

Ethics in the Charity Sector

Charities have been rocked by major scandals in 2018. This briefing focuses on the impact of these scandals on the sector and the ethical issues that charities must now address.

Although it concentrates on UK-based charities as a whole, the issues raised are applicable to charities everywhere. This briefing will be of use to charity trustees and those with an interest in or responsibility for governance and ethical management.

On 9 February 2018, The Times newspaper accused male Oxfam staff of using sex workers in Haiti in 2011 following the devastating earthquake of 2010.¹ The Charity Commission (the organisation that registers and regulates charities in England and Wales) opened a statutory inquiry into Oxfam and allegations about other charities began to surface in the media.

Twenty-two charities working in international development, including Oxfam, published a letter on 23 February 2018 stating that: *'We are truly sorry that at times our sector has failed. We must and will do better.'* The letter announced a *'series of urgent and immediate measures'* to ensure that their organisations meet *'that most fundamental criteria for all charities – to serve people and not to exploit them'*.² Non-Governmental Organisations (NGOs), the Department for International Development (DFID), the Charity Commission and safeguarding experts have since pledged to improve safeguarding standards across the international development sector.

Charities such as Oxfam do vital work to save or improve the lives of people around the world. It is important to remember that the incidents exposed by the media relate to the actions of a minority of charity employees. However, it is imperative that ethical misconduct within charities must be disclosed and addressed, and that charities must be trusted to act in accordance with their stated values. The Oxfam scandal demonstrates that even organisations such as charities, which are founded on values and exist to benefit society, cannot take ethics for granted.

Box 1 The impact of the Oxfam scandal

Donations to Oxfam dropped following media coverage of the Haiti allegations and some donors have paused funding while awaiting "reassurances" on safeguarding. The charity has also agreed not to bid for money from DFID, which previously gave Oxfam around £30 million per year. In May 2018, Oxfam announced that it will have to "live within its means" and make around 100 UK staff redundant as a result of the financial consequences of the Haiti scandal.³ Oxfam GB's deputy chief executive, who was programme director at the time of the alleged incidents, resigned in February 2018. The chief executive of Oxfam GB, who was not employed by the charity in 2011, announced in May that he would stand down at the

¹ BBC News (21 February 2018) [Oxfam Haiti allegations: how the scandal unfolded](#)

² Bond (23 February 2018) [Charities commit to taking better action on safeguarding](#)

³ The Independent (18 May 2018) [Oxfam to lay off 100 people as funding falls following aid worker sex scandal](#)

end of the year. In June 2018, Haiti's government banned Oxfam GB from operating in the country.⁴ Shortly afterwards, on 15 June, The Guardian newspaper revealed that Oxfam 'needs to urgently find £16m of savings and radically reduce the number of its poverty-relieving programmes as the charity copes with the ongoing fallout from Haiti sex scandal.'⁵

The charity sector⁶

Charities are an important part of the UK economy and have a significant role in society. According to the Charity Commission, there were 167,063 registered charities in England and Wales in March 2017 with a combined income of £74.7 billion and a charity spend of over £71 billion.⁷ Charities must have solely 'charitable purposes' and 'be for the public benefit', as defined by the Charities Act 2011.⁸ Charities, therefore, exist for the public good. UK voluntary organisations employ over 880,000 people according to the National Council for Voluntary Organisations (NCVO).⁹ UK donations to charity rose to £10.3 billion in 2017, according to the Charities Aid Foundation (CAF).¹⁰

The *Charity Today 2017* report by the Association of Chief Executives of Voluntary Organisations (ACEVO), CharityComms, the Institute of Fundraising and CAF describes the range and scope of the charity sector. Charities encompass 'everything from local groups led by volunteers to complex and sophisticated international development or research organisations'. The report states that: 'Charities provide many essential services, from education to health and social care to community centres and sports clubs. They care for our heritage, bring people together in their communities and work across the globe.'¹¹

Box 2 Ethics and trust

Trust is a crucial issue for charities in the current climate. Baroness Stowell of Beeston became the new Chair of the Charity Commission in February 2018. Speaking at the NCVO conference in April, she claimed that "extensive, independent research" due to be published later this year shows that "people now trust charities no more than they trust the average stranger they meet on the street".

