Use of Codes of Ethics in Business

2007 survey & analysis of trends

By Simon Webley
With Nicole Dando, Niall Gallagher & Lutz Preuss
The Institute of Business Ethics (IBE)

Business Ethics

The IBE was established in 1986 by business people 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 and 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.

We achieve this by
• Offering practical and confidential advice on ethical issues, policy, implementation, support systems and codes of ethics
• Delivering training in business ethics for board members, and employees
• Undertaking research and surveys into good practice and ethical business conduct
• Publishing practical reports to help identify solutions to business dilemmas
• Providing a neutral forum for debating current issues and meetings to facilitate the sharing of good practice
• Supporting business education in the delivery of business ethics in the curriculum
• Offering the media and others informed opinion on current issues and good practice.

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A list of publications that have resulted from IBE research, surveys, conferences and seminars is given at the back of this publication. The IBE’s website (www.ibe.org.uk) is regularly updated and provides information on events and other aspects of the Institute’s work.
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Authors

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After reading economics and political science at Trinity College, Dublin and National service in the RAF, he joined Reed International (now Reed Elsevier) as a research economist in 1959. From 1969 until 1998, Simon was British Director of the British-North American Committee.

In his current role at the IBE he helps a range of companies and organisations and has spoken and written on business practice topics around the world.

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Acknowledgements

A number of people helped in this survey. First, the diligent way most companies completed the questionnaire especially the ‘free text’ questions, helped to make the numbers come alive. Then, Dr Andrea Werner, with the help of Sarah Priest, was thorough in her analysis and tabulation of the data and Dr Nicole Dando, Head of Projects at IBE, put order and logic into the different writers’ contributions.

The IBE would also like to thank Niall Gallagher and Dr Lutz Preuss for sharing their experience.

Philippa Foster Back, Katherine Bradshaw and Dee Elias all provided pertinent comment and support. Our thanks are due to them all.
The Institute of Business Ethics is pleased to present the findings of their fifth survey of the use of companies’ codes of ethics.

This survey is run every three years and since the last survey in 2004, there have been some notable changes and improvement in practice, which are set out in this report.

In the current business environment and in the media there is much more discussion about business ethics issues, be they highlighted through inappropriate corporate behaviour which hits the headlines or more internal issues which companies are addressing. Whatever the result, it is lapses in ethical behaviour, both personal and corporate, that are usually the triggers.

The consequence is frequently a loss of reputation for the firm at fault followed by a loss of trust and subsequent lower financial performance. Companies recognise the causes of this and as this survey shows, are taking steps to address them.

The IBE has always stressed that having a code of ethics (what ever it might be called) is only a first step in developing a culture of ethical behaviour. The guidance that such a code contains must be explained and individuals at all levels of the organisation trained in its relevance and application. It is heartening to see the progress that has been made in the last three years. In 2004, we found that 53% of companies had issued their codes without follow-up training. In 2007, this has been reduced to less than 30%.

This may not be surprising as there is evidence that boards of directors are more actively engaged in providing leadership in their companies on business ethics issues. It is one benefit of the new focus on governance issues and reputation risk management. A primary risk for an organisation is someone somewhere doing the wrong thing because they knew no better – when perhaps they should have done. For this there is little defence, so companies need to attend to their ethics training programmes, be they e-based, face to face or a combination of both.

Philippa Foster Back OBE
Director, IBE
Executive Summary

Since the 2004 Report there have been significant changes in the ways companies are approaching their ethics policies and the role of codes of ethics.

Among the main findings of the survey are:

- The majority of large companies have had a code of ethics (or whatever name is used) for more than five years (and 25% for more than ten years).

- Guidance for staff and helping to guard reputation are the main reasons that companies give for having a code.

- Legal departments are the usual function given responsibility for administering the code. More boards of directors are taking a direct interest.

- Electronic copies of codes are now preferred to hard copies in communicating ethical standards to staff.

- 71% of companies with codes now provide training on them compared to 47% in 2004. Induction training is the most common method (86%). More than 35% of companies use intranet training.

- 95% of companies with codes provide a way for employees to raise ethical issues on a confidential basis (89% in 2004).

- Seven out of ten companies include conformity to the code in contracts of employment (62% in 2004).

- Only half of respondents say they include questions on ethical standards in their staff surveys.

- Environmental issues now rank with safety and security matters as the most significant ethical issue companies say they are facing.
Introduction

This triennial survey of the use that companies make of their codes of ethics was started in 1995.

In 2007, the Institute of Business Ethics sent 200 questionnaires to companies listed in the FTSE 350 which were known to have a policy or code.¹

As 11 of the 13 questions have been consistent throughout the five surveys, it is now possible to identify changes of both emphasis and subject matter.

### Issues covered

The results cover the following issues:

- Use and relevance of codes
- Code administration in the business
- Ethics training
- Raising ethical issues by employees
- Reference to the code in employment contracts
- Monitoring the code
- Corporate culture
- Reporting on ethical performance
- Important ethical issues
- Environmental responsibility (Chapter 2)

One of the new questions enquired about the ways the company promotes an ethical culture within its organisation (see Section H) and the other asked about how climate change is addressed in ethics codes and corporate responsibility programmes (see Chapter 2). Chapter 3 presents two accounts of the use of codes. The first, written by Niall Gallagher of Allied Irish Banks, gives a personal account of the role of ethics in an international bank. The second, by Lutz Preuss of Royal Holloway College explores how companies use codes in ethical sourcing.

The full questionnaire is reproduced in Appendix 1.

All percentages have been rounded to the nearest whole number.

Before considering the results, it is necessary to describe who was surveyed and what is seen by respondents as the purpose of having a code of ethics.

¹ The survey was sent to either the CEO or to the person known to be responsible for the business ethics function. It was sent either by email or post. An electronic reply facility was made available in addition to postal hard copy responses. 50 companies replied electronically and 17 sent hard copies.
1. Respondents’ profile

73 (37%) responses were received of which 67 (34%) were useable (see Table 1).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires Sent</td>
<td>200</td>
<td>196</td>
<td>179</td>
<td>177</td>
</tr>
<tr>
<td>Total Responses</td>
<td>73(37%)</td>
<td>96 (49%)</td>
<td>99 (55%)</td>
<td>77 (43%)</td>
</tr>
<tr>
<td>Usable Responses</td>
<td>67(34%)</td>
<td>80 (41%)</td>
<td>61 (43%)</td>
<td>55(28%)</td>
</tr>
</tbody>
</table>

The response rate in 2007 is sufficient to draw general conclusions and evaluate trends. The reasons given by six respondents for not completing the questionnaire were similar to those given in 2004, namely: it is company policy not to fill in questionnaires and lack of time.

The sources of the responses were as follows:

<table>
<thead>
<tr>
<th>Source</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE 100</td>
<td>64%</td>
</tr>
<tr>
<td>FTSE 250 (101-250)</td>
<td>33%</td>
</tr>
<tr>
<td>Not known (anonymous)</td>
<td>3%</td>
</tr>
</tbody>
</table>

The break down of companies by major economic sectors was as follows:

<table>
<thead>
<tr>
<th>Sector</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>21%</td>
</tr>
<tr>
<td>Financial services</td>
<td>19%</td>
</tr>
<tr>
<td>Property &amp; business services</td>
<td>12%</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>10%</td>
</tr>
<tr>
<td>Utilities</td>
<td>10%</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>9%</td>
</tr>
<tr>
<td>Other services</td>
<td>5%</td>
</tr>
<tr>
<td>Hospitality industry</td>
<td>5%</td>
</tr>
<tr>
<td>Construction</td>
<td>3%</td>
</tr>
<tr>
<td>Transport, storage &amp; communication</td>
<td>3%</td>
</tr>
<tr>
<td>Non–specified (anonymous)</td>
<td>3%</td>
</tr>
</tbody>
</table>

The most noticeable change in sector responses from 2004 is the fall in proportion of manufacturing companies and the rise in financial service providers. This is reflected in the current make up of the FTSE 350.

2. Codes of ethics in business

Few now doubt that paying attention to the way business is conducted is a board responsibility. Setting out a company’s core values – business and ethical – and how they are to be applied throughout the business, is normally done in the form of an ethics policy and code. Indeed, the Combined Code on Corporate Governance, which provides guidance on the way UK listed companies are administered, now includes a requirement for this (see Box 1).
Box 1

The Combined Code on Corporate Governance
Financial Reporting Council, London

Clause A-1 states:

“The board should set the company’s values and standards and ensure that its obligations to its shareholders and others are understood and met.”

In the UK Companies Act 2006, the duties of directors have been elaborated and clarified. Among other things, it is the duty of a director “to promote the success of the company”. In doing this, a number of factors have been listed. Among these is:

“The desirability of maintaining the company’s reputation for high standards of business conduct”

The revised US Sentencing Guidelines also emphasises the need for US companies to make their ethics policies specific, if only to reduce the size of penalties should they be convicted.

The IBE estimates that at least 85 of the FTSE 100 companies have an explicit ethics policy/code of ethics (or similar equivalent). After the surge in the proportion of companies that said they had introduced a code in 2004 (1 in 5), in 2006/7 only 3% stated that their code was new (see Table 2). A high percentage of the respondents have had at least five years experience of operating an ethics policy and this is reflected in the answers to some of the questions about practice.

Table 2  How long has the company had a code? (Q3)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2004</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 years</td>
<td>3%</td>
<td>20%</td>
<td>7%*</td>
</tr>
<tr>
<td>2-4 years</td>
<td>33%</td>
<td>28%</td>
<td>23%*</td>
</tr>
<tr>
<td>5-9 years</td>
<td>39%</td>
<td>30%</td>
<td>36%</td>
</tr>
<tr>
<td>10 or more years</td>
<td>25%</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>No answer</td>
<td>-</td>
<td>-</td>
<td>16%</td>
</tr>
</tbody>
</table>

* In the 2001 survey the response options were “under a year” and “1-4 years”

Having a business ethics policy is seen as a necessary part of good corporate governance. Those companies listed in the FTSE 100 index that do not appear to have such a policy are usually based overseas.

