



Corporate Ethics Policies and Programmes

2016 UK and Continental Europe Survey

By Guendalina Dondé

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Business Ethics

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- We raise public awareness of the importance of doing business ethically.
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“ Doing business ethically ...
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Corporate Ethics Policies and Programmes

2016 UK and Continental
Europe Survey

By Guendalina Dondé

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Corporate Ethics Policies and Programmes:
2016 UK and Continental Europe Survey

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Author

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IBE Foreword

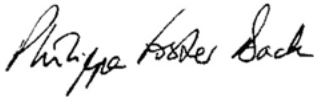
Every three years the IBE surveys companies to find out how they are embedding their ethical values. This is the eighth in the series.

While most of the questions have remained the same, new ones have been added this year to reflect the innovations that organisations are using to make their ethics programmes effective. A broader range of companies were asked to participate in this year's survey.

The main purpose of this survey is to provide insight into how companies manage their ethics programme in a practical way. For the first time it uses the IBE Ethics Framework to do this.

The survey can be used as a benchmark for companies to determine how well their policies are working in embedding their ethical values.

The IBE welcomes feedback on its surveys. In particular, we appreciate suggestions on how to extend or improve the topics covered.



Philippa Foster Back CBE
Director
Institute of Business Ethics



Introduction

Background

This triennial survey provides an overview of how ethics is embedded within large organisations that operate in the UK and Continental Europe. When the IBE conducted this survey for the first time in 1995, much emphasis was placed on the code of ethics. Twenty years on, organisations look at ethics through a more sophisticated lens and it has become evident that, whilst a code is necessary, it is not sufficient to ensure that core values are embedded throughout business practice.

As a consequence, the scope of this survey has broadened over the years: how can organisations make sure that employees share their core values and feel empowered to do the right thing? How can ethics become an integral part of the governance structure? What is the role of senior leaders, and the board in particular, in setting the right tone from the top? Are they committed to ethical culture and behaviour?

To address these and similar concerns, this survey includes new questions and more comprehensive response options. It presents the results of the eighth IBE Survey on *Corporate Ethics Policies and Programmes*. Where the questions have remained unchanged, it is now possible to identify trends over a 20 year period.

Who is this survey for?

This survey has been written for those who wish to gain a better understanding of how an ethics programme can be managed effectively. People across different business functions can benefit from its findings – senior executives, managers, other employees or external stakeholders who are seeking to gain an insight into how companies embed ethics wherever they operate.

For companies that are starting out, this survey provides an overview of the different elements of an ethics programme. It enables organisations with more established ethics programmes to observe how they compare with typical practice and gain an idea of where it can be improved and enhanced.

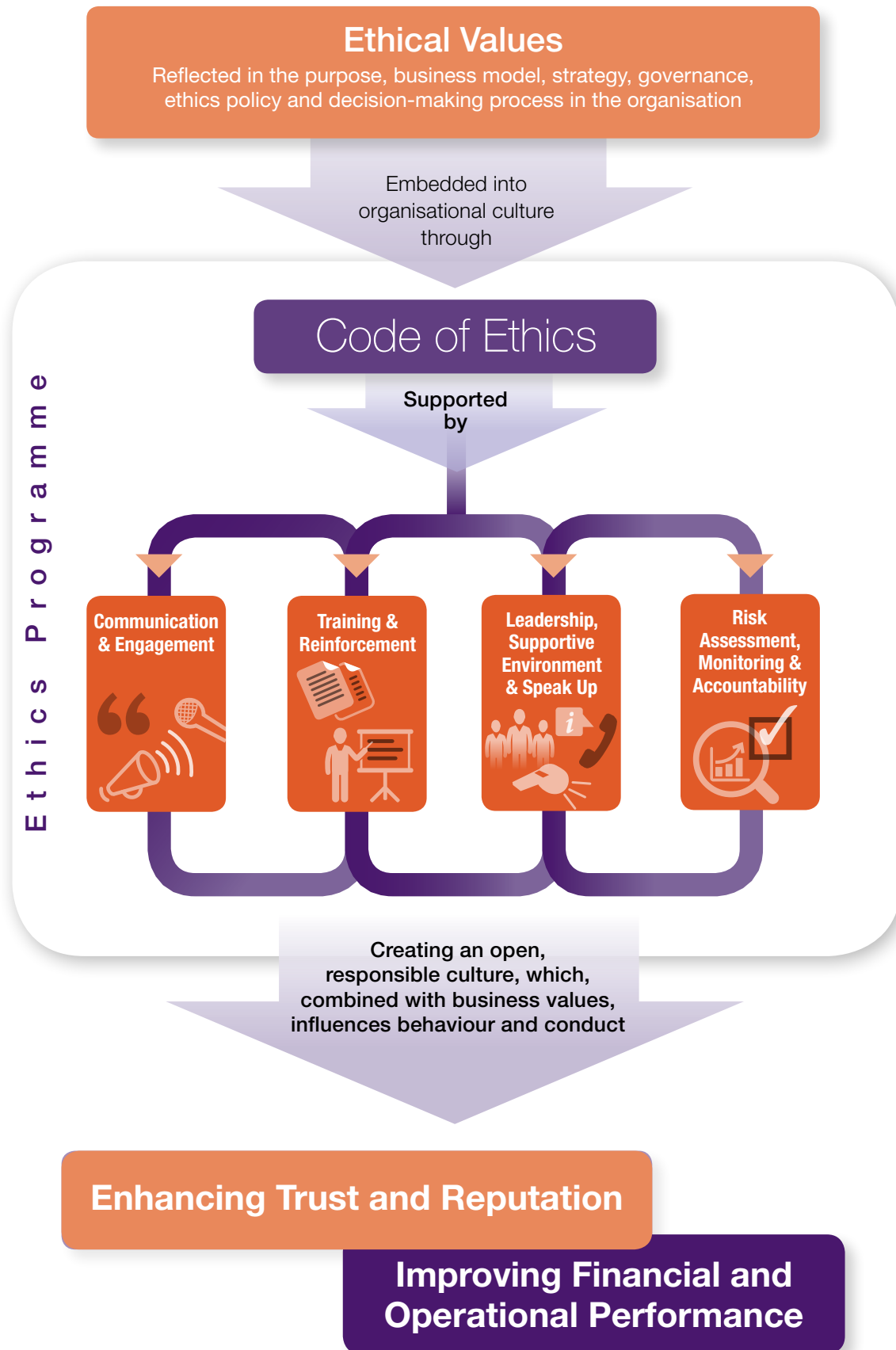
What is an effective ethics programme?

The process of building an ethical culture in business is a journey which starts with an organisation's ethical values (see Figure 1). These can be seen as the compass that guides behaviour. Values are usually expressed through a code of ethics (or similar document) which provides guidance to employees on how core values of the business are applied in practice. If values are the compass, a code is the map that guides employees in their daily decision-making.

A comprehensive ethics programme provides the additional tools that companies must develop to make sure their core values are effectively embedded and implemented. These include appropriate communication campaigns; regular training; resources that encourage an open and supportive environment – including frameworks for making decisions and speaking up – and monitoring processes.

By following this model, organisations are able to have an impact on their employees' behaviour and decision-making, ensuring that they are shaped by the company's core values. Ultimately, this will help them to fulfil their purpose and promote long-term business success.

Figure 1 IBE Business Ethics Framework



The Ethics Landscape

Hardly a week goes by without some reference to a major illegal or unethical lapse in the way an organisation does business.

Indeed, if you really want to engage an audience during a session on a business topic, citing a media report on the most recent corporate malpractice will always help you to gain attention.

The risk to businesses by such media exposure is always present. It is impossible to insure against it and therefore comes down to self-insurance. While we know that nine out of ten employees want to behave properly, there will always be a tenth who will fail to conform.

How then do you self-insure against the risk of tarnishing your good reputation and losing the trust of your customers and suppliers? Even more seriously, how do you assure yourself that the behaviour of 'associated persons' – those with whom you have a business relationship – is trustworthy?

There is no quick or easy answer to these questions. But there are practical preventive measures that any organisation can take to minimise the risk of corporate irresponsibility. These revolve around the adoption of clear ethical and business values and a means to help employees at all levels to apply them. This will involve the production of guidance to staff on issues that are not covered by laws and regulations – by writing and propagating a code of ethics.

This publication reviews how this is being done in larger organisations in the United Kingdom and other countries in Continental Europe. It identifies the trends and traces the changes that are occurring in content, methods of embedding and monitoring the effectiveness of this key tool.



Ensuring that your code of business ethics is relevant and is used at all levels of management is one way of reducing the risk of malpractice and at the same time assure employees that how they do business is taken seriously.

A handwritten signature in black ink, which appears to read 'Simon Webley'.

Simon Webley
Research Director
Institute of Business Ethics

Key Findings

Core values

“Integrity”

“Respect”

“Excellence”

are the **three most common value words** used by companies

Leadership engagement

93% of companies have a **supportive environment** for ethics

Values and **culture** are regular items on the board agenda in **86%** of companies

64% see their leaders as **very or extremely engaged** in ethics

Ethics programme

The three **most common elements** of an ethics programme are:

- 1 A code of ethics**
- 2 Ethics training/speak up mechanism**
- 3 Internal reporting tools**

Code of ethics

The main **purpose of the code** of ethics is to:

- 1 Provide guidance to staff**
- 2 Create a shared culture**
- 3 Make a public commitment to ethical standards**

Communication strategy

More than a quarter of companies **(26%) do not have a communication strategy on ethics**

Training

Business partners are likely to be offered training **only when it is considered necessary (56%)**

Monitoring

The metrics that are more frequently used to monitor an ethics programme are:

- 1 Percentage of employees receiving ethics training**
- 2 Data about speak up**
- 3 Questions on ethical standards in staff surveys/internal audit reports**

Speak up

97% of companies with a speak up system also have a **policy to protect employees** who speak up against retaliation

However, only **41%** establish a formalised approach to monitoring it



Methodology

Purpose

This publication presents the current findings of a survey which began in 1995 and was last conducted in 2013. It can help to:

- **Understand** current practice in corporate ethics programmes in accordance with the IBE business ethics framework
- **Track** developments over the last two decades
- **Identify** and share good practice in how organisations are approaching business ethics.

Analysis

This survey details the findings from the responses of 59 organisations surveyed in collaboration with homologous organisations in Spain (Forética) and Italy (Fondazione Sodalitas) in late 2016.

The analysis is presented in three chapters:

Chapter 1 looks briefly at how companies promote a strong ethical business culture.

Chapter 2 reviews general aspects of companies' approach to ethics, including their engagement with internal and external stakeholders.