Stowell went on to state that: "Just as some big business have failed the reasonable expectations of the public, so have some charities", adding that "the expectations of you are even higher because you are charities"

The IBE often talks about businesses needing a social licence to operate. In linking charity scandals to those of business, Stowell raises the same issue for charities: "But all a charity has is its purpose. So when a charity's purpose is undermined, whether through misconduct or other failures, your very reason for existence comes into question."

The Charity Commission is set to publish a new strategic plan in summer 2018 with the aim of rebuilding trust in charities.¹²

⁴ BBC (13 June 2018) *Oxfam GB banned from Haiti after sex scandal*

⁵ The Guardian (15 June 2018) [Oxfam to axe jobs and aid programmes in £16m cuts after scandal](#)

⁶ The Institute of Business Ethics is a registered charity, so the suggestions and recommendations in this Briefing apply to the IBE as much as any other charity.

⁷ Charity Commission (2017) [Annual Report and Accounts 2016-18](#)

⁸ Charity Commission (2013) *What Makes a Charity?*

⁹ NCVO (2018) [UK Civil Society Almanac 2018](#)

¹⁰ CAF (2018) [CAF UK Giving 2018: an overview of charitable giving in the UK](#)

¹¹ ACEVO, [CharityComms, Institute of Fundraising and CAF \(2017\) Charity Today 2017](#)

¹² The full text of Baroness Stowell's speech on 16 April 2018 at the NCVO's annual conference can be found at: <https://www.gov.uk/government/speeches/new-chair-of-charity-commission-gives-first-major-speech>

Key issues for charities

The following are some key areas for charities to address in the wake of the 2018 charity scandals. Charities need to understand how these and other ethical issues affect their organisation or might do so in the future. In addition, charities need to provide guidance to trustees, employees, volunteers and other stakeholders on how to behave and make decisions. This is best done through a code of ethics (or conduct), as explained later in this briefing. A code needs to be supported by policies and procedures, and needs to be implemented and embedded so that ethical issues are addressed effectively.

Safeguarding: Since news of the Oxfam scandal broke, serious safeguarding allegations have been raised about charities in the UK as well as internationally. Accusations have been made about safeguarding issues in Oxfam charity shops and the chief executive of the RNIB (the Royal National Institute of Blind People) resigned in April over allegations of abuse at a residential centre for children and young people run by a subsidiary charity.¹³ Charities must ensure the safety of their staff, beneficiaries and other stakeholders.

Bullying and harassment: Charities are not immune to the human resources issues of the private sector. Bullying and harassment are common workplace issues that need to be addressed effectively in all organisations. Following allegations of sexual harassment against its former chief executive and a former policy director, The Save the Children Fund is now also under formal Charity Commission inquiry. The Commission highlighted *'concerns about the charity's handling, reporting and response to serious allegations of misconduct and harassment against senior staff members in 2012 and 2015'*.¹⁴

Transparency: There have been calls for increased transparency in UK charities since the high-profile collapse of Kids Company in 2015.¹⁵ Transparency is a key factor in some of the 2018 charity scandals. For example, the Charity Commission raised *'concerns that Oxfam may not have fully and frankly disclosed material details about the allegations at the time in 2011'* and questioned *'its handling of the incident since'*.¹⁶ In addition, Baroness Stowell made a reference to the Save the Children allegations in her NCVO speech: *"That's why people feel betrayed when charities seem to respond to misconduct among senior staff by protecting the charity's reputation, rather than by rooting out and stopping the bad practice."*

Referencing systems: The 2018 charity scandals have raised questions in regard to the re-employment of individuals accused of misconduct. Oxfam's former director of operations in Haiti, who is one of the accused, was allowed to resign and went on to work for another aid agency. The former chief executive of Save the Children was given a reference by the charity when he went on to work for Unicef, who were not informed of any complaints against him.¹⁷ He has since resigned from Unicef. Referencing is highlighted in the letter of apology from the 22 charities: *"We will collectively review our current referencing systems so that people found to have abused their power or behaved inappropriately are not"*

¹³ The Guardian (5 April 2018) [RNIB and subsidiary under investigation over abuse allegation](#)

¹⁴ Charity Commission (8 April 2018) [Charity Commission opens statutory inquiry into The Save the Children Fund](#)

¹⁵ The collapse of Kids Company raised other serious issues for the charity sector at the time, for example in regard to governance, financial management and the role of trustees. See House of Commons Public Administration and Constitutional Affairs Committee (2016) *The Collapse of Kids Company: lessons for charity trustees, professional firms, the Charity Commission, and Whitehall.*

¹⁶ Charity Commission (15 February 2018) [Charity regulator sets out scope of statutory inquiry into Oxfam](#)

¹⁷ The Telegraph (21 February 2018) [Save the Children supported Justin Forsyth in getting a job at Unicef and paid him £20,000 bonus despite 'inappropriate behaviour'](#)

*re-employed in the sector.*¹⁸ This is a critical issue for charities and one that the charity sector as a whole will need to address.