---

2 The Companies Act 2006, Section 172
3 Survey question. See Appendix
A. Uses and Relevance of Codes

Giving guidance to staff about dealing with ethical dilemmas that occur in day-to-day business remains the main purpose of the company code. Every respondent ticked this box. Table 3 sets out how companies rank the uses they see of having a code.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Companies’ statements of the uses of their code (Q2a) (multiple answers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance to staff</td>
<td>100%</td>
</tr>
<tr>
<td>Helps to guard reputation</td>
<td>85%</td>
</tr>
<tr>
<td>Makes a public statement of ethical commitment</td>
<td>84%</td>
</tr>
<tr>
<td>Helps reduce operational risk</td>
<td>81%</td>
</tr>
<tr>
<td>Guidance to contractors and other business partners</td>
<td>73%</td>
</tr>
<tr>
<td>Helps to secure long term shareholder value</td>
<td>60%</td>
</tr>
</tbody>
</table>

One respondent explained that:

“The Group code is supported by more detailed codes which are specific to [our] different businesses and tailored to their own business priorities. These ensure the code requirements are relevant to employees wherever they work in our organisation.”

Eight out of ten businesses indicated that they recognise that one use of their code is to guard their reputation. This may be because of the legal requirement for boards to assess and report on non-financial risks.

Respondents from the extractive industries were also unanimous in saying that their codes helps to guard their reputation, while those from the utilities all agreed that their code is used “to make a public statement of ethical commitments”.

There are two main reasons why companies regularly review their codes. One is to incorporate guidance on issues that have arisen since either the last review or the first edition. The second is to ‘refresh’ it and re-issue so that all staff will be given a reminder of the commitments and responsibilities to the policies in a tangible way. In 2007, over 60% of respondents had either revised the code in the last year or were currently doing so. (Q4)

One of the things that is significant in this survey is that 84% of businesses involve the board in the code revision process and an equally high proportion (87%) take into account external standards or some other form of benchmarking (see Table 4).
Retail and extractive sectors put more emphasis on external benchmarking, while manufacturing, utilities and financial and other services rely on board level discussion to guide the revising process.

There was a noticeable difference in replies between larger and smaller listed companies concerning whose views are taken into account in code revisions. More than half of the FTSE 100 companies involve their stakeholders and staff in the process, while less than a third of respondents in the FTSE 250 do this. The results are set out in Table 4.

Table 4  *Which of the following do you take into account when revising your code? (Q5) (multiple answers)*

<table>
<thead>
<tr>
<th></th>
<th>FTSE350 (Total)</th>
<th>FTSE 100</th>
<th>FTSE 250</th>
</tr>
</thead>
<tbody>
<tr>
<td>External standards / benchmarking</td>
<td>87%</td>
<td>84% (2)*</td>
<td>91% (1)</td>
</tr>
<tr>
<td>Discussion at board level</td>
<td>84%</td>
<td>91% (1)</td>
<td>73% (2)</td>
</tr>
<tr>
<td>Changing business environment / issues</td>
<td>78%</td>
<td>81% (3)</td>
<td>73% (2)</td>
</tr>
<tr>
<td>Stakeholder consultation / feedback</td>
<td>49%</td>
<td>63% (4)</td>
<td>27% (5)</td>
</tr>
<tr>
<td>Staff survey / feedback</td>
<td>45%</td>
<td>54% (5)</td>
<td>31% (4)</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
<td>16%</td>
<td>18%</td>
</tr>
</tbody>
</table>

* (ranking)

B. Who Administers the Code?

Unlike the United States, responsibility for administering the ethics policy in UK companies is not usually delegated to only one appropriately named function. There is rarely a person with the title of ‘ethics officer’ in UK companies.

From the replies to a question asking “which department, function or person is responsible for your ethics policy and your code”, it is difficult to identify a pattern, particularly with regard to the title of the person fulfilling this function. Table 5 shows the most common department or function that is involved in administering the policy.

The legal department of the company is used by almost half the respondents for the task. The legal function is seen by some as having limitations because of their emphasis on compliance over principles based guidance. To overcome this, more boards are setting up subcommittees to monitor the corporate responsibility aspect of the business (or add it to the terms of reference of an existing committee). A board, board committee or the CEO now takes responsibility in one out of four organisations. As pointed out earlier, the high proportion of companies where the board is involved in code revisions (84%) indicates that delegation does not suggest neglect at senior level.
Which department, function or person in your company is responsible for your ethics policy and your code of business ethics (or equivalent)? (Q1) (multiple answers)

<table>
<thead>
<tr>
<th>Department/Function</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Secretary or legal department</td>
<td>45%</td>
</tr>
<tr>
<td>Board/board committee/CEO</td>
<td>27%</td>
</tr>
<tr>
<td>Human Resources</td>
<td>13%</td>
</tr>
<tr>
<td>Internal Audit/Finance</td>
<td>10%</td>
</tr>
<tr>
<td>Corporate Social Responsibility or Corporate Responsibility</td>
<td>10%</td>
</tr>
<tr>
<td>Corporate or External Affairs</td>
<td>9%</td>
</tr>
<tr>
<td>Compliance</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

Respondents’ comments showed that in a number of cases responsibility for different aspects of policy are spread among separate functions. Two examples are:

“Plc Board review and approve the Group Business Ethics Policy which is owned and sponsored at Executive Director level by the Group Chief Executive. The policy is owned operationally by the Group Legal Director & Company Secretary (one individual) with owners allocated across each Division at MD level”.

“Responsibility for the Code of Conduct on a day to day basis is shared between the Compliance and Corporate Responsibility functions. The Code is signed off by a (Board) Committee, which has senior representation from each business line, plus central functions, and is chaired by a non-executive director”.

While it is clearly important that there is a relevant structure for the ‘ownership’ of the policy, experience shows that the onus should be on each staff member to take responsibility for the way they do business. Shell’s US business recognised this when it circulated to all employees a 10cm X 15cm magnetic mirror with the inscription:

You are looking at the person responsible for Ethics and Compliance at Shell.

C. The Communication of the Policy and Code

Developing a policy and its accompanying code is a comparatively easy exercise compared with communicating them in a way that makes a lasting difference to the way an organisation and its staff do business. Just as Shell resorted to a ‘gimmick’ to emphasise the importance of its policy to its staff, other companies use messages and mini case studies on intranet sites as and reminders. Pocket cards too are used to sensitise employees about their obligations.
Respondents were asked how their company communicates the existence and/or content of its code. The answers can be divided into internal and external means.

Table 6a sets out the most popular ways that respondents say they communicate their policy and code to their staff.

**Table 6a** Methods used to communicate the code of ethics internally (Q6) 
(multiple answers)

<table>
<thead>
<tr>
<th>% of respondents who:</th>
<th>2007</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Posted on company intranet site</td>
<td>87%</td>
<td>78%</td>
</tr>
<tr>
<td>Included in staff manual/handbook</td>
<td>70%</td>
<td>59%</td>
</tr>
<tr>
<td>Produced as stand-alone guide (booklet)</td>
<td>58%</td>
<td>38%</td>
</tr>
<tr>
<td>Translated for overseas locations</td>
<td>51%</td>
<td>35%</td>
</tr>
<tr>
<td>Distributed as hard copy to all staff</td>
<td>46%</td>
<td>55%</td>
</tr>
<tr>
<td>Discussion in corporate newsletters</td>
<td>33%</td>
<td>-</td>
</tr>
<tr>
<td>Adapted for local use in overseas locations</td>
<td>24%</td>
<td>24%</td>
</tr>
</tbody>
</table>

It should be noted that in 2007, less than half are distributing hard copies of their codes to all staff. This compares with the rapid advance in the last three years in the use of electronic communication. While ‘electronic’ copies may be sufficient for management levels in an organisation, it is unlikely to be adequate for communicating ethical standards and obligations to lower levels of staff. Other means, suited to the recipient, need to be devised if the policy is to be known and implemented effectively.

Table 6b sets out the ways that companies choose to communicate their ethical standards to their external stakeholders or other interested parties.

**Table 6b** Methods used to communicate codes of ethics externally (Q6) 
(multiple answers)

<table>
<thead>
<tr>
<th>% of respondents who:</th>
<th>2007</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Posted on company website</td>
<td>81%</td>
<td>63%</td>
</tr>
<tr>
<td>Mentioned in annual report</td>
<td>78%</td>
<td>66%</td>
</tr>
<tr>
<td>Mentioned in corporate responsibility (or similar) report</td>
<td>73%</td>
<td>59%</td>
</tr>
<tr>
<td>Distributed to stakeholders</td>
<td>25%</td>
<td>24%</td>
</tr>
</tbody>
</table>

While posting the code on the company website is the most popular way of telling the world about its code (81%), companies are increasingly mentioning the existence and use of it in their annual report (78%). However in 2007, the use of corporate responsibility reports (or similar documents) were used by nearly the same proportion of 73%, this compares to 59% in 2004.
It should be noted that companies are increasingly requiring those with whom they do business to adhere to the ethical standards of their code.

Table 6c indicates that there are differences of chosen method between larger and smaller companies of the FTSE350.

