



ibe Institute of
Business Ethics

Corporate Ethics Policies and Programmes
2013 UK and Continental European Survey

By Polly Wheldon & Simon Webley

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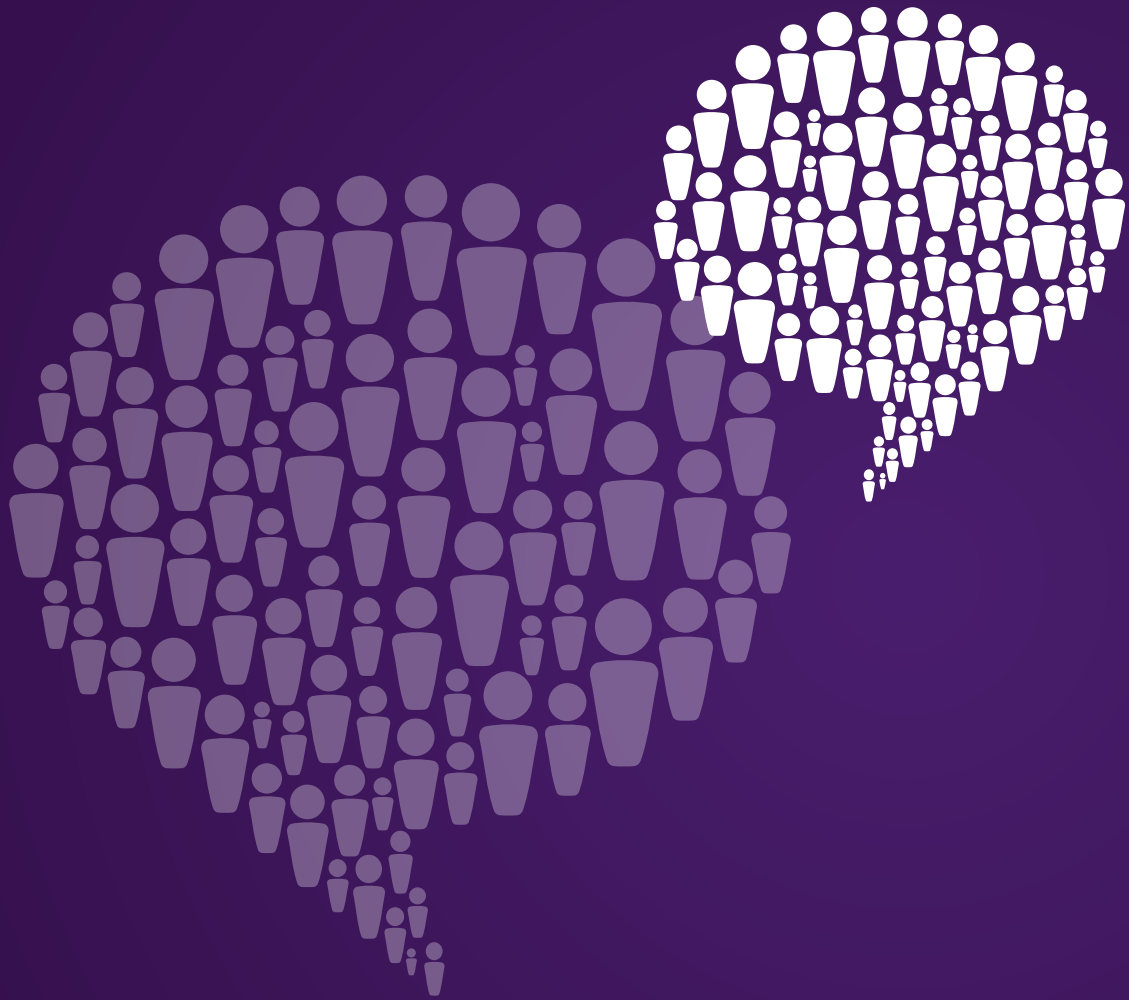
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Introduction

Introduction

AUTHORS

Simon Webley is Research Director at the Institute of Business Ethics (IBE). Simon has published numerous studies on all aspects of business ethics, the most recent being: *Employee Views of Ethics at Work: 2012 British Survey* (2012), *Religious Practices in the Workplace* (2011) and *Corporate Ethics Policies and Programmes* (2011). He has lectured and facilitated training on business ethics issues for organisations in many countries.

Polly Wheldon is a Researcher at the IBE where she researches and writes on a range of business ethics topics.

ACKNOWLEDGEMENTS

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FOREWORD

Since the IBE began surveying large UK companies on whether they had a code of ethics in place and how those codes were implemented, the case for effective ethics programmes has been firmly proven and recognised.

In contrast to when the IBE first conducted this survey back in 1995, in 2013 it is now the norm for the UK FTSE 350 to encourage high ethical standards in business practice through a code of ethics or similar document. The challenge that remains is how to support employees in everyday operations and decisions to live up to the values espoused in the code. The aim of this IBE survey is to identify and share good practice. What are the elements of a typical corporate ethics programme, and what more are companies doing to support the embedding of their values to strengthen their ethical culture?

In 2013, we once again included French, German, Italian and Spanish companies in our survey.

There are grounds for encouragement as ultimate responsibility for ethics policies and programmes now lies at board level in most companies and there are other signs that the ethics muscle is strengthening as investment in ethics programmes is increasing.

Continuing and growing political and media attention to bribery and corruption internationally is reflected in this issue being reported by the companies as the most significant concern for them.



Philippa Foster Back, OBE

Director, Institute of Business Ethics

OVERVIEW

Background to the survey

The IBE has been conducting a triennial survey since 1995 examining how large companies promote ethical values through a code of ethics. Initially, because at that time little knowledge existed of what ethics programmes consisted of, data was collected to find out how codes were being used and why and what training was done. Over time, the survey has enabled the IBE to track the activities of ethics programmes more generally: what companies do to embed ethical values and what the typical elements of an ethics programme are. The majority of large companies will have the same basics in place, like codes, training and a Speak Up line. However, there are some elements of good practice that are not yet universal. Consequently in 2013 some new questions were asked to try and gather information on the current position of corporate ethics programmes.

WHO THIS REPORT IS FOR?

For companies that are starting out, this report provides an overview of the elements of an ethics programme. For organisations with more established ethics programmes, it enables them to observe how their programme compares with typical practice.

The survey has value in revealing what companies are doing to embed ethical values into business practice and establish/maintain an ethical culture, and what the trends are over time.

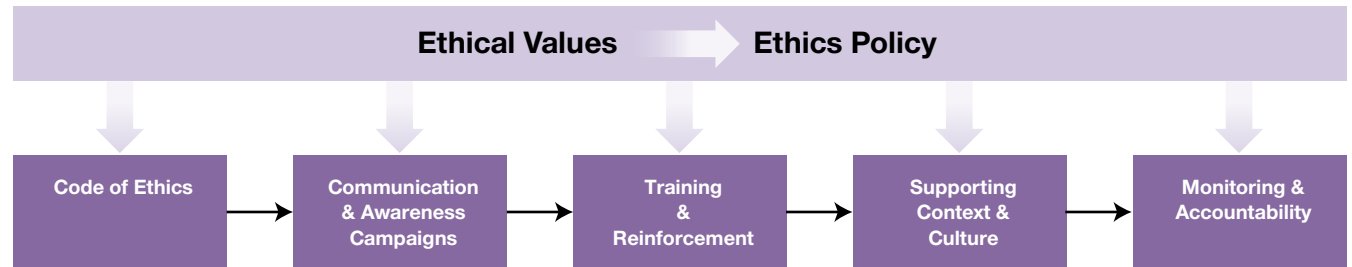


WHAT IS AN ETHICS PROGRAMME?

Organisations often have a set of values which they aspire to observe in carrying out their business. These values guide ideas of acceptable, desirable and responsible behaviour, above and beyond compliance with laws and regulations. To ensure that a business operates in accordance with these values, it is necessary to have appropriate processes, policies and tools in place, i.e. an ethics programme to support and guide employees, influence workplace culture and allow the monitoring of ethical performance.

The main elements of an effective ethics programme are shown in the diagram below.

Elements of an Effective Ethics Programme



METHODOLOGY

Who we asked

In 2013, as in 2010, we surveyed companies quoted in the UK FTSE 350 and also the larger quoted companies in France, Germany, Italy and Spain.

In the UK, the survey was emailed either to the person known to be responsible for the business ethics function, the CEO, or the Company Secretary in the FTSE 350 companies as of May 2013.

For Continental Europe, the survey was emailed to the closest position to the Company Secretary equivalent e.g. General Counsel, Secretary etc. within the companies listed in the relevant stock exchange for each country as of May 2013. Respondents completed the survey online using Survey Monkey. All percentages have been rounded to the nearest whole number and so may not total 100%. The survey findings were not formally tested for statistical significance due to the small sample size. However, the response rate is sufficient to draw general conclusions and evaluate trends. Observations are made on the basis of directional trends, rather than statistically significant, results. They are based around the percentage of respondents answering a question, and not the percentage of total respondents as sometimes questions were ignored.

In this report the findings are discussed in two parts - first the UK, followed by those from Continental Europe.

