



Institute of
Business Ethics

INSTITUTE OF BUSINESS ETHICS

- Registered Charity Number: 1084014 -

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

ATKINSON HUNTER & CO
CHARTERED ACCOUNTANTS

- Bray on Thames -

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TRUSTEES AND ADVISORS

FOUNDER:	The late Neville Cooper
PRESIDENT:	Sir Peter Walters
VICE PRESIDENTS:	The Baroness Howe, Sir Sigmund Sternberg
ADVISORY COUNCIL:	Lord Carey, Elizabeth Filkin, Sir Alistair Graham, Stephen Green, Dr Peter Harper, Sir Paul Judge, Christopher Lendrum CBE (retired 2007), Raj Loomba, George Mallinckrodt KBE, Tim Melville-Ross CBE, Kate Nealon, David Pritchard, James Ross, Sir Nigel Wicks (retired 2007), The Baroness Wilcox (retired 2007), Sir Robert Worcester
TRUSTEES:	Harry Branchdale, John Campbell (Resigned February 2008), Jane Collier, Tim Cullen, Janet Haber, Muriel Johnson, Martin Le Jeune, Chris Moorhouse (Chairman), Archie Robertson, Michael Turner-Samuels
DIRECTORS:	Director – Philippa Foster Back OBE Research Director – Simon Webley
PRINCIPAL ADDRESS:	24 Greencoat Place London SW1P 1BE
AUDITORS:	Atkinson Hunter & Co Weir Bank Monkey Island Lane Bray on Thames SL6 2ED
BANKERS:	The Royal Bank of Scotland 62-63 Threadneedle Street London EC2R 8LA

MESSAGE FROM THE CHAIRMAN

It is always a pleasure to look back at a successful year of many achievements. For the IBE, 2007 was a year of continuing progress in fulfilling its purpose of encouraging high standards of business behaviour based on ethical values, together with a sound financial performance.

The IBE is uniquely positioned to be able to make a significant independent contribution to the development and dissemination of good practice in the Business Ethics arena and it is a great privilege to be Chair of the Board of Trustees.

I am glad to have the opportunity to highlight some of the new activities undertaken by the IBE in 2007. These included the IBE providing advice to the Committee set up by the Board of BAE Systems plc, chaired by Lord Woolf to examine the current ethical practices of BAE Systems the company.

In addition the IBE launched of a new type of IBE publication: the Good Practice Guides, the first one being on the subject of Speak Up Procedures. We also published two significant research papers titled "Ethical Due Diligence" and "Does Business Ethics Pay? Revisited". These new activities helped to increase the profile of the IBE and further its charitable aims.

I would like to express my sincere appreciation and thanks to Philippa Foster Back and her team who produce an astonishing amount of high quality output from very limited resources. This is clear from the Annual Report.

I am also most grateful for the support and wise counsel from our President and the Advisory Council Members, and for the time, enthusiasm and guidance that my fellow members of the Trustee Board generously contribute.

We could not do any of this important educational work without the extensive input, thinking, time and financial support given by our corporate and individual subscribers and our thanks go to all of them for their generosity.

I am sure that the best is yet to come and that 2008 will see yet more progress and innovation from the IBE.

Chris Moorhouse

REPORT OF THE TRUSTEES

The Trustees submit their report and financial statements for the year ended 31 December 2007.

Background and Aims

The Institute of Business Ethics (IBE) was established in 1986. It was registered as a charity with effect from December 2000.

The charitable aim of the IBE is to "to advance public education in business ethics". Our vision is to lead the dissemination of knowledge and good practice in business ethics. Our mission is to help organisations strengthen their ethical culture and encourage high standards of business behaviour based on ethical values.

Structure and Governance

The IBE is managed by the Director who reports to the Trustees. The Trustees meet quarterly. The Advisory Council, who represent the wider audience that the IBE seeks to address, are invited to attend bi-annual meetings. They also receive copies of the Trustees' meeting minutes, Directors' reports and the IBE's events programmes and publications.

Upon accepting their role, trustees and advisory council members are provided with a briefing pack detailing their role and the IBE's charitable aims. They are also invited to attend the IBE Introduction to Business Ethics course.

Management

Decision making

The Trustees reserve the following decisions to themselves:

- Appointment of the Auditor
- All Director level appointments
- Appointments of Trustees and Advisory Council members
- Approval of the Annual Report and Accounts
- Approval of reserves and investment policies
- Approval of the code of ethics
- Approval of the business plan and annual budget, to include staff plan
- Approval of annual remuneration of staff, and redundancy packages
- Approval of contracts and policies not in the ordinary course of business
- Approval of capital expenditure items of £10k or more
- Setting the strategy for the Charity

The Trustees agree to delegate the following decisions to the Director, though when in doubt the Director consults with the Chairman:

1. Hiring of staff within the staff plan
2. Capital expenditure up to £5k, with reference to the Chairman on sums between £5k and £10k

Risk management

During 2007, a detailed review of the major risks to the Institute was undertaken, and appropriate changes designed to mitigate these risks were made to the internal systems. The detailed risk register is discussed annually at the Trustees' Q1 meeting, and tabled for review at every meeting to ensure it remains current.

The IBE has a Code of Ethics for all staff and Trustees, called 'Code of Business Ethics', which is published on the website and is reviewed annually.

In order to mitigate reputation risk and avoid potential conflicts of interest, the Trustees have established a Register of Interests of Trustees for internal use.

GoodCorporation

The IBE is reviewed annually by GoodCorporation, which provides organisations with a confidential process to help them ensure that their practices meet management and stakeholder expectations of corporate responsibility. This enables the IBE to identify areas for potential improvement and give greater assurance that our public statements are supported by evidence on the ground. GoodCorporation assessments are conducted through on-site visits and web-based surveys of internal and external stakeholder groups.