### Table 6c  
**Differences between FTSE 100 and FTSE 250 (Q6)**  
(multiple answers)

<table>
<thead>
<tr>
<th>Method</th>
<th>FTSE 100</th>
<th>FTSE 250</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTERNAL COMMUNICATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Posted on company intranet</td>
<td>95% (1)*</td>
<td>68% (2)</td>
</tr>
<tr>
<td>Produced as a stand-alone guide / booklet</td>
<td>72% (2)</td>
<td>27% (4)</td>
</tr>
<tr>
<td>Included as part of staff manual / handbook</td>
<td>70% (3)</td>
<td>77% (1)</td>
</tr>
<tr>
<td>Translated for overseas locations</td>
<td>63% (4)</td>
<td>27% (4)</td>
</tr>
<tr>
<td>Distributed hard copy to all staff</td>
<td>49% (5)</td>
<td>36% (3)</td>
</tr>
<tr>
<td>Discussion in corporate newsletters</td>
<td>37% (6)</td>
<td>23% (6)</td>
</tr>
<tr>
<td>Adapted for local use in overseas locations</td>
<td>33% (7)</td>
<td>9% (7)</td>
</tr>
<tr>
<td><strong>EXTERNAL COMMUNICATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mentioned in corporate responsibility (or similar) report</td>
<td>84% (1)</td>
<td>55% (3)</td>
</tr>
<tr>
<td>Posted on company website</td>
<td>82% (2)</td>
<td>77% (1)</td>
</tr>
<tr>
<td>Mentioned in annual report</td>
<td>77% (3)</td>
<td>77% (1)</td>
</tr>
<tr>
<td>Distributed to stakeholders</td>
<td>33% (4)</td>
<td>9% (4)</td>
</tr>
</tbody>
</table>

*(/ranking)*

**D. What About Training?**

It has long been recognised that to make a values and ethics programme effective in influencing behaviour and decision making, not only must guidance be offered, but a regular training programme in its content and application is also required.

Yet from 1998 to 2004, replies to this survey showed that less than half of companies with explicit policies said they provided any training on business ethics in spite of increased media reporting on irresponsible corporate behaviour.

**By 2007, the answers to the same question had become dramatically different.**

The responses show that ethics training is now being seen as far more important than it was three years ago (see Chart 1). 71% of respondents say that they offer members of their staff training on the meaning and use of the code. Table 7a and Chart 1 set out the change in the proportion of companies providing training to their staff on their codes of ethics from 1998 until 2007.
Do you offer training to all members of staff on the meaning and use of your code? (Q7a)

IBE experience suggests that one of the reasons for this sharp rise in the proportion of companies undertaking ethics training is the availability of electronic methods of delivering it.

Asked what form the training takes, a third of respondents to this survey said that the training involved executive level staff and a similar proportion used their intranet as a means of delivery (see Table 7b).

Table 7b  Do you offer training to all members of staff on the meaning and use of your code? (Q7a) (multiple answers)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Induction training</td>
<td>86%</td>
<td>64%</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Executive level training</td>
<td>35%</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Intranet training courses</td>
<td>35%</td>
<td>36%</td>
<td>56%</td>
<td>*</td>
</tr>
<tr>
<td>In-house training seminars (for all staff)</td>
<td>29%</td>
<td>58%</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>Dilemma discussions</td>
<td>27%</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Videos/ games etc.</td>
<td>10%</td>
<td>14%</td>
<td>16%</td>
<td>30%</td>
</tr>
<tr>
<td>External training</td>
<td>6%</td>
<td>11%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>Other*</td>
<td>12%</td>
<td>8%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

* not recorded separately in these years
A large proportion of companies now say that they provide ethics training as part of their induction process (86% in 2007 compared with 64% in 2004). This is encouraging. It does seem that e-based is now seen as equally important as seminar-based training (face-to-face). The two often go together. One in three organisations providing training say they are using dilemma discussions as their preferred form of embedding the content of codes. Experience indicates that this, together with case studies and video/games, engage staff at all levels and are most likely to ensure that the relevance of values and ethical standards are well understood by staff.

There was some difference in provision of staff training on ethics between companies operating in various economic sectors. 100% of extractive industry responded positively while only just over half of utilities (electric, water etc.) companies said they provide training on the topic.

One encouraging answer in the 2007 survey indicated that 35% of respondent companies now have executive level training.

Recent (2007) data, provided by the Ethics Resource Center (ERC) in Washington DC shows that in the US there has also been a steady increase in the proportion of companies providing training on ethics for their staff.

- 2003: 57%
- 2005: 65%
- 2007: 75%

Further evidence to support the value of providing relevant training for staff on how to use a code of ethics emerged from an IBE project published in 2007. It compared the financial performance of companies that provided training about their codes with companies with codes that did not provide such training. The study concluded that those companies with an explicit ethics policy and supporting training programmes out-performed (according to four measures of values) those with a code and no training.

A summary of the finding is set out in Box 2.

**Box 2**

**Summary of findings from *Does Business Ethics Pay? Revisited***

Fifty companies in the FTSE 350 were split into two categories; companies which disclosed their code of ethics/conduct were labelled Corporate Revealed Ethics, while those which not only disclosed their code of ethics/conduct but provided training programmes to reinforce these codes to their employees were labelled Corporate Applied Ethics.

Four financial performance measures (Return on Capital Employed, Return on Assets, Total Return and Market Value Added) were analysed. The financial performance measures were adjusted for size, risk and price-to-book value as these are some of the factors that affect firm performance.

The long run analysis, in the five years 2001-2005, showed a significantly greater positive relationship between provision of training for business ethics (Corporate Applied Ethics) and financial performance than between disclosure of ethical values alone and financial performance.

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4  www.ethics.org
E. Means for Employees (and Others) to Raise Ethics Concerns or Questions

A question was asked about the means that companies provide for their staff to raise ethical concerns or ask questions about their code. 95% of companies with codes said that such a mechanism exists and all of these said that issues can be raised on a confidential basis. The most common means of providing this is some kind of advice line. 72% said that they provided such a facility. The existence of the phone help/advice/report line is a continual reminder to staff that the ethics policy is active.

In annual surveys by Ipsos-MORI for the IBE, a question is asked of the general public about the most important thing that business should address. “The provision of the means for employees to raise concerns” was ranked third after “discrimination in the treatment of people” and “harassment and bullying in the workplace” (see Table 14).

It is clear that more companies with an explicit ethics policy see this aspect of the programme as important.

Table 8a Is there a mechanism for employees to ask questions concerning the code? (Q8a)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>95%</td>
<td>89%</td>
<td>74%</td>
<td>70%</td>
<td>66%</td>
</tr>
<tr>
<td>No</td>
<td>5%</td>
<td>11%</td>
<td>26%</td>
<td>30%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Table 8b If you answered yes, can these issues be raised in confidence? (Q8b)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>100%</td>
<td>96%</td>
</tr>
<tr>
<td>No</td>
<td>-</td>
<td>4%</td>
</tr>
</tbody>
</table>

Table 8c Do you provide a helpline/hotline/advice line? (Q8c)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>72%</td>
<td>47%</td>
</tr>
<tr>
<td>No</td>
<td>28%</td>
<td>53%</td>
</tr>
</tbody>
</table>

F. Codes and Employment Contracts

Another way of ensuring that the policy and code are widely known is to include a reference to it in contracts of employment. Doing so can provide a basis for disciplinary action should an occasion arise where a provision of the code were not followed.

Two questions were asked about this aspect of the use of codes. The first enquired if conformity to the company code is included in the company’s contract of employment. It will be seen from Table 9 that there has been a ten percentage point increase in the proportion of companies adopting this approach since 1998.

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There is still some way to go before it will be seen as the norm. Including a requirement to conform to the code does signal that senior management takes the policy seriously.

**Table 9** Is conformity to your code included in the contract of employment used by your company? (Q8d)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>72%</td>
<td>62%</td>
<td>53%</td>
<td>42%</td>
<td>46%</td>
</tr>
<tr>
<td>No</td>
<td>28%</td>
<td>38%</td>
<td>47%</td>
<td>58%</td>
<td>54%</td>
</tr>
</tbody>
</table>

A further question was about the use of the code in disciplinary procedures. In 2007, more than half the respondents indicated that their code has been used for this purpose in the last three years. This is a significant increase over the 2004 figure (45%) (see Table 10).

**Table 10** Has your code been used in the last 3 years in a disciplinary procedure? (Q8e)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>52%</td>
<td>45%</td>
<td>38%</td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td>No</td>
<td>48%</td>
<td>55%</td>
<td>62%</td>
<td>67%</td>
<td>68%</td>
</tr>
</tbody>
</table>

### G. Monitoring the Code

Generally, there has been increasing concern expressed by both company boards and corporate governance commentators about the effectiveness of ethics policies. This has arisen from the realisation by both business leaders and the general public that many of those companies with well publicised ethical values seem to be among those which experience serious ethical lapses. So questions are being asked about the efficacy of corporate ethics policies.

To find out how companies approach the embedding of their values and their codes, the survey asked about measurement of effectiveness and promotion of ethical culture within the organisation. Do companies try to measure whether their codes make a difference and if so how? Table 11a indicates four out five companies now monitor the effectiveness of their codes compared with just over half in 2004. Table 11b shows that reports to the board on violations and misconduct, provisions of speak up procedures and questions on ethical matters in staff surveys are the main ways used to measure effectiveness.

**Table 11a** Do you monitor the effectiveness of your code? (Q10a)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>82%</td>
<td>59%</td>
</tr>
<tr>
<td>No</td>
<td>18%</td>
<td>41%</td>
</tr>
</tbody>
</table>
Table 11b  How do you monitor the effectiveness of your code? (Q10b)

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board reports on violations/misconduct</td>
<td>64%</td>
</tr>
<tr>
<td>Use of speak up procedures</td>
<td>56%</td>
</tr>
<tr>
<td>Questions in staff surveys on ethical standards</td>
<td>51%</td>
</tr>
<tr>
<td>External assurance provision</td>
<td>25%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>44%</td>
</tr>
</tbody>
</table>

Code distribution, training on its applicability, help lines and monitoring the outcomes are the principal ‘tools’ that management uses to embed its values and ethics.

