

## **A cultural shift:**

the increasing prominence and changing nature of codes of ethics

## **Ethical leadership:**

more needs to be done to bring ethics into the boardroom

## **Communicating ethics internally:**

communication strategies are now more common, but some important information is missing

# **Embedding Business Ethics:**

2020 report on corporate ethics policies and programmes

By Guendalina Dondé



# About the report

The IBE's 2020 report on corporate ethics policies and programmes analyses data from a sample of 242 large companies listed on the following stock market indices: the French CAC 40, the German DAX 30, the Italian FTSE MIB 40, the Spanish IBEX 35 and the UK's FTSE 100. The research was undertaken in 2019.

The report includes findings from:



**Desktop research** on the publicly available ethics-related information of **242** companies

**Online survey** of **35** senior ethics and compliance professionals



**In-depth interviews** with **14** ethics and compliance professionals



“ .....  
*This report is the ninth in this triennial series looking at corporate ethics policies and programmes. It is the IBE's longest-running survey series, and continues to give valuable insights into how companies run their ethics programmes.*

.....  
**Philippa Foster Back CBE**  
Director, Institute of Business Ethics

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# The findings will help companies to:

- **Understand current practice** in corporate ethics programmes and **benchmark their organisation**
- **Identify leading practice** in terms of how organisations are approaching business ethics and use this to **bridge potential gaps** in their ethics programme
- **Track recent developments** in perspectives on business ethics and **prepare for future ethical challenges** that businesses may face.

As the corporate landscape continues to change over time, the IBE will continue to monitor good practice in business ethics within organisations, particularly in light of the new challenges that arise.

This type of research, which is grounded on business practice, is intended to provide practical support to organisations that are striving to promote high standards of business behaviour based on ethical values.

## What's new?

**More rigorous research.** This year, we have partnered with the independent market research consultancy Savanta ComRes (previously ComRes) to conduct the online survey.

**More diverse data.** For the first time, this year's report includes more comprehensive research on the companies in the sample. Along with the online survey normally undertaken for this research, this year's data is enriched by desktop research and interviews.



### Simon Webley's three tips for boards and ethics officers to make their policies and programmes effective:

- 1** Insist that the head of ethics has access to the board and doesn't have to go through the legal department.
- 2** Insist that the code of ethics is reviewed at least every three years and that it is very user-friendly.
- 3** Insist that, in all locations, there needs to be somebody in the role of an ethics ambassador.

**Simon Webley**

Research Director, Institute of Business Ethics

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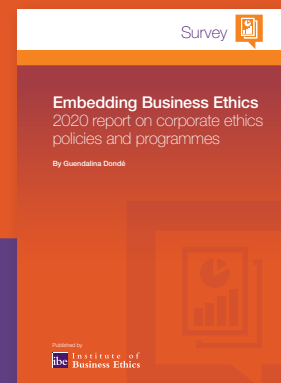
**The full report can be downloaded for free at:**

<https://www.ibe.org.uk/resource/report-embeddingbusinessethics.html>

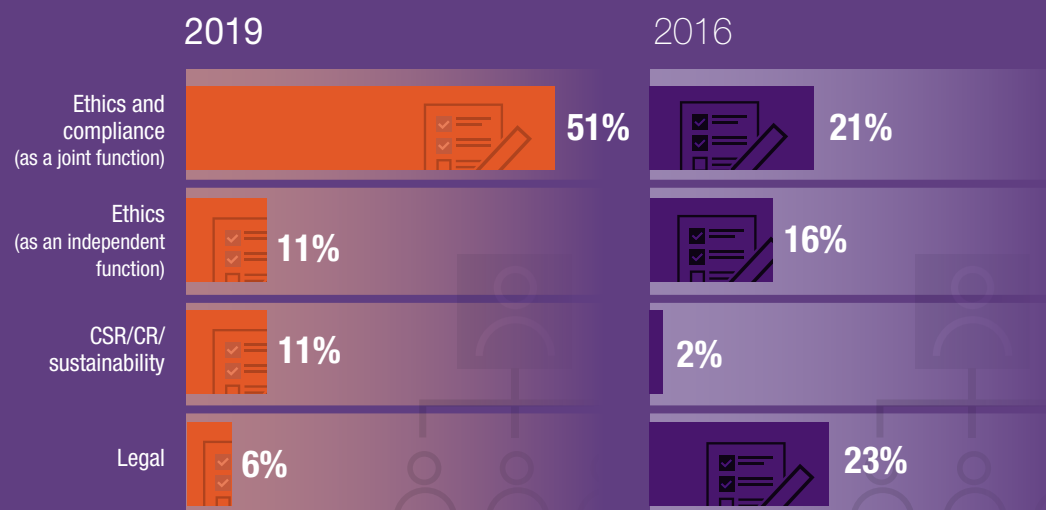
# What have we learnt?