Respondent profile

76 companies completed the survey from the main stock market indexes of the UK, Spain, Italy, Germany and France:

- 48 from the FTSE 350
- 28 from Continental Europe:
 - IBEX 35 Index (Spain) = 9
 - FTSE MIB (Italy) = 7
 - DAX (Germany) = 6
 - and CAC 40 (France) = 6



Question areas

- About your company's ethics programme:
 - Purpose, content of and investment in ethics programmes
- Governance of your company's ethics programme:
 - Responsibility for and governance of ethics programmes
- Your company's code of ethics:
 - Revision and communication of codes of ethics
- Ethics training:
 - Frequency, methods and tools
- Speak Up:
 - Raising of ethical issues by employees
- Embedding your company's code of ethics:
 - Through recruitment, appraisals etc.
- Monitoring:
 - Measuring programme effectiveness

SOME HEADLINE FINDINGS

In 2013, there are more grounds for encouragement than concern in the UK findings.

Firstly, one of the most notable findings is the evidence of **increased investment** in ethics programmes over the last 3 years by corporate management. Seven out of ten UK respondents said this and nine out of ten stated that a member of the **Board of Directors** takes ultimate responsibility for the ethics programme. This suggests that the embedding of ethical values is being given a higher priority at this level.

Other signs of encouragement are that more than half of respondent companies state that ethics plays a part in their company's **recruitment processes** (63% up from 38% in 2010), two thirds include ethics in some way in **staff appraisals**, and three quarters say that a breach of their company's code of ethics has led to a **disciplinary procedure** during the last 3 years. Embedding ethical considerations into core business processes is essential for supporting an ethical culture.

Also essential are **Speak Up** mechanisms. IBE surveys of the general public's view of issues involving business ethics consistently refer to the need for companies to provide means for employees to Speak Up or report any concerns that they may have about business behaviour in their organisation. It is heartening that all the FTSE respondents state that they have such a mechanism for employees to raise matters confidentially.

However, a cause for concern is that a fifth of companies seem to offer **ethics training** only once to general employees, and only a third routinely train senior staff and managers once a year.

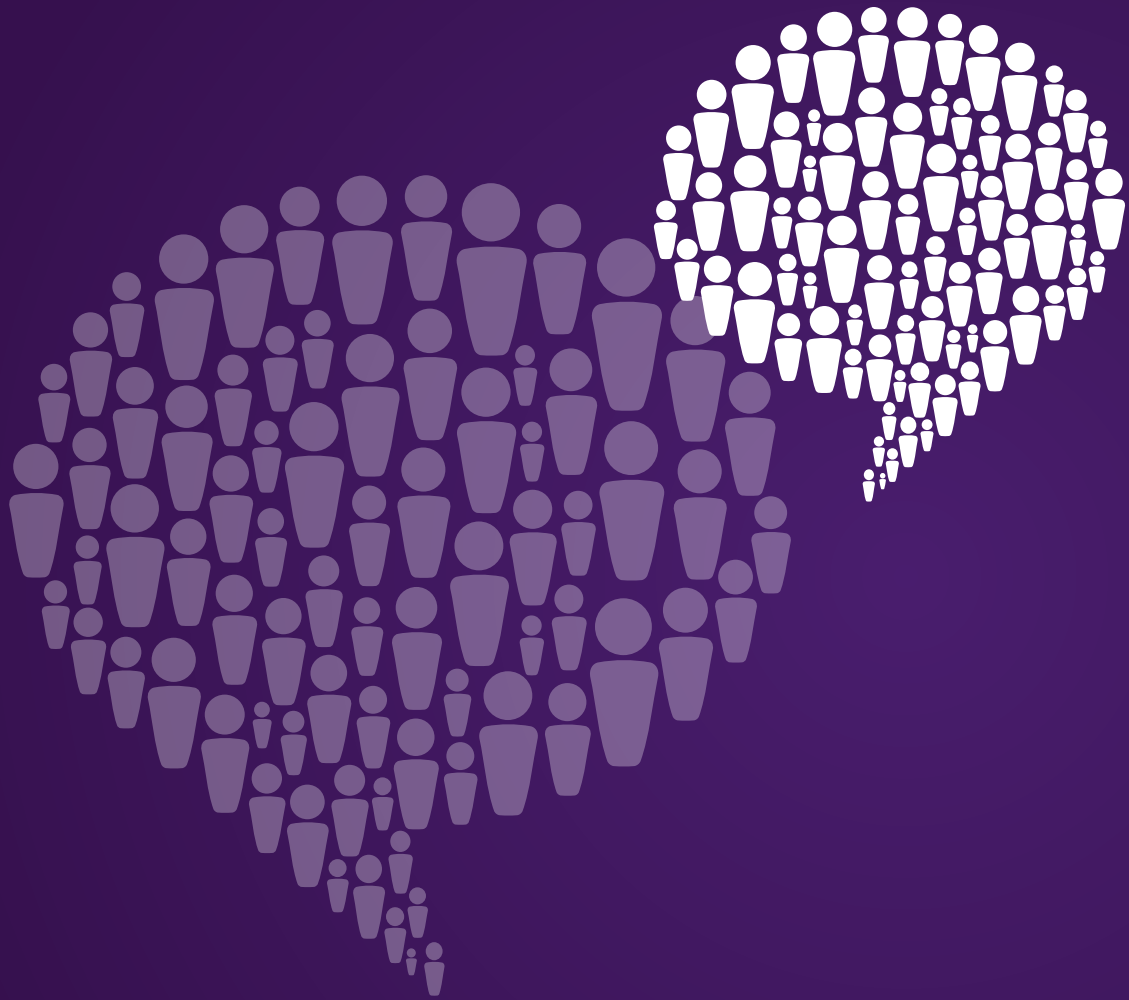
It is perhaps not surprising that prevention of **bribery, corruption and facilitation payments** continues (as in 2010) to be viewed by respondents as the most significant ethical issue for their company. This reflects growing international political attention on the topic and its appearance in the 'Leader's Declaration' following the G20 summit in September 2013. Media reports of western companies being investigated for bribery, particularly in Asia, have also alerted companies to this risk.

Finally, it is encouraging to note that the number of companies **monitoring** the effectiveness of ethics programmes is increasing. This has been a 'Cinderella' subject for too long but the refinement and increased use of relevant tools has made it more practical. For instance, 'Help Line' data is now used by nine out of ten companies compared with seven out of ten in 2010.

...a cause for concern is that a fifth of companies seem to offer training only once to general employees...

KEY FINDINGS

1. The main **purpose of a company's ethics programme** for UK respondents is now jointly to help guard reputation and provide guidance for staff.
2. Continental European respondents view the main **purposes of their company's ethics programme** as being to guide contractors and business partners and as a public statement of their ethical commitments.
3. 68% of UK and 82% of Continental European respondents stated that **investment in their company's ethics programme** has increased in the last three years.
4. 87% of UK respondent companies have someone on the Board who takes **ultimate responsibility for the ethics programme** but only 65% state that ethics is a regular item in Board meetings.
5. 34% of respondent companies **distribute their code of ethics** to external stakeholders.
6. 100% of all respondent companies have a formal mechanism for employees to **raise ethical concerns confidentially**.
7. In the UK **Speak Up lines** are predominantly externally managed. In Continental Europe they are predominantly internally managed.
8. Continental European respondents are more inclined than the UK ones to use internal social media to **communicate internally the existence of the code** (31% compared to 17%).
9. Nearly a 1/4 (24%) of FTSE 350 respondents offer **ethics training** to the Board only once.
10. Over 2/3 (67%) of respondent FTSE 350 company executive teams are required to **sign a confirmation statement that they have adhered to the company's code of ethics over the previous year**.
11. 59% of UK respondents include ethics in employee **performance appraisals**.
12. 63% of FTSE 350 respondents stated that ethics plays a part in their company's **recruitment process**.
13. Over 80% of UK respondents stated that conformity to the company's code of ethics is included in **contracts of employment**.
14. 74% of UK respondents said that a breach of their company code of ethics has led to **disciplinary procedures** in the last year, up from just under half (48%) in 2010. For Continental Europe it was lower at 58% and consistent with 2010 findings.
15. Nearly 4/5 (79%) of UK respondent companies **monitor the effectiveness of their ethics programme**.
16. The percentage of FTSE 350 respondent companies seeking external **assurance to assess ethical performance** rose from a just over 1/5 (21%) in 2010 to over 1/3 (35%) in 2013.
17. **Bribery, corruption and facilitation payments** continues (since 2010) to be the ethical issue viewed as most significant to all the respondent companies – nearly 80% selected it.



UK Findings


UK Findings

ABOUT YOUR COMPANY'S ETHICS PROGRAMME

All respondents report having an ethics programme in place. The main elements of these programmes are shown in Graph 1 and are, most consistently, a code of ethics (98%), followed by employee training (91%) and a Speak Up line for reporting misconduct (86%).

Graph 1 Q2b. What are the main elements of your company's ethics programme?  n43

Purpose of ethics programmes

When asked what is the main purpose of their company's ethics programme, responses suggest it is now jointly to help guard organisational reputation and provide guidance for staff . In the 2007 and 2010 surveys it was only the latter (See Graph 2).

Graph 2 Q2c. What is the main purpose of your company's ethics programme?  n44

**Many graphs in the PDF are interactive.
Please hover your mouse over them
to see additional information.**

During 2012, reports of unethical business behaviour in the UK media were common: excessive executive pay (especially in the recently bailed-out banking sector), corporate tax avoidance, phone hacking and LIBOR fixing, and the mislabelling of food products to name just five. Such incidents have a negative impact on business reputations and generally fuel disillusionment with business conduct amongst stakeholders and the general public. Over the last ten years the percentage of the British public having confidence in UK businesses to behave ethically ranged between 29 – 41% ².