In 2007, 103 subscribers responded out of a total 291 invited to respond. We were awarded commendations for our relationships with suppliers; in the areas of complaints handling use of feedback, prompt payment and promotion of responsible behaviour, and met the GoodCorporation standard.

REVIEW OF THE YEAR

Objectives

In order to fulfil the IBE's vision and mission:

We raise public awareness of business ethics issues, and collaborate with other UK and international organisations with interests and expertise in business ethics.

We assist in the development, implementation and embedding of effective and relevant ethics and corporate responsibility policies and programmes. We help organisations to provide guidance to staff and to build relationships of trust with their principal stakeholders.

We achieve this by:

- offering practical and confidential advice on ethical issues, policy, implementation, support systems and codes of ethics
- delivering training in business ethics for board members, staff and employees
- undertaking research and surveys into good practice and ethical business conduct
- publishing practical reports to help identify solutions to business dilemmas
- providing a neutral forum for debating current issues and meetings to facilitate the sharing of good practice
- supporting business education in the delivery of business ethics in the curriculum

Activities

Raising public awareness

The IBE Directors offer the media and others informed opinion on current issues and good practice and have made a number of appearances on television and radio and given comments to the press. The Directors make presentations and accept offers to speak at conferences nationally and internationally advocating good business practice.

Raising public awareness is a key part of IBE's public benefit. Through public appearances and speaking engagements the Directors' seek to fulfil the IBE's aim of enhancing public education in business ethics.

Speaking engagements in 2007 include:

- ACCA/CRSA – Ethical Assurance
- ACEVO – Annual Conference
- CABE Supper
- Chartered Management Institute PCC Committee on current business ethics issues
- Chinese Petroleum company managers
- CIPFA Annual conference, Newcastle
- CIPFA Northern Ireland Annual Conference
- Credit Collections and Risk Conference
- ECOA Conference, LA, Chaired session on Anti-Bribery and Corruption
- Ethical Corporation Anti-Bribery Conference, Amsterdam
- Ethical Corporation Employee Engagement Conference
- Ethics and Compliance conference in Warsaw
- ICSA – Narrative Reporting

- ICSA Conference on Corporate Governance, panel member
- Imperial Tobacco CR Conference
- Institute of Internal Audit
- IoD Annual convention at Albert Hall, panel member
- KPMG
- Level 7 Panel Speaker on 'Life after Enron'
- Local Government Pension officer forum
- LSE – Ethics and Complexity Theory
- Northrop Grumman ethics staff
- Notre Dame University Indiana Conference on Wealth Creation
- Polish Chamber of Commerce conference
- Rotary District Conference, Scarborough
- Rotary District Conference, Southport
- SIFE UK Leadership Weekend
- Total International internal business ethics conference
- Webcast for Accountancy Age on business ethics
- Worshipful Company of Chartered Secretaries and Administrators
- Worshipful Company of International Traders

Articles written by IBE and published in 2007 include:

- Ethical Performance Review: how honesty pays
- Ethical Corporation Workplace misconduct – Making 'Speak Up' procedures effective
- Human Resource Management International Digest Viewpoint: Have we "lost" it?
- Ethics in Brief Challenges in Business Ethics
- Director of Finance Online Protect your company from reputation crises
- Accountancy Age: Whistleblowing: Call time on fraud

Website

The IBE's website www.ibe.org.uk is a without charge resource for ethics news, information on codes of ethics and IBE's publications and events. On average there were around 950 unique visitors to the IBE website each day during 2007. A 'unique visitor' is counted only when more than one page is viewed with no longer than 30 minutes delay between pages. A newly designed website will be launched during 2008, with an overhaul of content providing more resources on business ethics.

The website is a key tool in the IBE's provision of public benefit. Among the free resources available to all are:

- Weekly news updates – links to news stories about business ethics
- Executive Summaries of IBE publications and provision of PDFs for out of print publications.
- IBE Briefings – a series of free one or two page briefings on a current business ethics issue.
- Frequently Asked Questions – answers to some frequent questions about business ethics
- Codes of Business Ethics tools. Tools on developing and implementing codes of business ethics.

Affiliations

The IBE has memorandums of understanding with the following organisations: the European Business Ethics Network and its UK chapter, Ethics and Compliance

Officers Association (ECOIA) in the US, Business Ethics Institute of Malaysia, and The Cercle Ethique des Affaires - Cercle Européen des Déontologues (CEA-CED) of France. Our affiliation with the ECOIA, CEA-CED and EBEN includes organising a European Conference together and providing training and sharing articles/research.

Advisory work

The Institute of Business Ethics offers advice to companies on a wide-range of business ethics issues. Subscribers benefit from access to free business ethics advice (up to 8 hours per annum depending on their size), and to additional work at a discounted daily rate. The IBE's policy is to understand and respond to the business ethics needs of its subscribers and others thereby helping to ensure that our work programmes are up-to-date for our subscriber base and the wider public. We do not, however, actively seek advisory work.

During 2007 the IBE has helped a number of organisations by:

- Reviewing draft code of ethics (three large companies)
- Providing benchmarking and survey work and giving evidence to a committee looking into the ethical practices of BAE Systems plc
- Research into a definition of ethical values and their meaning in an international context
- Benchmarking with regards to board level ethics committees of companies in the FTSE100
- Review of anti-fraud and corruption policy
- Advice on Code of ethics development: survey on NGO involvement in code of ethics development, benchmarking on corporate governance, advice re: staff surveys
- Development of QandA's for illustrating gifts and hospitality dilemmas
- Advice and benchmarking on policies for staff standing for political office
- Developing an intellectual framework for ethics within the company
- Advice on the ethical issues of tax planning
- Review and revise an existing code of ethics

The IBE also provides advice to those making general enquiries, largely via the website or via the telephone. Many of these enquiries are from students.