**The role of business in society has changed over the past 25 years and, with that, the role and responsibilities of ethics and compliance (E&C) professionals have also evolved.**

Many organisations have moved away from a mainly rules-based, compliance-oriented approach to one based on ethical values. One key measure that shows this is the change in reporting lines for the person responsible for the ethics programme. The survey responses reveal that E&C practitioners are now more likely to report directly to the CEO than in the past (31% in 2019 vs 20% in 2016). While it is an important step in the right direction to make sure that senior leaders are engaged with (and accountable for) the ethics programme in their organisations, more could still be done – particularly at board level.



Survey respondents state that the primary responsibility for implementing the ethics programme in their company sits with:



1.

**A cultural shift:**  
the increasing prominence and changing nature of codes of ethics

An important change has occurred regarding the nature of ethical commitments in business. Mere regulatory compliance is widely recognised as no longer enough to build stakeholders' trust and promote long-term durability. Since this research started in 1995, codes of ethics – the foundation of any organisation's ethical commitments – have become more and more widespread. Significantly, and for the first time in the history of this research, survey respondents suggest that codes are no longer seen primarily as a tool to provide guidance to staff. Instead, creating a shared and consistent corporate culture was chosen most frequently (by 74% of respondents) as one of the main purposes of the code of ethics. Providing guidance to staff now ranks second (69% of respondents chose this option).

## Regional variations

According to the 2019 desktop research, 87% of the 242 companies analysed have a code of ethics (or similar document) publicly available and easily accessible from their corporate website, but see these regional variations.

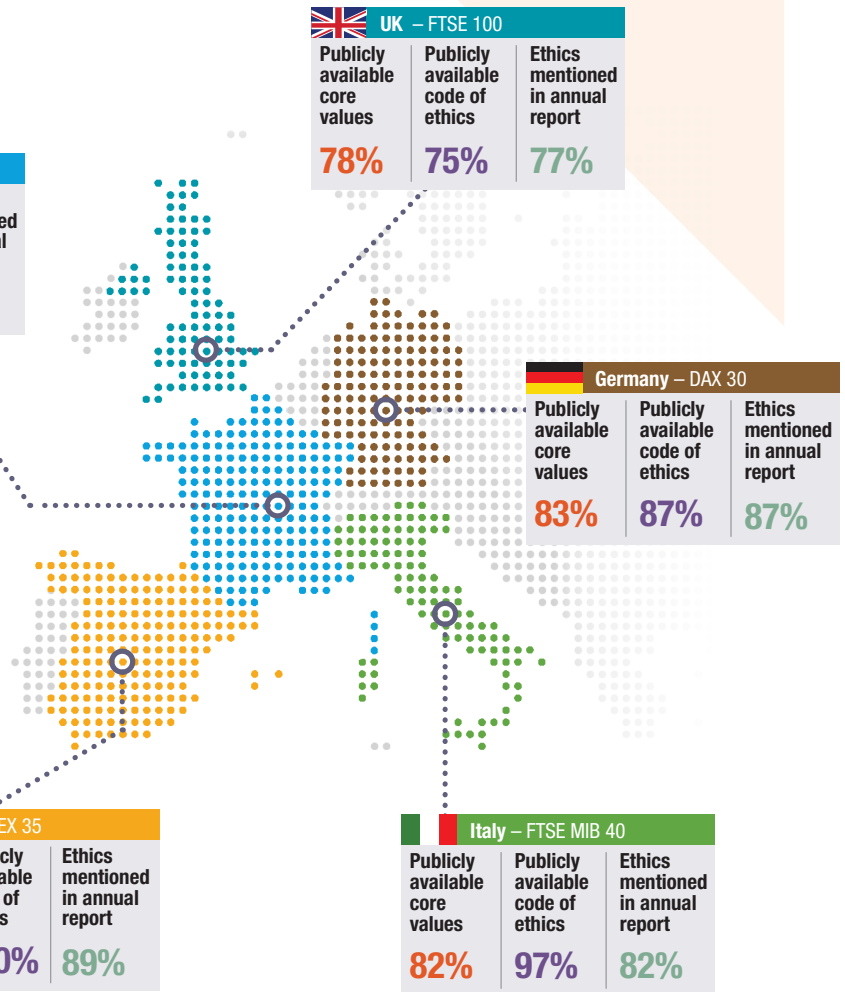
France – CAC 40		
Publicly available core values	Publicly available code of ethics	Ethics mentioned in annual report
87%	97%	80%

UK – FTSE 100		
Publicly available core values	Publicly available code of ethics	Ethics mentioned in annual report
78%	75%	77%

Germany – DAX 30		
Publicly available core values	Publicly available code of ethics	Ethics mentioned in annual report
83%	87%	87%

Spain – IBEX 35		
Publicly available core values	Publicly available code of ethics	Ethics mentioned in annual report
71%	100%	89%

Italy – FTSE MIB 40		
Publicly available core values	Publicly available code of ethics	Ethics mentioned in annual report
82%	97%	82%



2.