Chapter 3 presents a more detailed view of the building blocks of an ethics programme.

Questionnaire

The IBE Ethics Framework (Figure 1) provides the structure for this survey. Questions cover the following areas:

1. Ethics programme
2. Core values
3. Codes of ethics (or equivalent)
4. Communication and awareness campaigns
5. Ethics training
6. Supportive environment, including leadership and speak up (whistleblowing)
7. Risk assessment, monitoring and accountability
8. Engaging third parties

Respondent profile

In 2016, as in 2010 and 2013, we surveyed companies quoted in the FTSE 350 and larger companies quoted in France, Germany, Italy and Spain. In addition, we broadened the scope of the survey by including other large companies – either listed on other markets or non-listed with a significant presence in Europe.

The survey was emailed either to the person known to be responsible for the business ethics function, the CEO or the company secretary. About half of respondents were individually responsible for their company's ethics programme. Three in four had been working in ethics and compliance for at least five years. Respondents completed the survey using SurveyMonkey. All percentages have been rounded so may not total 100%.

The survey findings were not formally tested for statistical significance due to the sample size. However, the response rate is sufficient to draw general conclusions and evaluate trends. Observations are based on the percentage of respondents answering questions and not the percentage of total respondents, since not all respondents answered all questions.

The sample of respondents comprises 59 companies which were primarily listed in the following locations:

- UK FTSE 350: 29
- Continental Europe: 16 ¹
- USA (NYSE): 2
- Japan (Tokyo Stock Exchange): 1
- Not publicly listed: 11

Where relevant, trends and points of interest are highlighted by the following symbols:



Results from the analysis of FTSE 350 companies



Results from the analysis of listed companies in Continental Europe



Examples of tools that respondents felt worked well



Examples of tools that respondents felt were unsuccessful



Info point

¹ The 16 companies listed in Continental Europe were divided as follows: France (CAC 40): 8; Spain (IBEX 35): 4; Germany (DAX 40): 1; Italy (MIB 40): 1; Switzerland (SIX): 1; Euronext index: 1.



Corporate Culture

Corporate culture sits at the heart of business. It is through the promotion of sound corporate culture that companies are able to link strategy to purpose, thereby protecting and generating value. The need to strengthen a company’s ethical culture is often sparked by a crisis or a high-profile ethical lapse which prompts organisations to reflect on the way they do business. However, it is paramount that companies continuously invest in their culture – even when there isn’t a crisis – to help protect their business from ethical risks and enable long-term success.

Although a proper definition of corporate culture remains difficult, there are **two key elements: ethical values**, as expressed through a code of ethics and supported by an ethics programme, which shape the culture of an organisation and explain ‘how things are done around here’.

This needs to be underpinned by clear **leadership commitment**: senior leaders, especially the board of directors, have an important responsibility in promoting an ethical culture. Leading by example, they must ensure ethics is integral to their organisation’s governance system.

Core values

Core values are the foundation of business ethics – they help define its scope and explain how the organisation will achieve its purpose. The IBE considers it good practice to make these values explicit, including a clear explanation of what they mean and how they are applied in a specific context. IBE research of FTSE 100 companies shows that over three quarters of companies in this group have made their values explicit and publicly available. ²

This survey reinforces the idea that companies increasingly recognise the importance of stating their core values. Almost all respondents (96% of 46) report that their company’s values are explicit.

As values are closely linked to the culture of a specific organisation, there are a variety of value words that companies choose for this purpose. Figure 2 shows the three most frequently mentioned ones in this survey. They are compared to IBE research findings among FTSE 100 companies.

Core values adopted by organisations can be grouped into two sets: **business values**, such as customer service or entrepreneurial spirit, and **ethical values**, such as integrity and respect. Business values are important, as they relate to the commercial goals of the organisation. However, it is essential that they are underpinned by ethical values which set the standard of expected behaviour to achieve those goals.



The strategy to achieve a company’s purpose should reflect the values and culture of the company and should not be developed in isolation. Boards should oversee both.

Sir Winfried Bischoff,
Chairman, Financial Reporting Council (FRC)



Business ethics is the application of ethical values to business behaviour.

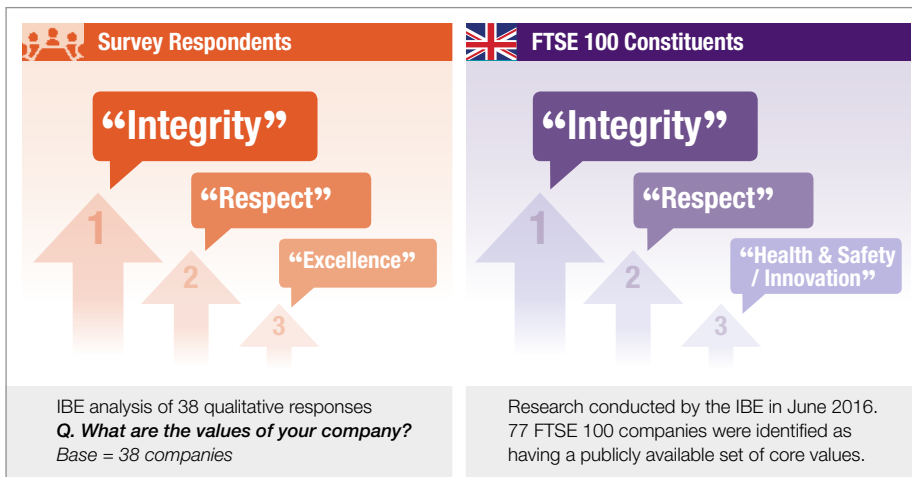
Institute of Business Ethics

² Research conducted in June 2016: the IBE could identify 77 out of the 100 companies in the FTSE 100 list that have a set of core value publicly available on their website.

The results shown in Figure 2 highlight how companies articulate the need to balance business and ethical values. Integrity and respect are the most frequently mentioned ethical words in both samples. However, these are used in combination with business values such as excellence or innovation.

As the social, economic and political environment evolves, many organisations feel the need to refresh their core values to keep them relevant to their employees and other stakeholders. Over four in five respondents (82% of 38) report that their organisation’s core values have been refreshed at some point.

Figure 2 Most frequently mentioned value words



What does integrity mean for business?

“We act fairly, ethically and openly in all we do.”

- Show the courage to do and say the right thing
- Act in private as I do in public, and honour my commitments
- Challenge things I believe to be wrong and be open to challenge from others
- Be accountable for failure as well as success, and not allocate blame.” ³

Board engagement and tone from the top

An effective tone from the top is crucial to ensuring that core values are effectively embedded within business practice. Those in leadership positions have a responsibility to lead by example, demonstrating the company’s commitment through their behaviour and promoting an environment that reflects their organisation’s values and ethics.

Overall, respondents express a positive view on this. Almost two thirds of respondents (64% of 39) say that **senior leaders** in their organisation are very engaged in ethics, ⁴ while 28% report some level of engagement with ethics by senior leadership (“*somewhat engaged*”).

The engagement of senior leaders is mirrored by the focus on ethics, values and culture at **board level**, with 86% of 43 respondents stating that these are regular items discussed in board meetings. As Figure 3 illustrates, a third of respondents report that this happens at least once a year.



Culture exists regardless. If left to its own devices, it shapes itself, with the inherent risk that behaviours will not be those desired. Employees will work out for themselves what is valued by leaders to whom they report.

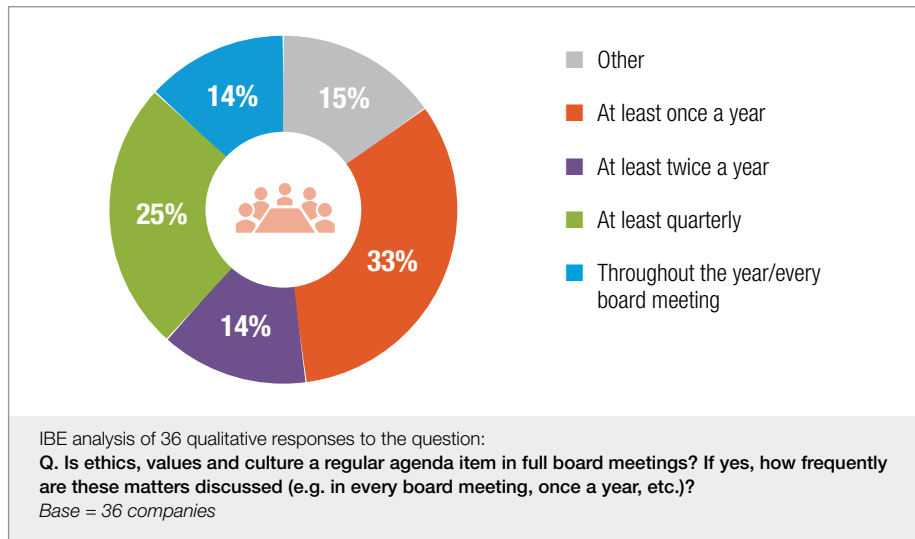


Salz Review (2013) An Independent Review of Barclays’ Business Practices

³ Definition of integrity provided by Barclays Bank (as available on the company website in November 2016). Integrity is one of Barclays’ core values.

⁴ Percentage of respondents who indicate either “*very engaged*” or “*extremely engaged*”

Figure 3 Frequency with which ethics, values and culture are discussed in board meetings

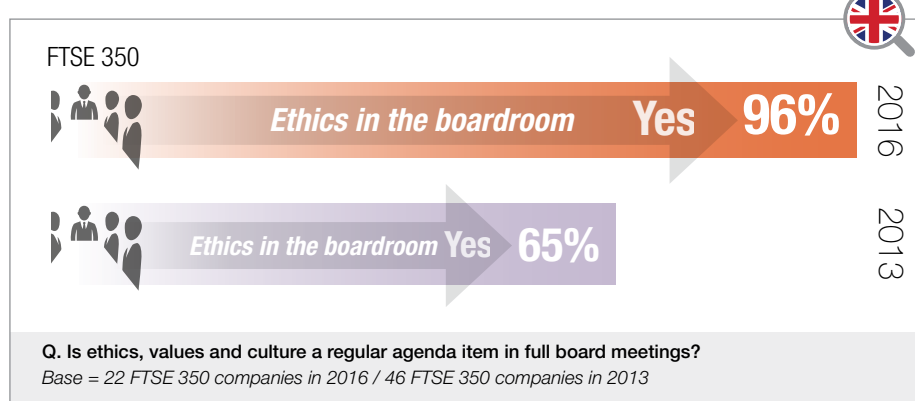


This appears to have a positive impact on the culture of an organisation, as 93% of 40 respondents report that, in their opinion, their company has a supportive environment for ethics.