That guarding against reputational risk is a current business priority has been highlighted in other recent studies. In their 2013 *Global Risk Management Survey*, Aon Risk Solutions found that of 1,415 respondents from 70 countries and a broad range of industry sectors, the fourth highest of ten risks of concern was 'damage to reputation/brand' ³. According to a 2013 joint CIMA and AICPA survey of over 1,300 finance professionals, almost half of respondents said 'they had rejected a project that made financial sense because the reputational risk was too great' ⁴.

Investment in ethics programmes is on the increase

Over 2/3 (68%) of respondents stated that investment in their organisation's ethics programme has increased in the last three years. No respondents reported that investment had dropped over the same period and a quarter said that it had stayed the same. This indicates that companies are taking ethics increasingly seriously.

Ethics programmes are increasingly the responsibility of compliance departments

As suggested by IBE survey findings from previous years, in 2013 the department most commonly responsible for a company's ethics programme lies with the company secretary or legal department (29%) (see Graph 3). However, the gap is seemingly decreasing between that and second placed 'compliance' which is up from 12% in 2010 to 21% in 2013. Company secretary and legal dropped to below 1/3 (29%) from having been consistently above 41% since 2004.

Graph 3 Q3a. Which department or function is mainly responsible for implementing your company's ethics programme (or code of ethics)? n41

Board responsibility

In 87% of respondent companies, someone at Board level is appointed to take ultimate responsibility for the ethics programme. This supports trends observed by legal firm Grant Thornton in their 2012 *Corporate Governance Review* which assesses the corporate governance of the FTSE 350 and has been running for 11 years. They are seeing *'the emergence of a greater focus on values and ethics at Board level'* and suggest that *"these issues, which were once seen as 'softer', are now much more important for businesses"* ⁵.

However, in contrast, only 65% of UK respondents state that ethics is a regular item in Board meetings. This suggests companies are not taking it as seriously as they could do.

...only 65% of UK respondents survey state that ethics is a regular item in Board meetings.

YOUR COMPANY'S CODE OF ETHICS

Overall, 96% of the respondent companies have a code of ethics as part of their ethics programme. The shortfall was among the FTSE 100 respondents; 6% of whom say that they do not have a code.

The length of time a company has had a code of ethics in place is one indicator of the maturity of its ethics programme and their level of experience in developing one that is effective.

38% of FTSE 350 respondent companies who have a code have had it in place for 10 years or more. This is up from 25% in 2010 and 2007. The most common length of time for having this type of guidance for staff continues to be 5-9 years (40%) (see Graph 4).

Graph 4 Q4b. How long has your company had a code of ethics?  n41

Code review trends shifting

In 2010, when this question was asked for the first time, about half (49%) of FTSE 350 respondents stated they revised their code of ethics 'every year'. In 2013, that figure almost halved to 24%. The majority of respondents now revise their code of ethics 'as necessary', 37% up from 16% in 2010 (see Graph 5). It is not clear whether 'as necessary' implies more or less frequent revisions.

Graph 5 Q4c. Trends in how often codes of ethics are revised n40

External stakeholder input valued

Consistent with findings in 2010, 'changing business environment/issues' is the factor most commonly taken into account when respondents are reviewing their code of ethics (95%) (See Graph 6).

Findings suggest respondents are increasingly taking a more collaborative and outward looking approach to reviewing their codes of ethics than previously. 'Staff survey/feedback' rose to 64% in 2013 from 45% and 43% in 2007 and 2010 respectively. 'Stakeholder consultation/feedback' is up to 54% in 2013 from 41% in 2010.

Graph 6 Q4d. Which of the following is taken into account when your company's code of ethics (or equivalent) is reviewed? n39

In their 2013 report on *The Future of Stakeholder Engagement*  6, Brunswick Insight found that 82% of senior communicators across Europe consider stakeholder engagement to be important to their organisation's success, with 55% saying it is 'extremely important'. The study also found that the biggest benefits of stakeholder engagement are perceived to be 'improved reputation' (89%) and 'increased understanding of their organisation and its activities amongst stakeholders' (89%).

'Discussion at board level' which had risen from 84% to 91% between 2007 and 2010, dropped back to 85% in 2013.

Communication of the code

Continuing the trend since the question was first asked in 2004, the most commonly used method to communicate internally the existence of a code of ethics remains to post it on the company intranet (93%). The survey findings suggest a revival in producing stand-alone ethics guides or booklets and including it as part of a staff manual or handbook – up by 17% and 12% respectively since 2010, although these figures have fluctuated noticeably since 2007 (See Graph 7).

Interestingly, a 2011 report by Information Week ⁷ says that despite more organisations globally adopting internal social media tools ⁸, the usage of such platforms remains low amongst employees. The report suggests that the majority of users prefer using public tools such as Facebook and LinkedIn rather than their corporate network, and only 13% of IT professionals believe their internal social networks have been a success. It would be good practice for companies to monitor the effectiveness of internal media for publicising the existence of their code of ethics to employees.

...the most commonly used method to communicate internally the existence of a code of ethics remains to post it on the company intranet (93%).

Graph 7 Q4f. How does your company internally communicate the existence of its code of ethics (or equivalent)?  n41

As Graph 8 shows, the most commonly used method of communicating the existence of a company's code of ethics externally is to post it on the company website (93%). This has increased by 25% since 2010 and is up 30% since the question was first asked in 2004. The second most common was to mention it in the annual report (85%). This has been the most common option for the last three surveys.

The percentage of respondent companies distributing their code of ethics to external stakeholders has increased over time with over a third (34%) selecting this option in 2013, up from 21% in 2010, and 25% in 2007 and 2004. This suggests that the respondent companies are recognising the potential benefits of engaging stakeholders in the work they are doing on ethical conduct.

Graph 8 Q4g. How does your company externally communicate the existence of its code of ethics (or equivalent)?  n41

...companies are recognising the potential benefits of engaging stakeholders in the work they are doing on ethical conduct.

ETHICS TRAINING

Since 1998, this IBE survey has been asking companies whether they provide training to members of staff on the meaning and use of their code of business ethics or equivalent. Findings over time suggest that there had been a steady increase of this occurring, although there was a dip in 2010. With ethics training now seemingly commonplace in FTSE listed companies, this survey explored the frequency and target of training.

For training to be most effective and the information retained by employees, it needs to be repeated ⁹. Consequently, it is of concern that nearly a 1/4 (24%) of FTSE 350 respondents only offer ethics training to the Board once (See graph 10).

Additionally, around 1 in 5 companies also offer ethics training only once to the executive team, managers/supervisors and other staff. Without regular refresher sessions it is unlikely that these staff members will gain the necessary acumen and sensitivity. The risk of an ethical lapse occurring in their business conduct is more likely.

Overall, the most common frequency of training for all groups was '*as needed*'.

Graph 10 Q5a. How often does your company offer ethics training to...? n42

Using appropriate methods is key to the effectiveness of ethics training ¹⁰. To monitor the trends in this, respondents were asked whether face-to-face or e-learning methods were used to deliver ethics training. Training is predominantly done using a combination of face-to-face and e-learning methods (62%) but nearly 1/3 (31%) use face-to-face only and nearly 1/4 (24%) e-learning methods only (See Graph 11).

Respondents were also asked to indicate which tools they used during ethics training; a question that has been asked before but the options this time were updated to reflect current methods (See Graph 12).

Dilemmas and scenarios are excellent tools to use in employee ethics training as they provide *“practice at applying ethical frameworks and company standards to workplace situations”* ¹¹. Encouragingly, use of these methods has risen to be the most commonly utilised tool with 89% of respondents selecting it. This is up from 41% and 27% in 2010 and 2007 respectively.

Six out of ten respondents indicated that they use multimedia tools in ethics training. This suggests that the use of electronic technology is becoming a more commonplace tool.

An article in HR magazine states that use of electronic technology in training is a positive development in companies as the next generation of business people, today's current students, *“are now more comfortable learning via this kind of technology.”*

In turn, this means they will also expect to continue learning in this way, in the future” ¹². This would mean that they are likely to respond well to ethics training conducted using these tools.

Graph 11 Q5b. What forms of training are used predominantly?  n42

Graph 12 Q5c. What training tools are used?  n38

SPEAK UP

Echoing the 2010 survey findings, 100% of respondent companies have a *'formal mechanism for employees to raise ethical concerns confidentially'*. As Graph 13 shows, this has been steadily increasing since 1995 ¹³.

Speak Up lines on the increase

93% of these stated that this included a Speak Up phone line (or equivalent). As Graph 14 depicts, this has increased steadily from 47% when the question was first asked in 2004, to 72% in 2007 and 79% in 2010.

The Association of Certified Fraud Examiners (ACFE) strongly advocates the use of hotlines as an effective control in the prevention and detection of business fraud. It conducts an annual survey of incidents handled by Certified Fraud Examiners (CFEs) and hotlines consistently rank as amongst the most effective anti-fraud controls in those cases surveyed ¹⁴.

There is a strong business case for having Speak Up policies and procedures in place which includes good risk management, staff protection, morale and improved business performance ¹⁵. In addition, the UK Bribery Act encourages organisations to have in place, as part of its adequate procedures a *'secure, confidential and accessible means for internal or external parties to raise concerns'* ¹⁶.