H. Corporate Culture

A new open ended question was asked to ascertain the other methods deployed by companies to promote an ethical culture. The only significant one not already referred to elsewhere was “example of leadership of senior staff”. Below are three examples of the replies to the question.

- “Leadership and example and focusing on good corporate and individual behaviour. Robust CR policies and processes. Good data, analysis and transparent reporting.”

- “We look to set an example of ethical behaviour from the Board/Senior executive level and make reference to this in decision making if necessary.”

- “Clear tone at the top – on any relevant occasion to the Group CEO, Group FD and the Chairman are quite clear that we expect the highest level of ethics and that unethical behaviours will not be tolerated.”

Although it is mentioned regularly in articles and speeches on business ethics and has been analysed in such publications as *Setting the Tone*[^1], some senior business people still consider an ethics policy and the code as essentially a behaviour guide to their staff. It is not a topic that receives much attention at senior management conferences. Unless the Chairman of the board and CEO give a strong lead, the topic is delegated to a function or manager. Ethical acumen is crucially important for boards to consider the ethical dimension of policy and strategy.

The public continue to believe that corporate leadership is indifferent to this aspect of corporate governance, whether that is true or not. Little research is published on this (partly because it is difficult to do).

The answer to a question in regular Ipsos-MORI polls about who the public trust to tell the truth, consistently shows that business leaders are trusted by only one in three adults in the UK. It is therefore not surprising that the public generally remains sceptical about the trustworthiness of business leaders.

I. Reporting on Ethical Performance

Reporting about ethical performance and standards both internally and externally is now considered to be an important feature of an effective programme reinforcing the importance it is given. The media used for reporting include annual reports, separate reports on corporate responsibility performance or sustainability for example. As to what is reported, there is a wide spectrum of approaches. Some report against external standards, some their own standards, some concentrate on what can be measured – particularly with regards to environmental targets – and some give more narrative accounts.

In this survey, IBE again asked about reference to well-established (often international) standards (see Table 12).

Table 12: Does your code refer to sector or other external standards and benchmarks (such as the UN Global Compact, UN Declaration of Human Rights etc.)? (Q9a)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>48%</td>
<td>34%</td>
</tr>
<tr>
<td>No</td>
<td>52%</td>
<td>66%</td>
</tr>
</tbody>
</table>

External Standards used (Q9b) (multiple answers)

- UN Declaration of Human Rights: 55%
- Other: 52%
- ILO Conventions: 33%
- UN Global Compact: 27%
- Ethical Trading Initiative: 15%
- OECD Guidelines for MNCs: 12%

Just below 50% of companies say that their codes make reference to one or more of the benchmarks – which is fourteen percent higher than in 2004. The most frequently mentioned standard was the UN Declaration on Human Rights. But many others were cited, including the Code of Banking, Global Reporting Initiative and Transparency International’s Principles.

J. Important Ethical Issues

To understand what new topics are being addressed, companies were asked what ethical issues they consider as significant to their organisation. This was first asked in 2004 and a comparison with 2007 replies shows that bribery and corruption issues have risen from sixth place in 2004 to third in 2007. The issue that has receded most in significance is supply chain issues/sourcing. The other noticeable change is that safety and security issues are now seen to be on equal terms in first place with environmental impact. Table 13a sets out the classification in the two years ranked by number of mentions.
Table 13a  Which of the ethical issues below are significant to your organisation? (Q12)  
(multiple answers)

<table>
<thead>
<tr>
<th>Issue</th>
<th>2007</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety and security</td>
<td>81% (1)*</td>
<td>69% (1)</td>
</tr>
<tr>
<td>Environmental impact</td>
<td>81% (1)</td>
<td>63% (2)</td>
</tr>
<tr>
<td>Bribery, corruption and facilitation payments</td>
<td>79% (3)</td>
<td>46% (6)</td>
</tr>
<tr>
<td>Whistleblowing / speaking up</td>
<td>79% (3)</td>
<td>51% (4)</td>
</tr>
<tr>
<td>Discrimination, harassment or bullying</td>
<td>75% (5)</td>
<td>43% (8)</td>
</tr>
<tr>
<td>Security of information</td>
<td>72% (6)</td>
<td>50% (5)</td>
</tr>
<tr>
<td>Supply chain issues / sourcing</td>
<td>70% (7)</td>
<td>56% (3)</td>
</tr>
<tr>
<td>Managing conflicts of interest</td>
<td>66% (8)</td>
<td>44% (7)</td>
</tr>
<tr>
<td>Human rights issues</td>
<td>58% (9)</td>
<td>33% (11)</td>
</tr>
<tr>
<td>Responsible marketing / advertising</td>
<td>46% (10)</td>
<td>39% (9)</td>
</tr>
<tr>
<td>Work-home balance issues</td>
<td>45% (11)</td>
<td>36% (10)</td>
</tr>
<tr>
<td>Criticism of remuneration policies</td>
<td>34% (12)</td>
<td>28% (12)</td>
</tr>
<tr>
<td>Other</td>
<td>12%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*(/ranking)*

The rankings in Table 13a (suggested by business) should be compared to those suggested by the general public. In Ipsos-MORI surveys conducted for the IBE in the autumns of 2004 and 2007, the issues that the general public think most need addressing are different from those given priority by business (see table 14).

Table 14  In your view of company standards, which two or three of these issues most need addressing? (Ipsos-MORI Survey)

<table>
<thead>
<tr>
<th>Issue</th>
<th>2007</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discrimination in treatment of people</td>
<td>32%</td>
<td>34%</td>
</tr>
<tr>
<td>Harassment and bullying in the workplace</td>
<td>30%</td>
<td>29%</td>
</tr>
<tr>
<td>Sweatshop labour</td>
<td>27%</td>
<td>28%</td>
</tr>
<tr>
<td>Environmental responsibility</td>
<td>26%</td>
<td>32%</td>
</tr>
<tr>
<td>Executive pay</td>
<td>25%</td>
<td>40%</td>
</tr>
<tr>
<td>Safety &amp; security in the workplace</td>
<td>21%</td>
<td>29%</td>
</tr>
<tr>
<td>Bribery and corruption</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>Openness with information</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>Work-home balance for employees</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>Advertising and marketing practices</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>None of these/No opinion</td>
<td>8%</td>
<td>6%</td>
</tr>
</tbody>
</table>
This Table indicates that less of the general public think that executive pay is a pressing issue. It dropped fifteen percentage points between 2004 and 2007 as a topic that needs addressing. The fall in importance of work/home balance is also significant. The ‘man on the street’ tends to emphasise the importance of issues around harassment and discrimination and the need for business to provide means to ‘speak up’ about unethical or unlawful behaviour. Environmental responsibility is still ranked highly and dealing with bribery and corruption has gained in importance over the three years.

In the IBE Survey different concerns were emphasised according to the business sector in which respondents worked. Table 13b shows these, which reflect to some extent a reaction to media exposure of lapses by firms in these sectors.

### Table 13b

**Which of the ethical issues below are significant to your organisation? (Q12) (multiple answers)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Significant Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing</strong></td>
<td>Bribery, corruption and facilitation payments (86%)</td>
</tr>
<tr>
<td></td>
<td>Environmental impact (86%)</td>
</tr>
<tr>
<td><strong>Extractive</strong></td>
<td>Safety and security (100%)</td>
</tr>
<tr>
<td></td>
<td>Environmental impact (100%)</td>
</tr>
<tr>
<td></td>
<td>Security of information (100%)</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>Whistleblowing / speaking up (82%)</td>
</tr>
<tr>
<td><strong>Retail/Wholesale</strong></td>
<td>Supply chain issues / sourcing (100%)</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td>Bribery, corruption and facilitation payments (86%)</td>
</tr>
<tr>
<td></td>
<td>Safety and security (86%)</td>
</tr>
<tr>
<td></td>
<td>Environmental impact (86%)</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td>Discrimination, harassment or bullying (93%)</td>
</tr>
<tr>
<td></td>
<td>Whistleblowing / speaking up (93%)</td>
</tr>
</tbody>
</table>

All companies say they experience issues which have ethical connotations. Table 13c shows that a higher proportion of larger firms experience aspects of the seven examples than than the smaller ones. For instance, the environment preoccupies the FTSE 250 whereas bribery in its various forms leads the concerns of the FTSE 100 companies.
Table 13c  Which of the ethical issues below are significant to your organisation? (Q12) (multiple answers)

<table>
<thead>
<tr>
<th>Issue</th>
<th>FTSE 100 (%)</th>
<th>FTSE 250 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribery, corruption and facilitation payments</td>
<td>93% (1)*</td>
<td>50% (6)</td>
</tr>
<tr>
<td>Discrimination, harassment or bullying</td>
<td>88% (2)</td>
<td>50% (6)</td>
</tr>
<tr>
<td>Safety and security</td>
<td>88% (2)</td>
<td>64% (2)</td>
</tr>
<tr>
<td>Whistleblowing / speaking up</td>
<td>88% (2)</td>
<td>59% (4)</td>
</tr>
<tr>
<td>Environmental impact</td>
<td>86% (5)</td>
<td>69% (1)</td>
</tr>
<tr>
<td>Security of information</td>
<td>79% (6)</td>
<td>59% (4)</td>
</tr>
<tr>
<td>Supply chain issues / sourcing</td>
<td>74% (7)</td>
<td>64% (2)</td>
</tr>
</tbody>
</table>

* (ranking)

K. Environmental Responsibility

The second of the new questions concerned company responses to environmental issues. Table 13a showed that companies now rank this topic at the same level as health and safety. In both cases, 81% of respondents mentioned these issues – eighteen percentage points up on the 2004 survey. Because of the significance of the subject, the replies to this survey question, together with other survey material on environmental responsibility, are discussed in Chapter 2.
Climate change is rarely out of the media, and since the Stern Review provided an economic perspective in 2006, this also includes the business media. That report contrasted the higher costs of inaction over the long-run with the lower costs of action taken now. Much of the business community now recognises that the long term financial health of companies is dependent on environmental and social wellbeing.

