EUROPEAN ETHICS BOWL

EEB Case Study – National competitions

Is it ethical to force progress through standardization?

Countries have agreed to and adopted standardization tools such as quotas and directives to ensure alignment of quality and achievement of common goals, such as increased inclusion of women and minorities, global sustainability and other environmental goals, and international accounting standards to increase financial transparency.

Countries are generally free to adopt and implement international standards or quotas. For example, countries such as Norway and Germany have adopted quotas to promote women in leadership positions, while in other countries such as the U.S., discrimination against people based on ethnicity, race or cultural orientation is strictly prohibited by federal and state laws in all areas, including employment.

To achieve goals such as gender equality or compliance with environmental, social or governance standards, organizations or even countries can be denied access to business opportunities if they do not meet certain standards. While this could put pressure on them to reform their systems and promote "progress," it could also be seen as moral imperialism.

According to cultural relativism, no culture's ethics are better than another's; therefore, there should be no international right and wrong. In this context, it could be considered unethical for companies or countries to expect others to adhere to their standards. On the other hand, there are examples of how collective action and peer pressure for a common higher goal can justify enforcement strategies.

We may consider the following two examples:

Example 1

Imagine a relatively poor country with an undernourished population: Would they have to adhere to green standards to gain access to the organizations and markets necessary for development, or would they prefer to use more fertilizer, which is harmful to the environment but allows for rapid growth and better living conditions?

Example 2

Should we stop funding development in countries where women’s rights are not recognized or respected, at the risk of widening the development gap with more advanced economies and consequently making conditions even more difficult for women?

Please tackle this dilemma:

Should EU institutions exclude countries and companies that do not comply with the standards from important business activities to force progress?

Can a group of countries, through collective action, enforce standards that should ultimately lead to a fairer, greener, and more inclusive world, thus imposing a temporary cost on progress to some other countries?

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Case study A for EEB Semi-final competition

Standardization of non-financial reporting

The twenty-first century is marked by an increased demand for more sustainable and measurable corporate practices. In their study, the authors Lucy Pérez et al., (2022) note that the need for companies to earn their social, environmental, and regulatory "license" is on the rise. More than 90% of companies in the S&P-500 Index[1] regularly publish some form of ESG reports[2], and almost 70% of companies in Russell 1000 Index[3], according to the Governance & Accountability Institute´s report (Deckelbaum, 2021). Awareness of socially responsible investing will most likely increase in the future as the Millennial generation chooses sustainable solution over 90% of the time and pays much more attention to this issue than older generations (Chong, 2017). Bloomberg Intelligence (2021) estimates that assets invested in ESG will grow to $50 trillion by 2025.

At the same time, there is growing pressure from international investors, stakeholders, and society at large for more and more disclosure, reporting, and ultimately transparency in financial and, in recent decades, non-financial reporting (Pérez et al., 2022). Non-financial reporting (NFR) should disclose information on how companies manage environmental issues, human resources, anti-corruption, community relations and industry-specific risks. However, there are different standards and definitions used by reporters and policymakers. Choosing the right reporting standards and frameworks is a challenge that companies must address. According to EU policy (Non-Financial Reporting Directive (NFRD), 2014), companies can choose one or more national or international reporting standards to prepare their reports as they wish.

Please, tackle these dilemmas:

Should companies have the freedom of choice in selecting non-financial reporting framework?

Who is to set the harmonisation and comparability between Non-financial Reporting standards?

Does environmental, social and corporate governance matter in times of crisis? Or should the companies be more flexible in complying with ESG?

Sources:

- Bloomberg Intelligence. (2021, July 20). ESG 2021 Midyear Outlook. Https://Www.Bloomberg.Com/Company/Press/Esg-Assets-Rising-to-50-Trillion-Will-Reshape-140-5-Trillion-of-Global-Aum-by-2025-Finds-Bloomberg-Intelligence/
- Chong, K. (2017). Millennials and the rising demand for corporate social responsibility. California Management Review.
- Deckelbaum Ariel, Karp Brad, Curran David, Jeh Charles Johnson, Lynch Loretta, Bergman Mark, & Weiss Paul. (2020, August 1). Introduction to ESG. Https://Corpgov.Law.Harvard.Edu/2020/08/01/Introduction-to-Esg.
- Lucy Pérez, Dame Vivian Hunt, Hamid Samandari, Robin Nuttall, & Krysta Biniek. (2022, August 10). Does ESG really matter—and why? McKinsey Quarterly.
- Non-Financial Reporting Directive (NFRD), DIRECTIVE 2014/95/EU (2014).