Graph 13 Q6a. Is there a formal mechanism for employees to raise ethical concerns/ask questions about your code confidentially?  n43

Graph 14 Q6b. Does this include a helpline/hotline/advice line?  n43

In the UK, employees who speak up about wrongdoing in their company are legally protected against retaliation under the Public Interest Disclosure Act 1998. It covers them *'if they honestly think what they're reporting is true and they think they're telling the right person'* 17. Yet worryingly, in the IBE's 2012 survey looking at *Employee Views of Ethics at Work*, of the 1/5 of British employees aware of misconduct in their organisation in the preceding year, only half say they have reported it. Reasons for this inaction included: 29% of employees believed it was *'none of their business'*, 24% *'did not believe corrective action would be taken'*, 14% felt it would *'jeopardise their job'*, 13% felt that speaking up might *'alienate them from their colleagues'* and 11% did not want to be seen as a *'troublemaker'* by management. Offering a Speak Up line that is confidential and assures anonymity can help to encourage employees to have the confidence to share their concerns.

EMBEDDING YOUR COMPANY'S CODE OF ETHICS

Employers use many methods to stress to their staff the importance of company values and ethical business conduct.

Ethics in recruitment

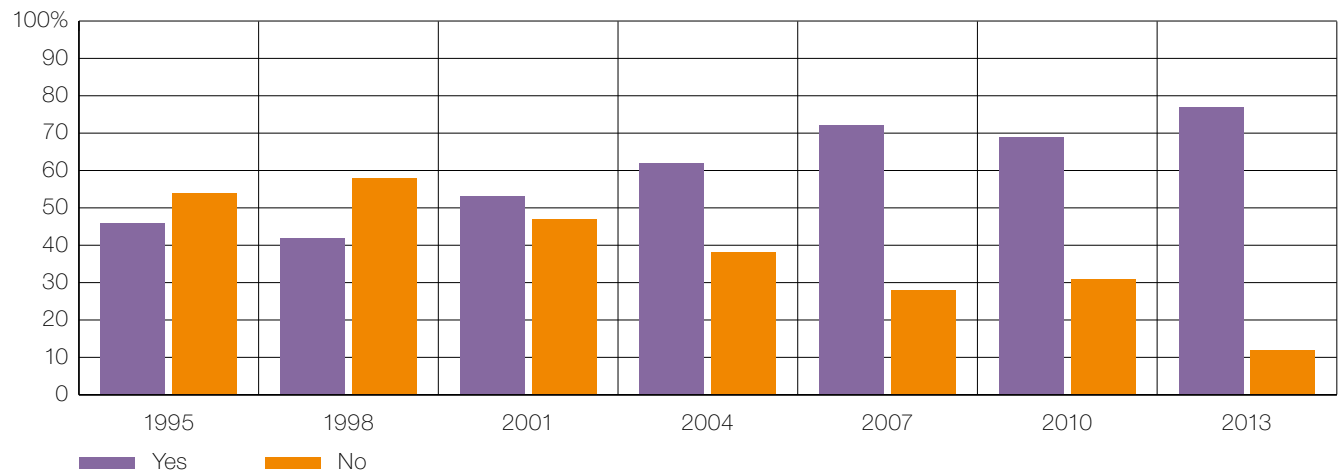
One is to include ethics in the recruitment process. The findings of this survey suggest that this is increasing as 63% (up from 38% in 2010), of the respondents stated that ethics plays a part in their company's recruitment process (See Graph 15).

Contracts of employment

Over 80% of FTSE 100 respondents stated that conformity to the company's code of ethics is included in contracts of employment, the highest figure since the question was first asked in 1995 (46%) (see Graph 16). This shows a consistent increase over the years since 1998 when it was 42%.

Graph 15 Q7b. Does ethics play a part within your company's recruitment process? n43

Graph 16 Q7c. Is conformity to your code of ethics (or equivalent) included in contracts of employment by your company? n43



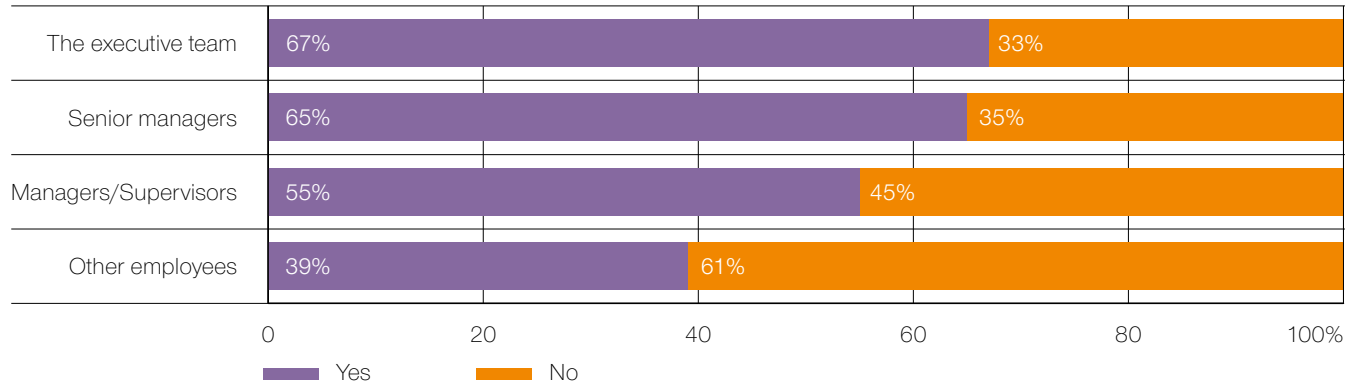
Confirmation

Another method is to get employees to sign a confirmation that they have adhered to the company's code of ethics over the previous year. Over 2/3 (67%) of respondent's executive teams are required to do so (see Graph 17); lower ranking employees are required to do so less. This was the first time the IBE asked this question of executive teams.

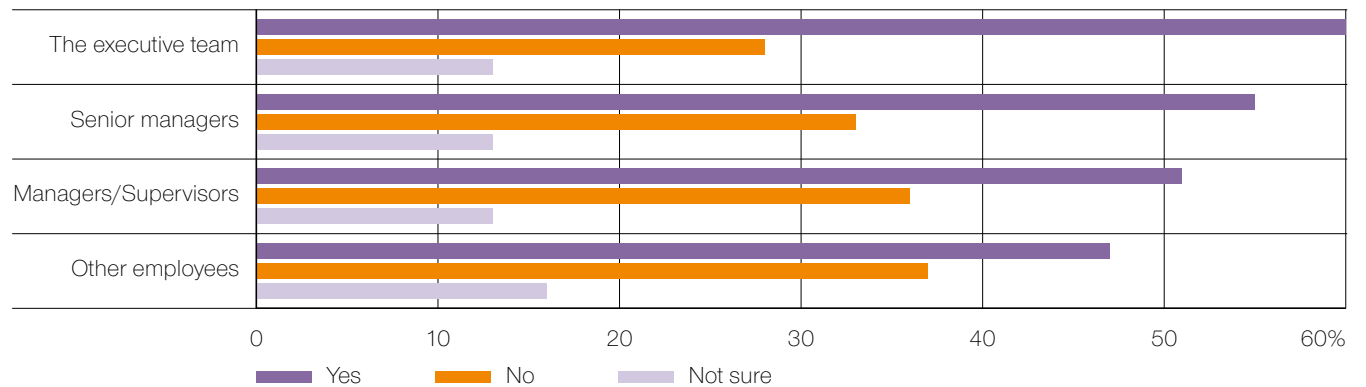
Appraisals

The findings of this survey suggest ethical conduct is being assessed as part of performance appraisals (See Graph 18). Most commonly this is within the executive team (60%) but over half of senior managers (55%) and managers/supervisors (51%) are also appraised in this way. This supports trends observed elsewhere that increasingly, companies are linking 'sustainability performance' with executive compensation ¹⁸. These are ways of monitoring how business goals are being achieved.

Graph 17 Q7a. Are employees required to sign a confirmation that they have adhered to the code of ethics (or equivalent) over the previous year? n42



Graph 18 Q7d. Do performance appraisals in your company include ethics? n41



Disciplinary procedures

Nearly 3/4 (74%) of respondents said that a breach of their company code of ethics has led to a disciplinary procedure in the last year, up from just under half (48%) in 2010. Some organisations are choosing to be transparent with this information and making data about these disciplinary procedures publicly available in company reports or on their websites. For example, Shell include on their website:

Shell employees, and contractors working for Shell, must abide by our Code of Conduct. In 2012, 209 violations of the Code of Conduct were reported (226 in 2011; 205 in 2010). As a result, we dismissed or terminated the contracts of 93 employees and contractors (78 in 2011; 77 in 2010) ¹⁹.

