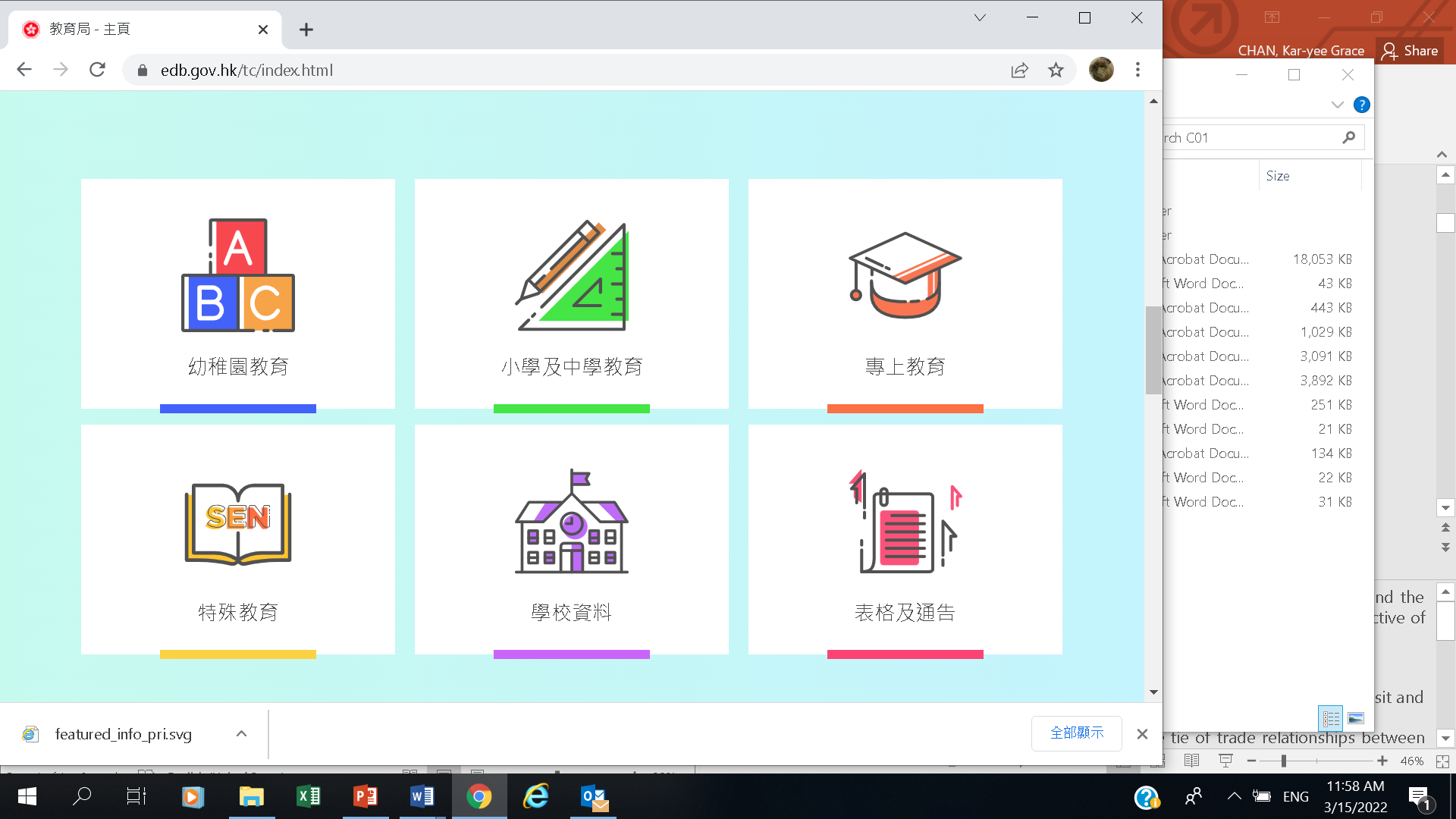
**BAFS Compulsory Part - Business Environment**