Speaking up: the recent charity scandals have also raised the issue of whistleblowing or speaking up about misconduct. Since the allegations against Oxfam, former and current charity employees have spoken up about other instances of alleged misconduct. Some claimed to have spoken up in the past, but their allegations were not listened to or not taken seriously enough.¹⁹ It is vital that employees and stakeholders of charities feel empowered to speak up and that charities investigate allegations. The IBE regards an effective Speak Up mechanism as an essential part of an organisational crisis programme. Speaking up is as crucial an issue for the private sector as it is for the charity sector. The IBE has published a Good Practice Guide on this subject.²⁰

Executive remuneration: this is a topic that has consistently been among the most frequently mentioned ethical concerns in the IBE's annual survey of public perceptions of business behaviour.²¹ The ethical issue at the heart of pay is fairness, to all parties concerned. For years, the spotlight has been on business to tackle this issue, in order to restore public trust in their leaders. However, this is a topic that is on the horizon for the charity sector as well, highlighting the risk of alienating public trust if executive pay in the charity sector is perceived as too high. Writing for The Guardian, Toby Porter, Chief executive of Acorns Children's Hospice Trust, suggests that "*Charity bosses have not learned from criticism around remuneration and risk distancing themselves further from their supporters.*"²²

Box 3 Responding to past misconduct – the Fundraising Regulator

In 2016, the charity sector was under intense scrutiny over fundraising practices. Charities were accused of using aggressive and unethical fundraising tactics and there were complaints over the behaviour of paid street fundraisers who became known as '*chuggers*' – charity muggers. In May 2015, 92-year old long-standing charity supporter and Remembrance Day poppy seller Olive Cook killed herself after being left "*exhausted*" by charity requests.²³

NCVO Chief Executive Sir Stuart Etherington was appointed to carry out a review of fundraising self-regulation. Published in September 2015, the review called for a new fundraising regulator to be set up. In January 2016, the Fundraising Regulator was established. It is responsible for maintaining and updating the charity sector's *Code of Fundraising Practice* (see above) and introduced the Fundraising Preference Service to allow members of the public to opt out of fundraising communications.

These changes have had a positive impact on the charity sector in the UK. According to Etherington, "*there is a good story to tell here – new systems are working well and the new*

¹⁸ Bond (23 February 2018) Op cit.

¹⁹ For example, see The Telegraph article above.

²⁰ IBE (2017) *Encouraging a Speak Up Culture*

²¹ IBE (2017) [Attitudes of the British Public to Business Ethics](#)

²² The Guardian (20 January 2017) [When it comes to salaries, charity CEOs still want to have their cake and eat it](#)

²³ BBC News (15 May 2015) [Poppy collector Olive Cooke 'exhausted by charity requests'](#)

*fundraising regulator is both responsive and sensible. Fundraisers, on who so many of us depend, should also be commended for adapting quickly to these changes.*²⁴
 Fundraising raises a range of ethical issues for charities. The 2018 President’s Club scandal, for example, demonstrates that charities need to be vigilant about the source of donations and how they are collected.²⁵

What are the ethical requirements on charities?

July 2017 saw the launch of the updated *Charity Governance Code*, which aims to help charities in England and Wales and their trustees to develop higher governance standards. The code is not a legal or regulatory requirement but instead ‘sets the principles and recommended practice for good governance’. It is deliberately aspirational in order to be ‘a tool for continuous improvement towards the highest standards’. Charities are asked to ‘apply or explain’ their adherence to the code. For the first time, this edition of the code includes the recommendation for both large and small charities that ‘trustees adopt and adhere to a suitable code of conduct that sets out expected standards of probity and behaviour’.²⁶

The Fundraising Regulator has a *Code of Fundraising Practice and Rulebooks for Street, Door and Private Site Fundraising*. The Fundraising Regulator encourages all registered charities that raise monies in this way, to register with it voluntarily as a sign of their commitment to good practice. Its code identifies legal requirements for charities as well as ethical standards. Its key principles are that fundraising organisations will be legal, open, honest and respectful. The code was last updated in May 2018 in response to the requirements of GDPR (General Data Protection Regulation).²⁷ The Institute of Fundraising, the professional membership body for UK fundraising, requires members to adhere to the code.