The IBE was interested to find out how environmental issues were being addressed in codes of ethics (section 1 below). In particular, we wanted to know if sustainability (considering long term economic and social wellbeing as well as ecological sustainability) and climate change were included. Environmental responsibility has come to involve more than Estates or Operations departments ensuring that environmental regulations (such as pollution control) are being met. Businesses are expected to become part of the solution to wider environmental issues – including pressure on natural resources (e.g. water) and climate change.

For the first time as part of the IBE’s regular survey on the use of codes of ethics, we included a question on whether and how climate change strategies were being tied in with business ethics or corporate responsibility programmes (see section 2 below).

For business, climate change is seen as a risk and an opportunity, as well as a responsibility. Along with the broader sustainability agenda, climate change is influencing business strategies so that business practices and goals are being adapted to counter or take account of climate change – at least in ‘champion’ companies.

Corporate environmental responsibility and sustainability strategies invariably involve voluntary standards, targets and actions - above and beyond legal requirements. These actions may be driven by a business case and/or a commitment to responsible business practice and ethical values.

Sustainability and ethics programmes both fundamentally involve supporting behaviour change and decision making underpinned by a commitment to ethical values or principles of responsible business. It would seem essential therefore, that a commitment to sustainability is allied to the values culture of the organisation.

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8 Stern estimated that a rise of between 1C and 2C in global temperatures would reduce GDP by up to 5%.
Box 1

Environment and business in the UK

From October 1st 2007, the Companies Act 2006 requires companies to disclose material environmental impacts in Business Reviews using Key Performance Indicators.

- All FTSE All-Share companies have to report on significant environmental issues as KPIs
- and include them in Business Reviews within Annual Reports and Accounts.
- Directors’ duties have been extended to take account of the impact of a company’s operations on the environment. Shareholders now have the right to sue directors for negligence and other defaults regarding environmental matters.

In a recent survey by McKinsey, CEOs identified increasing environmental concerns as the most important trend influencing public expectations of business, followed by limited supply of natural resources.

1. IBE research – a review of codes

In 2006 we reviewed codes of ethics held in the IBE database to identify how environmental issues and commitments were described. The most recent codes of ethics or equivalent documents from 150 UK and international companies for a wide range of sectors were analysed in terms of commitments, drivers and actions.

- Of those, 110 (73%) mentioned the environment in some way.
- Most frequently, the environment was mentioned in terms of Health and Safety.

Box 2

Climate change and business

- At the second U.N. Global Compact Leaders Summit (June, 2007) chief executives of 153 companies urged the government to agree on climate market measurements to replace the Kyoto Protocol when it expires in 2012.
- The Carbon Disclosure Project which works to standardise emissions measurement found that 38% of the FTSE 350 have implemented an emissions reduction programme with targets.
- A study of 50 companies that produce sustainability reports using the GRI Guidelines, found that 90% of companies are disclosing more information on the positive business opportunities arising from climate change (such as new products) while only 20% are publishing on the risks (such as rising energy bills).
- The UK Government has been consulting on the implementation of the ‘Carbon Reduction Commitment’ which will apply mandatory emissions trading to non energy intensive UK companies that are not currently covered by the EU Emissions Trading Scheme.

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10 The UK is currently committed to cutting its carbon emissions by 12.5% from 1990 levels by 2012 under the Kyoto Protocol, a legally binding international agreement. However, there is still no agreement among nations involved in the global accord about what measures should be used when the current phase ends in five years. In the UK, a draft Climate Change Bill published in March 2007 included making a legally binding target of a 60% reduction by 2050.
11 http://www.cdproject.net/
12 KPMG Global Sustainability Services and Global Reporting Initiative (2007) Reporting the Business Implications of Climate Change in Sustainability Reports.
13 http://www.defra.gov.uk/environment/climatechange
Commitments

The following phrases from the codes, illustrate the three interpretations of environmental responsibility and broader sustainability that were found.

Natural resources and environment focus:
- We support environmental sustainability and biodiversity.
- We are committed to reducing the environmental impact of our activities and promoting the sustainability of the natural resources on which we depend.
- We strive to be environmentally responsible.
- We minimise our ecological footprint.
- We minimise our environmental impacts.
- We optimally utilise resources and prevent pollution.
- Our strategy consists of an umbrella position and several strategy strands, including climate change, biodiversity, local air quality and waste.
- We support conservation of the environment in its broadest sense.

Environment and society focus
- We aim to help create a more sustainable society.
- We are committed to contribute to sustainable development.
- We will develop & promote the environmental and economic health of the regions we operate in.
- We respect and support our communities and the environment.
- We recognise and support the need for sustainable development.

Upstream – downstream focus
- Our environment policy and its management processes deal not only with the environmental issues connected to our manufacturing processes and facilities, but also with protecting the ecosystems from which we derive our raw materials, management of our supply chain, and distributing, selling and consumption of our products.
- We aim to reduce the energy consumption of our products.

Climate change
It is significant that in codes published in 2006 and earlier, only 1 company in the sample of 150 mentioned climate change specifically as an issue.

Drivers
Regarding the drivers for these commitments, most gave no reason and in fact, an explicit statement of responsibility for the well being of others in the context of environmental issues was rare.

The following are a few examples where an explanation for environmental responsibility was provided:

Responsibility to/expectations of others
- With globalisation and increased international focus on the environment, companies have been challenged to become a part of the solution rather than a part of the problem.
- We are expected to meet this challenge and to continue to improve our environmental performance for the benefit of our neighbours, employees, customers, suppliers, business partners and ultimately the end consumers of our products.
- We are striving to be a good neighbour.
- We will be sensitive to social and environmental concerns.
How are commitments being addressed?

This principle of sustainable development demands that we accept responsibility for the direct impact of our own operations on the environment.

**Sustainability or mutual dependency**

- We strive to ensure the long-term sustainability of this company and the global environment.
- As a good corporate citizen, we believe that the health of our business is tied to the health of the communities and environment in which we work and live.
- We have always seen the objectives of seeking to provide superior returns to our shareholders and shouldering our share of social and environmental responsibilities as complementary.

The following are examples of the practical ways that larger companies say they are addressing their responsibilities in this area.

**Going beyond the law**

- We will go beyond compliance by seeking to meet internationally accepted best practice wherever we operate.
- The Group subscribes to the principles of the International Chamber of Commerce’s Business Charter for Sustainable Development, and to the popular definition of Sustainable Development as “a better quality of life for everyone, now and for generations to come”.
- We are finding ways to improve environmental performance even where the law does not require it.

**Working in partnerships**

- We work closely with the communities we serve and all our internal and external stakeholders to develop policies and practices which are socially and environmentally responsible.
- We will develop projects sensitively, and in close co-operation with local communities. We will not promote renewables development in National Parks or Areas of Outstanding Natural Beauty, unless such development is supported by local development plans and the wishes of the local community.
- We work in partnership with relevant organisations and local communities.
- We aim to encourage government policy and regulation that allows us to make progress towards sustainability.
- We take into account the differing social, economic and environmental aspirations of the communities in which we are active.

**Strategy/practice**

- We include principles of sustainable development into our business practices and consider the long-term effects of our decisions.
- We make sure that the development of new services and technologies supports the principles of sustainable development.
- We operate our business in an environmentally and socially responsible manner.
- We make environmental stewardship integral to all business processes, planning, and decision making.
- We only invest in businesses which take account of the environmental impact of their operations.
More than a quarter of codes did not include environmental issues, although
they may have referred to them in other relevant documents. There was more
of an emphasis on minimising negative environmental impacts than on a
responsibility to contribute to sustainability more generally. Other than for a
handful of ‘champions’, very little engagement with the motivation for
environmental responsibility or sustainability was found in the codes.

This survey has suggested that codes of ethics are lagging behind the growing
momentum that has characterised recent discourse and even strategy
developments over environmental and sustainability challenges generally and
climate change in particular. Of course, the materiality of environmental,
sustainability and climate change issues will vary across sectors and it will be
interesting to see how this is addressed as companies review their codes over
the next few years.

2. IBE 2007 survey - climate change in ethics and
CR programmes

An open ended question in the 2007 Company Use of Codes Survey described
in this report asked:

In what ways is climate change being addressed specifically as part of your
ethics/corporate responsibility programme? (Q13)

Only 5 respondents out of 67 gave no answer to this question which suggests
it is a relevant topic. 22 mentioned the policy framework that addressed
climate change:

- 2 answered that climate change was part of an ethics policy
- 15 said that it was addressed as part of other policies of which:
  - 9 were corporate responsibility policies
  - 4 sustainability or environmental policies
  - and were 2 other policies or not stated
- 5 stated that climate change had not been considered

Most comments related to how the companies were tackling climate change
issues. The replies of the 42 companies mentioning this could be grouped
as follows:

<table>
<thead>
<tr>
<th>Number of companies mentioning the following actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy efficiency and environmental impact reduction activities (e.g. reduce travel, recycle)</td>
</tr>
<tr>
<td>Membership of associations/groups, external recommendations/partnerships</td>
</tr>
<tr>
<td>Embedded in business/long standing commitment</td>
</tr>
<tr>
<td>Staff/stakeholder engagement and awareness-raising</td>
</tr>
<tr>
<td>KPIs/monitoring of company progress</td>
</tr>
<tr>
<td>Carbon neutrality: actual and explicit target</td>
</tr>
<tr>
<td>Led by board or a leadership team</td>
</tr>
<tr>
<td>Under revision/development</td>
</tr>
</tbody>
</table>
Improved energy efficiency is the most common action. It is interesting to note that for many companies this aspect of policy is under review. This reflects the speed with which climate change has become a significant business concern over a short period. Also interesting is that carbon neutrality, a relatively new target for business, is mentioned by 5 companies.

