of power. Therefore, it is pivotal that organizations develop integrity strategy, whereby in the absence of constant check by top-managerial personnel the employees are motivated to adopt ethical route to business operations. An effective strategy to ensure establishment and implementation of integrity strategy can be summarized in the acronym – PROPTUP. PROPTUP refers to Promote, Practice, Update and Train. These may be considered four pillars which hold the citadel of responsible business practice. The shift must be followed in the same steps as mentioned. The company must frame its policies. Once framed, each and every organizational member must be made aware about these policies and it should be promoted throughout the organizational echelons. Promotion of policies within the organization paves the right path for dealing with members both inside and outside the organization. These policies then need to be practiced on a daily basis by each and every employee. The policies are framed keeping in mind needs of business organization at large. These policies in their crude format may not provide hand-hold solution to problems faced by employees in daily business operations. This calls for another important function which the manager is bound to perform viz. training the employees in accordance with the policies. Training helps in answering the issues which employees face on a daily basis. They also better equip the employees to handle situations which are caused because of deviation from the organization's policies. The policies framed are not universal and static. With the change in the needs of business environment and diversification of business operations, the policies need to be updated and changed. However, the company must ensure that it has certain core principles which must not change and the members must adhere to them over long period of business operation. Constant and frequent change of organizational policy on responsible business practices may confuse the members and they would tend to be reluctant to commit to these policies.

About the Organiser

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 8000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 200,000 enterprises from around 240 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

The CII theme for 2016-17, **Building National Competitiveness**, emphasizes Industry's role in partnering Government to accelerate competitiveness across sectors, with sustained global competitiveness as the goal. The focus is on six key enablers: Human Development; Corporate Integrity and Good Citizenship; Ease of Doing Business; Innovation and Technical Capability; Sustainability; and Integration with the World.

With 66 offices, including 9 Centres of Excellence, in India, and 9 overseas offices in Australia, Bahrain, China, Egypt, France, Germany, Singapore, UK, and USA, as well as institutional partnerships with 320 counterpart organizations in 106 countries, CII serves as a reference point for Indian industry and the international business community.

About the Organiser

CII-ITC Centre of Excellence for Sustainable Development

CII-ITC Centre of Excellence for Sustainable Development is a not-for-profit, industry-led institution that helps business become sustainable organisations. It is on a mission to catalyse innovative ideas and solutions, in India, and globally, to enable business, and its stakeholders, in sustainable value creation. It's knowledge, action and recognition activities enable companies to be future ready, improve footprints profiles, and advocate policymakers and legislators to improve standards of sustainable business through domestic and global policy interventions.

CESD leverages its role of all-inclusive ecosystem player, partnering industry, government, and civil society. It has been a pioneer of environment management systems, sustainability reporting, integrated reporting, and social capital valuation in India, thus upgrading business in India to sustainable competitiveness.

With three locations in India, CESD operates across the country and has also been active in parts of South and South East Asia, Middle East, and Africa. It has held institutional partnerships and memberships of the United Nations Global Compact, Global Reporting Initiative, International Integrated Reporting Council, Carbon Disclosure Project, development agencies of Canada, the USA, the UK, and Germany.

About the Project

SIEMENS

Siemens Integrity Initiative

The main objective of the Siemens Integrity Initiative is to create fair market conditions for all market participants by fighting corruption and fraud through Collective Action, Education and Training.

The Initiative focuses on supporting projects that have a clear impact on the business environment, can demonstrate objective and measurable results, and have the potential to be scaled up and replicated. The Siemens Integrity Initiative aims to support a mix of global, regional and country-specific projects and projects of various sizes. The project aims at collective action and at least two-thirds of the funds will be allocated to "Collective Action".

Collective Action enables corruption to be fought collectively, with various interest groups, working together and building an alliance against corruption so that the problem can be approached and resolved from multiple angles.

The ultimate aim of these joint efforts is to create fair and equal market conditions – a "level playing field" – for all market players and to eliminate the temptations of corruption for all of them. Collective Action promotes a fair competitive situation in which a transparent process based exclusively on market economic criteria (such as quality, price, innovation and service) ensures that the contract is awarded to the best bidder. It prevents competition from being distorted and destroyed by corruption, and ensures that companies acting honestly and morally are not disadvantaged. The available methods range from integrity pacts for individual procurement transactions right through to industry-specific codes of conduct and compliance pacts, as well as joint measures implemented as part of a long-term initiative to raise a country's public awareness and tighten up its regulatory system and procurement guidelines.

The CII-ITC Centre of Excellence for Sustainable Development in March 2015 initiated a 48-month project in India under the aegis of Global Siemens Integrity Initiative project. The project by has been titled "Promotion and Adoption of Responsible Business Practices by Corporates in India". This project aims at sensitizing, capacitating and helping large and small companies in India to adopt responsible business practices and influence their supply chain & involve local stakeholders and government agencies to create awareness. The supply chain of the companies generally comprises of Small & Medium Enterprises, and therefore the project encompasses within its reach a diverse group of stakeholders and business enterprises across a multitude of industries. The project also brings the public-sector enterprises within its ambit so that the practices adopted by these organizations can be incorporated by their business partners such as private sector enterprises with the necessary changes.

We therefore, request you to come aboard and join us in making cleaner business environment throughout the country.

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