However, the survey highlights a gap between behaviour at the top and the perception among the overall workforce. Only 39% of 39 respondents think that staff are very engaged in ethics.⁵ The majority (56%) considers the workforce to be only “*somewhat engaged*”.

Of the 20 responses from FTSE 350 companies, 75% say their senior leadership is very engaged. A significant increase compared to the overall sample. An overwhelming majority of respondents in this group (96% of 22) also report that ethics, values and culture are a regular item in board meetings. Figure 4 shows a significant improvement since 2013.

Figure 4 Ethics, values and culture as regular items in FTSE 350



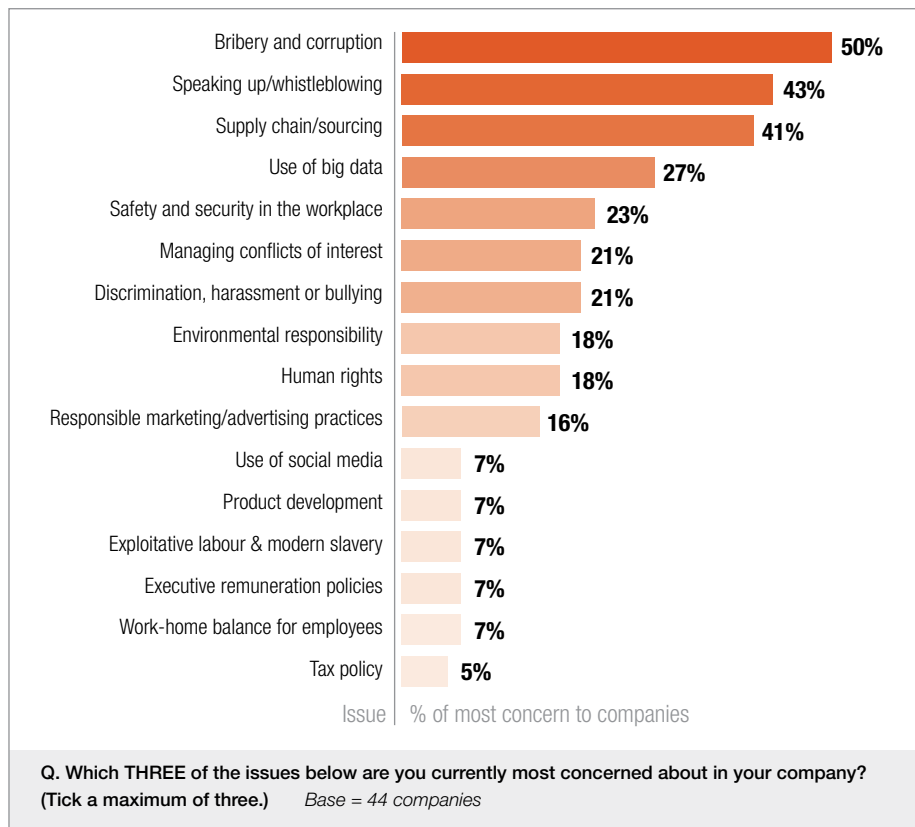
⁵ Percentage of respondents who indicate either “*very engaged*” or “*extremely engaged*”

Current ethical issues

A sound ethical culture protects business from a variety of risks that might involve different business departments and stakeholder groups. In the aftermath of a number of high-profile corporate scandals, companies are under increasing pressure to strengthen their ethical culture.

There are many issues that a company might need to address. Survey respondents indicate those of particular concern to their organisations, as highlighted in Figure 5.

Figure 5 Ethical issues of most concern to companies



“

Unsurprisingly, answers to the question as to what were the three biggest ethical challenges facing business threw up many more than three answers. Broadly, they fell into two separate categories: on the one hand were those who focused on the way in which business needed to develop a new mind-set with greater focus on leadership, values and statesmanship. On the other were those who preferred to list a number of more specific issues.

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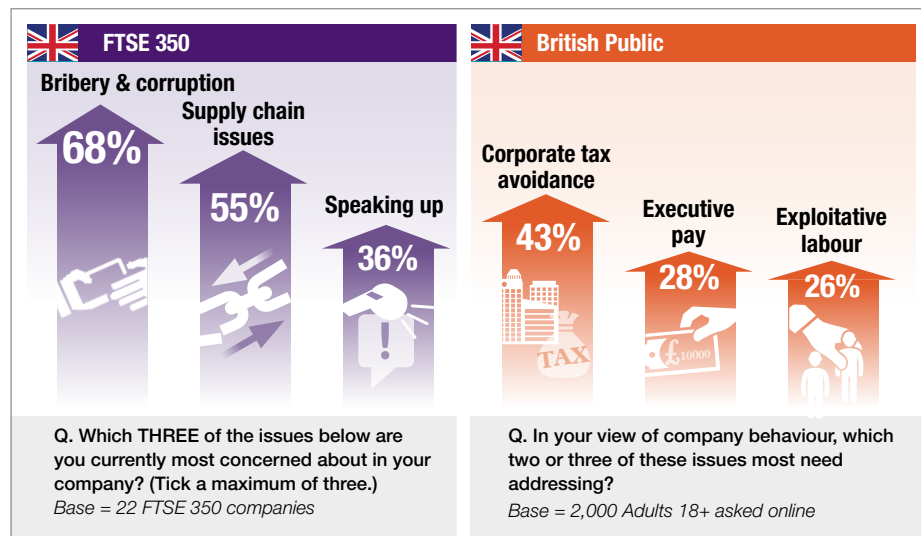
IBE (2016) *The Institute of Business Ethics: The next 30 years*



The three issues that are of most concern to FTSE 350 companies are outlined in Figure 6. Fighting bribery and corruption remains a top priority for most companies – a continuing trend since 2010. Supply chain issues are now the second most common concern, trending sharply upwards following the adoption of the 2015 UK Modern Slavery Act; they rise from the seventh and sixth position in 2010 and 2013 respectively. Speak up, after dropping to sixth place in 2013, has returned to a top three position. Interestingly, there seems to be a gap between what concerns companies on the one hand and the public on the other.⁶ In particular, tax policy is not identified by any of the FTSE 350 companies surveyed, whilst for the British public this is a concern considered to be most in need of addressing.

⁶ IBE Survey (2016) *Attitudes of the British Public to Business Ethics 2016*

Figure 6 Ethical issues of concern to FTSE 350 companies and the British public



Concerns about bribery and corruption are less prominent among companies listed in Continental Europe than in 2013. Ranking joint-third with supply chain management and health and safety in the workplace, only 27% of 11 respondents mention bribery and corruption compared to 71% of 14 in 2013.

Ethical issues related to the use of Big Data emerge as a matter of particular concern to companies in Continental Europe. This is the most mentioned issue alongside speak up (or whistleblowing).



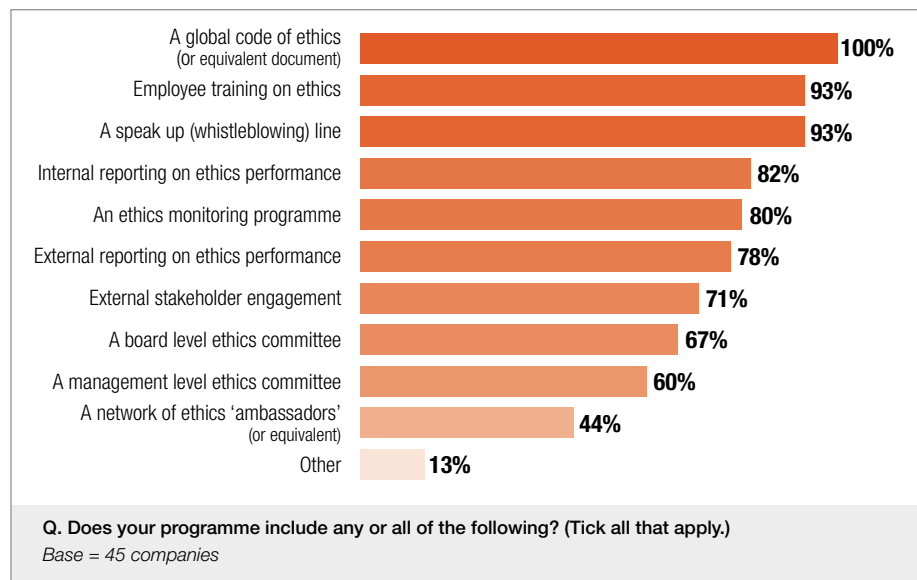
Corporate Ethics Programme

A set of core values, supported by strong leadership engagement, provides a solid foundation for an organisation’s ethical culture. However, this is just the beginning of the journey. As outlined in the IBE Business Ethics Framework (Figure 1), it needs to be supported by an effective and comprehensive ethics programme.

Overview of key elements

Almost all respondents (95% of 58) report having an ethics programme in place. The **main elements** of these programmes are shown in Figure 7. A code of ethics (or equivalent document) is the most frequently mentioned tool, followed by employee ethics training and mechanisms for employees to raise their concerns. Also common, though less frequent, are monitoring programmes and internal reporting on ethics performance.

Figure 7 Elements of an ethics programme



93% of respondents from FTSE 350 companies report the presence of an ethics programme. In 2016, a code of ethics (or similar document) continues to be the most common element. However, for the first time respondents report the presence of speak up mechanisms just as frequently. Figure 8 shows a comparison with 2013 results.



Having a code of ethics with an implementation programme is the minimum requirement for a company that cares about its ethical reputation. It is a kind of preventative medicine – without a programme of this sort a corporation is vulnerable, simply because it has neglected to take the way it does business seriously.

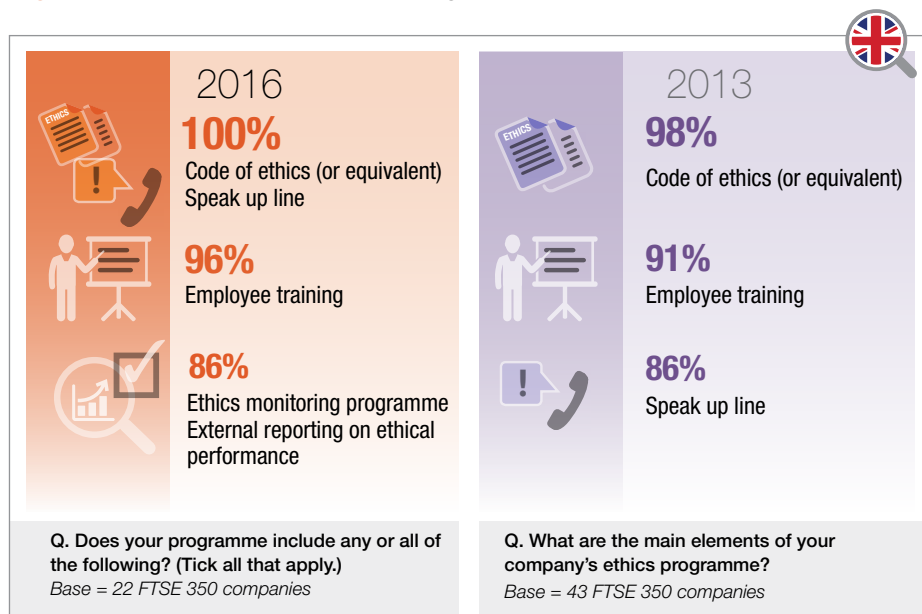
IBE Core Series (2016) *Codes of Business Ethics: a guide to developing and implementing an effective code*



What is an ethics programme?