These results suggest that although strategies to address climate change are in place they are generally not linked with ethics programmes. This needs more research, but if this is so, it seems that the potential for ethics programmes to influence business behaviour and decision making are not yet being fully harnessed to achieve climate change or sustainability goals.
Uses of Codes

1. A code is just the beginning...

By Niall Gallagher, Group Compliance Officer - Business Ethics, Allied Irish Banks p.l.c.\(^{14}\)

The main reason for having a code of ethics is to promote good behaviour in an organisation, rather than to catch ‘offenders’. Having a formal, written code puts additional focus on the behaviour of the senior management - to live by the values of the organisation thereby setting the example for others to follow.

The regulatory framework within which most organisations operate in today’s developed markets are highly prescriptive, with legal sanctions for failing to meet the set requirements. The values that direct the organisation’s ethical standards are usually above and beyond what the law requires. Thus, adherence to ethical standards needs to be seen as more than just meeting legal and regulatory obligations. A US Securities Exchange Commissioner once warned of over-reliance on the law to govern corporate behaviour with his comment: “If you can see the line you are probably too close to it”.

A code of ethics cannot and should not cover all possible business situations – to do so would require a document to rival the Bible or the Koran. It is likely to be high level and even aspirational and built around the organisation’s core values.

The code of ethics forms part of the governance and assurance framework of the organisation and, as such, it should have sufficient prominence and status to ensure that employees see it as mandatory. Senior management and those charged with the responsibility of promoting the code, should provide guidance to employees to ensure that, in practical situations adherence with the code, or doing the right thing, is not obscured by lack of clear direction. In order to take action when things go wrong, adequate processes must be in place for dealing with breaches of the code, and managers must take responsibility for ensuring that breaches do not happen.

The organisation’s commitment to a code is, to a large extent, measured by what happens if the code is breached. Unless there are personal as well as business consequences for a failure to observe the code, it will be seen by employees and by other stakeholders as of little value: or worse, it may be viewed as hypocritical while aspiring to a moral high ground. It is important, therefore, not only to have clear guidelines for employees on what is acceptable and unacceptable behaviour, but to have a process for ensuring compliance with the code which is fair, consistent and transparent.

Examples

**Gifts and Hospitality:** Failure to disclose a business lunch that is £20 above the limit requiring approval or entry in the Gifts Register may be a relatively minor offence, but if it represents a systematic indifference to the company’s policy on gifts and benefits it may be more serious. Employees need to see that management is concerned with compliance. The onus is on management to explain the policy and its rationale.

\(^{14}\) This contribution by Niall Gallagher has been written in his personal capacity and does not necessarily reflect the view of Allied Irish Banks.
What then if a supplier tells you of a situation where a gift has been accepted by one of your employees that should have been declared? The breach should be dealt with quickly and fairly, the facts established and the employee asked for an explanation. Sometimes it emerges that the policy is not clearly set out or communicated, in which case the employee may have a valid defence. However, where there is a clear transgression of a well articulated policy, a proportionate sanction should be applied. Whether it is a mild rebuke or a serious disciplinary action will obviously depend on the seriousness of the breach, but the greatest offence will usually be the failure to tell the truth when the breach is discovered, or to attempt a cover it up. Many situations that could be dealt with swiftly and equitably are turned into major issues by the failure to put a hand up, apologise and accept the initial consequences.

**Trust:** The public may forgive an honest mistake provided it is identified, dealt with, and rectified with compensation where appropriate. Take a case of mis-selling or overcharging. How does the organisation deal with it to the satisfaction of its various stakeholders – the customers, the regulators, the shareholders and the employees?

While there will generally be policies and procedures on selling practices and on product development, they may not be guaranteed to work in every case – absolute assurance in a service industry is not easy to achieve. So when things go wrong and when it becomes apparent to employees or the customers that “Houston there is a problem”, it may already be too late; damage may have been inflicted.

Trust is the cornerstone of business ethics. Without trust organisations cannot function effectively. A breakdown in trust between the organisation and its customers will undermine or destroy reputation and damage the morale and loyalty of employees. So when things go wrong in matters of trust, inaction is not an option.

Irrespective of how the issue arose in the first instance – and that will need to be established in order to correct it and deal with the consequences – the issue of trust must be addressed at the highest level in the organisation. Usually the first step is an assessment of the cause, and a plan to put it right. But this may take some time and may not be simple; so key stakeholders, such as the regulator, may need to be advised and reassured, and likewise the customers and the public if the matter has reached the press. The value of openness in this situation may be crucial.

Managing such a crisis requires skill and integrity. It is easy to jump to conclusions quickly and spread the blame or find a scapegoat. That however will only compound the problem. Better to be restrained and measured than hasty and wrong. It is often the manner in which a crisis is dealt with, and the openness with which it is approached, that will save the reputation of the organisation and demonstrates its true ethical standards.

The process of investigation and understanding the root cause will, most likely, reveal valuable lessons, some of which may be about the integrity of systems and of people, and they should be followed through to wherever they may lead. Addressing the issue of accountability may be at the end of the process, but it is an important step. Where there has been a serious failure of ethical principles, it is imperative that proportionate action is taken, and seen to be, while protecting individual rights and commercial confidentiality.
• Policies and their rationale must be communicated to employees in ‘plain English’ and regularly refreshed in training or briefings.

• It is important that the employees are made aware of the risks of non-compliance and the consequences.

• Responsibility for supporting the code and for enforcing the ethical standards lies with management.

• Ethics policies and procedures should be monitored, and when there is evidence of non-compliance or breaches these should be dealt with quickly and fairly and with a proportionate response.

In dealing with ethical breaches, the organisation must, of course, observe due process and ensure that a fair hearing is given and that the rights of the ‘accused’ are not abused. Employment law, and representative bodies such as trade unions, are often the backstop to protect such rights, but the way in which the organisation deals directly with the situation is a test of the effectiveness of its ethical standards, and resorting to the law is a last resort and often an admission of failure.

It is important to have a process for dealing with the unexpected – most organisations have crisis management capability and/or teams. Learning the lessons of failure is essential, and where the failure is an ethical breach, it is all the more important to look to the root cause and take action aimed at preventing the failure from being repeated. Otherwise it may undermine the values upon which the organisation’s reputation is built.

It is always right to review the code. The aftermath of a crisis may be a good time to review the code of ethics – even if the emotions are still running high. The attention of senior management is assured.

Questions such as the following should be asked – and answered:

• Is the code of ethics clear in dealing with the principles – such as trust in the organisation and its products and services?

• Have employees been adequately trained to deal with the increased complexity and speed of development of the business and the ethical dilemmas they may face?

• Are managers clear in their areas of accountability?

• Are there adequate policies and procedures through which these accountabilities are discharged?

• Are there appropriate channels through which actual or potential ethical issues can be raised and resolved speedily?

• Have the senior people in the organisation set the right tone or culture of compliance and do they lead by example?

Questions such as these are relevant in any circumstance, but when things go wrong it is essential to find the answers and put things right again, even though it takes time to fully restore trust.
2. Codes for ethical sourcing

By Lutz Preuss, School of Management, Royal Holloway, University of London.

An ethics policy with an accompanying code of ethics has become a major tool to manage ethical challenges in business. They are typically company-wide codes, which aim to provide guidance for all organisational members. Parallel to these, companies have been drafting codes that address specific aspects of their operations, such as ethical challenges in their supply chains.

This section will discuss the spread and content of Ethical Sourcing Codes adopted by the FTSE 100 firms as of 1 April 2007. The documents were in their majority gleaned from the FTSE 100 web pages; where such a code did not seem to exist, the company was contacted by e-mail or by letter.

**Prevalence and titles of codes**

Forty four of the FTSE 100 companies currently have an Ethical Sourcing Code in place. The length of these documents varies from a single page (e.g. Liberty International, Reckitt Benckiser or Unilever) to a ten page booklet (AstraZeneca or Sainsbury). Most codes address a range of corporate responsibility issues, whereas some have a limited scope. For example, the codes of Capita, Prudential and Scottish Power focus specifically on environmental aspects of purchasing and supply.

The spread of codes shows significant differences between industries. All the pharmaceutical companies and all the manufacturers of alcoholic beverages within the FTSE 100 have an Ethical Sourcing Code in place; as do most retailers and chemical companies. However, none of the companies in the hospitality and leisure industries, in construction, transportation or in the oil and gas extraction industries do (although the latter tend to have quite elaborate codes of conduct that include supply chain issues).

Code titles fall into three categories. Retailers seem to prefer the term ‘ethical’, as in the ‘Global Ethical Sourcing Policy’ of DSG International, which seemingly reflects the Base Code of the Ethical Trading Initiative (ETI). A wider group of companies, outside retailing, uses corporate responsibility terminology, including the ‘Corporate Responsibility Procurement Policy’ of British Land. A smaller group of companies applies a wider range of terms, for example the ‘Supplier Management Values’ of Standard Life.