**Topic C02: Business Ethics and Social Responsibilities**



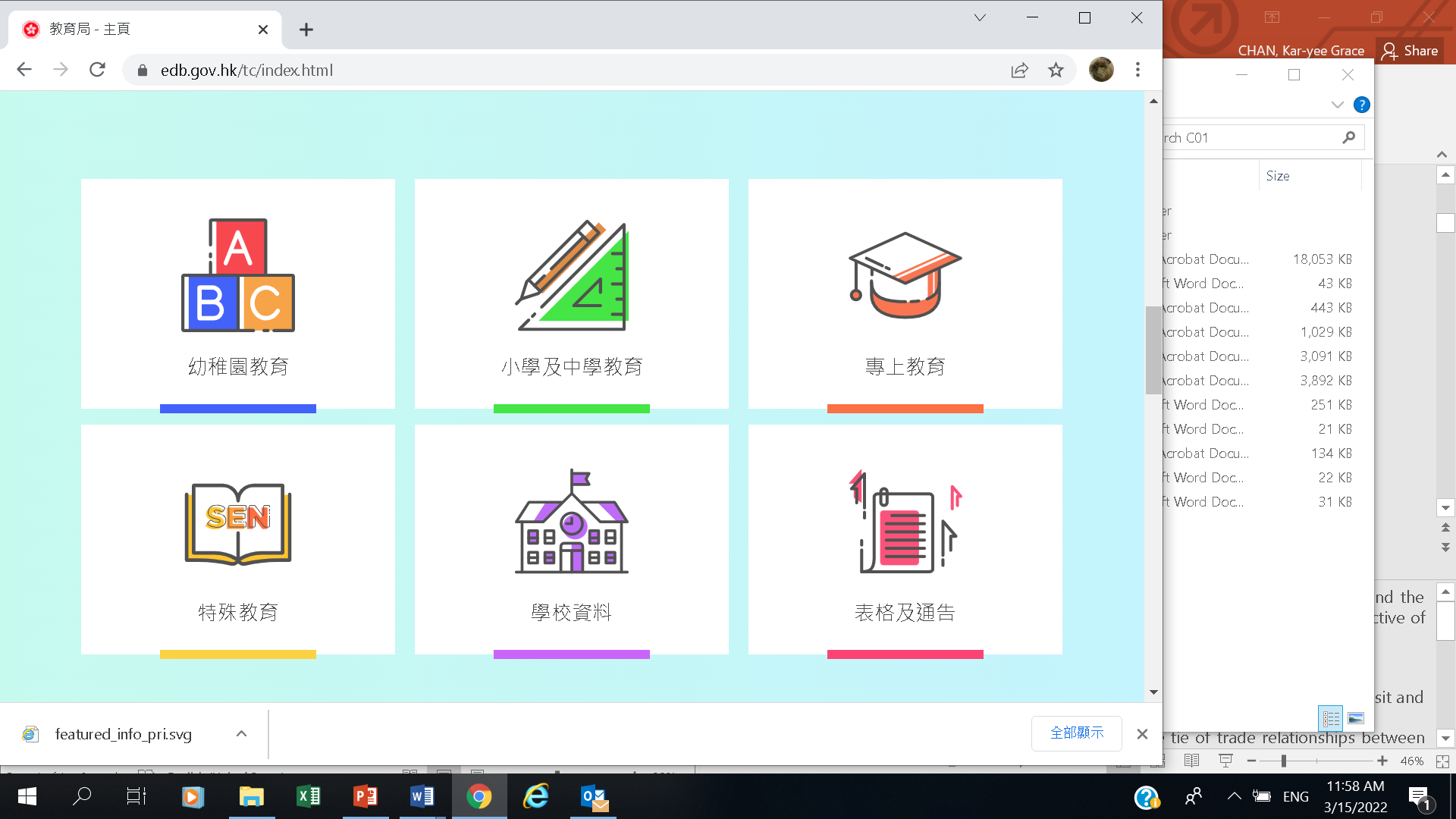
Activity1: Pre-study – Selling short-dated food

