

## **Glencore International AG**

# **BUSINESS ETHICS AND CORPORATE GOVERNANCE**

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## Introduction

Corporate governance signifies rules and regulations that are to be adhered by the organisations to take any business process (Cohen, 2023). Ethics have an undeniable impact on corporate governance and often go hand in hand with business entities. The following assignment has answered three questions in which the implementation of corporate governance practices has been highlighted.

### Question 1

Examining how the scandal could have been avoided by taking proper corporate governance measures.

Glencore International AG (Glencore) and Glencore Ltd are both part of a multinational company named Swiss multinational | Glencore Plc, which has pleaded guilty to the accusation of bribery to South America and Africa officials to manipulate oil markets in 2023. The company has currently agreed to pay \$ 700 million in forfeiture and criminal sanctions (Office for Public Affairs, 2022). As per the investigation, the company paid bribes to foreign officials through its agents and employees to exchange more oversized cargoes, oil grades, preferential oil access, and preferred delivery rates. However, the company has been established as an organisation operating ethically and responsibly to create long-term value for the business. It fails to comply with even the basic principles of corporate governance measures, leading to the disaster of corruption.

Corporate governance refers to the practices, rules, and processes that are used in order to direct and manage a company on ethical principles. This governance system is responsible for establishing a framework of accountability and transparency across business operations, thereby preventing damage to the company's image. These factors are extremely crucial in ensuring the long-term growth of the business. Apart from this, corporate governance plays a crucial role in forming stakeholder relationships that assist in building the sustainability advantage for the business (Almashhadani & Almashhadani, 2022). A more robust ethical and compliance committee whose values are grounded and purpose the schemes of integrity and openness could have reduced the organisation's corruption risk. The committees are an essential part of corporate governance, and with their help, stakeholders involved in the company can get to know the faulty acts done by them. Besides, the employees of the companies are continuously engaged in long-

running bribery and are accused of manipulating prices, which ultimately cost the company over fines, which are billions of dollars.

Transparency has always been an essential part of corporate governance, which the company lacks. Providing clear information about the policies and practices adopted by the company's management builds trust with stakeholders, and disclosure of financial conditions and ownership of performance are essential measures of complying with corporate governance and avoiding such situations. An audit and internal control system is another critical measure that Glencore Ltd should have taken. The audit and internal control mechanism ensures that the company complies with the applicable regulations and laws by establishing control and procedure (Hart & Zingales, 2022). The internal control through audit ensures that regular assessment is done regarding the policies of the company for compliance control.

Critically assessing control measures not adhered to and how that contributed to the incident.

Though Glencore Plc has three broad committees for ensuring the ethical and compliance program, including environment, social and governance committee, business approval committee and raising concern investigation committee, it lacks in implementing proper internal control and auditing system. An auditor is needed to identify the faults of the company in the interest of the stakeholders and assess the organisation's risk by effectively taking internal control mechanisms (Alabdullah *et.al* 2022).

Glencore Plc does not have a responsible team stopping the acts of bribery. Besides, the multi-year scheme of the company clearly indicated the manipulation of prices at the two biggest commercial ports of shipping in the US. Additionally, the departmental committee was held accountable for manipulating profit margins and engaging in other corruption schemes.

The proper structure of corporate governance is not determined in Glencore Plc, which is a significant measure that has not been taken. The responsibilities and rights of the employees working and between the different parties are not clearly assigned, leading to mismanagement in the board of directors and increasing chances of such corruption crimes in Glencore Plc. This measure is usually in the hands of the management team to develop a proper approach.

Honest and fair leadership is also an essential perspective for proper corporate governance. These qualities of leadership go a long way in making sure the company runs on ethics. Dishonesty in leadership creates a negative workplace where the same attributes are passed on to the employees. This can lead to a culture that is disintegrated, wherein the people do

not trust each other. This creates a sense of isolation and self-importance such that each one is concerned about their own personal goals. Therefore, it is highly necessary for the company's leadership across all functional levels to etch the attributes of honesty and fairness (Almashhadani & Almashhadani, 2022).