[1] The S&P 500 Index, or Standard & Poor's 500 Index, is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

[2] An ESG report or Sustainability report is a report published by a company or organization about environmental, social and corporate governance (ESG) impacts.

[3] The term Russell 1000 Index refers to a stock market index that is used as a benchmark by investors. It is a subset of the larger Russell 3000 Index and represents the 1000 top companies by market capitalization in the United States

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Case study B for EEB Semi-final competition

Are gender quotas really enabling gender equality?

Gender equality is one of the United Nations Sustainable Development Goals, which aim to empower all women and girls around the world. Gender equality is a prerequisite for achieving all goals of the 2030 Sustainable Development Agenda. Gender equality has become widely accepted, and many countries and institutions have committed to this goal. Numerous conventions have been signed and policies developed based on gender equality. Progress toward this goal has been monitored by various governmental agencies, financial institutions, rankings, etc. No matter how many efforts have been put into enabling gender equality, there are still substantial gender gaps in many areas worldwide. For example, the gender pay gap in the European Union in 2020 is 13.0%, showing that women earn on average 13.0% less per hour than men. The gender pay gap has changed only slightly over the past decade (European Commission, 2022).

A pressure for gender equality is also high in business, especially big businesses with high stakes on the market. Companies are using many mechanisms to create a stimulating environment that would empower women. However, the role of women in the family is of utmost importance when tackling the issue of gender equality in business and has a great impact on women`s career development. Moreover, there are still evident structural barriers to women's equal participation in business, lower salaries for female employees, underdeveloped family policies, and a low share of women in high management positions.

As a result, banks, financial institutions, and other monitoring bodies are establishing corporate monitoring mechanisms to showcase gender equality in companies and organizations. Women quotas are most often used as a mechanism for monitoring gender equality. Women`s quotas in business are mostly focused on the percentage of women in corporate governance and board membership. Companies that do not comply and do not achieve the set quotas for women are penalized with lower bank loans, lower rankings, etc. However, setting women quotas in business narrows the definition of the issue of gender equality, as the quantitative representation of women is just one side of gender equality, leaving many other questions untouched.

Please, tackle these dilemmas:
Is pursuing a numbers-based diversity strategy against the spirit of creating a truly diverse workplace?
Are quotas in some industry sectors that are naturally more dominated by one gender, and therefore find it more difficult to hit targets than others?

Sources:

- European Commission (2022). *The gender pay gap situation in the EU*. Retrieved on 20/10/2022 from [The gender pay gap situation in the EU | European Commission (europa.eu)]

Case study for the EEB Final competition

Standardisation of higher education

Diversity seems to be at the top of the agenda in various industries. Today, diversity in the business world is more about having employees with different religious and political beliefs, educational backgrounds, socioeconomic backgrounds, genders, cultures, disabilities, or even age groups/generations. This type of employee stratification is most often not formally mandated, but often voluntary. Hiring with diversity in mind ensures the business is more aware of developments in society, which not only reduces operational risks, but also improves the business model. Businesses have realised that they gain advantages by enforcing diversity in their employee structure, that this is smart business.

However, there are usually already formal restrictions on student enrolment in universities. The number of applicants that a university can accept is usually limited by local authorities, especially with regard to the national or even regional origin of the applicants. Quotas in higher education are quite common and not always based on diversity principles. The students who have the formal right to be admitted to university are not necessarily a very diverse population. To enhance the educational experience and competencies of students, universities seek to create a diverse study environment in terms of nationality, gender, cultural and social background, etc. In this regard, it makes sense for universities to follow the same policy in admitting students as businesses do in hiring employees.

Still, there is also another angle if we consider that there is an obvious interest in restructuring/standardising the composition of the student body in universities in Europe, not only in terms of nationality, but also in terms of students' social background and gender diversity. There are also obvious efforts to enforce a certain kind of diversity depending on the field of study - e.g. more women in STEM[4] and more diversity in terms of social background in political science and public administration, etc.)

Please, address these dilemmas:

- Is it ethical to shape the future of business and society at large by forcing diversity and inclusion through standardisation at the university level?
- To promote exchange and ensure smooth operations, universities have standardised assessment systems, programmes, and degree structures. Is there a risk to cultural integrity and local identity here?
- Are we standardising/harmonising diversity and thus weakening its existence as such?
- How fair are we with in this respect in providing an equal opportunity to study to those that are most capable and motivated?

Source:
'Reimaging our Futures Together: A new social contract for education', https://unesdoc.unesco.org/ark:/48223/pf0000379707.locale=en

[4] STEM education is a curriculum that focuses heavily on science, technology, engineering, and mathematics.