You are required to –

1. **browse the article** titled **“Re-available: We believe in the value of short-dated food”** on the given website (<https://www.dbs.com/livemore/hk-en/inspirations/greenprice-dbsf2020grantee.html>) (or refer to the Appendix of Student Worksheet) and publication in food safety issued by the **Centre for Food Safety** (<https://www.cfs.gov.hk/english/multimedia/multimedia_pub/multimedia_pub_fsf_101_02.html>) to grasp a general idea on the selling and consumption of short-dated food in Hong Kong in terms of the following –
2. What is short-dated food? Is it the same as expired food?
3. What is consumers’ general perception of freshness, date of best before use and expiration dates?
4. Is it illegal to sell short-dated food in Hong Kong?
5. What is/are the business model/practices of the supermarket being interviewed?
6. If you were the business owner, would the business model/practices of the supermarket correspond with your self-values such as responsibility or honesty?
7. **complete Student Worksheet p.2-3** and/or **give your source of reference if applicable**;
8. **share your study** in the following lesson.

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Activity1: Pre-study – Selling short-dated food

Suggested Answer

| **Areas of study** | **Details** |
| --- | --- |
| 1. What is short-dated food? Does it mean expired food? | * Short-dated food refers to food that is either near or just passed its 'best before' date. * "Best before" dates relate to food quality for example taste, texture, aroma and appearance. * A "best before" date may also be applied to foods, such as plain bread, that obviously spoiled (e.g. mouldy, rancid or stale) before posing a food safety risk to the consumer. * Expired food refers to food that past the use by date. * "use by" dates refer to food safety. From microbiological point of view, the food is highly perishable and is therefore likely after a short period to constitute an immediate danger to human health. |
| 1. What is consumers’ general perception of freshness, date of best before use and expiration dates? | According to the article given, many people are uncomfortable with the idea of buying short-dated food, e.g. a parent told her child not to consume or buy short-dated food and it was not right to consume ‘expired’ food. |
| 1. Is it illegal to sell short-dated food in Hong Kong? | * According to paragraph 4 of the Schedule 3 to the Food and Drugs (Composition and Labelling) Regulations (the Regulations), made under the Public Health and Municipal Services Ordinance (Cap. 132), prepackaged food should be legibly marked or labelled with the appropriate durability indication in either of the following ways:  1. “use by 此日期前食用” date: The “use by” date is used for food which is highly perishable and consumption of such food after expiry of the “use by” date would pose considerable risk to health. Examples of these types of food are pasteurised milk, prepacked sandwiches with egg and ham, etc. 2. “best before 此日期前最佳” date: Except for the highly perishable prepackaged food mentioned above, a “best before 此日期前最佳” date is used for other foods to indicate the period for which the quality of food can reasonably be expected to retain its specific properties if properly stored.  * Although the sale of prepackaged foods beyond the “best before” date is not an offence, food traders are advised to take good store management measures to prevent the sale of such foods in order to preserve their image as a responsible and reputable food seller. * Store managers should take all necessary steps to ensure that prepackaged foods displayed for sale comply with the labelling requirements.   ***Source of information:*** <https://www.legco.gov.hk/yr05-06/english/panels/fseh/papers/fe0207cb2-1042-03-e.pdf> |
| 1. What is/are the business model/practices of the social enterprise supermarket being interviewed? | Based on the article, the supermarket   * is a social enterprise to tackle a social problem, i.e. wastage of food that has passed the “best before” date; * takes both social responsibility and profitability into account when running the business; * educates people the concept of short-dated goods behind their buying and consuming process to avoid food wastage; * establishes a sales-records-based digital supply chain system to measure the popularity of store items and determine the appropriate quantity of the supplies to minimise operation cost and food wastage; * offers tastings that customers can have first-hand experience on the quality of short-dated food; * generally offers a half price on foods, or even a far lower price if the goods are going to be off the shelves very soon. |
| 1. If you were the business owner, would the business model/practices of the supermarket correspond with your self-values such as responsibility or honesty? | (Individual view) |
| Your source of reference  (if applicable) | (NA) |

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Activity 3: Matching Game

Suggested Answer

Match the four different approaches to social responsibilities.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (A) Obstructionist | ● |  | ● | **Moderate** commitment to social responsibility; going beyond minimum levels when asked |
| (B) Defensive | ● |  | ● | **Minimal** commitment to social responsibility; compiling with minimum legal requirements |
| (C) Accommodative | ● |  | ● | **Strong** commitment to social responsibility; actively seeking opportunities to contribute |
| (D) Proactive | ● |  | ● | **Disregard** for social responsibility; do as little as possible |

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Activity 4: Home Assignment – Case Study “Big-Eagle”

Suggested Answer

1. Which approach do you think *Big-Eagle* has adopted to social responsibilities?

Obstructionist approach – Based on the information given in the case, though Big-Eagle finally responded to criticism and got improvement in areas of concern, it showed no commitment to social responsibilities in business and even violated the law before taking remedial actions, i.e. the hourly wage offered for its employees was below the wage level set by the Minimum Wage Ordinance (It is $37.5 per hour in 2022).

