

## Ethics, the Antidote to Turbulent Times?

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### Anchoring Ourselves

While the English expression, “May you live in interesting times,” is of disputed origin, it somehow seems quite fitting for the times we find ourselves in now. One could pick up a national paper in just about any country and read about a reordering of global leadership, a reversing on sustainability investments and reporting requirements, regional conflict reigniting, the real risk of a global trade war, a rise in autocratic leadership – and the list goes on. It is enough to leave even the hardest person wondering what will guide us through the sporadic moments of chaos we face these days.

In a word: ethics. If we step back from the daily grind and reflect on our lives, we inevitably ponder on some important, yet fundamental questions. Questions such as:

- What kind of life do I want to live?
- Should I strive for happiness, knowledge, creativity, innovation, virtue or something else?
- If I choose knowledge, is it my knowledge or the knowledge held by everyone that I strive for? A finessing of the question we could equally apply to happiness, my happiness or that of everyone?

If we bring these big questions down to something more tangible and practical, we may further ask ourselves, for instance:

- Is it acceptable to lie if the cause is just or good?
- Is it okay to displace jobs through AI, or robotics, if the individuals doing them are unable to find meaningful work elsewhere?
- In our actions today, what obligations do we have to future generations who will come after us, or to nonhuman lifeforms that share this planet?

Ethics deal with these types of questions from multiple perspectives because they facilitate our ability to focus on fundamental considerations surrounding practical decision making. Doing so in addition to the wider considerations including values and criteria by which human behaviours (and by extension human decision-making) are judged “right or wrong.” Ethics is defined<sup>1</sup> as: the discipline concerned with what is morally good and bad and morally right and wrong. This includes any system or theory of moral values or principles.

### **In the Beginning**

While the rhyme or reason, and the solutions, for the circumstances we find ourselves within may differ across populations or citizens, the collective view that things must change for the better universally holds true.

If we consider what gave rise to ethics, we must acknowledge that it could only have formed when humans started to reflect on how best to live. If we consider Maslow’s Hierarchy of needs, this would have prominently manifested during an enlightened phase starting with love and belonging and maturing thereafter. In other words, it surfaced long after the emergence of morality. Morality, in turn, gave rise to the definition of ethical standards and clarified what was, at the time, deemed acceptable and unacceptable conduct. Lest we forget, the early days when ethics were forming in the collective consciousness were wanton by today’s standards.

***Effectively, ethics serve as a framework for thinking through the practical, and sometimes difficult, dilemmas that we each routinely face.***

Many argue that ethics (morals) are culture specific. While application of morals may differ between cultures, there are far more commonalities than differences. For instance, kinship is a source of obligation in every human society. A mother’s duty to care for and protect her children is recognized in every known society and, conversely, a father’s duty to provide for the family is nearly as universally held.<sup>2</sup>

While the history of ethics is fascinating in and of itself, it is not the focus of this article. The Royal Netherlands Institute of Chartered Accountants (NCA)<sup>3</sup> demonstrated that “making a moral decision requires an understanding of the decision-making process and the factors that influence decision making.” Effectively, ethics serve as a framework for thinking through the practical, and sometimes difficult, dilemmas that we each routinely face.

### **A Starting Point for Reflection**

Let’s consider the Corporate Sustainability Reporting Directive (CSRD), Europe’s approach to sustainability management, reporting and ultimately corporate accountability. After close to five years of outreach, constituency engagement, debate and legislative processes, the CSRD became a reality on January 1 of this year for the first wave of reporting entities. A mere few weeks later, the European Union (EU) proposed an Omnibus package of “simplifications”

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<sup>1</sup> *Encyclopaedia Britannica*, May 2025.

<sup>2</sup> *Encyclopaedia Britannica*, “The Origins of Ethics,” 2025.