Training

The IBE provides three training courses at our premises in Greencoat Place.

- The Introduction to Business Ethics Course was held in March (7 trainees) and September (9 attendees).
- Developing and Implementing a Business Ethics Policy training course was held in May (12 attendees) and November (13 attendees).
- An Advanced Training Course in association with the International Business Ethics Institute and sponsored by SAI Global was held on 19th October and was attended by 15 people.

Ethics in Public Affairs Seminar

The first Ethics in Public Affairs Seminar was held on 22nd February in association with Communicate Knowledge and JMS Resources. This was a day-long seminar

designed to develop further the role of ethics in public affairs, with guest speakers including Sir Kevin Tebbit, former Permanent Secretary of the Ministry of Defence, John Bryant, Former Editor-in-Chief of the Daily Telegraph and Hannah Pawlby, Former Special Advisor to Rt Hon Charles Clarke MP. 13 people registered to attend. A second half-day seminar is planned for 2008.

The IBE has also provided in-house training for subscriber organisations and others, these have included:

- Board level training sessions
- One-to-one ethics training for NED
- Senior Management Workshops
- Induction training
- Continuing Professional Development courses
- Training for the Government Actuaries Department
- Midi ethics training webcast
- Embedding and assuring to a Policy Owners' Workshop

Public Benefit/Education

The IBE also provides training for educational or public benefit. The fee basis is by negotiation and in many instances is free. In 2007 these included

- Training day for SIFE (Students in Free Enterprise) students.
- Brighton University
- Cranfield International Business Leaders Course
- Ethics in Global Business Lecture at Wroxton College, Banbury
- IoD Nigerian Delegation
- Loughborough University Commonwealth Institute course
- Middlesex University on 'Ethics Matters' training to their ethics committee
- UN University for Peace – workshop on CSR
- US business school students from Xavier College, Illinois

Research

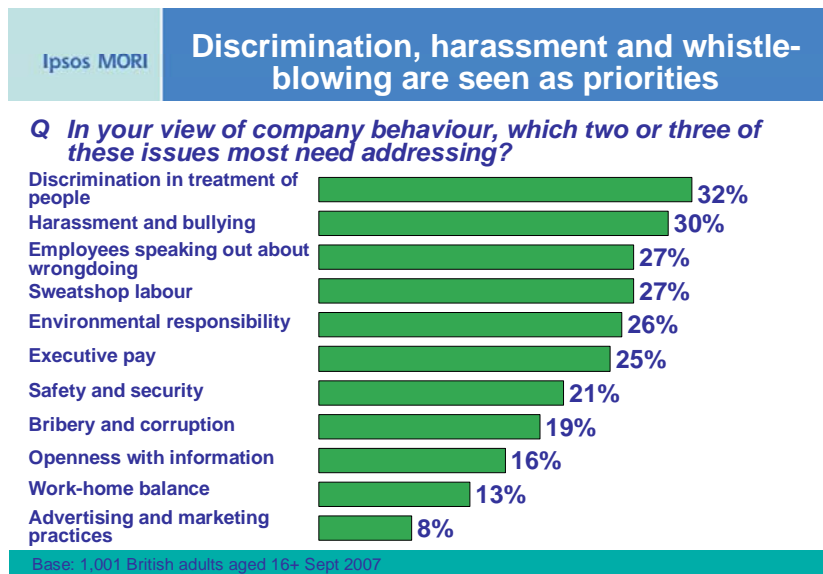
Most of the research and survey work contributes to the writing of reports and publications and in supporting subscribers. An update of research carried out in 2007 includes:

- **Annual IBE Business Ethics Survey: Public Perceptions Of Business Conduct**

In September, the IBE commissioned , for the fifth year, Ipsos-MORI to ask three questions about the public view of business ethics.

This year, 54% percent think that British business currently behaves ethically, which is a small decline compared to 2006 (58%). This decline might be explained by extensive newspaper coverage of recent alleged misconduct in companies such as BAE Systems and Northern Rock. However, when asked how ethically British business is behaving compared with ten years ago, 33% say that UK companies act more ethically; slightly up on last year at 29%. This suggests that in the long-term, British businesses are perceived to be improving their ethical performance.

The survey also asks which business ethics issues most need addressing. (see below)



More information can be found in the IBE Briefing: *Survey Findings 2007: ethical conduct within business*

Further research projects in 2007

- Partnership with ACCA on experience of their SME members with corporate ethics
- Work for IBE's fourth (2007) survey of the corporate use of codes (see below).
- Evaluation of reported ethical (and legal) lapses by UK companies in 2006/7
- A questionnaire on the ways of surveying staff has been distributed to subscribers to form the basis of the next Good Practice Guide (see below)

Publications issued in 2007

IBE Good practice Guide 1: Speak Up Procedures

This new style A5 report suggests good practice for drawing up a 'Speak-Up' Policy for staff. It addresses how to implement the policy and establish an effective help line. The report suggests the process for following up on issues raised, as well as monitoring the success of the policy.

>> edited by Katherine Bradshaw

>> Publication date: 15th March 2007

Articles were published in Ethical Corporation Online and Accountancy Age.

Ethical Due Diligence

An increasing focus on ethical risk in new business relationships and ventures, particularly the failure of mergers and acquisitions is of growing concern. Surveys indicate that one source of this is due to mismatching corporate values and cultures. It follows that there is a need for companies to check the 'ethical condition' of target companies, future business partners or projects.

