

Ethical Concerns and Lapses 2012 – 2013

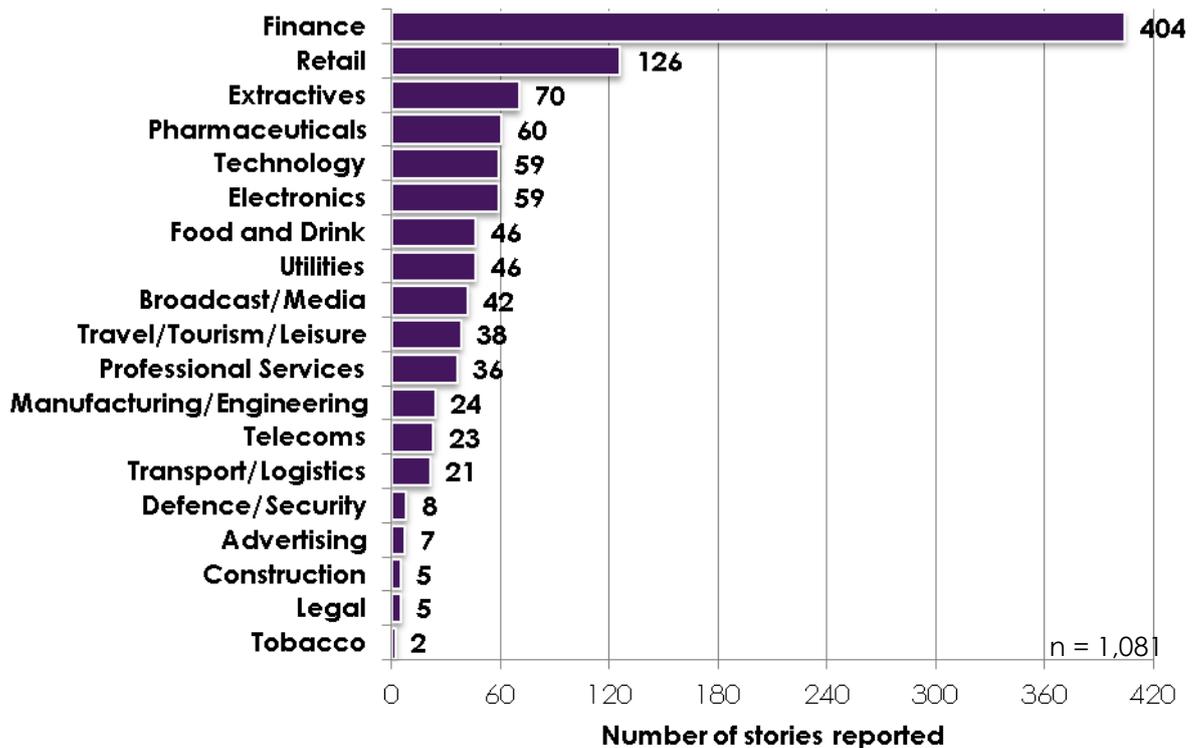
This briefing provides an overview of major ethical concerns and lapses recorded in the IBE's weekly 'media monitoring' during 2012 and 2013¹. The analysis is based on over 500 stories for each year involving UK companies and multinationals with a UK presence. The focus is on lapses by sector and then on the ethical issues and stakeholders concerned.

A small proportion of news items (15%) alleged misconduct within an entire sector or concerned more than one organisation rather than identifying an individual company. Where individual companies were identified, almost a third (29%) were in the FTSE100². All but two of these have a publically available code of ethics (or equivalent document).

Lapses by Sector

Graph 1 shows that, of the 19 sectors identified from media allegations in 2012 and 2013, the **Finance** industry receives by far the most news coverage, accounting for over 37% of all business ethics news. This is consistent with previous years. **Retail** remains the second most covered industry with 126 reports. **Extractives** (70), **Pharmaceuticals** (60), **Technology** (59) and **Electronics** (59) closely follow. The **Tobacco** (2), **Construction** (5), **Legal** (5), **Advertising** (7), and **Defence/Security** (8) sectors received the least mentions over the last two years.

Graph 1: *Allegations of misconduct by sector*³



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<http://www.ibe.org.uk/list-of-publications/67/47/>

Finance

Reporting on the finance sector (including insurance companies and payday lenders) contributed almost four out of every ten news items (37%). The most commonly reported issue for this sector was **executive remuneration**, accounting for 18% of stories. The bonus culture of the city was a prominent source of news in both 2012 and 2013. This was closely followed by **fraud/theft** (17%), comprised of numerous articles related to the ongoing ramifications of the LIBOR fixing scandal.

Concerns related to **mis-selling** (9%), **treatment of stakeholders** (8%), **tax avoidance** (6%), **bribery, corruption and facilitation payments** (6%), and **money laundering** (6%) also featured prominently in stories related to the finance industry.