The company clearly does not have any such authority. However, as per the records, the chairman, CEO, and director of Glencore Plc experienced, but the essential measures of corporate structured governance such as equitability, inclusivity, and efficiency are still not fully adapted. Glencore Plc has not complied with the necessary steps, therefore leading to a fine of 15%, reflecting bribery and also a demand for improving ethical and compliance systems as per the US guidelines (Cohen, 2023). As per the case of the company under consideration, it is evident that a lack of control system within the leadership itself led to the deterioration of the company's image.

#### Recommendations

By taking clear measures, the company can create a common value set for complying with the ethical framework. Glencore Plc can use the recommendations suggested below for setting common values and avoiding such incidents in the future:

- It is highly suggested that the company should frame clear policies regarding the explicit and implicit contracts between the stakeholders and the company (Sekhar *et.al* 2022). This is needed to ensure that responsibilities are distributed in the correct manner and that the stakeholder's interest is also considered. Additionally, the company lacks in having a clear strategy for the relationship between the directors and managers.
- Another recommendation to Glencore Plc is to have an internal control system for risk and performance management. This will ensure that the company's employees do not conduct any such act that does not follow the ethical policy. Another aspect of the internal control system is the auditing of internal tasks consistently. Auditing is the on-site verification for inspecting and examining the process or the quality system, ensuring proper compliance.
- Updating anti-bribery and anti-corruption policies is a need of Glencore Plc, and by this, the activities of bribery can be controlled better. In addition, for acts of corruption, conducting due diligence on all the parties involved at the time of contracts can reduce the chances of risks and manipulation of the oil prices done before by the company.

- Strong leadership with a strong vision leading to the creation of shared values is an integral part of the ethical framework. Leaders for corporate governance follow a particular strategy that engages a responsible corporate culture, leading the company to higher success in the business (Hart & Zingales, 2022). The leadership also provides the formal structure of the relationship among the core constituencies within the organisation, and by proposing a clear framework, the purpose and the goal of the organisation can be achieved more straightforwardly, leading to higher profits.

## Question 2

It has been identified the values of Regenesys are dynamic, agile and glocal outlook. It also includes the graduate attribute of thinking differently. The values of Regenesys will help the leader of Amazon rapidly change the style and strategies according to the working world. The values and graduate attributes of Regenesys facilitate the leader to develop new skills and knowledge, which will help them in getting excel (Kumalo, 2023). The graduate attributes of Regenesys are thinking differently, grounding decisions in evidence, leading consciously, harnessing diversity, professional comporment and a glocal outlook. All these above-mentioned graduate attributes will help the leader of Amazon in getting success at their job.

The first graduate attribute of Regenesys is to think differently and this will help the leader of Amazon in being analytical, intellectually curious and open-minded at the time of making critical decisions. This will also facilitate developing domains to find innovative ways to solve complex problems and issues. The mentioned graduate attribute will cultivate higher-order thinking in the leader of Amazon. The next graduate attribute of Regenesys is the ground decision in the evidence (Kumalo, 2023). This attribute helps the individuals in doing proper research on the situation, taking metacognitive and multidisciplinary approaches in order to solve the problem and also in terms of making decisions which are based on the evidence. This will help the leader to be prepared to take calculated risks. Lead consciously is also considered one of the graduate attributes of Regenesys, which will help in the leadership of the selected company.

This is the same as the P in the quintuple bottom line, which is purpose. This graduate attribute focuses on prioritising sustainability in the organisation. In this, the leader is taught to be self-aware in terms of understanding the interconnectedness of all the elements or things. Moreover, it also helps in acting ethically with integrity (Kumalo, 2023). Harness diversity

includes appreciating the differences of the individual. In this, the leader facilitates connection with its team members so that they can manage their team effectively and efficiently. In this, the leader is also taught to give training, support and motivate the employees in terms of increasing their satisfaction with the organisation. These help the leaders in enhancing the skills of the workforce, which assist in the growth and development of the firm.