Informed by interviews, the report defined ethical due diligence and its role alongside financial and legal due diligence and explore current approaches. It explains its relevance, scope the issues it would cover and suggests practical ways in which it might be carried out.

>> Author: David Lascelles

>> Sponsorship: Shell

>> Publication date: 17th May 2007

Does Business Ethics Pay (revisited)

This report builds on the IBE report published in 2003 entitled Does Business Ethics Pay? It compares the financial performance of two cohorts of UK companies - those who have a training programme to implement their code of ethics and those who do not. The report demonstrates a positive correlation between providing training and the bottom line. The report draws largely on the findings of Kaodi Ugoji's MSc thesis from the Cranfield School of Management, supervised by Dr Lance Moir.

>> Authors: Kaodi Ugoji with Nicole Dando and Lance Moir

>> Sponsor: Lloyds TSB

>> Publication date: 9th July 2007

• **IBE Briefings**

Three briefings were published in 2007. They were distributed to all IBE subscribers and are available on the IBE website. Their subjects were:

- Summary of relevant 2006 surveys
- Board committees covering ethics
- Business ethics primer for SMEs

Events

IBE events are typically provided free of charge. All discussions and publication launches are open to the public and are advertised on our website; speaker lunches are also open to all, with a fee is charged to cover the lunch costs.

Two types of event (the Business Ethics Net and Corporate Roundtables) are limited to corporate subscribers only; Ethics in the Workplace events are limited to corporate and individual subscribers and their guests and Directors breakfasts are by invitation only.

Business Ethics Net (BEN)

This network for larger corporate subscribers with staff members responsible for ethics within their companies, provides a route for sharing best practice. It met four times in 2007. Topics discussed included:

- Competitive Intelligence Gathering lead by Rosalind Scott of PricewaterhouseCoopers. 7 corporate subscribers attended.
- Internal reporting lead by Andrew McCallum, Centrica. 14 corporate subscribers attended.
- "How are your environmental policies linked to your ethics programme?" lead by Dr Nicole Dando, Institute of Business Ethics. 9 corporate subscribers attended.
- Governance and Ethics, introduced by Tim Sharp, Balfour Beatty. 7 people attended.

Round tables

These are a series of events held for all corporate subscribers. Two were held during 2007:

- Harish Bhayani from Proactive Reputation Management led the discussion on *Evolving issues in the diversity debate*. 13 corporate subscribers attended.
- Ethical Issues in the Financial Services sector. A roundtable aimed at corporate subscribers in the financial services sector to discuss ethical issues specific to their sector. 8 corporate subscribers attended.

Subscriber/Open Events

There have been eight such events in 2007, including discussion and speaker lunches, on the following topics:

- *The ethics of corporate disclosure* Unfortunately Sarah Wilson, Managing Director, Manifest who was due to speak was unable to attend at the last moment. The discussion was chaired by Simon Webley and Nicole Dando. 27 people attended.
- *Values and value - business ethics and competitiveness in Cadbury Schweppes* with Neil Makin, Cadbury Schweppes. 35 people attended.
- John Plender, Features Writer at the Financial Times, spoke on *Cooking the books - Rigging the numbers: Why do things go wrong?* 50 people attended.
- *The ethical issues for private companies running public services* with Gary Sturgess, Executive Director, Serco Institute. 20 people attended.
- Colin Melvin Chief Executive, Hermes Equity Ownership Services spoke on the *Ethical Issues in Public Equity*. 26 people attended.

Directors' breakfasts

A midweek directors' breakfast is held quarterly at the Goring Hotel and sponsored by SAI Global. Topics have included:

- *Ethics: What role should non-executive directors play?* 12 board level guests attended.
- *Should taking the lead on environmental conservation issues be part of an ethical policy of a business or is just keeping to the legal requirements a more practical and sensible policy?* 9 board level guests attended.
- *Should taking the lead on environmental conservation issues be part of an ethical policy of a business or is just keeping to the legal requirements a more practical and sensible policy?* 7 board level guests attended.
- *Ethical issues around incentivising top management performance.* 10 board level guests attended.

Ethics in the Workplace

The Ethics in the Workplace lecture series is our evening event for all subscribers and their guests. Topics discussed in 2007 were:

- *Religious Diversity in the Workplace: Challenges and Opportunities* with Dr Georgette Bennett, Tanenbaum Center. 28 subscribers, both corporate and individual, attended.
- *Questions on business ethics in employee surveys: What do the replies tell us?* With Stephen Harding, Executive Director at ISR. 25 people attended.
- *Ethics in Public Life* with Sir Alistair Graham. 29 people attended.

A fourth incorporated the IBE student essay awards in business ethics (see below).

Good Practice Workshop – In 2007 we followed up the publication of the Good Practice Guide on Speak Up Procedures with a new kind of event: a Good Practice Workshop. The first workshop, to explore experiences of establishing, running and reporting on Speak Up procedures was held on Thursday 6th September. Facilitated by the IBE, corporate subscribers were invited to share their good practices and challenges, and to examine what makes policies and procedures effective. It is also an opportunity to receive feedback on the IBE Guide. 9 corporate subscribers registered to attend

Sharing Ideas and Best Practice 2007 Conference

The Institute of Business Ethics (IBE) together with the Ethics and Compliance Officers Association (ECO) of the US, the Cercle D'Éthique des Affaires - Cercle Européen des Déontologues (CEA-CED) of France and the European Business Ethics Network (EBEN) held the fourth European conference for ethics and compliance practitioners, this year in Brussels.