For the purpose of this survey, an ethics programme is defined as the processes, policies and tools for ensuring that the organisation operates in accordance with its values.

Figure 8 Elements of an ethics programme in FTSE 350 companies



In 2016, all 11 Continental Europe respondents say their ethics programme includes a code of ethics and 91% include ethics training in their ethics programme. Although respondents are less likely to report on the availability of speak up mechanisms (82%), they are now more prominent than in 2013 when only 75% of companies reported their use. The relevance of speak up practices is reflected in it being one of the issues that most concern companies.

Priorities of an ethics programme

When asked about the priorities of their ethics programme, respondents suggest that there is a strong focus on embedding ethical values to strengthen the ethics culture within their organisation. Some refer to the promotion of specific values such as “honesty”, “integrity” and “respect”.

Other respondents draw attention to one of the specific building blocks of an ethics programme, such as delivering appropriate training and managing the mechanisms that allow employees to raise their concerns or ask questions. ⁷

These priorities are then translated into more practical activities when respondents are asked to state the tasks that occupy most of their time, as illustrated in Figure 9.

⁷ IBE analysis of 43 qualitative responses to the question: “What are currently the THREE main priorities for your ethics programme?”

Figure 9 Main day-to-day tasks linked to an ethics programme



Significant updates

Ethics programmes are not designed to be static. To be effective, they need to be constantly updated and adapted to the evolving needs of the business and changing circumstances. Of 41 respondents, 68% state that investment in their organisation's ethics programme has increased in the last three years. 27% report that it has stayed the same and only 5% say that it has decreased.

Figure 10 shows the most significant changes to the company's ethics programme as reported by respondents. It indicates that companies introduce changes to their ethics programme primarily to ensure that their code and policies are kept up-to-date with the most relevant issues. Changes to the governance systems of the ethics function are also reported, particularly to fulfil the need for more direct reporting lines to the top of the organisation and committees in charge of the ethics programme.

This might be a consequence of the increased attention that boards place on ethics, as discussed in Chapter 1. As employee training is cited as a priority for many companies, it follows that introducing new training or improving existing learning opportunities is frequently reported.

Figure 10 Recent most significant updates to an ethics programme



Responsibility for the ethics programme

While every employee has the responsibility to promote an ethical culture, usually companies identify a specific department to oversee the ethics programme. The business function most commonly identified is the legal department (23% of 43), as Figure 11 illustrates. Results show, however, that the ethics function plays a central role in many organisations, either jointly with compliance (21%) or as independent function (16%). A number of respondents specify that collaborations across different corporate functions, including CR/ Sustainability, Corporate Affairs, Risk and the Company Secretariat are key to performing the task effectively.

The number of companies where the person responsible for ethics has direct **access to senior people** is encouraging: 35% of respondents report to the General Counsel while a fifth say they report directly to the CEO.⁸ This result might be read in parallel with the high level of senior leadership engagement mentioned above.

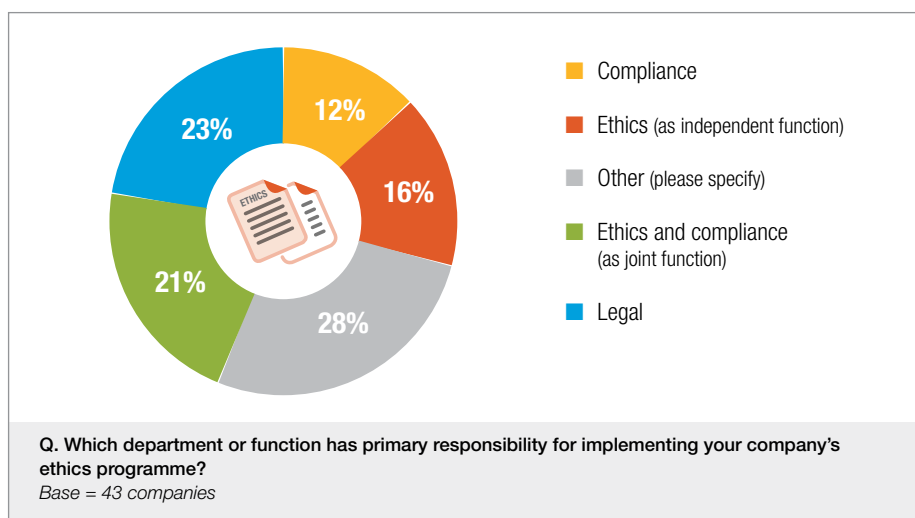
When asked about how the board of their company takes responsibility for the ethics programme, the majority of respondents (54% of 43) say there is a dedicated committee, while a third say that this responsibility is taken collectively by the board. Only 14% say that the board appointed a nominated individual to take responsibility for the ethics programme.

The growing trend among companies to deal with non-financial risk through a board-level committee is backed up by an IBE survey of FTSE 350 companies: 57 have formed a committee exclusively dedicated to delivering corporate responsibility and embedding values.⁹

“.....
Our history shows us that we rise and fall as one company, which is why the integrity of Our Code rests in the hands of every individual in the bank. There are many of us, and we each carry the same responsibility to each other to ensure we live by our values.
.....

RBS (as available in 2016)
This is Our Code

Figure 11 Business function with ultimate responsibility for an ethics programme



⁸ IBE analysis of 40 qualitative answers to the question: “What is the reporting line for your company's ethics department? (E.g. do you report to the CEO, Company Secretary, General Counsel, Head of Legal, etc.)”

⁹ IBE Survey (2016) *Culture by Committee: the pros and cons*

The legal department is accountable for the ethics programme in about a third (32%) of the FTSE 350 companies surveyed, increasing from 29% in 2013. Ethics and compliance as a joint function is responsible in 18% of companies, compliance as a standalone department is cited by 14% of respondents. Only 9% say the ethics department has ultimate responsibility for the ethics programme (see Figure 12).

Figure 12 Business function with ultimate responsibility for an ethics programme in FTSE 350 companies

	1	2	3
2016	32% Legal	18% Ethics & Compliance (jointly)	14% Compliance
2013	29% Company secretary or legal department	21% Compliance	14% CR or CSR
2010	41% Company secretary or legal department	12% Compliance	10% CR or CSR Human resources
2007	45% Company secretary or legal department	27% Board, board committee or CEO	13% Human resources
2004	44% Company secretary or legal department	26% Board, board committee or CEO	16% Human resources Internal audit & finance
2001	46% Company secretary or legal department	20% Human resources	16% Board, board committee or CEO
1998	44% Company secretary or legal department	12% Human resources/board, board committee or CEO	11% Corporate or external affairs
1995	44% Board, board committee or CEO	14% Company secretary or legal department	7% Human resources

Q. Which department or function has primary responsibility for implementing your company's ethics programme? Base = 20 FTSE 350 companies in 2016
Please note that the format of the question asked has changed in 2016.

Staffing an ethics function

The number of staff dedicated to ethics varies significantly across different organisations. On average there are 27 full-time staff working on ethics, with the majority of respondents reporting 20 or fewer full-time headcounts. However, this ranges from companies employing 350 full-time staff to companies relying exclusively on part-time staff. ¹⁰

In addition, 56% of 41 respondents have a network of employees that are selected, often in addition to their role, to formally assist senior management in promoting and embedding an ethics programme. These employees have a range of different job titles, depending on the organisation and the scope of their responsibilities. Examples reported in the survey include:

- Ethics Ambassadors
- Ethics Advisors
- Ethics Correspondents
- Ethics Coordinators (or CSR Coordinators)
- Ethics Officers
- Ethics and Compliance Officers
- Ethics Representatives
- Local Policy/Staff Champions

What is an ethics ambassador?

The fundamental role of ethics ambassadors is to champion the ethical values of the organisation; supporting all employees to live up to the ethical standards expected of them. They ensure consistency of implementation throughout an organisation and are an integral part of a company's ethics programme. [...] The post of ethics ambassadors may be full-time or may be taken in addition to an employee's day-to-day job. Ethics ambassadors will normally be positioned throughout the company; across business units, geographical locations and the hierarchy of an organisation, and may comprise an informal 'network' of diverse employees with similar responsibilities. ¹¹

¹⁰ Calculation based on 37 responses to the question: "How many people do you have dedicated to ethics in your organisation? (Excluding ethics ambassadors or equivalent) – Full time employee headcount."

¹¹ IBE Good Practice Guide (2010) *Ethics Ambassadors*

Engagement with stakeholders

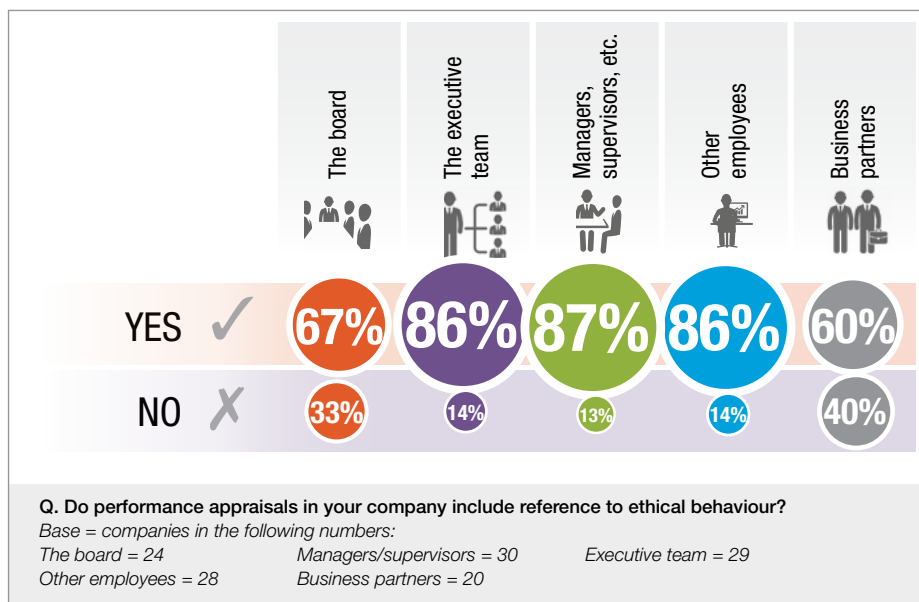
Having both internal and external stakeholders on board is paramount in building a strong ethical culture and ensuring that core values are shared and understood. Employers use a variety of methods to demonstrate the importance of company values and ethical business conduct to their stakeholders.