The next graduate attribute of Regenesys is professional comportment. In this, the leaders gain the confidence to take any risk, which results in the growth of the firm. This helps the leader of Amazon to be focused, committed and deliberate towards the goals of the organisation and identifies innovative strategies which facilitate them in being effective leaders. By the mentioned graduate attribute, the leader of the organisation holds accountability for all the things and situation which takes place in the firm (Dağyar *et.al* 2022). With the help of this graduate attribute of Regenesys, it has been determined that the leader of the company is responsible for developing a positive environment in the entity in terms of teamwork, collaboration and effective communication among all the team members of the organisation. Thus, all these graduate attributes of Regenesys will help the individual be an effective leader of the selected company.

Graduate attributes are the philosophies of teaching programs describing the qualities and capabilities that can help take up responsibilities to achieve success. At Regenesys, graduates are always taught to think differently, be curious, analytically conscious, etc., become innovative and find solutions for everything (Panneels, 2023). Similarly, Amazon should adopt such qualities to become ethical leaders across the globe by following the path of Quintuple Bottom Line, in which four main pillars must be recognised while carrying out business activities. The four pillars are related to the cultural, economic, environmental and social aspects, which are very basic for any business firm in the global business environment.

The principles of responsible management concern the overall graduate attributes in the University of Regenesys, where the students are taught how to implement Quintuple Bottom Line's four pillars. This can help Amazon to become ethically strong per its purposes and values, which can reflect sustainable activities towards society (Barnard, 2023). In Amazon, the leadership style is customer-centric; therefore, Amazon should not follow the traditional system for operating in the business environment and must comply with the community-building policy. In Regenesys, South Africa, this leadership style is very illustrious, where the contribution to the real world matters the most.

Hence, Amazon is also known to have a servant-style leadership where customers' and employees' ideologies are taken into consideration. Based on the Quintuple Bottom Line, the four pillars can help Amazon lower their consumption costs and reduce the usage of carbon footprints for elongated survival of the environment. Similarly, the social aspects will also be fulfilled by such means, which involve the environment and people as a whole (Masianoga & Govender, 2023). Furthermore, Amazon can also fulfil the economic pillar under the effects of advanced economies and the latest trends directly related to the circular economy model. This model focuses on designing materials and systems for the firm's business activities.

Therefore, it can be critically evaluated that the graduate attributes of Regenesys concerning Quintuple Bottom Line's four pillars can help Amazon become a global ethical leader. The firm will be able to become a sustainable entrepreneur with the responsibilities of sustainability and social justice. Amazon's critical thinking and innovative aspects can be aligned with the framework's four pillars, and eventually, the firm can succeed in the long run. Additionally, purpose and passion will be Amazon's top priority, along with the interpretations of sustainability in the global business environment (Govender & Hassen-Bootha, 2022).

### **Question 3**

#### Role of external audits as a control measure for upcoming economies and emerging nations

External audit is a third-party involvement in the internal inspections of the business processes of the entities. In general terms, external audit refers to a process in which an independent body is given the responsibility to review the financial statements of an entity (Salih & Flayyih, 2020). The purpose of external audits is to ensure that the processes of the business provided by the statements of the company are true, just and in accordance with the legal requirements of the company. With the help of external audits, an objective examination of the financial statements is carried out. The in charge of an external audit is in the form of an accountant, specifically, who is completely outside the jurisdiction or control of an entity. The process of external audit ensures that the internal control, processes, policies and guidelines are effective and adequately complies with the rules and guidelines formulated by the government and industry standards.