Existing guidance

The Charity Commission and organisations such as NCVO and ACEVO have produced guidance, research and publications on ethics for the sector. NCVO, for example, provides advice for members on the range and content of policies and procedures that charities should or would benefit from having in place. The *Charity Today 2017* report (see above) highlights key issues facing charities now and in the future. Other relevant publications include *Cultural Markers*, a 2017 report from ICSA: The Governance Institute. The report identifies markers that could help charities to avoid governance problems resulting from a flawed organisational culture.²⁸

In 2008 Charity Trustee Networks (CTN - now part of the Small Charities Coalition) published guidance on developing and using trustee codes of conduct.²⁹ Other examples of guidance include Small Charity Support’s template *Code of Behaviour* for small charities³⁰ and a *Code of Practice for Organisations Involving Volunteers* from Volunteering Wales.³¹

²⁴ The full text of Sir Stuart Etherington’s State of the Sector Address to the NCVO Conference on 16 April 2018 can be found at: <https://www.ncvo.org.uk/about-us/media-centre/press-releases/2236-sir-stuart-etherington-s-2018-state-of-the-sector-address-to-ncvo-annual-conference-delegates>

²⁵ Financial Times (23 January 2018) [Men only: inside the charity fundraiser where hostesses are put on show](#)

²⁶ Details of the *Charity Governance Code* are available at: <https://www.charitygovernancecode.org>

²⁷ More information on the Fundraising Regulator is available at: <https://www.fundraisingregulator.org.uk>

²⁸ ICSA (2017) [Cultural Markers: Assessing, measuring and improving culture in the charitable sector](#)

²⁹ CTN (2008) [Codes of Conduct for Trustees: developing and using trustee codes of conduct](#)

³⁰ Small Charity Support (2016) [Code of Behaviour \(example policy\)](#)

³¹ Volunteering Wales (2016) [Code of Practice for organisations involving volunteers](#)

In April 2018, Sir Stuart Etherington announced that NCVO is developing a sector-wide code of ethics in response to the recent issues of safeguarding. Dame Mary Marsh, former Chief Executive of NSPCC, is leading the initiative. Etherington highlighted “the excellent work of organisations such as UK Youth, the NSPCC and the Scouts” on safeguarding.³²

Articulating values

Ethical values are the foundation of ethics within organisations. Charities are built on ethical values, but they need to identify and articulate these values so that internal stakeholders such as employees, volunteers and trustees can live up to them.³³ The Charity Governance Code suggests that charities may want to adhere to the ‘Nolan Principles’.³⁴ Set out by Lord Nolan in 1995, these seven principles – selflessness, integrity, objectivity, accountability, openness, honesty and leadership – apply to anyone who works as a public office-holder.³⁵

Why have a code of ethics?

Having a code of ethics (or conduct) helps organisations to translate their core values into action. It provides invaluable guidance to stakeholders such as trustees, employees and volunteers on making choices and responding to the demands of diverse and perhaps complex situations. Such codes help to ensure coherent and consistent behaviour, and they promote high standards of organisational integrity. They also build trust and reassure stakeholders, including key groups such as funders, donors, partners and sponsors, as well as internal stakeholders such as staff and volunteers.

The IBE recommends that organisations include an ethical decision-making framework in their code of ethics. Codes cannot cover every situation in which a trustee, employee or volunteer may find themselves. Individuals need guidance on how to make decisions when faced with circumstances that are not explicitly covered in their organisation’s code. Ethical decision-making frameworks normally take the form of a set of questions to be answered before proceeding with a course of action. These questions are often displayed graphically in a circular or flow-chart model. Common questions include asking what a family member might think about your choice of action or how you would feel if your decision appeared on the front page of a newspaper. These questions encourage individuals to think about the wider implications of their decisions, especially when faced with a difficult situation or an ethical dilemma.