Screening

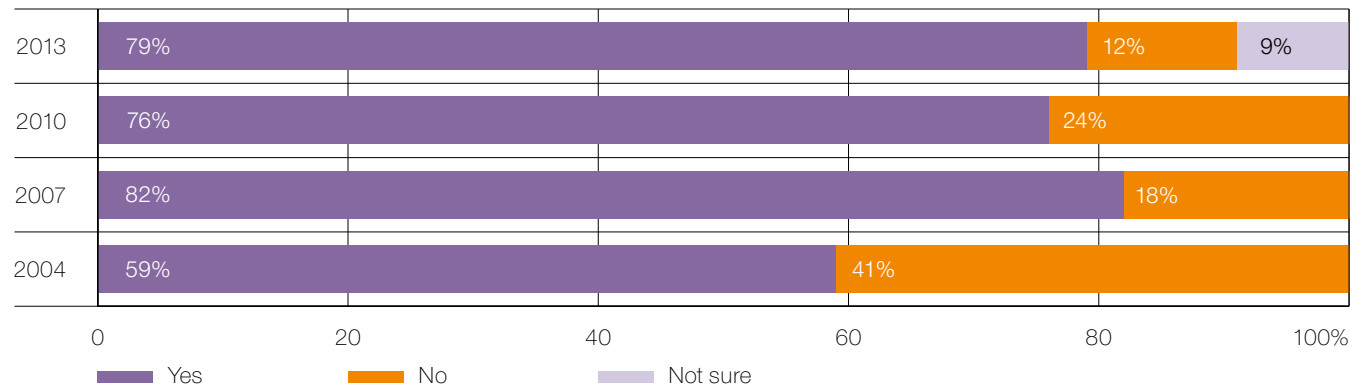
Showing slight increase since 2010, 88% of FTSE 350 respondents screen their suppliers and other business partners for their ethical standards.

Nearly 3/4 (74%) of respondents said that a breach of their company code of ethics has led to a disciplinary procedure in the last year.

MONITORING

In order to assess whether an ethics programme is achieving what a company wishes it to, it is essential to monitor its effectiveness. Consistent with previous years, nearly 4/5 (79%) of respondent companies are doing this (see Graph 19).

Graph 19 Q8a. Do you monitor the effectiveness of your code or ethics programme? n43



How respondents are monitoring effectiveness has changed over time. The *'use of Speak Up and hotline data'* has just overtaken *'use of internal audit'* as the most used method amongst the respondent companies, up from 56% in 2007 to 71% in 2010 to 88% in 2013 (See Graph 20).

The percentage of FTSE 350 respondent companies seeking external assurance to assess ethical performance rose from a just over 1/5 in 2010 to over 1/3 (35%) in 2013.

When asked which external benchmarks or standards does your company use, most common was FTSE4Good (43%) with around 1/3 using Dow Jones Sustainability Index (DJSI) (35%) and Global Reporting Initiative (GRI) (33%). 15% used none at all.

Graph 20 Q8b. How do you monitor the effectiveness of your code or ethics programme?  n41

Most significant ethical issue remains the same

Bribery, corruption and facilitation payments continues (since 2010) to be the ethical issue viewed as most significant to the respondent companies (see Graph 21). It was a clear leader selected by 80% of FTSE 350 respondents ²⁰.

Graph 21 Q9a. Which THREE of the ethical issues below are the most significant to your organisation?  n41

These concerns as seen by companies, can be compared to the issues identified by the general public as concerning them. Every year, Ipsos MORI conducts a survey for the IBE asking the British public to chose from a list of issues in business that they think most need addressing and Graph 22 shows the findings from 2013 (and 2010 in the interactive PDF when hovering).

Graph 22 (From IBE survey of the British public 2013) In your view of company standards, which two or three of these issues most need addressing?

*wording amended from "*discrimination in the treatment of people*" in 2013.



Continental Europe Findings

Continental Europe Findings

ABOUT YOUR COMPANY'S ETHICS PROGRAMME

Similarly to the UK respondents, the level of investment in company ethics programmes appears to be on an upward trend in Continental Europe. Over the last three years, it has increased (82%) or, at least stayed the same (14%).

Like the UK respondents, 100% of the Continental European companies who took part in the survey stated that they have *'processes, policies and tools for ensuring that it operates in accordance with its values/business principles'* (i.e. an ethics programme).

Respondent profile

76 companies completed the survey from the main stock market indexes of the UK, Spain, Italy, Germany and France:

- 48 from the FTSE 350
- 28 from Continental Europe:
 - IBEX 35 Index (Spain) = 9
 - FTSE MIB (Italy) = 7
 - DAX (Germany) = 6
 - and CAC 40 (France) = 6

When asked *'what are the main elements of your company's ethics programme?'* findings suggest that there are similar proportions of UK and Continental European respondents who have a code of ethics, employee training and internal reporting systems for ethics (See Graph 23).

However, Continental European respondents are more likely to report externally on ethics than UK ones. Also Speak Up phone lines are less common in Continental Europe with only 3/4 of respondent companies saying they have one as part of their ethics programme.

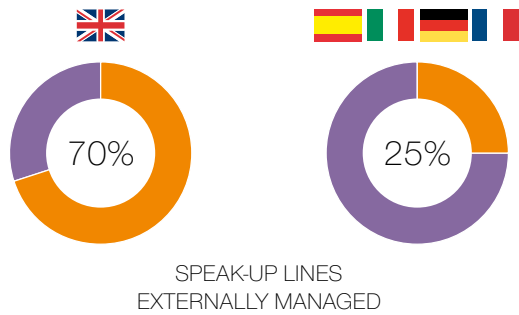
This compares to 86% of UK respondents who say they have one. Compared to the UK and Spain a Speak Up line is less likely to be provided in Italian, German and French companies.

Speak Up phone lines are less common in Continental Europe possibly due to legal and cultural reasons. However, when asked later in the survey whether there is a formal mechanism for employees to raise ethical concerns confidentially, 100% of FTSE 350 and Continental European respondents answered that there was.

Graph 23 Q2b. What are the main elements of your company's ethics programme?

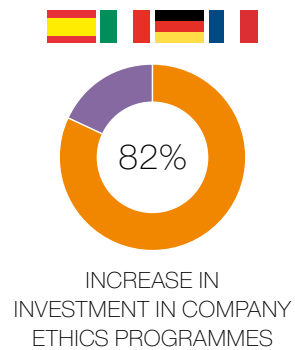
There was also a contrast between the UK respondents and those in Continental Europe with how Speak Up lines are managed. In the UK they are predominantly managed externally (70%). This is compared to 25% of Continental European respondents (see Graph 24).

Graph 24 Q6b. Does this include a helpline/hotline/advice line?



Overall, the Continental European respondents view the main purposes of their company's ethics programme as being 'to guide contractors and business partners' and 'as a public statement of their ethical commitments' (see Graph 25). This suggests it is more for external than internal purposes particularly in Spain and Italy. This is in contrast to the UK respondents who most commonly view it as equally for 'guarding reputation' and 'guidance to staff'. Findings from the 2010 survey indicated that the most common purpose of the ethics programme was to 'create a shared and consistent company culture'.

Graph 25 Q2c. What is the main purpose of your company's ethics programme?



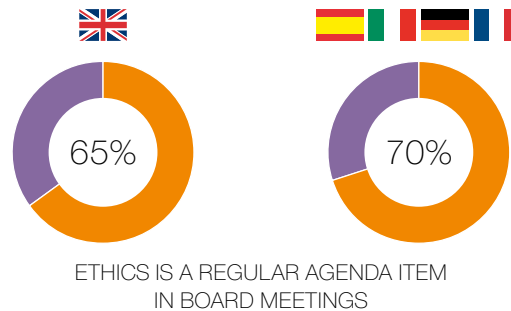
GOVERNANCE OF YOUR COMPANY'S CODE OF ETHICS

For Continental European respondents, it is the compliance department that is mainly responsible for implementing the company ethics programme (see Graph 26). This is consistent with findings from the 2010 survey and contrasts with responses from the 2013 UK respondents who mainly place responsibility for their ethics function with the company secretary.

It should be noted that within the UK, respondents are increasingly housing their ethics programmes within the compliance department. This suggests that UK companies are shifting towards a similar structure to that in Continental Europe.

Similarly to the UK respondents, the majority of the Continental European companies who took part in the survey have someone on the board who takes ultimate responsibility for the ethics programme (80%). 70% stated that ethics is a regular agenda item in board meetings, a similar figure to the UK (65%).

Graph 26 Q3a. Which department or function is mainly responsible for implementing your company's ethics programme (or code of ethics)?



YOUR COMPANY'S CODE OF ETHICS

100% of Continental European respondents have a code of ethics and, like the FTSE 350 companies and findings from 2010, the majority have had one for 5 years or more. It is most common for the Continental European companies to have had programmes in place for 5-9 years.

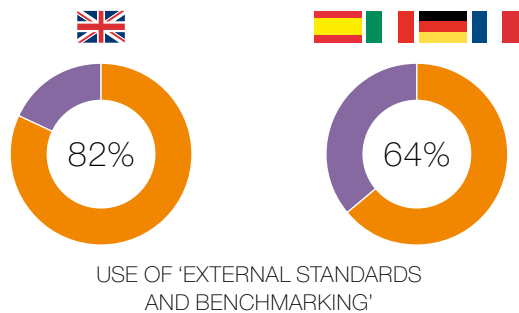
In general terms, Continental European and FTSE 350 respondents seem to be shifting from revising their code of ethics on a set schedule (e.g. annually) to *'as necessary'* (see Graph 27). What is unknown is whether revision was therefore more, or less, frequent as a result.

Graph 27 Q4c. How regularly does your company revise its code of ethics?

When asked 'which of the following is taken into account when your company's code of ethics (or equivalent) is reviewed?' there are marked differences between the FTSE 350 respondents and those in Continental Europe (see Graph 28). The most common for the latter companies is 'discussion at board level' (79%) compared to 'changing business environment' for UK organisations (95%). This reason was only selected by 64% of Continental European companies. There is also a noticeable difference in consideration of 'external standards and benchmarking' in code revision. This was common in UK respondents (82%) but selected by only 64% of those in Continental Europe.