## Ethical leadership:

more needs to be done to bring ethics into the boardroom

Engaging with senior leaders, and with the board in particular, seems to be an ongoing challenge. All interviewees acknowledge the importance of tone from the top and senior-level engagement in making an ethics programme effective. The presence of board-level committees seems to help with the inclusion of ethics, values and culture on board agendas: 58% of survey respondents who say that these topics are regularly discussed in the boardroom also say that their company has a dedicated board-level committee, compared to 29% whose companies have a committee at sub-board level and 13% who do not have a committee at all.

### Some issues of concern:

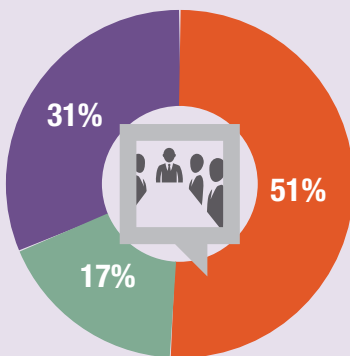
Less than half of respondents state that their company's board receives mandatory training on its ethics programme



Respondents state that ethics doesn't play a part in the board's performance appraisals



Respondents state that ethics, values and culture are not regularly discussed in board meetings



### Ethics committees in companies:

- Respondents say that their company has a committee at board level
- Respondents say that their company has a committee at sub-board level
- Respondents say that their company does not have a committee

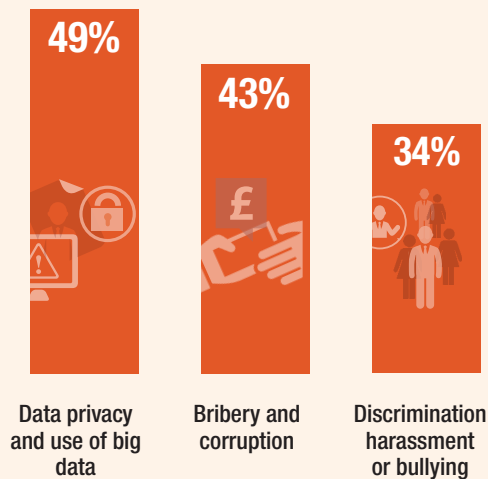
3.

### Communicating ethics internally:

communication strategies are now more common, but some important information is missing

Survey respondents are now more likely to say that their company has an internal communication strategy for ethics, which represents an important improvement compared to the past. However, the messages communicated to employees seem to be lacking specific information about, for example, the number of Speak Up reports or disciplinary actions as a consequence of misconduct. Over a third of respondents (37%) say that their company does not report any of the chosen indicators to employees other than those on the board, the executive team and managers/supervisors.

Survey respondents' three most commonly chosen ethical issues of most concern for companies:



## A changing picture

The data collected for this report shows that the approach to ethics in large organisations is evolving into better practice over time, but some important challenges still remain. E&C professionals need to be vigilant and scan the horizon to make sure that they are up to date with recent developments and emerging issues. Even familiar issues can change dramatically over time, so being able to manage and communicate change is crucial when addressing new issues that arise.

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# What we do

The Institute of Business Ethics, whose purpose is to promote high standards of business behaviour based on ethical values, is an important partner to any business wanting to preserve its long-term reputation by doing business in the right way.

All organisations need to demonstrate they are trustworthy in order to operate effectively and sustainably. Reputations are not based solely on the delivery of products and services, but on how an organisation values its stakeholders. Having a reputation for acting with honesty and ethics will not only differentiate an organisation, it will make it more successful.

For over 30 years, the IBE has advised organisations on how to strengthen their ethical culture by sharing knowledge and good practice, resulting in relationships with employees and stakeholders that are based on trust.

We achieve this by:

- Acting as a critical friend to organisations we work with
- Advising senior business leaders and those with responsibility for developing and embedding corporate ethics policies
- Supporting the development of these policies through networking events, regular publications, research and benchmarking as well as training
- Providing guidance to staff through bespoke training and decision-making tools
- Educating the next generation of business leaders in schools and universities.

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