Employees

81% of 31 respondents report that ethics plays a part in their company's **recruitment process**. Just under three quarters (72% of 29) say that ethical behaviour is considered in the **remuneration criteria** of their organisation.

Appraisals allow each employee to discuss their performance regularly, representing an important opportunity to include ethics. This opportunity is seized by the majority of companies surveyed, as Figure 13 shows.

Figure 13 Is ethical behaviour included in performance appraisals?



“
 A company which seeks to build a positive relationship with a wide range of external stakeholders must be clear what its values are, and its own behaviour must be consistent with the message it gives to stakeholders.

IBE Report (2016) Stakeholder engagement values, business culture & society



The inclusion of ethics in the recruitment processes of FTSE 350 companies has been trending upwards. In 2016, 79% of 14 appear to do so, up from 63% of 43 in 2013 and 38% of 47 in 2010.

Over three quarters of respondents (77% of 13) report that ethical behaviour is included in the remuneration criteria of their organisation.

Ethical conduct seems to be assessed as part of performance appraisals. Most commonly this happens within the executive team, among managers and other employees (93% of 14). This practice appears to be significantly more widespread than in 2013 when it was most commonly reported within the executive team and only in 60% of 41 cases.

Third parties

To run a successful business, companies need to ensure that their relationships with other companies and individual suppliers are sound and secure – not only in terms of commercial risk but also in terms of ethics risk. For this reason, many ethics and compliance practitioners are actively engaged with third parties. 85% of 40 respondents are seeking to engage third parties with their organisation's ethics programme. In particular, the following groups were mentioned:

Suppliers	Industry specific organisations
Contractors & subcontractors	Distributors & sales representatives
Agents	Business partners & joint ventures
Charitable organisations & NGOs	Academic institutions
Consultants	Local communities
Government	

To assess the ethical character of a (potential or existing) supplier or business partner (e.g. a joint-venture) and identify possible sources of ethical risk, a method frequently used is what the IBE refers to as **ethical due diligence**. 91% of 33 respondents say their company carries out due diligence on their suppliers and other business partners to check their ethical standard.



What is ethical due diligence?

EDD [Ethical due diligence] is an extension of the due diligence process to cover ethical issues. [...] EDD is best described as a voluntary process undertaken by companies to obtain and judge information of an ethical nature as a prelude to a business transaction. ¹²

Building Blocks of the Ethics Programme

Code of ethics

A code of ethics has become an essential element of a company’s approach to business ethics. Overall, 98% of 44 respondents say their company has adopted a code of ethics or equivalent document. In the majority of cases, this document is made publicly available (81% of 41 companies with a code). The IBE considers this to be good practice, as it improves openness and engagement with external stakeholders.

These results are supported by previous IBE research which found that almost three quarters of FTSE 100 companies have a code of ethics (or similar document) easily accessible on their website. ¹³

The **length of time** a company has had a code of ethics in place is one indicator of the maturity of its ethics programme and level of experience. 88% of 40 respondents indicate that their code has been in place for five years or more. The majority of respondents in this group report that their company has had a code for more than 10 years.

Another important indicator of the attention companies give to their code is the frequency with which it is **updated**. The IBE recommends that this happens at least every three years to ensure that the guidance remains meaningful to employees and addresses new concerns that might have arisen. The survey shows that companies are aware of this, as 48% of 40 respondents say their company updated its code within the previous year, while two fifths say it was updated between two and four years ago.

When questioned on the **purpose** of the code, interestingly respondents focus on internal elements, as shown in Figure 14. Providing guidance to staff is the most frequently mentioned and, in line with the priorities identified for the ethics programme, respondents place emphasis on ethical culture. Concerns about external engagement and the company’s reputation are less commonly reported by far.

“
If you want to maintain a culture of integrity within an organisation then guidance to staff is absolutely critical and this is normally in the form of a code.
.....

IBE Pearls (2016) What are some of the tools companies can use to encourage ethical behaviour?

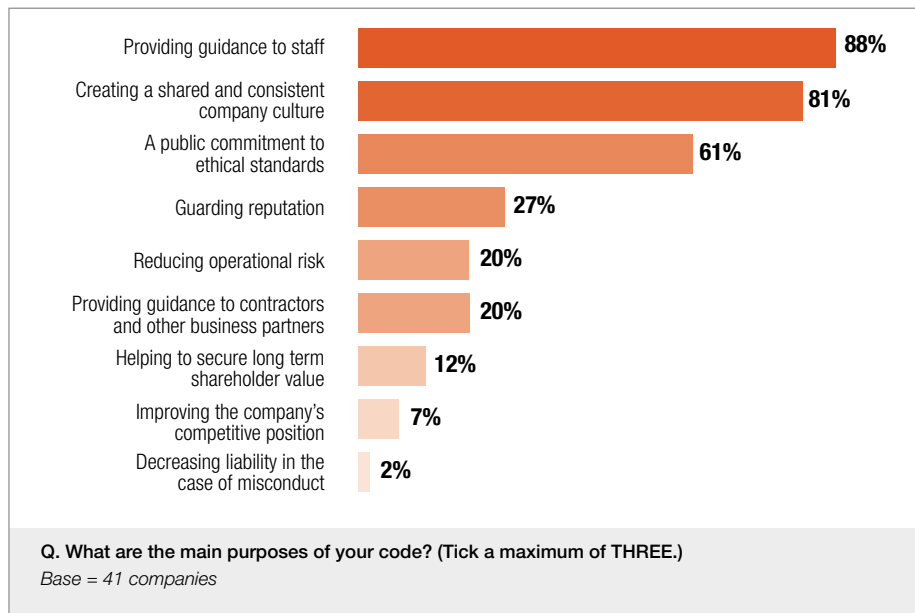


96% of 22 FTSE 350 respondents say their company has a code of ethics. 47% say it has been in place for 10 years or more, increasing from 38% of 41 in 2013 and 25% of 47 in 2010 and 2007 respectively. Further, the number of companies that have had a code for five to nine years increased to 47% in 2016 from 40% in 2013.

58% of 19 respondents report that their code was reviewed less than a year ago, while 32% said it was reviewed between two and four years ago. Only 11% say their code was reviewed between five and nine years ago.

¹³ IBE research conducted in June 2016 among FTSE 100 companies

Figure 14 Main purpose of a code of ethics



A code of ethics (or similar document) is viewed as an important tool to create a shared corporate culture within listed companies in Continental Europe, as mentioned by nine out of ten respondents. Providing guidance to staff closely follows, as mentioned by eight out of ten respondents.

Embedding a code internally

To ensure the code's effectiveness, it is vital that standards of behaviour set out in the code are properly explained to staff, especially to new recruits. 88% of 41 respondents include this in the induction of new employees. Making the code available on the organisation's intranet (85%) and providing specific training on the code (76%) are also popular ways of helping employees familiarise themselves with the code.

In addition to this, almost four in five companies (78% of 40) include conformity to the company's code in **contracts of employment**. Furthermore, companies may require some of their employees to **certify** that they have read and understood the code by signing it on an annual basis. Figure 15 shows that this is often a requirement for the executive team and managers or supervisors, while it is less common for other staff and business partners.

To add significance to their code, a number of organisations state that non-compliance with the code will have consequences. The survey highlights how evidence backs up such statements, as about four in five respondents (81% of 37) report that **breaches of their code** have led to employee dismissals in the past three years.

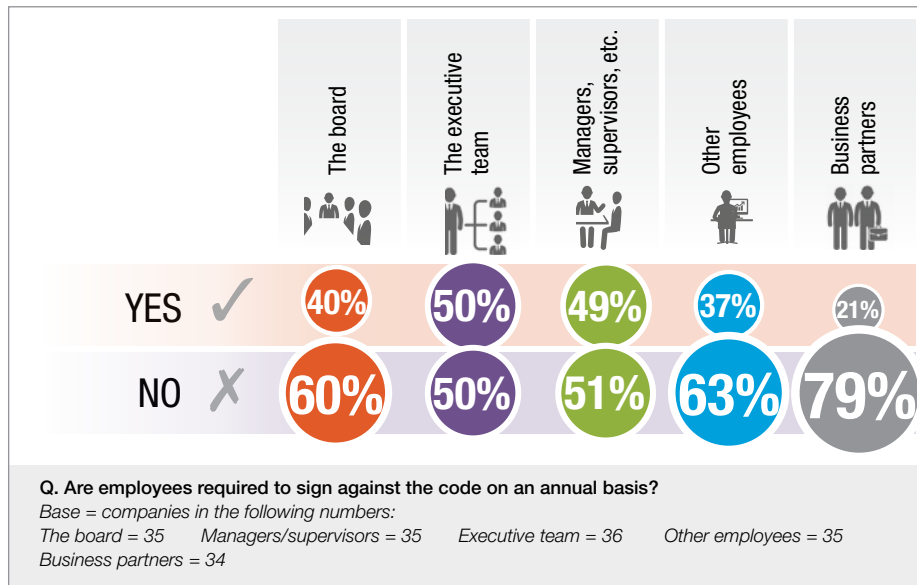
How to write an effective code of ethics?

One of the most effective ways to ensure that high standards of business integrity are part of the culture of an organisation is to produce and promulgate a clearly written code of ethics.

The IBE 9-Step Model for developing and embedding a code (Appendix 1) illustrates how this can be done effectively. ¹⁴

¹⁴ IBE Core Series (2016) *Codes of Business Ethics: a guide to developing and implementing an effective code*

Figure 15 Are employees required to sign the code?