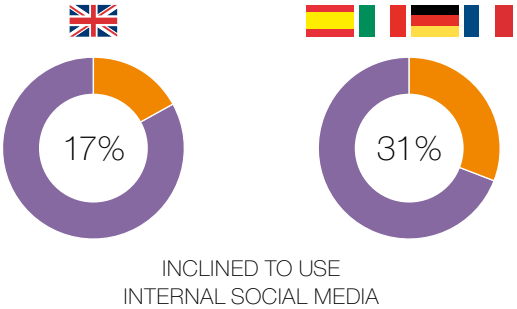
As the graph shows, there are several variations in practice between the different European country respondents.

Graph 28 Q4d. Which of the following is taken into account when your company's code of ethics (or equivalent) is reviewed?



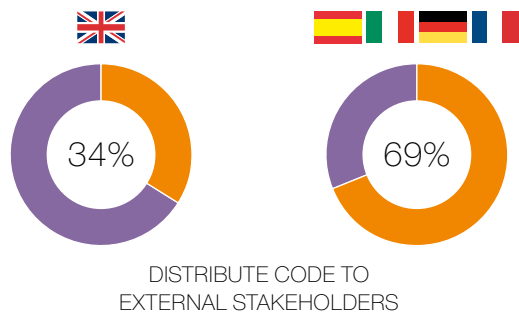
Apart from Continental European companies being generally more inclined to use internal social media (31% compared to 17%), methods of internal communication regarding the existence of the code of ethics were similar to those of the FTSE 350 companies (see Graph 29).

Graph 29 Q4f. How does your company internally communicate the existence of its code of ethics (or equivalent)?



For external communication of the code, Continental European respondents are far more likely to distribute a copy to external stakeholders than their FTSE 350 counterparts – 69% overall compared to 34% (see Graph 30).

Graph 30 Q4g. How does your company externally communicate the existence of its code of ethics (or equivalent)?



ETHICS TRAINING

Similarly to the UK respondent companies, those in Continental Europe are predominantly conducting ethics training to staff at all levels *'as needed'*. Of note is that more than 1/5 of managers and other staff are only trained in ethics once.

Overall the Continental European respondents use the ethics training tools of dilemmas and scenarios far less than FTSE 350 companies – 40% compared to 89% (see Graph 31). Most common was the use of multimedia and games (80% and 73% respectively) with notably 100% of Spanish respondents using both tools. As yet no Continental European respondents are using apps as a training tool and it will be interesting to see if this changes in the future.

EMBEDDING YOUR COMPANY'S CODE OF ETHICS

When asked whether employees are required to sign a confirmation that they have adhered to the code of ethics, findings were very similar between Continental Europe and UK respondents. Approximately 2/3 of the executive team and senior managers are required to sign such a confirmation annually. This expectation decreases for positions of lower responsibility within the companies.

Graph 31 Q5c. What training tools are used?

The survey findings suggest that ethics is increasingly playing a part within company recruitment processes in Continental European organisations. 74% of respondents said that it is used, compared to 63% of FTSE 350 respondents. The figure for Continental Europe is up from 56% in 2010.

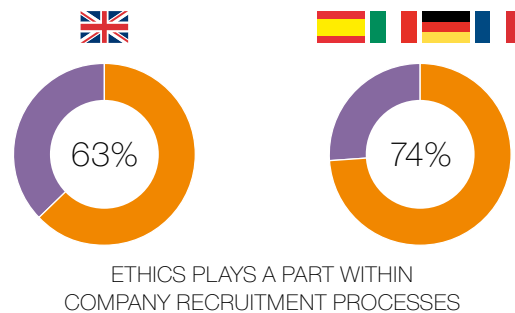
Conformity to the code of ethics (or equivalent) being included in contracts of employment by companies has also risen since 2010 from half (50%) to nearly 3/4 (74%) in 2013. This is similar to the UK findings (77%) (see Graph 32).

Again, similar to the UK, when asked whether performance appraisals in their company include ethics, the Continental European respondents predominantly answered 'yes'.

When asked '*whether a breach of the code of ethics (or equivalent) had led to a disciplinary procedure in the last 3 years*', less than 2/3 (58%) of Continental European respondents stated that it had, compared to nearly 3/4 (74%) of UK ones. This Continental European figure is similar to 2010 when it was 54%.

Also similar to findings in 2010 (80%) and akin to the FTSE 350 companies surveyed (88%), a very high percentage (90%) of Continental European respondents screen their suppliers and other business partners for their ethical standards.



Graph 32 Q7c. Is conformity to your code of ethics (or equivalent) included in contracts of employment by your company?



As in 2010, both the majority of the UK and Continental Europe respondents say they monitor the effectiveness of their code or ethics programme – 79% and 78% respectively in 2013. Again, mirroring 2010 findings, there are some differences between the way this is done between the UK and Continental Europe respondents (see Table 1).

The former most commonly use Speak Up data (88%) which is used by less than 3/4 (73%) of the Continental Europe respondents. In 2013, internal audit is the most common way to assess effectiveness of programmes for all respondents.

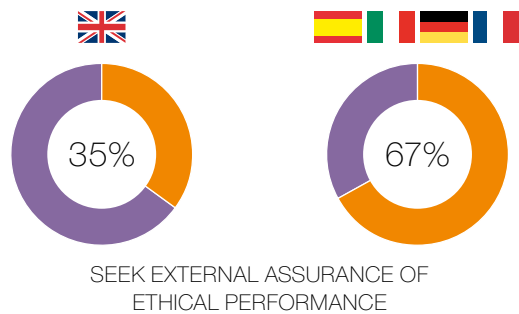
Table 1 Q8b. How do you monitor the effectiveness of your code or ethics programme?

	FTSE 350  n34	Continental Europe  n11
By use of internal audit	85%	91%
Questions in staff surveys on ethical standards	59%	55%
Board receives reports on ethical violations/misconduct	79%	82%
Use of Speak Up/hotline data	88%	73%
Engagement with external stakeholders	38%	55%
Recording the % of employees receiving ethics training	62%	64%
Other	21%	9%

Interestingly, Continental European respondents are nearly twice as likely to seek external assurance of their ethical performance than the UK ones – 67% compared to 35% (see Graph 33).

When asked which external benchmarks or standards their company uses, most common are the DJSI (79%) followed by the GRI (71%) and FTSE4Good (43%). For the FTSE 350 respondents most common was FTSE4Good (43%) with only around 1/3 using the DJSI (35%) or GRI (33%).





Graph 33 Q8c. Does your company seek external assurance of its ethical performance or the effectiveness of its ethics programme?



Bribery and corruption (71%) and safety and security (50%) are the two ethical issues that both Continental European and FTSE 350 companies view as most significant to their organisation (see Table 2).

Bribery and corruption was also a key issue in 2010 ²¹ but safety and security has jumped up the rankings to overtake discrimination, harassment or bullying and security of information in 2013.

Table 2 Q9a. Which THREE of the ethical issues below are the most significant to your organisation?

	FTSE 350  n41 	Continental Europe  n14 
Bribery, corruption and facilitation payments	81%	71%
Discrimination, harassment or bullying	17%	14%
Safety and security	56%	50%
Human rights	22%	36%
Supply chain/sourcing	20%	29%
Tax avoidance	0%	0%
Environmental impact	27%	36%
Security of information	24%	29%
Managing conflicts of interest	15%	14%
Speaking up/whistleblowing	20%	0%
Responsible marketing/advertising	10%	14%
Work/home balance	0%	0%
Remuneration policies	2%	0%
Other	5%	7%

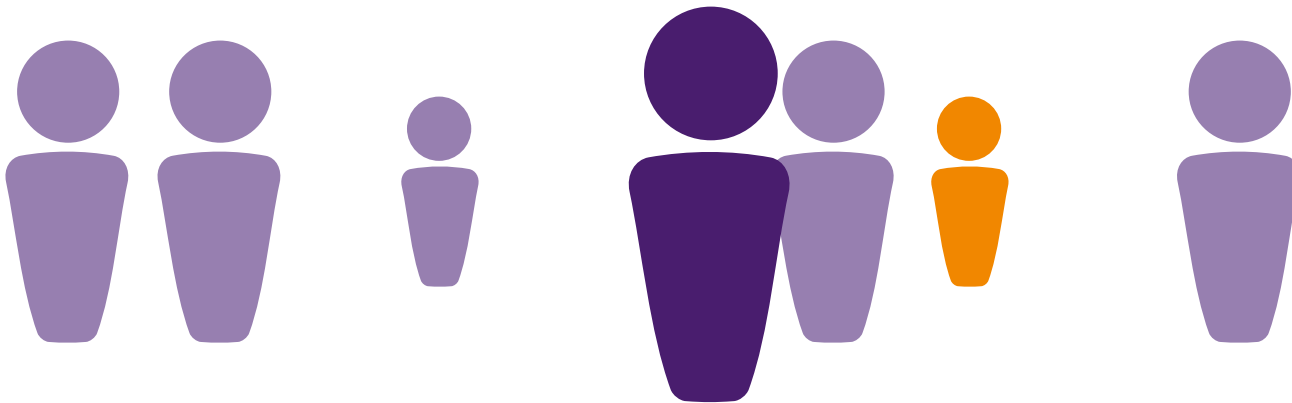
CLOSING THOUGHTS

The deepening commitment to doing business on the basis of core values is evidenced in this survey by the continued investment in and development of business ethics programmes by UK and European listed companies.