O*r*

Accommodative approach – As Big-Eagle made a U-turn in response to the criticism, it showed that Big-Eagle did has the intention to do the right thing when called on to do so.

2. (a) Do you think that *Big-Eagle* is an ethical and socially responsible corporation ?

No, I think that Big-Eagle is not an ethical and socially responsible corporation.

(b) If ‘yes’, why do you think so? If ‘no’, what do you suggest *Big-Eagle* do in order to improve the situation?

In general, Big-Eagle has taken targeted actions against all the criticism from the public. However, it noticed a certain distance for Big-Eagle to become a responsible corporation. For instance, the increase in hourly wage of employees from $35 to $37.5 was still on a low side.

Although wages are determined by market forces, we see the need for Big-Eagle to raise the hourly wage to an extent that can improve workers’ standard of living.

3. Do you think the government should regulate business ethics and social responsibilities? Why or why not?

Social responsibility is to follow the generally held beliefs about how one should act in a society, although it is not prescribed by law. In some circumstances, like charitable donations and voluntary actions, driven by one’s own will from an ethical point of view, are considered impossible to be regulated by a set of legal standards.

In a company, a code of conduct can be set for management and staff, outlining and guiding the ethical and professional responsibilities of the company on behalf of its stakeholders.

4 In your view, what are the rationales/motives behind Big-Eagle’s actions?

It is reasonably doubt the good intention of Big-Eagle to do the right things.

Big-Eagle eventually reacted with alarm to the public discontent regarding its unlawful and unethical acts to its stakeholders.

5 Do you think ethical and socially responsible business practices are always in conflicts with profitability? Justify your answer.

Every business has a chance to gain or to lose profit whatever it is perceived a socially responsible or socially irresponsible company. It is the truth that a company’s reputation as responsible or irresponsible company does have impact on its business and capacity to make profit.

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Activity 5: Case Studies on Ethical Decision Making in Business

FOUR authentic cases on ethical decision making in business are adopted in the case studies available on the website of the Hong Kong Ethics Development Centre (<https://hkbedc.icac.hk/en/resources/case_studies>) (accessed in April 2022). The cases are set according to scenarios in different industries/professions in Hong Kong.

You are required to –

* form a group of 4-5;
* read the case assigned, discuss and complete the discussion questions of respective cases (either Case 1 on p.12-13, Case 2 on p.14-15, Case 3 on p.16-17 or Case 4 on p.18-19) from the employee’s perspective at workplace;
* take the following factors into consideration when identifying viable alternatives in an ethical dilemma and choosing the best course of actions –

1. Any violation to his/her professional, industry specific, or company code of conduct?
2. Is it against the law, e.g. Trade Description Ordinance, [Prevention of Bribery Ordinance](https://www.elegislation.gov.hk/hk/cap201!en?INDEX_CS=N)\*?
3. Does it correspond with his/her self-values such as responsibility or honesty?
4. Can he/she disclose his/her decision to others openly and honestly without misgivings?

* select a group presentative to introduce the case briefly and present the answers in class.