Sharing Ideas and Best Practices in Business Ethics was held on 25-27 January 2007 at 'Le Palace' Crowne Plaza Hotel. Over 120 corporate ethics practitioners from 12 countries from Europe, Africa and the US attended. The participants came from a range of industries, including information technology, telecommunications, oil and gas, defence, banking and finance, utilities, automotive, retail, and healthcare.

The first plenary session was on the subject of doing business in a difficult part of the world. Two speakers shared their personal experiences of doing business ethically in Asia. Peter Verhezen, CIMAD Consulting (Indonesia) began by comparing relationship based governance in Asia with the contract-based governance of the west and the significance of this for reputation. Michael Hougard Pederson, Novozymes (Denmark) also spoke about the Chinese perception of corruption and what makes anti-corruption measures effective.

The morning's breakout sessions were as follows:

- Evaluating the effectiveness of an ethics programme:
- Using employee surveys and other ways of measuring effectiveness of corporate ethics programmes
- Integrating the ethics function into an organization:
- Making ethical values relevant to different functional areas
- Experience with Board - Executive level - ethics committees
- Examples of good practice concerning reporting and monitoring on ethics policies
- How to raise and sustain ethics awareness:
- Effective ethics awareness raising techniques; including using case studies and ethical dilemmas in ethics training

The afternoon's breakout sessions were on the following topics:

- Can you really avoid facilitation payments in parts of the world?
- How does it work in practice? Controlling agents, reporting requests etc.
- Ethical issues arising from business relations between large and small organisations
- How can smaller companies sustain business ethics policies in partnership with larger companies in their supply chain?
- Ethical due diligence: a way forward
- Assessing ethical standards of joint venture partners and contractors
- How do ethics and CSR come together?
- How do different companies relate their different policies? Is CSR an easy option?

That evening a reception and dinner was held at the Belgian Centre for Comic Strip Art. Sue Bird, Policy Coordinator at the DG of Employment, Social Affairs and Equal Opportunities of the European Commission spoke of the Commission's approach to CSR and the mechanisms in place to support it. She explained that

the DG would be responsive to the demands of business in this area. She also felt the need for a clearer understanding of the relationship between ethics, CSR and sustainable development.

The next day, the second plenary session was on the topic of The Role of Ombudsmen in Business Ethics. Steve Cordery from United Technologies Corporation (USA) gave a background to the role of the ombudsman and explained how his role fits with other Speak Up programmes at UTC. Steve talked about the need for managers to have a good radar system fuelled by excellent information systems. Ombudsman can supply very early warnings on the radar. The ombudsman is distinctive in that he is independent of all management structures and is neutral, guarantees confidentiality, and is available to any stakeholder. Jadu Sen, British Petroleum (UK) described the role of OpenTalk, BP's compliance and ethics helpline, which is supported by 8 regional ombudsmen. The ombudsman's role is to address concerns in connection with the code, independently and according to a set of standards that protects from retaliation.

The final breakout sessions were on the following topics:

- Ethics and the multi-ethnic workforce within companies
- Issues that arise from implementing a policy. For example: diversity; cultural norms; anti-discrimination
- Crisis management: What happens when things go wrong?
- The role (if any) of the ethics function
- Integrating adherence to codes of ethics into European employee contracts-benefits and drawbacks
- Examples from continental Europe

Breakout topics were introduced by the following companies: Allied Irish Bank, Deutsche Telekom, T-Systems, EDF, Kraft Foods International, Van de Velde NV, Shell International, Novartis AG, Total, Merck and Company Inc, Solvay.

Rapporteurs were from BP, Shell International B.V, ag2r, Avaya, EBEN, IBE, Serco, GSK, KPMG, Fortis

Translation services were kindly sponsored by EDF.

The conference was conducted under the Chatham House Rule. A fuller conference report was made available to participants.

The 2008 Sharing Ideas and Best Practice Conference was held in London on 16-18 January 2008.

Education

The IBE subscription benefits now include academics as well as students. Academic subscribers receive a free copy of each new publication, among other benefits. This contributes to IBE's mission to support business education.

Student Awards

The IBE Student Essay Competition ran for its fifth year in association with the UK chapter of the European Business Ethics Network (EBEN), a network of academics teaching business ethics. Its aim is to encourage the teaching of business ethics

in UK Business Schools and similar teaching departments. This year the IBE welcomed the Daily Telegraph as a media partner for the competition.

The winners of the 2007 Student Essay Competition were announced at an event on 22nd October and presented by Simon Heffer, Associate Editor of the Daily Telegraph, which was attended by 29 people.

The Postgraduate category was won by Laura Holtshausen of Royal Holloway, University of London for her paper: *"What is ethical sourcing? What factors are likely to influence the success of ethical sourcing in changing supplier practices?"* The winner of the Undergraduate category was Sarah Jane Coxon of Nottingham University Business School for *"A critical analysis of the statement: 'The social responsibility of business is to increase its profits'"*.

Achievements and Performance

At the beginning of 2007 the following Key Performance Indicators were agreed. The KPIs for 2007 remained the same as 2006. These were:

- Subscribers: retention of existing subscribers
- Subscribers: new subscribers
- Corporate subscribers: companies consulting IBE
- Publications: number of copies distributed or sold
- Events: number of individuals attending
- Web site: user sessions
- Staff development: training hours received for each member of staff
- Reserves: increase in closing reserves compared with total administration costs for the year

New KPIs are in place for 2008. These focus on how the IBE achieves its charitable objectives.

Subscribers

As a means of measuring the IBE's performance with regards to its aims, an increase in subscribers can be seen to be an indicator that the Institute is achieving its aim of providing effective and relevant information to organisations on business ethics issues.

There were 93 corporate subscribers to the Institute at the year end (December 2006: 92) and 96 individual subscribers (December 2006: 102).