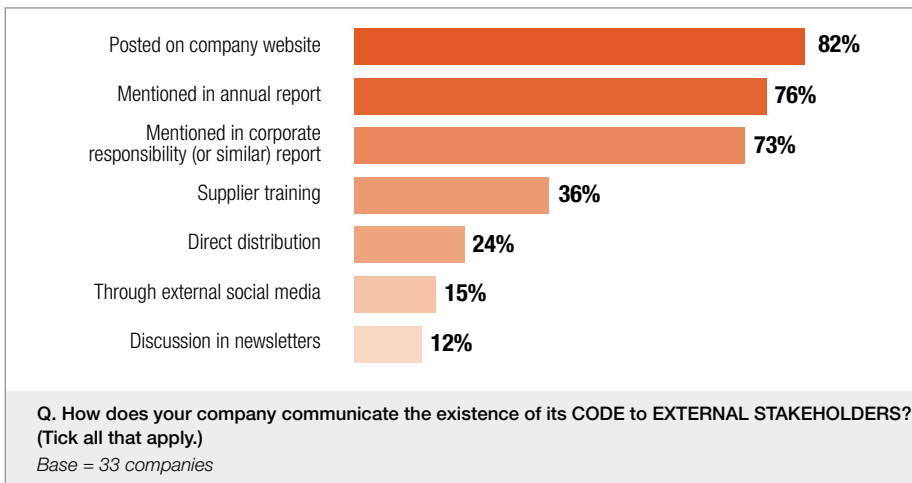
In FTSE 350 companies, the most commonly used method to communicate the existence of a code of ethics internally is including it as part of the induction for new joiners (84% of 19). This option was offered for the first time this year. Posting the code on the company's intranet, which had been the most popular method since 2004, falls to second position along with presenting it as a stand-alone guide or booklet (79% of 19).

Raising awareness about a code externally

External engagement with ethics is often reflected in the code. This survey highlights how common it is for stakeholders beyond employees to be required explicitly to live up to the ethical standards set out in a company's code. This is particularly the case for suppliers, while business partners and joint ventures closely follow. One respondent highlights that "everyone who acts on behalf of the company" is required to follow similar ethical standards. 72% of 32 companies provide separate guidance to suppliers in the form of a **supplier's code of ethics**.

The company website is the most common tool used for the **external communication of the code**. Both the company's annual report and specific reports on corporate responsibility are also seen as important tools to reach out to external stakeholders (see Figure 16).

Figure 16 External communication of a code



The most common method to communicate a company's code of ethics externally among FTSE 350 respondents is to post it on the company website (87% of 15). However, this has slightly decreased since 2013 (93% of 41). The second most common method is to mention it in annual reports (80%), although slightly less popular than in 2013 (85%).

A significant proportion of respondents (67%) use their corporate responsibility report (or similar) to enhance external communications about the code, whilst about two in five highlight that they undertake supplier training.

Code Format

Most organisations make their code available in pdf format (88% of 41). Many organisations produce a hard copy (81%) or a dedicated website (76%). However, a few companies have found creative ways of presenting it as dedicated apps for tablets or smart phones (10%). More than a quarter (28% of 40) report that their code has interactive features. For instance, one respondent explains that in his/her company the code is available as an interactive mobile app, including video messages from the leadership team. Others include videos of scenarios often accessible through QR (Quick Response) codes.



It works!

Effective ways of embedding a code of ethics throughout an organisation ¹⁵

Many respondents find that specific **code training**, either face-to-face or online, is still the most effective way to embed it within their organisation – supported by **communication campaigns** aimed at raising awareness.

The role of leaders and managers is also important in setting the right **tone from the top**, leading by example and effective manager-lead discussions.

¹⁵ IBE analysis of 31 qualitative responses to the question: "What have you found to be the most effective way of embedding your code throughout your organisation?"

Communication strategy

Internal communications play an important role in establishing an ethical culture. However, more than a quarter of respondents (26% of 42) say their company does not have an internal communication strategy on ethics, values and culture.

A stronger commitment might improve the relatively low perception of the workforce’s engagement with ethics overall, as outlined in Chapter 1. Figure 17 highlights some of the messages that respondents with a communication strategy consider particularly important.

Figure 17 Most frequent messages on ethics communicated within companies



In addition, many companies include a number of **statistics** and **indicators** to raise awareness of their ethics programme’s effectiveness. Figure 18 details what kind of information they communicate and to whom. The board of directors and the executive team receive more accurate reports, while business partners do not appear to receive as much information. Some respondents regularly communicate relevant ethics information, such as risk and audit, to board committees or ethics representatives. Work councils and regulators receive reports when necessary.

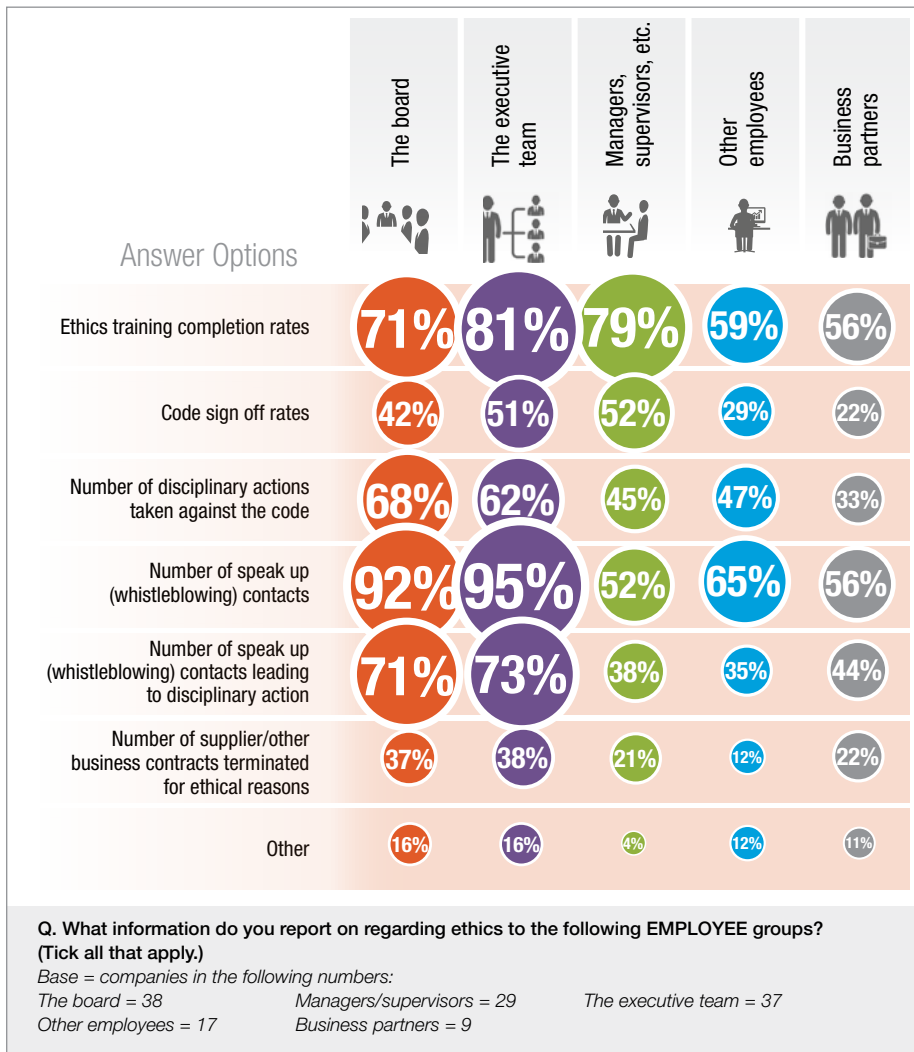
“

Communicating ethical values is not as simple as informing employees about facts, figures and procedures and checking they are compliant. [...] Therefore, discussions about ethics must start with concepts that touch employees’ sense of self.

.....

IBE Good Practice Guide (2014) *Communicating ethical values internally*

Figure 18 Statistics on ethics reported internally



The way organisations communicate how they expect employees to behave can be key to building an ethical culture. A company might want to use different **communication styles** to reach out to different audiences. Both electronic communication tools (90% of 40) and face-to-face discussions (88%) are widely used. Other popular methods include providing hard copies and materials, displaying posters or other gimmicks (75%).

Some respondents specify that team meetings and training sessions are good opportunities to emphasise ethics messages face-to-face. Others stress the rising importance of internal social media networks, such as Yammer, to facilitate a conversation about ethics. One respondent states that his/her company organises awards and recognition schemes based on the company's values.

Again, the survey highlights that the ethics function should not stand alone in communicating ethical values across global business. In 60% of 40 cases the **responsibility of the communication strategy** is shared between the ethics function and internal communications.



It works!

Communication initiatives with the most impact ¹⁶

Training online or face-to-face.

Engagement with management to cascade the message throughout the organisation. Demonstrating the support of senior managers sets the right **tone from the top**.

Gimmicks and **videos**, including cartoon videos and light-hearted comics displaying a number of unethical behaviours to avoid.



Be careful ...

Communication initiatives that don't work ¹⁷

A **top-down** roll-out, due to a lack of relevance on the ground.

Excessive focus on **statistics**, especially if they are communicated in a way that is too impersonal (e.g. email or posters).

Overzealous **compliance enforcement** can create a culture of fear, raising the level of risk.

Function-led communications seem to be less effective than business-led messages.

Messages that are too **narrow in their scope** or not designed for a global audience (i.e. being too 'westernised').

A number of respondents emphasize that an appropriate **external communications strategy** plays an important role in engaging external stakeholders. All 27 companies who responded think it is crucial to communicate the existence of a code to external stakeholders. 59% say they communicate the number of contacts made to their speak up system and about a quarter (26%) decided to disclose information on the substantiation rate and disciplinary actions taken to external stakeholders.

Ethics training

Ethics training builds ethics awareness, supports the communication strategy and helps employees understand their company's expectations of them. It may not be specifically called ethics training and may be integrated into other employee training schemes, such as anti-bribery and corruption or management skills. About three quarters of companies which offer ethics training provide it as a standalone (76% of 37), while about a quarter (24%) incorporate it within other kinds of training.

In most cases, training is **mandatory**, especially for the executive team and for managers or supervisors (see Figure 19). Fewer respondents provide details on the training available to business partners which tends to be offered on a **voluntary** basis.



Training is an essential element of a corporate ethics programme. Failing to train staff in the importance of ethical values and how to use them leaves companies open to integrity risk and reputational damage.