Retail

126 cases were noted involving the retail sector, making it the second most reported on in 2012 and 2013. **Treatment of stakeholders** was the most common ethical issue, accounting for 28% of the news items. This predominantly related to poor treatment of staff, but issues affecting customers and suppliers were also picked up. **Supply chain and procurement practices**, especially sweatshop labour and poor working conditions, also accounted for a substantial proportion (17%) of the retail industry coverage.

Extractives

Bribery, corruption and facilitation payments was the issue most commonly reported on for extractives, accounting for 30% of the 70 media stories related to this sector. Other commonly reported issues include **executive remuneration** (11%), **corporate governance** (7%) and **treatment of stakeholders** (7%).

Pharmaceuticals

Bribery, corruption and facilitation payments was the most commonly reported ethical issue in the pharmaceuticals industry, accounting for 47% of stories. This included a significant number of articles concerning allegations of corrupt practices in China. The second most reported issue was **marketing and advertising practices** (10%).

Other sectors

For **technology** companies, stories related to **tax** and **data protection/privacy** were the most reported, making up 24% of stories each. Stories relating to the amount of tax paid by some technology companies have sparked considerable public dissatisfaction over the past two years.

Issues in the **supply chain and procurement** were the most reported on for **food and drink** organisations, and accounted for over a quarter of stories (26%). This was fuelled by a number of news items related to the 2013 horsemeat scandal.

Profiteering was the most commonly reported issue for **utility** companies, with 37% of stories addressing it. Many media reports in 2013 focused on 'excessive' profits made by utility companies at the expense of their customers, with the phrase 'heat or eat' commonly reported.

Bribery, corruption and facilitation payments made up a third (33%) of the stories related to **broadcast/media**, with a number of stories related to the phone hacking scandal involving various tabloid newspapers.

In the remaining sectors, the main ethical issues were **conflict of interests** in the **professional services** sector (22% of the 36 stories); **bribery, corruption and facilitation payments** for **manufacturing/engineering**

¹ The IBE monitor the daily news in the UK for stories of a business ethics nature. Stories which are captured are posted on the IBE website, under 'Business Ethics News' – see: <http://www.ibe.org.uk/business-ethics-news/117/>

² As at 23rd December 2013

³ This does not include duplicate stories related to one issue

companies (38% of 24 reports); and **treatment of stakeholders** (especially customers) in the **telecoms** industry (30% of the 23 news items). Whilst there were only 8 stories recorded related to the **defence/security** sector, 5 related to **bribery, corruption and facilitation payments**.

Business Ethics Issues

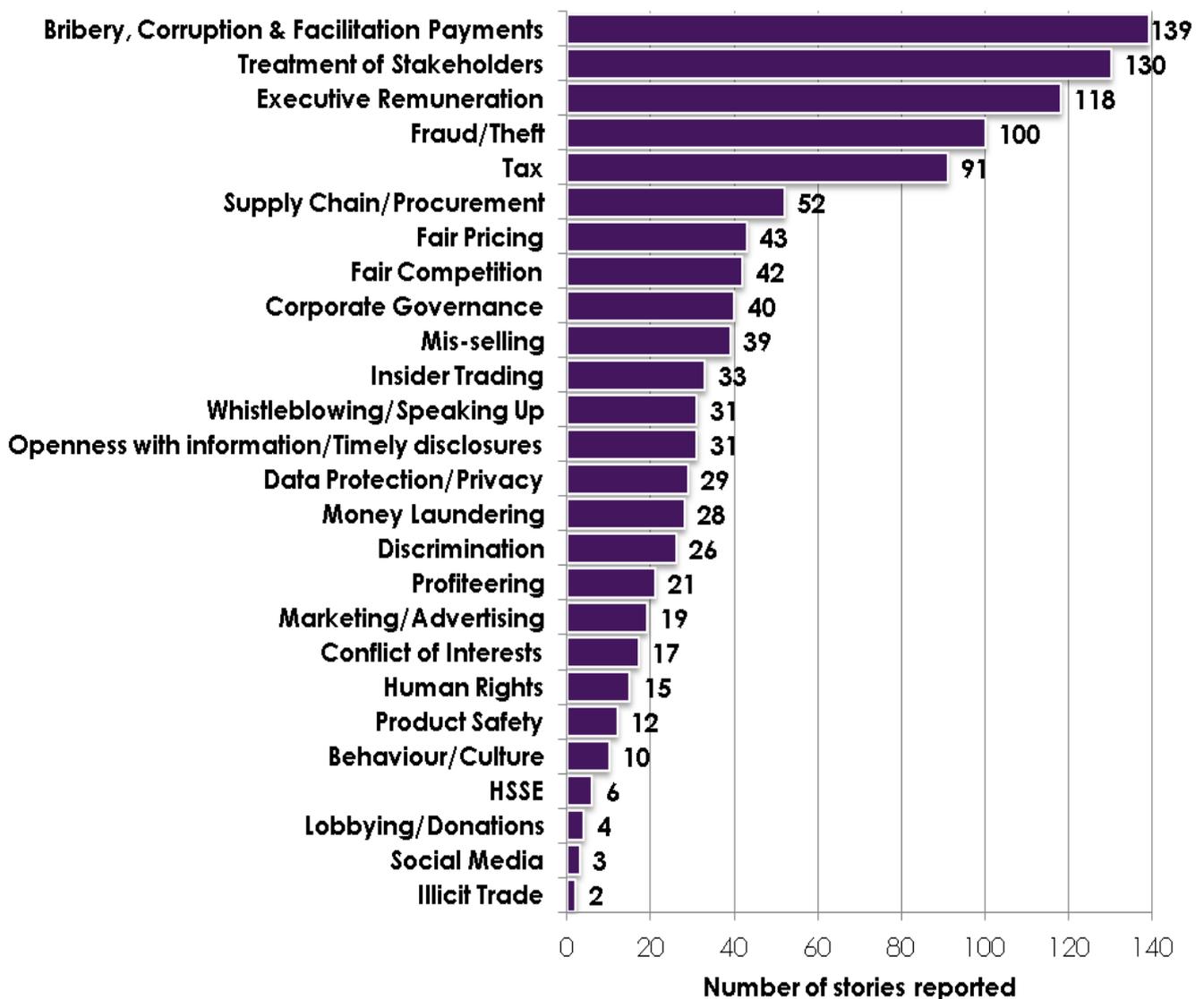
26 different business ethics issues were recorded through the course of the IBE's media monitoring in 2012 and 2013. The most commonly reported issue was **bribery, corruption and facilitation payments**, with 139 stories (13% of total) (see Graph 2). This was closely followed by **treatment of stakeholders** (12% of total), of which there