A target was set for corporate subscriber retention in 2007 of at least 90%. Only eight (2006: 6) companies decided not to renew their subscription, giving actual retention of 92% (2006: 93%).

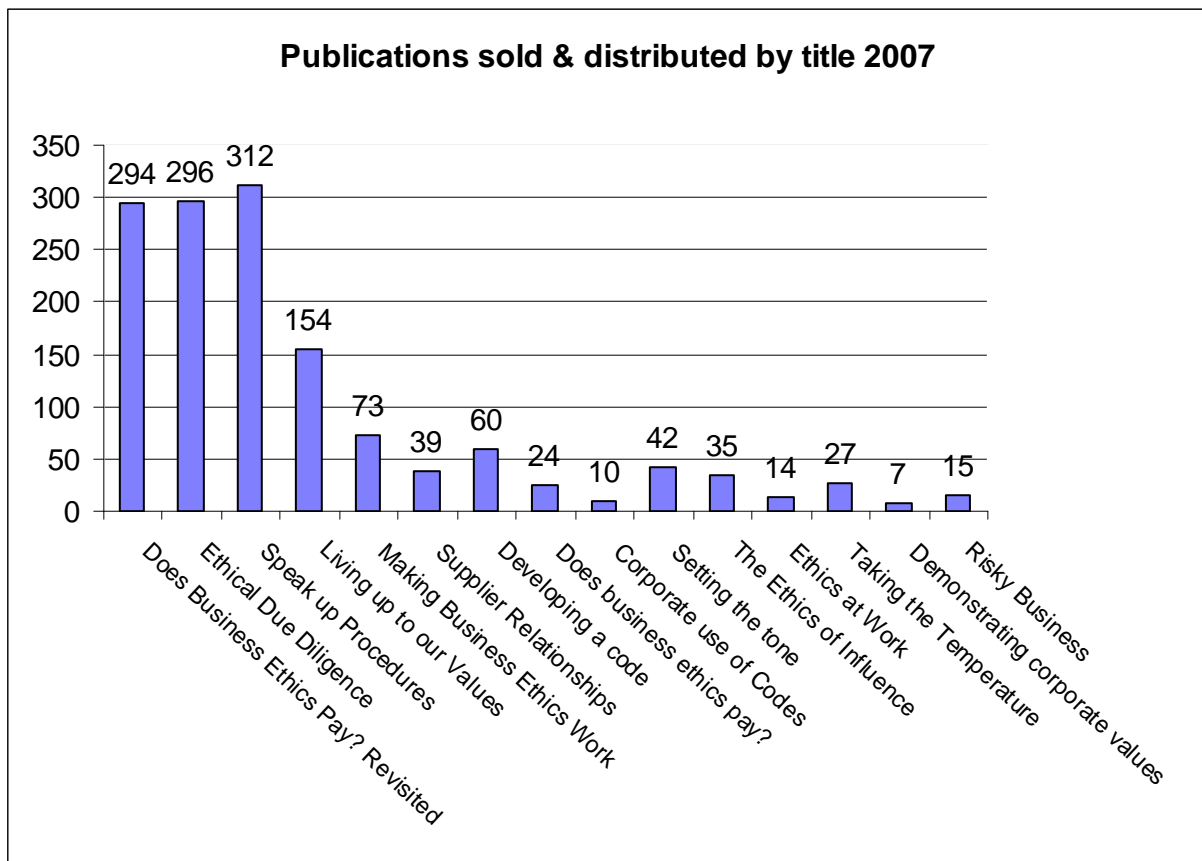
A target of at least 12 new subscribers was set for 2007, and 8 (2006: 10) new corporate subscribers and 30 individual subscribers (2006: 19) joined during the year.

The use of IBE for advice or training by companies is seen as an indicator that the IBE is providing relevant information and is a useful resource. The target for 2007 of 25 companies seeking advice from IBE was just missed at 24 (2006: 25) although some companies wanted advice on several matters.

Publications

The targeted KPI for the number of publications distributed or sold was 2,500 copies. In 2007, the number was 3,402 (2006: 1,365). This included the sale of 2,000 copies of the publication *Living Up to Our Values* to the Institute of Internal Auditors (IIA) for sale to their members.

The following chart shows the most popular recent IBE publications (not counting the sales to the IIA).



Events

The IBE holds over 30 events a year, and continued participation at those events is an indicator that the IBE is spreading best practice in business ethics. Of those events, many are 'open' events, available to anyone, subscriber or non-subscriber and as such a demonstration of our public benefit.

The targeted KPI for those attending IBE events was 500 – in 2007 518 (2006: 487) people attended IBE events.

Website

During the year there were 346,789 (2006: 296, 895) user sessions which fell just below the target of 350,000, although there was a year on year increase in website users. On average there were 950 user sessions per day compared with an average of 813 in 2006.

A revamp of the site is planned in 2008 together with some remarketing.