IBE Good Practice Guide (2012) *Developing and using business ethics scenarios*

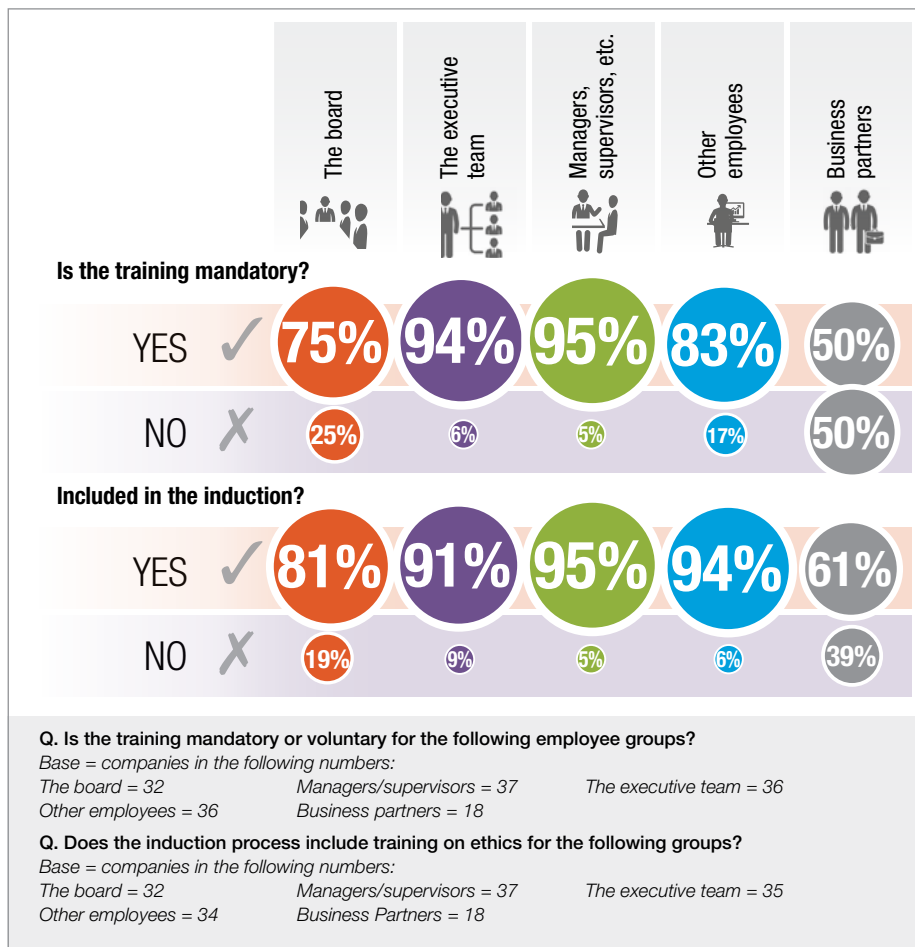
¹⁶ IBE analysis of 27 qualitative responses to the question: "Which of your communication initiatives have created the most impact amongst your employees?"

¹⁷ IBE analysis of 15 qualitative responses to the question: "Have you tried anything that really didn't work? (If so, what?)"

Managers or supervisors, other employees and the executive team are more likely to receive ethics training as part of the **induction process**. This appears to be common practice for all employees.

Training is often delivered on an annual basis, particularly to managers or supervisors (43% of 35), other employees (37% of 35) and to the board (41% of 34). Business partners are more likely to be offered ethics training when it is thought necessary (56% of 25), while only 16% state that they are trained annually.

Figure 19 Is ethics training mandatory? Is it included in the induction process?



Findings over time suggest a steady increase in the percentage of FTSE 350 companies that offer ethics training to employees since this question was first introduced in 1998, with a dip in 2010.

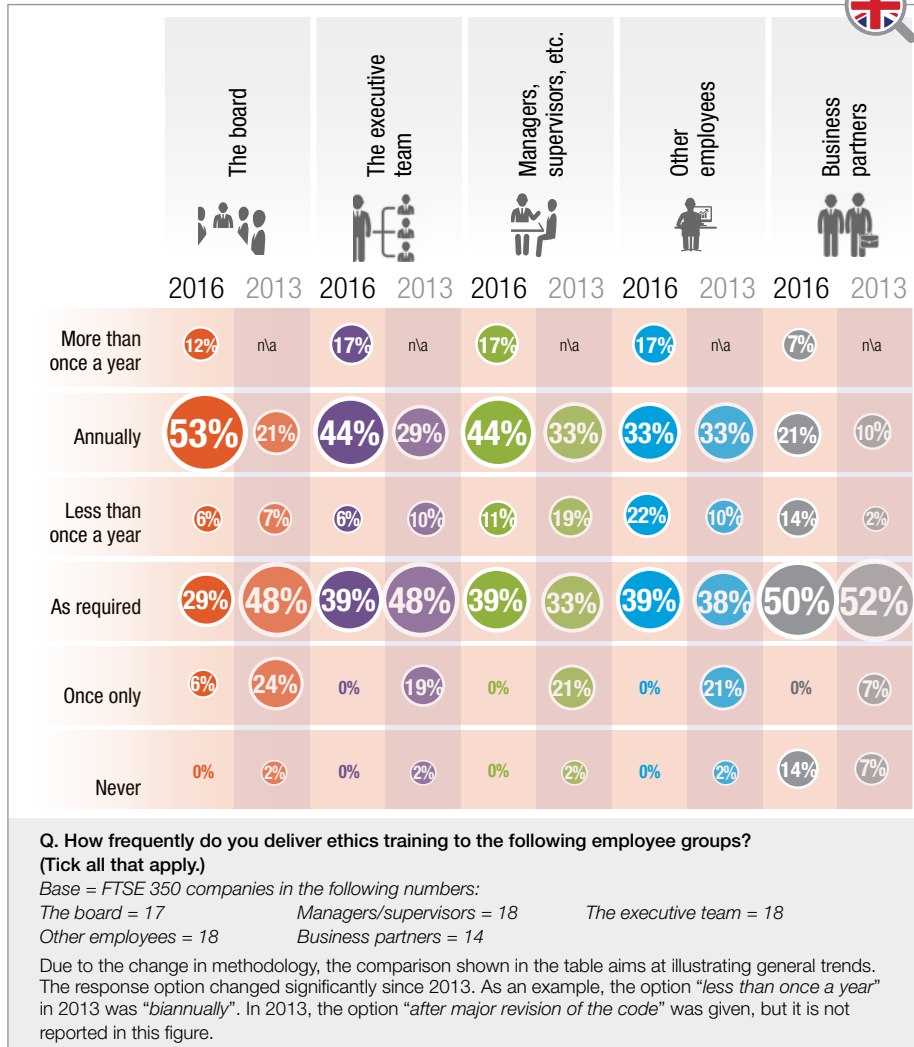
FTSE 350 companies tend to train their staff more regularly than in 2013, particularly senior leaders and managers. Respondents report that their companies offer training to the board, the executive team and managers or supervisors on an annual basis rather than only when needed, as was the case in 2013.

continued



The percentage of respondents who say that training is provided “only once” dropped dramatically. However, still around one in seven report that no training is provided for business partners. Figure 20 illustrates how frequently training is delivered to different groups in FTSE 350 employees.

Figure 20 How often is ethics training delivered?



Training format

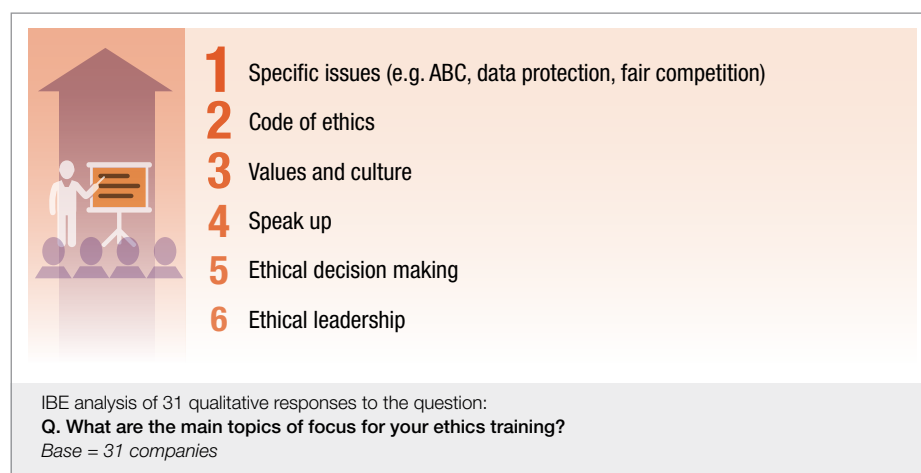
Online training is the most common **training method** used (53% of 38), however a significant number of respondents (37%) state that they provide both online and face-to-face training. Some respondents say that face-to-face training is used to target specific groups (e.g. management) or issues e.g. anti-bribery and corruption (ABC).

Among the **tools** used, presenting employees with ethical dilemmas and scenarios to stimulate debate is widespread (86% of 36). Multimedia tools such as dedicated videos are also popular (78%). Other elements such as games (19% of 36) and apps for tablets or smartphones are currently less popular (14% of 36).

In 72% of 36 cases, **training sessions** take the form of relatively short sessions that last no more than one hour. In the majority of companies, they are conducted by internal staff. In 59% of 34 companies they are led by the ethics function. 44% of companies report the involvement of other internal departments, often HR or compliance, either in isolation or in collaboration with other functions. The involvement of an external specialist is reported only in 21% of cases.

Figure 21 highlights that training is frequently focused on the standards set out in the code or on specific issues that need further attention. Others say that training is aimed at improving ethical decision making, explaining how values are applied in practice.

Figure 21 Most frequent topics in ethics training within companies



It works!

Valuable training techniques or resources ¹⁸

Interactive participation sessions are an effective way to convey content and encourage debate, particularly through anonymised real life scenarios and case studies.

Respondents also suggest that **story telling** techniques, **videos** and some kind of **gamification**, such as quizzes and toolkits for managers is helpful.

Face-to-face training is highlighted as useful, as it creates an opportunity for employees to discuss grey areas/issues of concern relevant to their day-to-day activities freely.

¹⁸ IBE analysis of 21 qualitative responses to the question: “Do you have any training techniques or resources that you have found to be particularly valuable?”

Speak up

Creating an open culture is essential to protect a company against ethical risk. Employees must feel free to raise their concerns about behaviour that is, or appears to be, in breach of the principles defined in the code. Most global companies provide mechanisms to speak up, raise concerns or ask questions when unsure about what course of action to take. Speak up lines are an element of good governance, as they can act as an early warning system for potential ethical risk.

98% of 41 respondents say that their company provides a confidential mechanism for employees to raise ethical concerns or ask questions. For most of them (92% of 39), a **helpline** (sometimes referred to as hotline or advice line) is central. Moreover, the survey shows that in almost four of five companies (79% of 33) this is not limited to employees – other stakeholders can raise their concerns through the speak up system too.

