



Living Up To Our Values

Developing ethical assurance

by Nicole Dando & Walter Raven

 Institute of
Business Ethics

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The Institute of Business Ethics (IBE)

Business Ethics

The IBE was established in 1986 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, staff 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. Please contact us if you would like assistance.

Our team apply their practical business experience of the issues that organisations face to fulfil the Institute's vision and mission.

The IBE is a charity based in London. Our work is supported by corporate and individual subscribers.

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Sponsors' Forewords

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British American Tobacco



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At British American Tobacco our corporate governance framework is directed towards achieving our business objectives in a manner which is responsible and in accordance with high standards of probity, transparency and accountability. These principles are reflected in our Standards of Business Conduct, which are kept under continual review. Every Group company and every employee worldwide is expected to live up to them. In addition, the principles set out within our Statement of Business Principles are designed to help meet the expectations, sometimes conflicting, placed on us by our various stakeholders. These principles were developed with the help of stakeholders and the Institute of Business Ethics, and are proving a sound basis for the continuous auditing of our companies' Corporate Social Responsibility performance, and for further shaping our expectations of our suppliers. Our social reporting process, which is based on stakeholder dialogue, helps us to be more transparent and, through listening and responding to our stakeholders, to embed the principles of Corporate Social Responsibility in our business and to make better decisions in line with changing expectations in society. Our Social Reports are independently assured against the AccountAbility AA1000 standard, which aims to encourage a high standard of transparency and impartiality.

Dr Adrian Payne, Head of Corporate Social Responsibility,
British American Tobacco

PricewaterhouseCoopers LLP



PricewaterhouseCoopers, as the world's largest professional services firm, with a major assurance practice, clearly has a substantial interest in exploring how organisations can explain the culture, values and behaviours that underpin their business performance.

Whilst much of our assurance work still relates to the audit of financial statements, we also provide public assurance over data and wider information processes in a very wide range of circumstances - from sign off of information included in listing documents, to regulatory returns and environmental, social and economic information included in sustainability reports.

We recognise that the world of assurance is changing and that all stakeholders are looking for evidence that organisations have responsible leadership and an approach to business which is honest, fair and reflective of the needs and expectations of all key stakeholders.

We therefore welcome this report as a valuable contribution to the debate and discussion around how companies can build trust with their key stakeholders and the ideas it puts forward about how ethical assurance can be developed.

David Phillips, Corporate Reporting Senior Partner,
PricewaterhouseCoopers LLP

IBE Overview

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Members of boards and other governing bodies need to assure themselves that their organisation is living up to its ethical values and commitments. In today's world, shareholders and stakeholders have high expectations of those running organisations. They expect companies and organisations to be run to high ethical standards. If not, they expect them to be held accountable.

It is often asked what metrics exist to test ethical behaviour. It is more obvious when there has been an ethical failure, but how do you measure good behaviour? In their performance appraisals and remuneration policies, companies are looking for ways to understand their employees' contribution to fulfilling the company's values. But what of the company or organisation itself? Boards are asking, as part of their own evaluation process, "how do we know this organisation is living up to its values?" In this publication, the IBE puts forward a framework to consider this.

There are many standards and methodologies being used to test an organisation's non-financial performance, but none would appear to start from the organisation's own code of ethics. Organisations have such a code to provide guidance to staff on expected behaviours and responses to situations that they might find themselves in the day to day business environment. It is therefore valid for the organisation to test itself against the values by which it attempts to live. This report is intended to be an aid to the development of good practice for ethical assurance against an existing code of ethics.

This report is directed at the board and any sub-committee charged with oversight of ethical issues and corporate responsibility. Sometimes this is the Audit Committee, sometimes an Ethics or Corporate Responsibility Committee. Whichever it is, board level responsibility to ensure the ethical stance and standards of the company is essential.

The approach outlined in this report is based on internal reflection; collating data from different parts of the business to indicate collective support of the organisation's ethical principles, and the quality of the mechanisms and competencies it has in place to ensure this. A review of the robustness of the content of the organisation's ethics policies and code is beyond the scope of this report. It assumes that good practice has been followed and the code is kept up to date.

Ethical assurance as a practice and profession is still maturing. Thus, the identification of good practice will involve a process of on-going learning. The IBE invites readers to respond to this report with their comments, experiences and suggestions to info@ibe.org.uk.

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Director, IBE