External audit has a vital role in enhancing the effectiveness of corporate governance. This is because external audit helps in the accomplishment of the objectives and goals of corporate governance (Dagilienė & Klovienė, 2019). The effectiveness of external audit and its importance



can be understood by the fact that it enhances the quality of the overall corporate governance in the nation. Effective corporate governance is essential for guaranteeing the advancement of emerging nations and upcoming economies. This is because this can assure that the policies and regulations formed by the corporate governance ensure positivity and create transparency in a business environment.

Emerging economies are in the constant need to enlarge their business operations and this can be done only when they are given appropriate environments to accomplish their goals and targets. External audits provide accountability to the business processes and operations of the various organisations, which is among the most imperative roles played by it and thus act as a control measure for economies of emerging nations (Balios *et.al* 2020). Due to the external audits, organisations pay considerate attention to their operations and towards the policies that help upcoming economies enhance their business operations successfully. When organisations in advanced economies take accountability for their actions due to the emergence of external audits, they indirectly provide chances and opportunities to the businesses in the upcoming economies to enjoy equal rights and justice, which is essential for the enhancement of their business performance.

Another consideration for external audits as a control measure for the upcoming economies of emerging nations is that they take responsibility for carrying out just practices that are in accordance with the rules and regulations of corporate governance (Manita *et.al* 2020). The responsibility taken by the external audits acts as a control measure which ensures that the advanced economies provide equal chances to the business operations of the companies in emerging economies.

#### Impact of ethics on business profitability in emerging markets

There are numerous factors that play an important part in the enhancement of the profitability of various business entities. Effective management, quality of leadership, and motivated and productive employees are essential considerations for ensuring the profitability of businesses in the market. However, ethics is another essential aspect that is important and plays a vital role in affecting the business and profitability in the market. Especially in emerging markets, ethics play an especially imperative role in helping owners address the triple bottom line in an effective manner. Business entities in emerging markets face several challenges that impact their businesses to a remarkable level (Waheed & Zhang 2022). Business ethics help

entities in emerging markets to enhance their business functions by providing them with equal opportunities for growth and development. This is made possible as each entity operating within the industry is aware of the ethical practices that each has to undertake. By incorporating such ethical practices into the operations of the business, the industry experiences healthy competition. This gives businesses in emerging markets the ability to employ their strategies without having to face the threat of overpowering already existing companies (Waheed & Zhang 2022).

Moreover, profitability through ethical practices begins at the top of the management. It is the responsibility of the management to establish ethical ways of doing business such that it creates a positive environment for employees to work in. This produces long-term growth as ethical practices enhance employee engagement (Lin *et.al* 2020). With the trickledown effect that flows from the top management, employees are encouraged to adhere to the norms of doing business ethically. Such norms and strategies prevent factors such as discrimination, embezzlement, accounting malpractices or any other factors that could create a negative psychological contract among the workforce. In doing so, the workforce experiences a sense of belonging and unity, which in turn is reflected in the performance of each individual.

In addition to this, ethics in business can result in reducing employee turnover, which can contribute to building the core strength of the business. Such strengths ultimately lead to enhanced growth and profitability as employees give in their best to align their personal goals with that of the organisation (Villegas *et.al* 2019). In the present era, ethics play a prominent role that dictates the manner in which business is conducted and how interrelationships are formed. Each group of stakeholders is becoming increasingly aware of the need for transparency and reliability in doing business. Such creditability can be achieved only through establishing ethics in several functions of the business. This is particularly evident in gaining increased investments as investors seek trustworthy businesses to invest in. Thereby, ethics in business also has the ability to bring in funds which can be further utilised to enhance productivity and, thereby, profits.

## **Conclusion**

From the above, it can be concluded that ethics play a significant role in the growth and sustainability of business. These ethical practices need to begin at the top of the hierarchy, which

then trickles down to the functional levels, thereby ensuring a positive work environment. Only through such cultures can the company promote positive business practices among all groups within the company that ensure the enhancement of the company image.

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