<sup>3</sup> “Moral Decision-Making Model for Accountants,” White Paper, Royal Netherlands Institute of Chartered Accountants, November 2024.

designed to reduce compliance burdens. On April 3, the European Parliament voted in favour of the European Commission's "Stop the Clock" proposal. Essentially, this decision postpones the application date of the CSRD for most companies, and the Corporate Sustainability Due Diligence Directive (CSDDD) for all companies. More specifically, the adopted proposal delays reporting requirements for Wave 2 and Wave 3 by two years. For the CSDDD, it will delay application to the first group of in-scope companies to 2028 and reduces the value-chain requirements for indirect suppliers to those where the entity holds "plausible information."

If we consider the application of ethics in the decision to "ease the reporting burden," one needs to consider the decision impact(s) using a multi-constituency lens. It is perhaps at this point that many legislative discussions and negotiations often lose perspective on taking decisions that are morally right, which has a cascading effect on corporate behaviours and, by extension, social outcomes. Let's break down the impact of the proposed Omnibus package changes in Europe a little further to understand the ripple effect of a given decision:

***Removing legal liability removes the active incentive for companies to do better with their human rights record now, unless and until an influential constituency group exerts its power for change.***

***Are the proposed simplifications better for business?***

It depends! In the short term, one can easily see the cost benefits of the reduced burden of collecting data to assess impact issues, analyzing data to determine the actions required for complying and then using the data to continuously report on its sustainable performance (internally and externally). These simplifications (absent any corporate behavioural change, in other words all things being equal) are, however, detrimental to the business over the longer term. A lack of reporting requirements on sustainability topics does not mean the underlying sustainability issues or risks go away – they do not. Climate is still a very real risk for most companies, as is growing social migration (meaning companies need to consider the effects on their access to and retention of talent), as well as the underlying health and social issues attached to harmful corporate behaviour. The longer-term risk is principally the risk of the business no longer being a going concern.

***Are the simplifications better for human rights, human capital and human welfare?***

In short, no, unless the reporting company itself undertakes changes that place social needs on equal footing with sustainable profit (note: this differs from the historical profit maximization business philosophy). The empirical evidence of the harmful effects of pollutants on human health and longevity is well documented. So are adverse mental and physical health effects from an inability to work, resulting from any number of circumstances including, for instance, illness or a lack of meaningful work.

If we consider the effects of removing legal liability for forced labour within an entity's value chain (a proposal by the newly appointed German Chancellor, Friedrich Merz), are those millions of people (close to 50 million worldwide according to the International Labour Organization and the United Nations) better protected from abusive behaviours? Of course not! And what about the millions of children throughout the world who are forced to work, in mines, construction, textiles and many more industries. It quickly becomes apparent that

removing legal liability removes the active incentive for companies to do better with their human rights record now, unless and until an influential constituency group exerts its power for change. That influential group consists of capital allocation decision makers including, for instance, lending institutions, investors, pension plans and venture capitalists.

In short, it is easy to see how quickly societal decision-making constituents or entities slip back into old habits to focus on maximizing GDP, profit or any number of other self-serving measures in the absence of regulation and jurisdictional penalties.

It is in this type of moment that all constituency groups could act ethically for the betterment of societies, humans, planet and profit. Why do I say what some may argue is naïve or an oversimplification?

This is where the ethic of reciprocity (also known as the Golden Rule – which unlike my late father’s humorous view is not: “He who has the gold makes the rules”) applies. At its core, it is a fundamental moral principle stating that individuals should treat others in the same manner as they wish to be treated. Its opposite, the Silver Rule, states that an individual should not treat others in a way they themselves would not wish to be treated. This same premise underpins our democratic concept of dignity and equality under the law.

### **Applying Ethics to the Practicalities of CSRD**

So, circling back to CSRD and the Omnibus, how do we interpret the concept of ethics? First, ethics does not depend on or require legislation – it requires the maturity of thought that recognizes the long-term benefits of reciprocity. Where companies support the concept of reciprocity, the economic pie (so to speak) enlarges to the benefit of all “players.” This is the quintessential concept of win-win where all parties in the transactions are better off.