**Code content**

Codes cover two principal areas. On the one hand, they may express a commitment to treat suppliers in a particular fashion. Here relatively vague commitments to a partnership with suppliers (30%) or to values like fairness or honesty (both 23%) dominate. On the other hand, the codes cover quite a range of environmental and social issues that suppliers to the FTSE 100 companies are to address.

**Environment**

In terms of environmental issues, a rather general commitment to environmental protection is often required of suppliers (68% of all codes), followed by various issues of the low-hanging fruit type, such as improving the efficiency of their resource use (27%) or minimising their waste generation (25%) (see Table 1).
In addition, there are stipulations of a more resource-intensive nature that may not necessarily provide an immediate pay-back, for example reducing the environmental impact of the supplied product (14%). A number of currently hotly debated environmental challenges like biodiversity (11%) or climate change (9%) are also addressed, although at present only in a small number of codes.

Table 1 *Environmental protection issues in Ethical Sourcing Codes*

<table>
<thead>
<tr>
<th>Environmental issue</th>
<th>(n = 44)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment to environmental protection</td>
<td>68%</td>
</tr>
<tr>
<td>Compliance with local laws</td>
<td>66%</td>
</tr>
<tr>
<td>Improvement of resource efficiency</td>
<td>27%</td>
</tr>
<tr>
<td>Minimisation of waste</td>
<td>25%</td>
</tr>
<tr>
<td>Reduction of energy consumption</td>
<td>23%</td>
</tr>
<tr>
<td>Control of emissions/pollution</td>
<td>14%</td>
</tr>
<tr>
<td>Use of environmentally friendlier technology</td>
<td>14%</td>
</tr>
<tr>
<td>Environmental impact of product/service</td>
<td>14%</td>
</tr>
<tr>
<td>Protection of biodiversity</td>
<td>11%</td>
</tr>
<tr>
<td>Minimisation of climate change contribution</td>
<td>9%</td>
</tr>
<tr>
<td>Protection of animal rights</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Working conditions**

Requirements regarding working conditions in supplier plants range from compliance with local laws (73% of all codes) through the provision of a living wage, or at least a legally stipulated, minimum wage (57%), to not exploiting vulnerable groups, such as children (68%) or illegal immigrants (9%). This list is an interesting example of mimetic processes in the adoption of ethics tools as the entire range of issues (with the exception of the last item) is contained in the Base Code adopted by the ETI. This code seems to have served as a model for ETI members and non-members alike. At the same time, the Base Code criteria are adopted in a selective fashion. For example, equal opportunities for employees (68%) is demanded of suppliers noticeably more often than the provision of regular employment (14%).

Table 2 *Employment issues in Ethical Sourcing Codes*

<table>
<thead>
<tr>
<th>Employment issue</th>
<th>(n = 44)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with local laws</td>
<td>75%</td>
</tr>
<tr>
<td>Safe working environment</td>
<td>75%</td>
</tr>
<tr>
<td>No child labour</td>
<td>68%</td>
</tr>
<tr>
<td>Equal opportunities/no discrimination</td>
<td>68%</td>
</tr>
<tr>
<td>Employment freely chosen</td>
<td>66%</td>
</tr>
<tr>
<td>Freedom of association</td>
<td>64%</td>
</tr>
<tr>
<td>Living/minimum wage</td>
<td>57%</td>
</tr>
<tr>
<td>No inhumane treatment/harassment</td>
<td>52%</td>
</tr>
<tr>
<td>Non-excessive working hours</td>
<td>48%</td>
</tr>
<tr>
<td>Written contract</td>
<td>14%</td>
</tr>
<tr>
<td>Regular employment</td>
<td>14%</td>
</tr>
<tr>
<td>Avoid employing illegal immigrants</td>
<td>9%</td>
</tr>
</tbody>
</table>
Other challenges

By comparison to environmental and supplier employment conditions, other ethical challenges in modern supply chains receive little attention. For example, only a minority of the codes express support for small businesses or recognise a need to pay suppliers promptly (5% each). Not a single document discusses pricing issues, although it has been a recurring theme in modern supply chain management that suppliers see themselves subject to two often conflicting demands, namely price reductions and greater flexibility on the one hand and ethical requirements on the other.

It is hence noticeable that large corporations are more willing to impose ethical standards on their supply base than they are to acknowledge the consequences of an uneven power distribution in the supply chain.

Code implementation

Implementation mechanisms mentioned in the FTSE 100 codes can be grouped into three categories (see Table 3). They begin with relatively vague stipulations, such as a general encouragement of suppliers to improve their CSR performance (61% of all codes). These are followed by a range of actions the buying company commits itself to undertake, like monitoring and auditing supplier CSR performance (52%), which is also a requirement for ETI membership. Notable in this category are statements that the supply relation will be terminated if the supplier CSR performance remains unsatisfactory (41%), although this is buffered by a commitment to working with suppliers that are willing to improve (39%).

A third group of implementation issues concerns actions that are required of suppliers. These are quite detailed in some cases and range from requiring suppliers to have a CSR policy (32%) through establishing a management system for environmental and social challenges (18%) to providing CSR training for their employees (16%).

Table 3 Implementation mechanisms in Ethical Sourcing Codes

<table>
<thead>
<tr>
<th>Implementation mechanism</th>
<th>(n = 44)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encouraging improved supplier CSR performance</td>
<td>61%</td>
</tr>
<tr>
<td>Audit/monitoring of supplier CSR performance</td>
<td>52%</td>
</tr>
<tr>
<td>Supplier to manage CSR in own supply chains</td>
<td>45%</td>
</tr>
<tr>
<td>Supply relation terminated if performance unsatisfactory</td>
<td>41%</td>
</tr>
<tr>
<td>Commitment to work with supplier where breach</td>
<td>39%</td>
</tr>
<tr>
<td>CSR policy required of supplier</td>
<td>32%</td>
</tr>
<tr>
<td>Minimum requirements of supplier set</td>
<td>37%</td>
</tr>
<tr>
<td>CSR as part of supplier selection/evaluation</td>
<td>27%</td>
</tr>
<tr>
<td>CSR responsibilities assigned at customer</td>
<td>23%</td>
</tr>
<tr>
<td>CSR responsibilities assigned at supplier</td>
<td>23%</td>
</tr>
<tr>
<td>CSR management system in place at supplier</td>
<td>18%</td>
</tr>
<tr>
<td>CSR training of supplier employees</td>
<td>16%</td>
</tr>
<tr>
<td>CSR included in supply contract</td>
<td>7%</td>
</tr>
<tr>
<td>CSR included in purchasing specifications</td>
<td>5%</td>
</tr>
</tbody>
</table>

Interestingly, 45% of codes include a stipulation that suppliers should pass social and environmental requirements to their own suppliers and manage their CSR performance too. Such requirements may create an environmental and social multiplier effect along the supply chain, where suppliers can use their investment into meeting CSR standards of demanding customers to gain additional business.
At the same time, however, there is a danger that large firms impose inappropriate environmental and social conditions on their supply chains. Not least small businesses often struggle to find the resources needed for addressing these issues.

Box 1 Examples of Comprehensive Codes

• AstraZeneca: CR Principles in Purchasing

• Diageo: Corporate Citizenship Supplier Standards

• BT: Sourcing with Human Dignity Standard

• Legal and General: Ethical Purchasing Principles

• The Base Code of the Ethical Trading Initiative

Conclusions

The Ethical Sourcing Codes of the FTSE 100 corporations achieve a comprehensive coverage of the CSR terrain. Three distinct groups of CSR issues were identified, namely employment conditions, environmental protection and economic issues affecting supplier firms, although these are far from uniformly addressed. Working conditions for supplier employees have received the greatest attention, while economic issues for suppliers are mentioned in isolated cases only. Environmental issues occupy a middle position with some requirements being frequently included, while most of the more concrete stipulations receive attention in a minority of codes only. Implementation procedures are discussed at considerable length both in terms of the range of implementation mechanisms and in terms of the number of times these are included in the documents.
Appendix

Use of Codes of Ethics in Business: 2007 Survey Appendix

Questionnaire on Company Use of Codes of Business Ethics 2007

Thank you for agreeing to complete this questionnaire for our research. All replies will be treated in strictest confidence and all data will be presented so that the identity of any individual respondent or company is protected. There are 14 questions.

Please return the completed questionnaire in the envelope provided or fax it to 020 7798 6044. If you have any questions, please contact us on 020 7798 6040 or researcher@ibe.org.uk.

1. Which department, function or person in your company is responsible for your ethics policy and your code of business ethics (or equivalent)?

2. What do you consider to be the main use of your code? Tick all that apply:
   Number the three most important uses (1 = highest importance)
   - Guidance to staff
   - Guidance to contractors and other business partners
   - Helps to guard reputation
   - Reduces operational risk
   - Helps to secure long term shareholder value
   - Public statement of your ethical commitments
   - Other (please specify)

3. How long has your company had a code? (Tick appropriate)
   - 0-1 years
   - 2-4 years
   - 5-9 years
   - 10 years or more

4. How many years ago did you last revise your code? (Tick appropriate)
   - 1
   - 2
   - 3
   - 4
   - 5 or more
   - Never
   - Currently
5. Which of the following do you take into account when revising your code? *(Tick all that apply)*

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

6. How does your company communicate the existence of its code? *(Tick all that apply)*

- Included as part of staff manual / handbook
- Produced as a stand-alone guide / booklet
- Distributed hardcopy to all staff
- Distributed to stakeholders
- Posted on company intranet
- Posted on company website
- Mentioned in annual report
- Mentioned in corporate responsibility (or similar) report
- Translated for overseas locations
- Adapted for local use in overseas locations
- Discussion in corporate newsletters
- Other (Please specify)

7. Do you offer training to members of staff on the meaning and use of your code?  

- Yes  
- No

   If you answered yes, what form does the training take? *(Tick all that apply)*

- Induction training
- In-house training seminars (for all staff)
- Executive level training
- Intranet training courses
- External training
- Videos/games
- Discussion of dilemmas
- Other (please specify)
8. **(a)** Is there a mechanism for employees to raise ethical concerns or ask questions about your code?  
   - Yes  
   - No

   **(b)** If you answered yes, can these issues be raised in confidence if requested?  
   - Yes  
   - No

   **(c)** Do you provide a helpline / hotline / advice line?  
   - Yes  
   - No

   **(d)** Is conformity to your code included in the contract of employment used by your company?  
   - Yes  
   - No

   **(e)** Has your code been used in the last 3 years in a disciplinary procedure?  
   - Yes  
   - No

9. Does your code refer to sector or other external standards and benchmarks (such as the UN Global Compact, UN Declaration of Human Rights etc.)?  
   - Yes  
   - No

   If so, which do you consider to be the most important?  
   