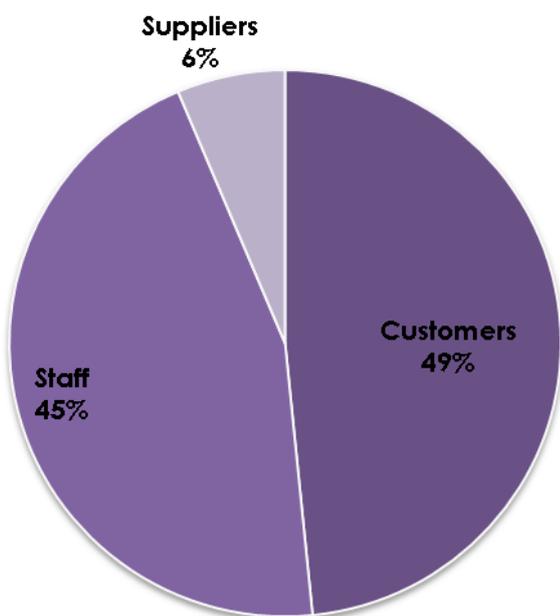
was a relatively even split across **customers** (49%) and **staff** (45%). There were also some stories related to the treatment of **suppliers** (see Graph 3). Other commonly reported issues were **executive remuneration, fraud/theft and tax**.

The least frequently reported issues were **illicit trade, social media, lobbying and donations**, and **HSSE** (health, safety, security and environment).

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Graph 2: Business Ethics Issues



Graph 3: Media stories by stakeholder group

Looking at sectors where certain lapses were concentrated reveals that:

- The highest proportion of stories on **mis-selling** (90%) and **money laundering** (82%) occurred in the **finance** industry. Additionally, over two-thirds of those related to **behaviour/culture** (70%) and **insider trading** (67%); the majority of **executive remuneration** (60%) and **discrimination** (54%); and just under half of those addressing **corporate governance** and **openness with information** (both 45%), also were in the finance sector.
- 42% of all news items related to **supply chain/procurement** were in the **retail** sector.
- Just under half of all news stories about **data protection/privacy** involved **technology** companies (48%).
- Four out of every five stories related to **profiteering** involved **utility** companies (82%).
- Reports of **conflicts of interests** were most commonly found to be in the **professional services** sector (47%).

Recent Trends

There were some notable differences between 2012 and 2013.

The number of reports related to **utility** companies nearly doubled between 2012 and 2013, as did those concerning **food and drink** organisations and **professional services**. Stories related to **travel/tourism/leisure** more than trebled between the two years, and those involving **construction** companies quadrupled (from one in 2012 to four in 2013).

Conversely 100% of the news items regarding the **advertising** sector (all seven) occurred in 2012, both the **transport** industry and **defence/security** companies were involved in approximately a third of the amount of stories in 2013 when compared to 2012, and the number of news stories involving the **extractive** sector halved from 2012 to 2013.

Looking at the ethical issues, **treatment of stakeholders**, **supply chain/procurement**, **discrimination**, and **product safety** all doubled in occurrence in 2013. Stories alleging **profiteering** more than trebled. However, in 2013, there were only a third as many stories involving **corporate governance** lapses, **insider trading**, **openness with information/timely disclosures**, and **money laundering** compared to 2012. **Executive remuneration**, **fair competition**, and **whistleblowing/Speak Up** stories all halved.

