

Business Ethics Briefing

Issue 25, April 2012

Code Certification Statements

Many companies require employees and/or management to sign a statement certifying that they have, at a minimum, received and read their code of ethics. This Briefing explores how companies use such certification statements as a part of their ethics programme.

Use

Certification statements are used by companies in a number of ways. IBE research of 17 FTSE100 companies (2012) found that the three most common uses were:

- to confirm receipt of the code of ethics;
- to obtain acknowledgement from employees that they have read and understood the code of ethics; or
- that they have abided by, or will abide by, the code of ethics.

Other uses include obtaining confirmation from employees that they have reported any breaches of the code that they have been aware of. For one company, management were required to certify that they had discussed the code with their team and informed them of the availability of the hotline for raising employee concerns.

Signatures are collected either online or in paper form, with the certification statement commonly being included within the code of ethics document itself.

Whether signing the certification statement is a condition of an employee's contract or not varies between companies and may depend on local labour laws and culture. Where it is not a condition of employment and an employee refuses to sign the certification statement, it is important to have in place a means to follow up the refusal. Such measures might include the ethics office informing the employee's line manager or human resources, who could talk to the employee to understand why they are refusing to sign and what their concerns are. It may be that they have misunderstood the purpose of the code. In some companies included in the IBE's research, a refusal to sign the certification statement is escalated to senior management and may become a permanent record on an employee or even be a case for dismissal.

It is important to ensure that employees understand the reasons why they are being asked to sign a certification statement and that they see it as part of a wider programme rather than a 'tick box' exercise.

This and other Business Ethics Briefings are available to download free of charge from the IBE website:
<http://www.ibe.org.uk/index.asp?upid=51&msid=8>

Who and When

Companies may ask their entire workforce to sign a certification statement for the code or only specific groups. The small IBE survey found that 71% of companies surveyed require employees; 82% require managers and 94% require senior managers to sign one. Some companies also require on-site contractors, temp workers and third parties/agents to sign.

The majority of companies surveyed require a signature annually. Employees may also be asked to sign it when they join a company and/or every time the code is revised.

Where there has been a violation of the code of ethics, approximately half of those companies surveyed said that signature to the certification statement may be referred to in any subsequent disciplinary procedures.

Drivers

Asking employees and management to sign certification statements is one way that a company can demonstrate the importance of the code of ethics and its commitment to live up to the values contained within it.

In some companies, the data from certification statements is used as part of a wider ethical assurance process and in certain industries (e.g. utilities) certification statements are used as one aspect of an annual confirmation process required by the regulator.

Other companies have introduced code certification statements as an element of a company-wide cultural change programme. By requiring employees to certify they have a copy of the code, they are able to ensure that new messages have reached everyone.

Requiring an employee to sign adherence to the code as part of their employment contract is one way to mitigate integrity risk and indicate a serious corporate commitment to ethical standards.

Reporting

The data on the number of employees that have signed a certification statement can be collected by the ethics office and reported upwards internally e.g. to a board committee responsible for ethics as part of the regular update on code certification, training, communication etc. It may also be reported to other departments such as compliance, risk, or legal as it is integral to internal control and risk management systems and may be part of "adequate procedures" compliance under the UK Bribery Act.

For one company included in the IBE survey, the results of the annual certification process are a KPI for the business and results for individual business units are reported internally to the Board's Corporate Responsibility Committee and the Audit Committee. In another company, annual management certifications are reported internally to the executive board. Externally, the data may be reported in a company's non-financial or annual report, or on their ethics website. One example is BP's 2011 Sustainability Report which outlines the annual code certification process and reports on the percentage of 'top leaders' which participated.¹ Similarly, Centrica reports on the percentage of management level employees who sign the certification statement (see box overleaf) as an 'Assured KPI' in its 2011 Annual Report and Accounts.²

¹ See: <http://www.bp.com/sectiongenericarticle800.do?categoryId=9040262&contentId=7073461>

² See: <http://www.centrica.com/files/reports/2011ar/index.asp?pageid=92>

Examples of Code Certification Statements

National Grid:

"I have read and understand National Grid's 'Doing the Right Thing, our Standards of Ethical Business Conduct'. I am complying with the Standards now and intend to continue to comply with them in the future. The information on this form is complete and accurate, but if circumstances should change, I will inform the Business Conduct and Ethics Office promptly in writing."

Source: IBE research of 17 FTSE 100 Companies (2012)

Flowserve:

"I acknowledge that I have received a copy of the current Flowserve International Code of Business Conduct (the "Code") and have had an opportunity to ask questions about the policies and practices referred to in the Code. I understand that it is my responsibility to follow the policies, practices and rules set out in the Code, and that I am required to comply with them. I understand that the Code is designed to serve as a guide to Flowserve policies and practices in conducting business affairs in an ethical manner. I understand that company policies provide additional detail and are available upon request."

Source: Flowserve International Code of Business Conduct 2010

Available at: http://www.flowserve.com/files/Files/Literature/Corporate/ICOBC_EN-UK.pdf

Science Applications International Corporation (SAIC):

"My signature below certifies the following: I have read SAIC's Code of Conduct, understand that it represents Company policy and our commitment to each other, and agree to comply with it. I have sought and received clarification from a responsible party (such as management, an EEC member, HR, or the appropriate corporate policy owner) of any portion of this Code of Conduct that is unclear to me. I have reported and agree to report to one of the Company's specified reporting channels all actual and potential violations of applicable law, this Code of Conduct, and the policies it represents."

Source: SAIC Code of Conduct 2010.

Available at: <http://investors.saic.com/phoenix.zhtml?c=193857&p=irol-govconduct>

Centrica:

"I confirm that I have access to a copy of the business principles booklet, 'Building better business: a guide to sound business practice'. I confirm that I have read and understood 'Building a better business: a guide to sound business practice', and that I have been compliant with the business principles over the last 12 months. I confirm that I have communicated the business principles to any direct reports that I have. I confirm that I will continue to comply with Centrica's business principles."

Source: IBE research of 17 FTSE 100 Companies (2012)

This and other Business Ethics Briefings are available to download free of charge from the IBE website:
<http://www.ibe.org.uk/index.asp?upid=51&msid=8>



The IBE was established in 1986 to encourage high standards of business behaviour based on ethical values.

Our vision is to lead the dissemination of knowledge and good practice in business ethics.

We raise public awareness of the importance of doing business ethically, and collaborate with other UK and international organisations with interests and expertise in business ethics.

We help organisations to strengthen their ethics culture through effective and relevant ethics programmes.

The IBE is a registered charity, supported by subscriptions from businesses and other organisations, as well as individuals. Charity no. 1084014



Find us on
Facebook



At L'ORÉAL, we have been working with the IBE for many years. We have always found their advice pragmatic and practical as well as, in many instances, inspiring. They help us and challenge us at the same time. **Emmanuel Lulin, Group Director of Ethics, L'ORÉAL**