Doing business ethically is increasingly seen as a vital element of good corporate governance.

We hope that this report contributes to the development of effective ethics programmes by revealing the tools and mechanism used to embed values into the way that business is done.

The IBE encourages organisations to share their good practice.





Endnotes

Endnotes

¹ In 2010 respondents were asked 'What is the main purpose of your code of business ethics (or equivalent)?' and were allowed to tick all options that applied. In 2013 respondents were asked to tick the top three answers to identify the most important purposes.

² *Attitudes of the British Public to Business Ethics Survey 2013*. For full survey see <http://ibe.org.uk/userfiles/surveys/attitudes10yr2013.pdf>

³ For Executive Summary see <http://www.aon.com/attachments/risk-services/2013-GRMS-Executive-Summary.pdf> Accessed 24/10/2013

⁴ See Global Association of Risk Professionals' 'Directors putting reputation before profit' Available <http://www.garp.org/risk-news-and-resources/risk-headlines/story.aspx?newsId=65009> Accessed 10/09/2013

⁵ See <http://www.grant-thornton.co.uk/en/Thinking/FD-Intelligence/Issues/Values-and-ethics-rise-up-the-Board-agenda/#sthash.s34QYw9m.dpuf> Accessed 24/10/2013

⁶ See http://www.brunswickgroup.com/Libraries/Reports/Brunswick_Future_of_Stakeholder_Engagement_Report_Feb_2013.sflb.ashx Accessed 25/10/2013

⁷ See <http://reports.informationweek.com/abstract/83/8596/it-business-strategy/rebooting-the-antisocial-network.html> Accessed 25/10/2013

⁸ 2013 research by global professional services organisation Towers Watson showed that social media is being used in internal communications by around 50% of businesses globally with a key aim identified as being to 'build community within their organisations'. See <http://www.towerswatson.com/en/Press/2013/05/just-over-half-of-employers-using-social-media-tools-for-internal-communication> Accessed 24/10/2013

⁹ Nick Lee, Professor of Marketing and Organizational Research at Aston University (featured in *The Times* as one of the 15 scientists whose work will shape the future) commented in a July 2013 *Personnel Today* webinar titled 'Compliance Failure – How to stop staff forgetting' that: "Learning cannot occur without repetition". For more information see <http://www.personneltoday.com/articles/18/06/2013/59488/compliance-failure-how-to-stop-staff-forgetting-webinar.htm#.UjBkUtKmjTo> Accessed 16/09/2013

¹⁰ See <http://www.hrreview.co.uk/analysis/analysis-training-development/why-traditional-training-methods-no-longer-work/35707> Accessed 16/09/2013

¹¹ See IBE 'Good Practice Guide: Developing and Using Business Ethics Scenarios' available <http://ibe.org.uk/index.asp?upid=121&msid=8#GPG6>

¹² See <http://www.hrmagazine.co.uk/hro/feature/1076402/how-overcome-learning-technology-barriers#sthash.1GffKS9e.dpuf> Accessed 25/10/2013

'Click' on the relevant Endnote square to return to the page you were referred from.

¹³ In the past a slightly different question has been asked: *'Is there a mechanism for employees to raise ethical concerns or ask questions about your code?'*

¹⁴ Waldron, N. (2012), *The Effectiveness of Hotlines in Detecting and Detering Malpractice in Organisations*. Available http://ibe.org.uk/userimages/effectiveness_of_hotlines.pdf Accessed 24/10/2013

¹⁵ See IBE Good Practice Guide *'Speak Up Procedures'* available <http://ibe.org.uk/index.asp?upid=121&msid=8#GPG1>

¹⁶ See p29 <http://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf> Accessed 25/10/2013

¹⁷ See <https://www.gov.uk/whistleblowing/dismissals-and-whistleblowing> Accessed 24/10/2013. From 25 June 2013 new law states that a whistleblower should also believe that their disclosure is in the public interest.

¹⁸ See The Conference Board paper May 2012 *'Linking Executive Compensation to Sustainability Performance'* Available http://comunicarseweb.com.ar/download.php?tipo=acrobat&view=1&dato=1339073125_Linking_Executive_Compensation_to_Sustainability_Performance.pdf Accessed 17/09/2013

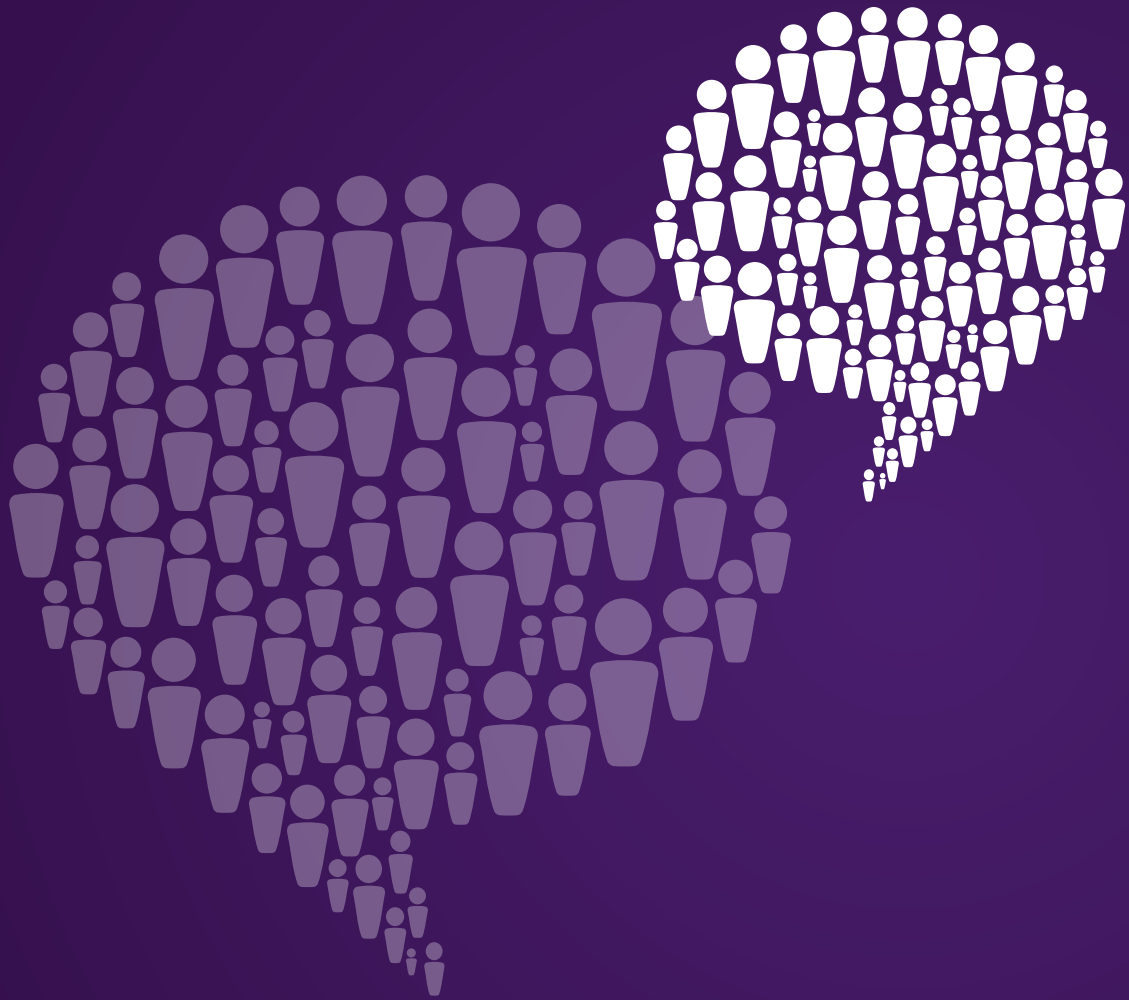
¹⁹ See *'Shell Annual Report 2012'* Available <http://reports.shell.com/sustainability-report/2012/ourperformance/social.html> Accessed 10/09/2013

'Click' on the relevant Endnote square to return to the page you were referred from.

²⁰ In 2010 respondents were asked *'Which of the ethical issues below are significant to your organisation?'* and were allowed to tick all options that applied. In 2013 respondents were asked to tick the top three answers that apply to try and identify which were the most important issues and prevent respondents simply ticking all options.

²¹ Joint with discrimination, harassment or bullying.





Appendix

Appendix

2013 SURVEY QUESTIONNAIRE ON CORPORATE ETHICS PROGRAMMES

The questions used in the 2013 survey are replicated here along with any accompanying text.

1. COMPANY INFORMATION

Q1a. In which index is your company listed?

- FTSE 100,
- FTSE 250,
- IBEX 35,
- FTSE MIB,
- CAC 40,
- DAX,
- Other (please specify)

1b. If your company's headquarters are in a different country to where the company is listed please state where below.



2. YOUR COMPANY'S ETHICS PROGRAMME

Q2a. Does your company have processes, policies and tools for ensuring that it operates in accordance with its values/business principles (i.e. an ethics programme)?

- Yes,
- No

Q2b. What are the main elements of your company's ethics programme?