\*Examples of employee’s act which may violate the Prevention of Bribery Ordinance (POBO) –

Any employee

* without lawful authority (conduct constituting an offence is justified or excused by or under a law) or reasonable excuse, to offer advantage(s) (e.g. money) to a civil servant for his/her assistance in leaking restricted information
* without the approval of his/her company, to accept advantage(s) (e.g. money or gifts) from a supplier, for recommending the supplier to his/her company
* to use false documents / receipts / account records with an intention to deceive his/her employer

**Case (1): Failure to disclose relevant information (Sales and marketing)**

Link: <https://hkbedc.icac.hk/en/resources/case_studies/203?select1=16&method=1&keys=&select2=26>



Fagin was a sole agent for a sports bag imported from a foreign country.  The bags appealed to teenagers and came in various striking colours.  They were renowned for its high quality and being colour-fast.  One day, Fagin received a complaint from a customer that the colour of the bag ran off shortly after the purchase.  Fagin quickly made a refund and hushed up the matter.  To avoid further financial loss, he was planning to get rid of all the stocks by a massive sale on the bags before the related news broke out.  Meanwhile, he also wondered if he should disclose the defect to the distributors in Hong Kong.  He thought it would be fine during massive sale as long as he did not lie about the flaw but simply avoid mentioning it.

**Discussion Questions with Suggested Answers:**

1. Was Fagin facing an ethical dilemma?

* Fagin was facing an ethical dilemma that might put his personal values such as responsibility and honesty to challenge.

1. Would his failure to disclose the information regarding the product defects be as bad as making false claims about the products?

* Fagin might violate Part 1 (trade description in relation to goods) (eb) of the Trade Description Ordinance if the sports bag didn’t comply with standard specified or recognised by any person.

1. Should he call back all the defected products from the market in order to maintain a good business reputation?

* It is true that product recalls will crash a company’s/brand’s reputation and marginalize customer loyalty in a certain extent.
* Fagin should take measures to win back customers’ trust after the crisis, sending apology quickly and sincerely, delighting customers with quality customer services, giving customers offers in the forms discounts, coupons, free samples of product/service, etc.

**Case (2): Stealing information (Misuse of information)**

Link: <https://hkbedc.icac.hk/en/resources/case_studies/223?select1=6&method=1&keys=&select2=26>



Jackson and Jonathon were mates in university. They both joined in the same architecture firm as junior architects after graduation. Though they were close friends with similar background, they also competed with each other on almost everything.

Lately, the company had an internal competition for making a proposal for a redevelopment project of the company’s warehouse in the suburbs. The proposal needed to consider various factors such as the increasing of labour cost, the shortage of land, the unpredictable economic trend, etc. Both Jackson and Jonathon participated in the competition and worked very hard to draw up a winning proposal. Competition between the two friends was fierce. Through personal connection, Jackson got some useful restricted information on the future development of the nearby lots from the Lands Office for his proposal. He casually saved the restricted information to his computer.  One day, Jonathon went to Jackson’s desk asking Jackson out for lunch. Jackson was not around, leaving his draft proposal displayed on the computer screen.  Jonathon took the chance to scan through Jackson’s draft proposal and discovered the restricted information.

Desperate to win the competition and to beat Jackson, Jonathon was in a crossroad. He could easily beat Jackson if he stole Jackson’s ideas and the restricted information to improve his own proposal.

**Discussion Questions with Suggested Answers:**

1. Was Jonathan facing an ethical dilemma?

* Jonathan was facing an ethical dilemma that might put his personal values, such as respect, responsibility and honesty / integrity to challenge.

1. Explain how both Jackson and Johnathan violated to their professional, industry specific, or company code of conduct?

* According to the case, Jackson got the restricted information through personal connection and Jonathon stole his information afterward. Such that they both accessed to the restricted information in an improper way.
* Jackson and Jonathon might violate the professional code of conduct and/or the prevention of Bribery Ordinance for offering bribe if they got the restricted information without lawful authority.

**Reference Information:**

As far as compliance is concerned, Jackson might violate Section 4(1) of the [**Prevention of Bribery Ordinance**](https://www.elegislation.gov.hk/hk/cap201!en?INDEX_CS=N) (POBO) if he, without lawful authority or reason excuse, offered advantages (e.g. money) to a public servant (i.e. a staff member of the Lands Office) for the public servant’s assistance in leaking the restricted information (i.e. an act in relation to the public servant’s capacity).  The staff member of the Lands Office as a public servant, who solicited or accepted the advantage for releasing the restricted information, might also violate Section 4(2) of the POBO.

On the other hand, the Code of Professional Conduct issued by the Hong Kong Institute of Architects requires members to maintain high integrity standard and refrain from dishonourable conduct and practices in the architectural profession.  Any member whose conduct is found to be in contravention of the Code or dishonouring the principle of the Code is liable to reprimand, suspension or expulsion.

