

Standards

Responsibility

Integrity

Trust

Honesty

Management

Employees

Shareholders

Developing a Code of Business Ethics

ibe

A guide to best practice including
the IBE Illustrative Code of Business Ethics

By Simon Webley

ethics
implementation
corporate guidance
development
applying codes

 Institute of
Business Ethics

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Executive Summary

Summary

Developing a Code of Business Ethics

Developing a Code of Business Ethics sets out to provide a practical and comprehensive guide to producing, implementing and maintaining an effective code of business ethics.

This publication examines the business case for introducing a code; provides a step-by-step guide to producing a code and explores how to make the most of a corporate code. It explains why each company should develop its own unique code and the updated IBE Illustrative Code of Business Ethics provides a checklist of issues and an example of how a code might look. Corporate codes from Severn Trent Plc and Unilever Plc provide examples of two different approaches to layout and content.

Developing a Code of Business Ethics includes examples of business ethics dilemmas; ethical tests used by staff to facilitate decision-making; best practice in making a code effective and checklists on how to produce, implement and use a code.

Apart from legal requirements, business in general has no recognised code or standard which provides a benchmark for its conduct. Individual corporations have therefore to formulate their own values and the way they do business. An ethics policy helps companies to understand and develop policies on issues of business and employee conduct.

The proportion of larger UK companies with explicit ethics policies has risen over the last ten years from a third to more than a half. Having an ethics policy is now considered a hallmark of a well managed company. The ethics policy is normally expressed in a code of business ethics, sometimes called a code of business conduct or principles.

Key points
Key Points From
Developing a Code of
Business Ethics

1. Having a code of ethics is considered to be good corporate governance. Codes should not be developed merely as a reaction to a reputation crisis. Staff at all levels and in all jurisdictions should be involved in both the content and implementation of a code.
2. Pressures on UK boards of directors to take corporate conduct seriously have grown in recent years. They range from new legislation and increased employee requirements to media reports of corporate misconduct and the growth of socially responsible investment (SRI).
3. Corporate values and ethics have to come from the top. Board involvement is vital to the effectiveness of an ethics policy. The code should be endorsed by the chairman and/or CEO and board members should require regular reports on how the code is operating.
4. One size never fits all. Each company needs to develop its own unique code of ethics, based on the core values of the business.
5. Having a code is not enough to ensure ethical behaviour. The code needs to be understood, used, taught, monitored and regularly re-evaluated and revised.