Embedding codes

Many charities, including those who stand accused of major ethical lapses, have a code of ethics (or equivalent). Having a code is an integral part of an organisation’s ethical programme, but alone it is not enough to assure ethical behaviour. Codes need to be implemented and embedded within an organisation. The IBE has identified four key building blocks required for a comprehensive ethical programme: having written standards of ethical conduct (such as a code) that provide guidelines for behaviour; a Speak Up Line to report ethical misconduct; an Advice Line to provide information and guidance and, also, providing training on ethical conduct.

New *Ethics at Work* research undertaken by the IBE and ComRes in 2018 demonstrates the value of ethical programmes. The following data is taken from the *Ethics at Work* European

³² See Sir Stuart Etherington’s Address to the NCVO Conference above.

³³ For more information on identifying and articulating values, see IBE (2016) *Codes of Business Ethics: a guide to developing and implementing an effective code*

³⁴ See Section 3.4.3 of the *Charity Governance Code*

³⁵ Committee on Standards in Public Life (1995) *The Seven Principles of Public Life*

report, due to be published in July 2018. It covers public, private and third sector employees.³⁶

Table 1 Employees' perception in organisations with and without ethics programmes

	Organisations with a comprehensive ethics programme	Organisations with no ethics programme
My organisation acts responsibly in all its business dealings.	86%	57%
My organisation lives up to its stated policy of social responsibility.	85%	44%
My line manager supports me in following my organisation's standards of ethical behaviour	84%	34%

Percentage of employees who strongly agree or tend to agree. Base: 6,119 employees across eight European countries (France, Germany, Ireland, Italy, Portugal, Spain, Switzerland and the UK).

Box 4 Learning from business

Having a code of ethics (or equivalent) is a fundamental part of good governance practice for any organisation. The IBE provides extensive guidance for businesses on developing and implementing an effective code of ethics.³⁷ The IBE publication *Codes of Business Ethics: examples of good practice* provides an illustrative code covering all aspects of organisational ethics from advertising practices to whistleblowing.³⁸ While certain ethical issues facing charities are very different from those of business, there is also much common ground. This is particularly the case now that charities are increasingly setting up trading subsidiaries to increase income and relying less on traditional sources of funding. In addition, the steps needed to implement and embed a code of ethics are similar for any organisation, and charities will find that good business practice in this area is transferable to the charity sector.

The importance of leadership

One aspect of running any type of organization is decision making. The IBE encourages all organisations to develop a decision-making framework, based on values, to promote a consistency to operations, and confidence to those following the framework that they are doing and behaving in a way asked of them.

Leadership is vitally important in developing and promoting an ethical culture within any organisation. The IBE's *Setting the Tone* publication looks at ethical leadership in the context of business, but is equally applicable to the charity sector. '*The quality and style of leadership in a company will influence the tone of the entire business. [...] If a leader's style is one of openness and transparency in dealing with colleagues and staff, this attitude will be reflected in the company's communications with its external stakeholders.*'³⁹ Leaders at every level of a charity need to reflect the organisation's purpose and values. This will encourage ethical behaviour throughout the organisation and increase trust on the part of its stakeholders and society.

³⁶ IBE (2018) *Ethics at Work: 2018 survey of employees Europe*

³⁷ For example, see IBE (2016) *Codes of Business Ethics: a guide to developing and implementing an effective code*

³⁸ IBE (2016) *Codes of Business Ethics: examples of good practice*

³⁹ IBE (2005) *Setting the Tone: ethical business leadership*

Next steps

The IBE believes that all charities – large or small, domestic or international – should ensure that, as a starting point, they have their own code of ethics, which they then support with policies, processes and an ethics programme. A charity's code should not just provide guidance for trustees (as recommended by the *Charity Governance Code*), but also for employees, volunteers and other stakeholders. A code sets out an organisation's commitment to its key stakeholders in terms of conduct. Even very small charities would benefit from having a code, which does not need to be a long or complex document.⁴⁰

The IBE supports the work of NCVO in developing a code for the sector but recommends each charity develops their own. A code of ethics should reflect the unique needs and aims of their organisation, their individual circumstances, history, values, culture and scope.

Recent events demonstrate that existing for the public good does not absolve charities from tackling the significant and complex ethical issues facing today's organisations. The stronger the code of ethics and supporting ethics programme in place in a charity, the less risk there will be of misconduct.

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⁴⁰ For example, the IBE's *Code of Ethics* can be found at: <https://www.ibe.org.uk/our-code-of-ethics/86/54>