10. Do you monitor the effectiveness of your code?  
    - Yes  
    - No

    If so, how? *(Tick all that apply)*  
    - Questions in staff surveys on ethical standards
    - Board reports on violations/misconduct
    - External assurance provision
    - Use of speak up procedures
    - Other (Please specify)  

11. What else do you do to promote your ethical culture or support and embed your code of ethics?  

12. Which of the ethical issues below are significant to your organisation? (Tick all that apply)

- Human rights
- Supply chain issues / sourcing
- Bribery, corruption and facilitation payments
- Discrimination, harassment or bullying
- Safety and security
- Environmental impact
- Security of information
- Managing conflicts of interest
- Whistleblowing / speaking up
- Responsible marketing / advertising
- Work / home balance issues
- Criticism of board remuneration
- Other (Please specify)

13. In what ways is climate change being addressed specifically as part of your ethics / corporate responsibility programme?

14. Finally, any other comment on business ethics in your company or sector?
DOES BUSINESS ETHICS PAY? – REVISITED: The value of ethics training

Do companies that actively attempt to embed their ethical values into business practice enjoy stronger financial performance as a result?

This report by Kaodi Ugoji and Nicole Dando, describes research comparing the financial performance of FTSE 350 companies which have a business ethics training programme with those simply declaring a commitment to ethical values. The findings, for the five years 2001-2005, are consistent with previous IBE research, Does Business Ethics Pay?, suggesting that conducting business with integrity and fairness is not only the right thing to do, it is also good for the bottom line.

July 2007
ISBN 0 9549288 5 7
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ETHICAL DUE DILIGENCE: An introduction and guide

Cultural fit and ethical compatibility are increasingly recognised as important elements of successful business relationships, from joint ventures to mergers and acquisitions. In this report, David Lascelles describes an emerging risk management tool for identifying integrity risk, Ethical Due Diligence (EDD), to be used alongside financial and legal due diligence. Ethical Due Diligence is based on interviews with companies and experts. It describes the process of EDD and shows by means of case studies how it is being applied and shows how it can be deployed to support business decisions.

May 2007
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IBE Good Practice Guide 1: SPEAK UP PROCEDURES

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

Speak Up Procedures is the first in the Good Practice series. Drawing on the experiences of international and UK companies, it outlines why organisations need to encourage and support staff to make enquiries on ethical issues, raise concerns and report misconduct; provides guidance on what to consider when establishing a Speak Up policy and the procedures to implement it. It suggests how to operate the policy effectively, from providing training to handling and investigating calls to Speak Up lines.

March 2007
ISBN 0 9549288 3 0
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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? The premise of this report, by Nicole Dando and Walter Raven, is that an ethical assurance programme will provide boards with that confidence and assist in safeguarding the integrity, reputation and sustainability of their organisation. It provides a practical framework for approaching the assurance of ethical performance against an organisation’s own code of ethics. The report will assist executive and non-executive directors understand the need for and benefits of ethical assurance and consider whether the assurance they have in place is sufficient and robust. The practical guidance is addressed to those overseeing the assurance of a board and those providing an assurance opinion. It is intended as an aid to the development of good practice in a field that is still developing.

December 2006
ISBN 0 9539517 8 2
Price £25.00
MAKING BUSINESS ETHICS WORK: The foundations of effective embedding

In many organisations there is a gap between having an ethics policy and its effect on the business decisions and behaviour of employees. This report looks at the reasons for this apparent failure to embed ethical values. This report by Simon Webley is an examination of the experience of UK companies, recent surveys and research revealing what can be done to improve the efficacy of ethics programmes. The practical suggestions in this report will be valuable to organisations wanting to ensure consistently high standards of corporate behaviour and overcome the barriers to establishing a meaningful ethics policy.

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SUPPLIER RELATIONSHIPS IN THE UK: Business ethics and procurement practice

Laura Spence examines the complexities of supplier relationships and ethical procurement practice in the UK. The report explores how companies can achieve fair relations with their suppliers and particularly considers issues raised in relationships between large organisations and small and medium sized suppliers. Three case studies, from Camelot, Waitrose and Toyota, help draw out the issues and good practice approaches. Guidance on good practice is offered for suppliers and customers alike.

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ETHICS AT WORK: A national survey

What do UK employees consider to be the standard of ethical conduct in their workplace? This report by Simon Webley and Polly Dryden details the first national IBE Ethics at Work Survey. It shows how fulltime staff and management regard their own behavior and that of their colleagues; makes comparisons with Management Today/KPMG Forensic survey of managers in 2000 and a US ERC employee survey in 2003; presents the views of workers on the support they are given in ‘doing the right thing’ at work; suggests which employees are likely to be ‘the most ethical’ and demonstrates to all employers, the benefit of surveying their staff on ethical issues and conduct, and the need for clearer ethical guidance.

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THE ETHICS OF INFLUENCE: Political donations and lobbying

The Ethics of Influence by David Lascelles analyses current corporate approaches to the challenges in this increasingly controversial area and sets out the pressures on companies to seek political influence. It offers guidance to business on good practice and is drawn from interviews with senior business people in the UK, US and Europe.

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SETTING THE TONE: Ethical business leadership

Business ethics will never be taken seriously unless the ethical tone is set from the top. Leadership is essential to business ethics, as ethical qualities are essential to good leadership. This report by Philippa Foster Back demonstrates that business leaders should consider ethical competence as a core part of their business acumen. It provides guidance to those wishing to build a culture of trust and accountability and strengthen the ethical aspirations of their organisation. Setting the Tone includes interviews with business leaders offering practical insights into ethical leadership issues.

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CORPORATE USE OF CODES OF ETHICS: 2004 survey
This report by Simon Webley and Martin Le Jeune reveals the findings of the fourth IBE survey sent to the CEOs of FTSE 350 companies with codes. It shows:
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• trends in the rationale for codes
• the ethical issues perceived as most important for business
The report, including two practical business case studies, provides a guide to managers wishing to understand current practice and mechanisms for implementing and embedding codes of ethics.

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TAKING THE TEMPERATURE: Ethical supply chain management
Many companies are now grappling with the complexities of ethical supply chain management. How much progress is being made and is life improving for workers? Taking the Temperature assesses the way companies are developing ethical trading practices and explores the issues of ethical supply chain management. It looks at emerging best practice and highlights case study examples from a range of companies and countries. This report, by Louise Jamison and Hilary Murdoch of Impactt Limited updates the 2000 publication Where did that come from? It provides companies with practical guidance on how to tackle the ethical management of their supply chain.

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DEVELOPING A CODE OF BUSINESS ETHICS: A guide to best practice, including the IBE Illustrative Code of Business Ethics
Producing a code of business ethics helps companies to understand and address ethical issues across their organisations. The author, Simon Webley, shows how codes offer invaluable guidance for employees on how to behave and how to make positive decisions in complex circumstances. This publication:
• Provides a practical and comprehensive guide to developing and implementing a code of business ethics.
• Analyses the business case for codes; identifies best corporate practice and explains the steps needed to produce and maintain an effective code of business ethics.
• Encompasses the updated IBE Illustrative Code of Business Ethics and includes examples of different approaches to corporate codes.

October 2003 ISBN 0 9539517 4 X Price £20.00

DOES BUSINESS ETHICS PAY?: Business ethics and financial performance
This research report by Simon Webley and Elise More provides evidence to company chairmen and Chief Executive Officers as well as the general public, that conducting business with integrity and fairness is not only morally right, but is also worthwhile. The performance of a sample from FTSE 350 companies with an available code of ethics was compared to a similar sample of those without. Four financial measures were used and the data covered the period 1997-2000. The annual list of Britain’s Most Admired Companies and the SERM socio/ethical risk reduction rating were also used in the research.

April 2003 ISBN 0 9539517 3 1 Price £25.00
DEMONSTRATING CORPORATE VALUES: Which standard for your company?

This publication, by Deborah Smith of EQ Management, reviews the plethora of social and ethical reporting standards on offer to companies. It sets out the benefits and costs of the major standards and provides companies with a means of assessing and choosing them.

July 2002  ISBN 0 9539517 2 1  Price £25.00

PRIORITIES, PRACTICE & ETHICS IN SMALL FIRMS

This report includes a survey of 100 small firms in the UK by Laura Spence that investigates their social and ethical concerns and in what way these differ from those of larger companies.

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This report reveals the findings of the fifth IBE survey sent to FTSE 350 companies with codes. It shows:

• the ways in which companies maximise the effectiveness of their codes
• trends in their rationale for having a code
• the ethical issues perceived as most important to businesses
• how the issue of climate change is covered in codes

This report provides a guide to managers wishing to understand current practice and mechanisms for implementing and embedding a code of ethics.