**Case (3): Padded expense accounts (Professional conduct)**

Link: <https://hkbedc.icac.hk/en/resources/case_studies/216?select1=1&method=1&keys=&select2=26>



Leonard was an accounting manager of a listed company. After returning from a regional meeting, company’s department heads filed their expense vouchers.  Nothing was out of the ordinary except that one new department head, Cain, submitted a voucher for $6,000 less than the others.  Someone in the accounting department thought that this was strange as everyone used the same transportation and stayed at the same hotel.  But Leonard who had worked in the company for long enough knew that padding travel expenses was not uncommon.  Some of the vice-presidents even joked about it as being an additional fringe benefit.  However, the company policy clearly stated that such cases were strictly prohibited and that violators would face demotion or termination.  It’s Leonard’s job to decide how to enforce the policy.

**Discussion Questions with Suggested Answers:**

1. Was Leonard facing an ethical dilemma?

* Leonard was facing ethical decision making dilemma that he might put his personal values such as integrity and honesty to challenge.

1. Explain the action that Leonard should take as a professional accountant?

* As far as professional conduct is concerned, Leonard should observe the fundamental principles of integrity, professional competence and professional behavior and comply with the Code of Ethics for Professional Accountants (HKICPA Code) when carrying out his duties as the accounting manager.  As the company policy stated very clearly that padding travel expenses was strictly prohibited, he should perform a guardian role and report any non-compliance to the management.

1. Should he issue reminders to all staff to reiterate the company policy?

* Leonard should discuss with his immediate superior or a higher authority in the company, take appropriate steps to rectify or mitigate the consequences of the non-compliance, and decide whether it should be disclosed to the external auditor.

**Reference Information:**

Moreover, it is an offence under Section 9(3) of [the Prevention of Bribery Ordinance](https://www.elegislation.gov.hk/hk/cap201!en?INDEX_CS=N) (POBO) for any employee to use false documents / receipts / account records with an intention to deceive the employer.  Customary behavior or ignorance of law is no defence. Department heads might have committed the above offence for using false expense vouchers and invoices to deceive the company. They might also have committed a criminal offence of deception contrary to Section 17 of the Theft Ordinance.

Professional accountants have a guardian role in safeguarding the governance of the company and protect the interests of different stakeholders. They should take remedial actions to help the company foster an ethical culture and enforce any related policies.

**Case (4): Profit-splitting (Procurement)**

Link: <https://hkbedc.icac.hk/en/resources/case_studies/220?select1=17&method=1&keys=&select2=26>



Daphne, a purchasing officer in a watch manufacturing company, was responsible for recommending spare parts suppliers.  One day, a supplier, Simon, invited her for a lunch and made a business suggestion.  If Daphne recommended her company continuing to use Simon’s company as a supplier, Simon would mark up the quotation price by 4% from the next purchase order and they could equally split the profit by having 2% each.

Daphne was scandalized when hearing the suggestion.  Although Simon’s suggested mark-up price was still by far the lowest among the lot, the quality of his products was not as good as the others and only just met the company’s required standard.  On a second thought, she needed an extra income at the moment because she had just made the down-payment for her new flat.  After all, her company would still get a good bargain price.

**Discussion Questions with Suggested Answers:**

1. Was Daphne facing an ethical dilemma?

* Daphne was facing a dilemma that might put her personal values such as responsibility and honesty to challenge.

1. Would Daphne commit an offence if she accepted Simon’s suggestion?

* Daphne might violate the Prevention of Bribery Ordinance (POBO) (Section 9) for offering bribes if she (as an employee), without the approval of her company (the watch manufacturing company) accepted an advantage (i.e. 2% profit from the mark-up price offered by Simon) for recommending Simon’s company to her company.  The supplier, Simon might also violate POBO for offering bribes.

1. What factors does she need to consider when making a decision?

* The following factors should be taken into consideration when identifying viable alternatives and choosing the best course of action:

1. Any violations to her professional, industry specific, or company code of conduct.
2. Is it against the Law?
3. Does it correspond with her self-values such as responsibility and honesty?
4. Can she disclose her decision to others openly and honestly without misgivings?