

PGDM, 2017-2019

Responsible Business

Subject Code: IB 207

Trimester –II, End Term Examination: December 2017

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Section A : Short Notes (15 marks) :Attempt any 3

1. Spheres of Influence
2. Global Compact Principles
3. Sustainable Development Goals 2030
4. ISO 26000
5. Dow Jones Sustainability Index

Section B: Long Answer Questions (20 marks): Attempt any 2

1. The Section 135 of the revised Companies Act of India mandates CSR expenditure by companies operating in India. Discuss important aspects of the Act with specific reference to the section 135 relating to CSR.
2. Explain in detail corporate irresponsibility issues raised by Shell's operation in the Niger Delta. Highlight human rights violations by the company.
3. Describe the Spheres of Influence model of CSR underscoring issues of Corporate Responsibility.

Section C: Case Study (Compulsory, 15 marks)

The headquarters of the organization supporting fair cotton production in Africa is located in the north of Hamburg and has eight employees. It is here at the Aid by Trade Foundation (AbTF) that threads run together for the largest public-private partnership project in current German development cooperation: the Cotton made in Africa (CmiA) initiative.

In 2005 textile retailers, such as the Otto Group, joined forces with public sponsors including the international cooperation agency GIZ (Gesellschaft für Internationale Zusammenarbeit) and

the German investment and development agency DEG (Deutsche Investitions- und Entwicklungsgesellschaft) as well as NGOs such as German Agro Action - Deutsche Welthungerhilfe, WWF and the Nature and Biodiversity Union (NABU). Together they want to help African cotton farmers to produce their cotton more economically and more ecologically, and thus improve the living conditions of their families.

The Cotton made in Africa logo is a stylized cotton ball. It can be found on the wine-red labels of T-shirts, jeans, bed linen and underwear in department stores, mail order catalogues and collections offered by various clothing manufacturers. These include businesses like the Otto mail order company and sportswear specialist Puma from Germany, as well as French retail chain Celio and the largest Spanish department store chain El Corte Inglés. In 2010 alone, around 30 retailers sold ten million items with the Cotton made in Africa label. In 2011, this figure is expected to double.

The colleagues at the foundation's headquarters in Hamburg are working to steadily strengthen the demand-driven alliance. This is the initiative's core concept. "We want to increase demand for high-quality African cotton in the industrialized countries even more, so that we can channel more money into the project areas which in turn will cause the smallholders' income to increase in the medium to long term," confirms Tina Stridde, the CmiA spokeswoman.

In contrast to the fair trade concept, the idea is not to pay a premium for every kilo of cotton that the farmers produce. Instead, she says, the foundation wants to promote a reduction in the use of pesticides and lead the way to greater efficiency and resource-friendly cultivation methods. This should increase the farmers' output and consequently their earnings from crops.

The project initiator is Dr. Michael Otto, CEO of the Otto Group, whose extensive company premises are located in the same street as the foundation's headquarters. "Help towards self-help for hundreds of thousands of African farmers" is the aim of the initiative, says the businessman. "Agricultural products such as cotton are among Africa's most important export commodities. But cotton farmers are finding it hard to survive because subsidies elsewhere, particularly in the USA, are pushing down prices on the world market."

Many of smallholders have been unable to just break even, and have had to abandon production. It was against this background that the idea was born: African cotton, which was previously sold anonymously on the world market, should receive a visible label that would help to boost concrete demand for it.

Today there are roughly 200,000 farmers in Burkina Faso, Benin, Zambia, Malawi and Ivory Coast who are producing Cotton made in Africa. They have agreed to forego all unacceptable forms of child labour. In return, German development aid workers and the local cotton companies train them in cultivation methods to improve crops and incomes and benefit climate protection.

According to Tina Stridde, the first positive results are visible: the cotton producers have managed to increase their yields by up to 30%. In order to train the people with small businesses, Welthungerhilfe is offering literacy courses together with its partner organization

ORGANIC in Burkina Faso. "We want to enable farmers to act independently, for instance in price negotiations with the cotton companies," says Caroline Peyre of Welthungerhilfe.

In 2010, Cotton made in Africa started a school project in the cotton-growing areas of northern Benin. The foundation, the Tchibo company and German development cooperation organizations provided a million Euro to buy school books, build new schools, install electricity or solar generators, equip school canteens with vegetable gardens and construct wells for drinking water. Prior to this, the Aid by Trade Foundation had also helped the local cotton company to produce 10,000 school uniforms. The so-called khakis were made on site from Cotton made in Africa.

"The co-financing of the khakis helped to lower the costs for families when their children started school, and it enabled more children to attend in our cotton-growing areas," says Christoph Kaut from the foundation. This involvement was then developed into the school project at the suggestion of farmers' organizations and the cotton company.

The cotton initiative has ambitious goals and aims to enter the mass market. By 2013, sales of Cotton made in Africa are expected to have risen so much that it will be possible to pay the licence revenues directly to the farmers as dividends. To achieve this, about 60 million items of clothing have to be sold.

Article Source: <http://allafrica.com/stories/201103290608.html>, Africa: Fashion With an Easy Conscience.

Questions

Q1. What are the problems in the Cotton Supply Chain you can find highlighted in the case above? Explain the problems in terms of sustainability issues, business ethics and human rights' challenges.

Q2. Provide a summary of the initiatives of Aid by Trade Foundation which may provide a solution to the problems you have highlighted in your answer to question 1.

Q3. Do you find a role for consumers in the marketing and selling of "Cotton made in Africa"?