For instance, companies that demonstrate human rights due diligence within their supply chain create a cascading effect that can be captured as follows:

<b>IMPACTS</b>	<b>ABSENT LEGISLATION</b>	<b>WITH LEGISLATION</b>
Human rights respected.	No, unless the company voluntarily prioritises human rights within its value chain.	Yes.
Share valuation impact.	Positive when a company voluntarily applies adequate due diligence. Negative when a company fails to do so, particularly in industries known to have human rights issues.	Similarly positive.
Financial cost effects.	ST – zero implementation cost for companies not voluntarily applying due diligence OR higher implementation costs for companies opting to voluntarily apply (plus operating costs over the fullness of time). LT – high when not voluntarily applied both from regulatory or legislative penalties for human rights failures and erosion of reputational brand	Lower short- and long-term operating costs, avoidance of legislative or regulatory penalties.

	(affecting sales), when done voluntarily lower, reduced legislative and regulatory penalties and lower cost of capital (investors/lenders have higher confidence in a “no surprise” entity) and greater brand value translating into higher levels of revenue from customer confidence.	
Going concern risk.	High if the company does not voluntarily apply human rights due diligence within their supply chain (for the reasons noted under financial effects).	Low.
Market signalling.	Positive when the company voluntarily applies due diligence, and negative when it does not (the signal implicitly sent to the market is that the company does not recognize the importance of the topic and/or does not understand its exposure to human rights related risks).	Positive, reduces investor (and potential investor) risks in this domain.
Effect on supply chain employees.	Negative when the company does not apply due diligence (they often continue to underpay, underinvest or otherwise abuse at-risk individuals according to ILO findings). Positive when the company voluntarily applies due diligence as the company often works with its suppliers to ensure fair pay and fair working conditions.	Positive as companies work with their suppliers to improve conditions for affected employees.
Societal effects.	Negative when due diligence is not voluntarily undertaken (exploitation continues, economic means continue to be limited and children are often deprived of an education in favour of working). Positive when undertaken voluntarily, companies generally invest in positive community infrastructure such as schools, healthcare facilities and the like.	Positive, fair pay translates to more disposable income, which promotes investment in homes, education and other long-term beneficial net worth activities.

Although this table scratches the surface of full considerations, even on a limited scope basis, the economic case for investing in human rights due diligence is beneficial. Ethics pay off, particularly so in times of turbulence when legislation falls short of its moral duty to people and planet. The openness to ensure reciprocity secures a win-win approach encouraging all players to participate in the market game. An ethical ecosystem builds trust,

trust being the basis of level playing fields, inclusion, equity, equality and – over the fullness of time – cooperation.

Cooperation is the basis for long-term prosperity – the absence of it will result in cooperative players pulling away from uncooperative ones (effectively isolating them), which naturally results in uncooperative players suffering minimally an economic loss.

### ***Ethics pay off, particularly so in times of turbulence when legislation falls short of its moral duty to people and planet.***

This concept of ethics and morality also underpins many religions and the idea of eternal bliss. It goes even further; animals show the same concepts of reciprocal behaviour to protect the collective and promote strength. It has been observed in “birds and mammals, the clearest cases occurring among wolves, wild dogs, dolphins, monkeys, and apes.”<sup>4</sup>

#### **Bringing It All Home**

A philosophy of ethics in reciprocity or kinship demonstrates time and again – and throughout history – that the holistic benefits to the collective group outweigh any temporary negative effects. Its application ensures survival of the species (human or animal), while the same logic holds to ensure the survival of the company – it’s about remaining a going concern. In the absence of traditional policy makers, legislators or regulators fulfilling their moral imperative (which ultimately is to act in the best interest of its populations), ethics serve as a power framework and compass to act in the best interests of its ecosystem, which includes people, planet and nature. A failure to do so will ultimately result in the company’s demise – whether through regulatory actions or consumer, employee and supplier pressures (to do the right thing).

So, whether times are calm or turbulent, ethics show the way if we simply open our eyes and minds to acting in our collective best interests. Growing the pie benefits everyone, whereas eating the pie oneself fills us in the short term but risks starvation in the longer run. The choice of how we want to live our lives and be known is ours to make – let’s not waste this gift!



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<sup>4</sup> *Encyclopedia Britannica*, “Kinship and reciprocity,” May 2025.