Please tick all that apply

- A code of ethics (or equivalent document),
- A Speak Up line,
- Internal reporting on ethics performance,
- External reporting on ethics performance,
- Employee training,
- Other (please specify)

Q2c. What is the main purpose of your company's ethics programme? Please tick up to THREE.

- As a public statement of your ethical commitments,
- Gives guidance to contractors and other business partners,
- Helps to guard reputation,
- Reduces operational risk,
- Helps to secure long term shareholder value,
- Creates a shared and consistent company culture,
- Decreases liability in the case of misconduct,
- To improve the company's competitive position,
- Provides guidance to staff,
- Other (please specify)

2d. In the last three years, has investment in your company's ethics programme...?

- Increased,
- Decreased,
- Stayed the same,
- Not sure

3. GOVERNANCE OF YOUR COMPANY'S ETHICS PROGRAMME

Q3a. Which department or function is mainly responsible for implementing your company's ethics programme (or code of ethics)?

Q3b. Does someone on the board of your company take ultimate responsibility for the ethics programme?

- Yes,
- No,
- Not sure

Q3c. Is ethics a regular agenda item in board meetings?

- Yes,
- No,
- Not sure

Q3d. Please tell us anything else of interest about the governance of your company's ethics programme.

4. YOUR COMPANY'S CODE OF ETHICS

Q4a. Does your company have a code of ethics (or equivalent document).

- Yes,
- No,

Q4b. How long has your company had a code of ethics?

- 0 to 1 years,
- 2 to 4 years,
- 5 to 9 years,
- 10 years or more

Q4c. How regularly does your company revise its code of ethics?

- Every year,
- Every 2 years,
- Every 5 years,
- As necessary,
- Other (please specify)

Q4d. Which of the following is taken into account when your company's code of ethics (or equivalent) is reviewed?

(Please tick all that apply)

- Discussion at board level,
- Staff survey/feedback,
- Stakeholder consultation/feedback,
- External standards/benchmarking,
- Changing business environment/issues,
- Other (please specify)

Q4e. Which of the following was taken into account when your company's code of ethics (or equivalent) was first set out?

(Please tick all that apply)

- Discussion at board level,
- Staff survey/feedback,
- Stakeholder consultation/feedback,
- External standards/benchmarking,
- Changing business environment/issues,
- Other (please specify)

Q4f. How does your company internally communicate the existence of its code of ethics (or equivalent)?

(Please tick all that apply)

- Posted on company intranet,
- Included as part of staff manual/handbook,
- Produced as a standalone guide/booklet,
- Through internal social media,
- Discussion in internal newsletters,
- Other (please specify)

Q4g. How does your company externally communicate the existence of its code of ethics (or equivalent)?

(Please tick all that apply)

- Distributed to external stakeholders,
- Posted on company web site,
- Mentioned in annual report,
- Mentioned in corporate responsibility (or similar) report,
- Discussion in newsletters,
- Through external social media,
- Other (please specify)

5. ETHICS TRAINING

Q5a. How often does your company deliver ethics training to...?

- The Board,
 - The Executive team,
 - Managers, supervisors etc,
 - Other staff,
 - Business partners
-
- Never,
 - Once (e.g. at induction),
 - Annually,
 - Biennial (every 2 years),
 - As needed,
 - After major revision of code,
 - Other (please specify)

Q5b. What forms of training are used predominantly?

- Face to face,
- Elearning,
- Both,
- Other (please specify)

Q5c. What training tools are used?

(Please tick all that apply)

- Games,
- Dilemmas/Scenarios,
- Multimedia e.g. videos,
- Apps,
- Other (please specify)



6. SPEAK UP

Q6a. Is there a formal mechanism for employees to raise ethical concerns/ask questions about your code confidentially?

- Yes,
- No,
- Don't know

Q6b. Does this include a helpline/hotline/advice line?

- No,
- Yes – Internally managed,
- Yes – Externally managed,
- Don't know



7. EMBEDDING YOUR COMPANY'S CODE OF ETHICS

Q7a. Are employees required to sign a confirmation that they have adhered to the code of ethics (or equivalent) over the previous year?

- The Executive team,
- Senior managers,
- Managers/supervisors,
- Other employees

- Yes,
- No

Q7b. Does ethics play a part within your company's recruitment process?

- Yes,
- No,
- Not sure

Q7c. Is conformity to your code of ethics (or equivalent) included in contracts of employment by your company?

- Yes,
- No,
- Not sure

Q7d. Do performance appraisals in your company include ethics?

- The Executive team,
- Senior managers,
- Managers/supervisors,
- Other employees

- Yes,
- No,
- Not sure

Q7e. Has a breach of your code of ethics (or equivalent) led to a disciplinary procedure in the last 3 years?

- Yes,
- No,
- Not sure

Q7f. Do you screen suppliers and other business partners for ethical standards?

- Yes,
- No,
- Not sure

Q7g. What else do you do to promote high standards of ethical practice in your organisation?

8. MONITORING

Q8a. Do you monitor the effectiveness of your code or ethics programme?

- Yes,
- No,
- Not sure

8b. How do you monitor the effectiveness of your code or ethics programme?

(Please tick all that apply)

- By use of internal audit,
- Questions in staff surveys on ethical standards,
- Board receives reports on ethical violations/misconduct,
- Use of speak up/hotline data,
- Engagement with external stakeholders,
- Recording the % of employees receiving ethics training,
- Other (please specify)

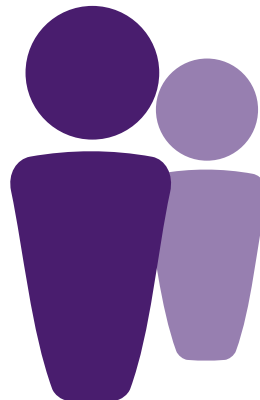
Q8c. Does your company seek external assurance of its ethical performance or the effectiveness of its ethics programme?

- Yes,
- No,
- Not sure

Q8d. Which external benchmarks or standards does your company use?

(Please tick all that apply)

- None,
- Iil (Investing in Integrity),
- Good Corporation,
- GRI (Global Reporting Index),
- BITC (Business in the Community),
- FTSE4Good,
- AA1000 (AccountAbility standard),
- BS 10500 (Antibribery standard),
- DJSI (Dow Jones Sustainability Index),
- Other (please specify)



9. ISSUES

Q9a. Which THREE of the ethical issues below are the most significant to your organisation?

- Bribery, corruption and facilitation payments,
- Discrimination, harassment or bullying,
- Safety and security,
- Human rights,
- Supply chain/sourcing,
- Tax avoidance,
- Environmental impact,
- Security of information,
- Managing conflicts of interest,
- Speaking up/whistle-blowing,
- Responsible marketing/advertising,
- Work/home balance,
- Remuneration policies,
- Other (please specify)

Q9b. Finally, do you have any other comment regarding your company's ethics programme that has not been covered?

IBE PUBLICATIONS AND TOOLS

GOOD PRACTICE GUIDES

The IBE Good Practice Guides series offer practical assistance and guidance for making ethics policies and programmes effective and includes:

Developing and Using Business Ethics Scenarios

This guide provides practical advice on developing and choosing different types of scenarios, how and when to use them and facilitating scenario-based training.

Speak Up Procedures

Drawing on the experiences of international and UK companies, this provides guidance on what to consider when establishing a Speak Up policy and the procedures to implement it and suggests how to operate the policy effectively.

Ethics Ambassadors

This explains the role of Ethics Ambassadors in contributing to the success of an ethics programme and helping to promote a consistent ethical business culture.

IBE REPORTS

This series offers reports on various business ethics topics and includes:

Developing a Code of Business Ethics: a guide to best practice including the IBE Illustrative Code of Business Ethics

This publication provides a practical and comprehensive guide to developing and implementing a code of business ethics and encompasses the updated IBE Illustrative Code of Business Ethics and includes examples of different approaches to corporate codes.

Living Up To Our Values: Developing ethical assurance

How can boards be confident that their organisation is living up to its ethical values and commitments?

Living Up To Our Values will help directors understand the need for and benefits of ethical assurance.

Making Business Ethics Work: the foundations of effective embedding

This examines why is there an apparent failure by many businesses to incorporate ethical values into the day-to-day decisions of employees and what can be done to ensure ethics policies and codes lead to higher standards of business behaviour.

IBE SAY NO TOOLKIT

A decision making toolkit consisting of an app, a website and other materials to help organisations encourage employees to make the right decision.

For more information see <http://www.saynotoolkit.net>

OTHER PUBLICATIONS

A full list of all IBE publications is available at <http://www.ibe.org.uk>



ABOUT THE INSTITUTE OF BUSINESS ETHICS

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

Our vision: To lead the dissemination of knowledge and good practice in business ethics.

What we do: 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 to encourage high standards of business behaviour based on ethical values. 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 build relationships of trust with their principal stakeholders.

Institute of Business Ethics

24 Greencoat Place, London SW1P 1BE

Telephone: +44 (0) 20 7798 6040

Fax: +44 (0) 20 7798 6044

Website: www.ibe.org.uk

E-mail: info@ibe.org.uk

Registered Charity No. 1084014





How do companies use and implement their code of ethics and their ethics programme?

This report reveals the findings of the seventh IBE triennial survey sent to FTSE 350 companies and listed companies in France, Germany, Italy and Spain on their codes and ethics programmes.

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