

# Boardroom questions

## Lawful but awful

Board Leadership Center (India)



### Doing the right thing

Expectations in, and of, society are changing. The recent pandemic has brought a new, and perhaps timely, renewed meaning to 'Purpose'. There is more than enough evidence which indicates that a vast majority of decisions taken by millennials are based on purpose, ethics and 'doing the right thing'.

Organisations that do not keep pace with this 'way forward' are at a very high risk of losing, or at best, falling behind to the competitors in the markets for talent, customers and

finance. Simply compliance with legal and regulatory requirements is not enough: businesses must try harder to be responsible corporate citizens, to make a positive contribution to society and minimise any negative environmental impact.

'Lawful but awful' perceived businesses are likely to suffer. Increased transparency and stakeholder voice, amplified through social media, is leaving many businesses vulnerable.



### Mounting pressure from all directions

**Consumers and clients:** Many consumers are aligning their purchasing decisions with their ethics, beliefs and patriotic considerations. Similarly, companies choosing suppliers of goods and services are extending their consideration to whether those suppliers 'do the right thing'.

**Talent:** People are looking to work with ethical companies which are improving our world, with most of them expecting prospective employers to join them in taking action on societal issues. Social media amplifies the voice of staff who speak out when they find their employer is not 'doing the right thing' which includes discrimination on the basis of colour, gender, cast, sexual preference and pay.

**Institutional shareholders:** These influential asset owners are increasingly:

- Pressing investee companies to perform better on environmental, social and governance issues
- Divesting where investee companies are not 'doing the right thing'
- Rapidly scaling social impact and green investment portfolios.

**Civil society:** Civil society campaigns, amplified through social media and activist shareholders, are vocally challenging corporate practices. Some faith leaders are also using their influence and convening power to call for ethical, responsible, sustainable business conduct.

**Governments:** Regulations and standards set by the government have been identified as the biggest drivers in promoting corporate sustainability. In August, the Ministry of Corporate Affairs proposed a new regime for businesses to report how sustainable and responsible they are in addition to being compliant with the law. This would give investors opportunity to assess how ethical a company is while making investment decisions.



# Getting ahead and what does it look like?



**Purpose and value:** Companies are redefining their wider purpose and taking a more holistic view to value creation. We are increasingly hearing – ‘profit with purpose’.

**Culture and compliance:** Leading companies focus on developing an ethical culture of ‘doing the right thing’, supported by a robust ethics and compliance framework enhanced through automation and data analytics. They recognise trust and reputation as their most valuable assets – to be earned and protected.

## Boardroom questions



### Governance:

- How do we know what stakeholders expect of us and can we respond to those expectations?
- How do we take the pulse and evaluate whether we are ‘getting it right’?
- Does our stance on transparency support our reputation and trust objectives?
- What is our mechanism to address whistle blower complaints?
- Do we have the right metrics in place for ethics, compliance, reputation and trust?
- How are we articulating and communicating disclosures in our annual report, tax transparency report, business responsibility report and integrated reporting?



### Ethics

- Have we defined the company’s purpose and what the company stands for? Do we have ethics included as part of the organisations vision, mission, purpose or as a strategic goal?
- Does our ethics and compliance framework align with our strategy and risk tolerance?
- How will we respond when there is a breach and we have not done the right thing?
- How do we ensure a culture which encourages employees to practice ethics and handle ethical dilemmas effectively?
- Does our organisation focus on laws such as PMLA (Prevention of Money Laundering Act), UK bribery laws etc.



### Profit with purpose

- Whilst making profits, what more could, and should we do to be trusted and trustworthy?
- Are we appropriately leveraging technology for automation and data analytics to enhance our ethics and compliance function?
- Do we responsibly design Artificial Intelligence tools and machine learning with due consideration to ethical issues including bias, privacy, transparency and accountability?



### Environment and sustainability

- What are we doing to contribute to the environmental agenda? Are our actions making us stay ‘ahead of the curve’?
- Are our strategy and policies consistent with national and global expectations set out in the Paris Agreement on Climate Change and the Sustainable Development Goals?

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