Staff development

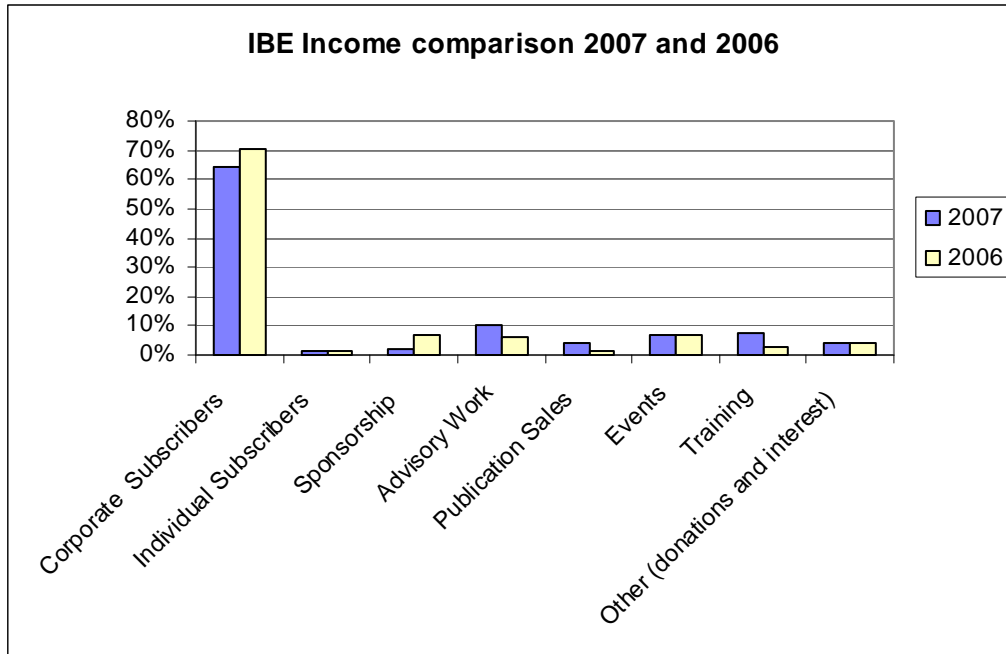
The targeted KPI of 20 hours training per member of staff was not met by formal training (which was 24 hours across the organisation). However, the KPI was met when informal training is included, for example, that provided daily by team members assisting each other with software or discussions on ethical issues, or attendance at conferences and other networking events.

Reserves

The Trustees believe that a prudent aim is to have the equivalent of one year's expenditure in reserve to meet any unforeseen fluctuations in income. This is part

of the IBE’s risk management in terms of cash flow, as IBE’s income depends mainly on subscriptions from companies, which fluctuate from year to year. In seeking to meet this aim, the Trustees agreed a KPI to increase the closing reserves by 3% of total income. This KPI was met.

Financial Review



The balance of accumulated funds increased from £266,831 in December 2006 to £290,832 in December 2007.

The surplus carried forward in 2007 of £24,001 (£17,200 in 2006) was split between the General Fund, £11,001 and Research Reserve, £13,000.

Future Plans

In addition to our regular programme, the following projects are already underway for 2008.

Publications

The following reports are planned for publication in 2008/2009

- **Use of Codes of Ethics in Business: 2007 survey and analysis of trends**
In 2007, we conducted the fifth survey on how large UK companies use and implement their codes of ethics. The project examined what proportion of the FTSE 100 and 350 companies are known to have an explicit commitment to doing business ethically in the form of a code of ethics/conduct. This showed that 9 out of 10 FTSE100 and 6 out of 10 of the next 250 had them. Those companies were then surveyed on whether and how they seek to embed their ethical values, as well as on how they are approaching climate change in their ethics programmes.
- **Competitive Information Gathering**
An outline has been received from the author and early research is in progress. The project will explore the ethical issues involved in this subject and identify current practice in the UK. The IBE is putting the author in touch with companies willing to share practice and issues around this.
- **Illustrative Code of Business Ethics: 2008 Update**
Since the 2003 launch of *Developing a Code of Business Ethics* additional issues have arisen and the wording for the existing issues in the Illustrative Code need to be updated. This 2008 update will be available in hard copy to insert into the current publication and as a downloadable PDF.
- **Briefing Notes**
The following briefing notes are planned for 2008:
 - Summary of surveys on business ethics from 2007
 - Summary and analysis of 2007 ethical lapses
 - Ethics for Non-Executive Directors
 - International Anti-corruption standards
- **IBE Good Practice Guide 2: Taking your ethical temperature by surveying employees**

To make their ethics programme effective, organisations need to monitor their ethics policy and assure themselves that they are living up to their (stated) values. One recognised way of obtaining assurance is surveying staff.

This Guide will provide practical guidance on how organisations can survey staff to take their ethical temperature and then strengthen their ethical culture. It will also include a set of questions companies can ask to form a basis for benchmarking with other companies via IBE.

Training

- We are currently developing a third in-house IBE training course on the subject of monitoring and assuring a business ethics policy. This course will be run in November.

- We are also developing an e-learning package. It is hoped that this will be useful for SMEs in training their staff in business ethics. Content is currently being developed and discussions with potential partners is underway.

Events

- We hope to launch the inaugural annual Chris Beresford debate in memory of Chris Beresford, IBE's Chairman from 2001 – 2006.
- We are also developing an annual Business Ethics Net meeting for subscribers based in Europe.
- We are also launching in 2008 a Breakfast Seminar on ethical issues for Non-Executive Directors.

CHRIS MOORHOUSE _____

DATE _____

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE INSTITUTE OF BUSINESS ETHICS

We have audited the financial statements of the Institute of Business Ethics for the year ended 31 December 2007, which comprise Statement of Financial Activities and the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Trustees Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you, if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read other information contained in the Trustees' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion:

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming an opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion:

In our opinion, the financial statements give a true and fair view of the state of the charity's affairs at 31 December 2007 and of its incoming resources and application of resources in the year then ended and have been prepared in accordance with the Charities Act 1993.

**ATKINSON HUNTER and CO
CHARTERED ACCOUNTANTS
REGISTERED AUDITOR**

Weir Bank
Monkey Island Lane
Bray on Thames
SL6 2ED

Date:

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2007

	£	2007 £	2006 £
INCOMING RESOURCES			
Subscriptions and donations		308,045	320,553
Project income (Note 4)		<u>97,585</u>	<u>64,705</u>
		405,630	385,258
Investment income		<u>14,527</u>	<u>10,180</u>
TOTAL INCOMING RESOURCES		420,157	395,438
RESOURCES EXPENDED			
<i>Project expenditure</i> (Note 4)			
Meetings and conferences	29,640		35,502
Publications	26,872		39,840
Research cost	2,998		3,174
Training	<u>10,986</u>		<u>2,582</u>
	70,496		81,098
<i>Indirect expenditure</i>			
Management and administration (Note 5)		<u>325,369</u>	294,180
TOTAL RESOURCES EXPENDED		<u>395,865</u>	<u>375,278</u>
SURPLUS FOR THE YEAR		24,292	20,160
Unrealised loss on investments		(<u>291</u>)	(<u>2,960</u>)
SURPLUS CARRIED FORWARD		24,001	17,200
Transfers to research reserve		(<u>13,000</u>)	(<u>9,000</u>)
		11,001	8,200
FUND BALANCE BROUGHT FORWARD		<u>91,831</u>	<u>83,631</u>
FUND BALANCE CARRIED FORWARD	£	<u><u>102,832</u></u>	£ <u><u>91,831</u></u>

BALANCE SHEET

AT 31 DECEMBER 2007

	£	2007 £	2006 £
FIXED ASSETS			
Investments (Note 7)		58,666	58,957
 CURRENT ASSETS			
Debtors	31,409		32,939
Cash at bank			1,000
- current account	1,000		1,000
- deposit accounts	<u>221,975</u>		<u>202,839</u>
	254,384		236,778
 CREDITORS: Amounts falling due within one year			
Creditors and accrued charges		<u>22,218</u>	<u>28,904</u>
 NET CURRENT ASSETS		<u>232,166</u>	<u>207,874</u>
		£ <u>290,832</u>	£ <u>266,831</u>
 ACCUMULATED FUNDS (Note 8)			
General Fund		102,832	91,831
Research Reserve		<u>188,000</u>	<u>175,000</u>
		£ <u>290,832</u>	£ <u>266,831</u>

These financial statements were approved by the Trustees on

Signed on Behalf of the Trustees

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C. MOORHOUSE - Chairman

.....

M. TURNER-SAMUELS - Treasurer

NOTES TO THE ACCOUNTS

1. Statement of Trustees' responsibilities

Law applicable to charities in England and Wales requires the trustees to prepare financial statements each financial year, which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards and Statements of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy the financial position of the charity and which enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. Accounting policies

Accounting convention:

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain assets, and are in accordance with applicable accounting standards.

Income:

Subscriptions and donations are credited to income in the year they are received. Project and consultancy income comprise amounts invoiced during the year.

Capital expenditure:

Expenditure on capital equipment is written off to administrative expenses when incurred.

Investments:

Investments are stated at market value. The Trustees take into account social, ethical and environmental considerations when deciding where the Institute's funds are invested.

3. Reserves

The income of the Institute of Business Ethics depends mainly on subscriptions from companies, which can fluctuate from year to year. Any reduction in these can have a considerable effect on its income. In addition, the Institute initiates and incurs costs for projects that may or may not generate an equivalent revenue. The Trustees therefore believe that it is prudent to seek to have the equivalent of around one year's expenditure in reserve to enable them to meet their obligations to staff and to projects in progress and to give them time to adjust their policies and programmes in an orderly manner, should the need arise. The Trustees have agreed to continue building reserves to reach this position.

All funds are unrestricted.

4 PROJECTS	2007	2006
	£	£
Project income	97,585	64,705
Project costs	<u>70,496</u>	<u>81,098</u>
Surplus/(Deficit)	£ <u>27,089</u>	£(<u>16,393</u>)

5 MANAGEMENT AND ADMINISTRATION

Rent	25,893	25,893
Salaries and research consultants	230,490	206,812
Travel and entertaining (including reimbursed travel costs)	23,768	9,062
Association subscriptions	234	618
Promotion	8,855	19,989
Office equipment IT and support	10,404	9,966
Other office expenses	22,905	20,277
Vocational training	1,586	329
Auditors remuneration	<u>1,234</u>	<u>1,234</u>
	£ <u>325,369</u>	£ <u>294,180</u>

6 INFORMATION REGARDING EMPLOYEES*Employees costs during the year:*

Wages and salaries	205,574	181,262
Social security costs	22,351	19,523
Pension costs	<u>4,742</u>	<u>2,890</u>
	£ <u>232,667</u>	£ <u>203,675</u>

	No:	No:
Average number of persons employed	<u>5</u>	<u>5</u>

Number of employees whose emoluments fall within the following bands:
£70,000 - £79,999

<u>1</u>	<u>1</u>
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7 FIXED ASSET INVESTMENTS*Fixed interest funds*

	2007	2006
	£	£
Balance at 1 January 2007	58,957	61,917
Unrealised gain	(<u>291</u>)	(<u>2,960</u>)
Balance at 31 December 2007	£ <u>58,666</u>	£ <u>58,957</u>

8 RECONCILIATION IN MOVEMENT OF FUNDS

	GENERAL	RESEARCH	TOTAL	TOTAL
Surplus for the year	24,001	-	24,001	17,200
Transfer to reserve	(<u>13,000</u>)	<u>13,000</u>	-	-
	11,001	13,000	24,001	17,200
Balance at 1 January 2007	<u>91,831</u>	<u>175,000</u>	<u>266,831</u>	<u>249,631</u>
Balance at 31 December 2007	£ <u>102,832</u>	<u>188,000</u>	<u>290,832</u>	<u>266,831</u>