97% of 39 respondents report that their system allows concerns to be raised **anonymously**. Going beyond confidentiality and assuring anonymity can be a vital ingredient in encouraging employees to come forward. However, it makes it more difficult for companies to keep the person who raised a concern anonymously informed on the outcome of an investigation. Moreover, in some cases, it might lead to malicious reports which could seriously damage someone's reputation.

“

Each of us has a responsibility to speak up if we see something unsafe, unethical or potentially harmful. If you have a question, need help or want to raise a concern you have several options.

.....

BP Our Code Our Responsibility (as available in 2016)



All respondents from companies listed in Continental Europe report that their speak up system allows anonymous reporting. By contrast, this practice is strongly discouraged in many European jurisdictions where evidence obtained through anonymous reports is inadmissible. ¹⁹

Legislative interventions in some European countries favouring speak up practices seem to have had a positive effect on business practice. ²⁰ However, some unfavourable perceptions seem to persist. ²¹ Research by Transparency International (2013) suggests that the term whistleblower – for which there is no literal translation in German – is not well known among the German public. Similarly, Spain is one of only seven EU countries given a “none or very limited” rating for whistleblower protection laws. In Italy “whistleblowing as a productive corruption-fighting tool has begun to garner attention only recently.” ²²

¹⁹ Lexology (2015) *Whistleblowing in the EU and data privacy*

²⁰ For example, the Italian Parliament is debating a law aimed at strengthening the protection of employees who speak up on wrongdoings in their company.

²¹ IBE Survey (2015) *Ethics at Work: 2015 survey of employees (Continental Europe)*

²² Transparency International (2013) *Whistleblowing in Europe: legal protections for whistleblowers in the EU*

Half of respondents (50% of 22) say that the most popular reporting tool is still the telephone, about a quarter (23% of 22) receive most contacts via email and a fifth (18% of 22) through the helpline. Slightly fewer respondents (14% of 22) think that employees in their organisation raise their concerns mainly in person. ²³



Mirroring the results in 2013 and 2010, all FTSE 350 respondents have a “formal mechanism for employees to raise ethical concerns or ask questions confidentially”. This has steadily increased since 1995.

All FTSE 350 companies also say that their speak up arrangements include a helpline (or equivalent), which is trending upwards from 47% in 2004 when the question was first introduced to 72% in 2007, 79% in 2010 and 93% in 2013.

Retaliation

Fostering an open culture where employees are able to voice their concerns confidently and without fear of reprisal remains a challenge for many organisations. According to recent IBE research, 20% of employees in Britain say they have been aware of unethical conduct in their workplace over the preceding year. However, only 55% of these raised their concerns. The most commonly reported reason for not doing so was: “I felt it might jeopardise my job”. ²⁴

Organisations seem to be aware that fear of retaliation can hinder the willingness of employees to speak up and the overwhelming majority of companies with speak up mechanisms say that their company has a policy aimed at protecting those who speak up from reprisal (97% of 39). Some respondents highlight how their company addresses this in their code as well as in other policies (e.g. investigation policy).

However, only two in five (41% of 39) establish a formalised approach to **monitoring retaliation**. In many instances, this is achieved through making personal contact with those who raised their concern to understand whether they suffered any form of retaliation. For instance, one respondent explains that he/she sends a short questionnaire to a sample of people who raised an issue three months after the case was closed.



What is an ethics helpline?

For staff who do not feel their concern has been addressed by their line manager or who feel uncomfortable raising a particular issue with local staff, it is common practice for organisations to make a dedicated telephone line, email or weblink available. For some companies this will be a helpline (such as an ethics helpline) or webpage which can be used for enquiries about, for example, the ethics code or about clarifying what is correct business practice, as well as for reporting concerns about misconduct. ²⁵

²³ Some respondents mentioned two reporting tools that were equally the most used in their organisation.

²⁴ IBE Survey (2015) *Ethics at work: 2015 Survey of Employees – Britain*

²⁵ IBE Good Practice Guide (2007) *Speak Up Procedures*

Risk assessment, monitoring and accountability

Monitoring the effectiveness of the ethics programme, and whether the values are embedded throughout all levels of the organisation, helps to understand whether the approach taken is effective and to identify areas that require further attention. The survey shows that 85% of 40 respondents say their company takes steps to monitor the effectiveness of their ethics programme.

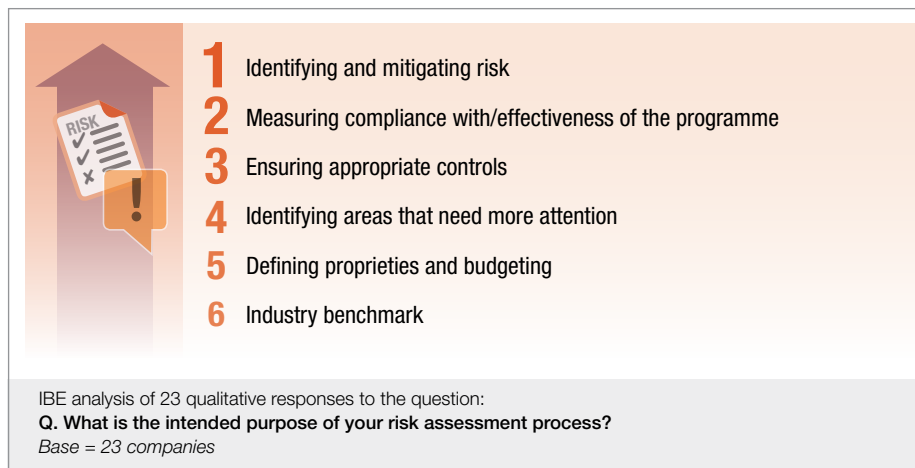
Risk assessment

78% of 36 respondents report that they are investing in ethics and compliance risk assessments to help monitoring and managing their ethics risks. Figure 22 illustrates the main **purposes** of risk assessment procedures.

In particular, one respondent provides a powerful illustration of the purpose of risk assessments in his/her organisation:

“ Values Assurance looks at risk through the lens of culture and behaviour. Using a Values Maturity Model, a team of trained assessors evaluates maturity along ten dimensions. Viewing risk through the lens of culture and values provides a proactive way to understanding risk and addressing signals before issues arise. This diagnostic, along with an assessment against the Internal Control Framework and regular risk management compliance boards, provides a holistic view of risk in the organisation. ”

Figure 22 Most frequently mentioned purpose of risk assessment procedures



The subject of the assessment varies from company to company, as each organisation focuses on the risks and issues that are most relevant to them. Some respondents highlight how the code acts as a point of reference in deciding what topics to include in the assessment. Among the most commonly assessed risks, respondents mention bribery and corruption, conflict of interest, fraud and financial crime, competition issues and antitrust. ²⁶

²⁶ IBE analysis of 22 qualitative responses to the question: “What is the scope of your risk assessment? (Issues, locations, etc.)”

“

There is little that is straightforward about culture, and no single ‘good’ or ‘bad’ culture that provides a template against which others can be ranked. Culture is a differentiating factor that can vary within as well as between organisations. It is hard to define, hard to measure, hard to manage and generally extremely hard to change, and certainly harder in each case than are compliance or conduct.

.....

Banking Standards Board
(2015/16) Annual Review

A number of respondents explain that their organisation conducts risk assessments across all business units worldwide. A few others, however, point out that their process covers a selected sample of targeted locations.

Respondents highlight how the assessment process often requires a joint effort that involves different functions both at local and at group level. As one respondent explains, compliance and ethics – either jointly or each in its own right – are frequently mentioned:

“ For those risks where E&C [Ethics and Compliance] is the primary second line of defence, E&C leads the risk assessment. For those risks where E&C provides the second line of defence jointly, E&C collaborates with Legal to complete the risk assessment. Where other primary functions (for example the IT Department) who own the respective compliance programme (e.g. data security/cybersecurity), that function leads the risk assessment. ”

Other respondents record how a specific team of dedicated professionals is set up:

“ The review is conducted by a team of dedicated professionals who are trained in collecting qualitative data. The multi-disciplinary team includes backgrounds in psychology, organisational development, internal audit, compliance and manufacturing. The team size varies based on the size of the entity undergoing a review. Guest auditors are also leveraged to bring in business expertise and to deepen understanding of [our] values. ”

Finally, some respondents say that the assessment is done by different people at different levels (e.g. contract managers or business unit executives), while the ethics team is responsible at group level.

Most respondents conduct this assessment on an annual basis, as shown in Figure 23.

What is an ethics and compliance risk assessment?

A good ethics and compliance risk assessment includes both a comprehensive framework and a methodology for evaluating and prioritizing risk. With this information in hand, organizations may be better able to develop effective mitigation strategies and reduce the likelihood of a major noncompliance event or ethics failure, setting themselves apart in the marketplace from their competitors. ²⁷

Figure 23 Frequency of risk assessment procedures

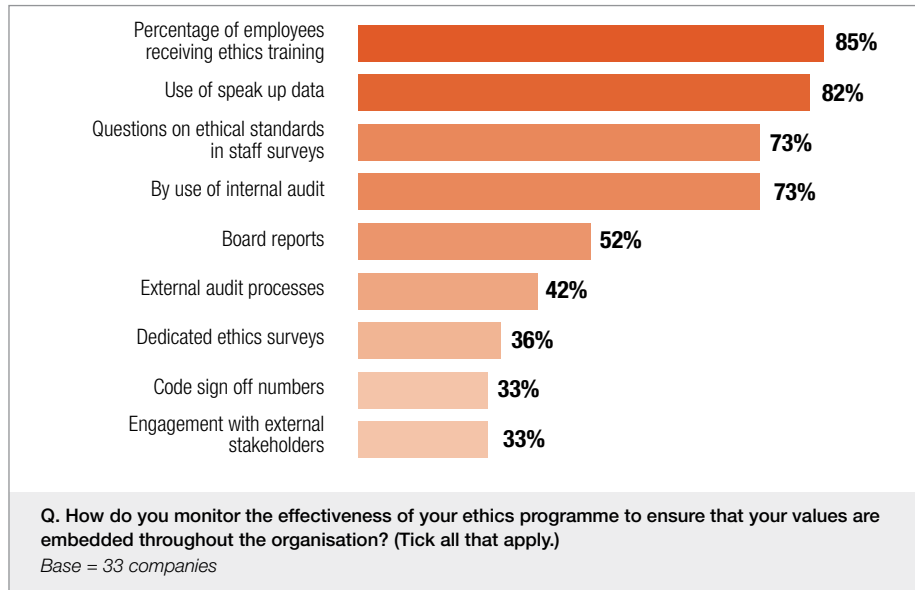


²⁷ Deloitte Compliance risks: What you don't contain can hurt you

Monitoring an ethics programme

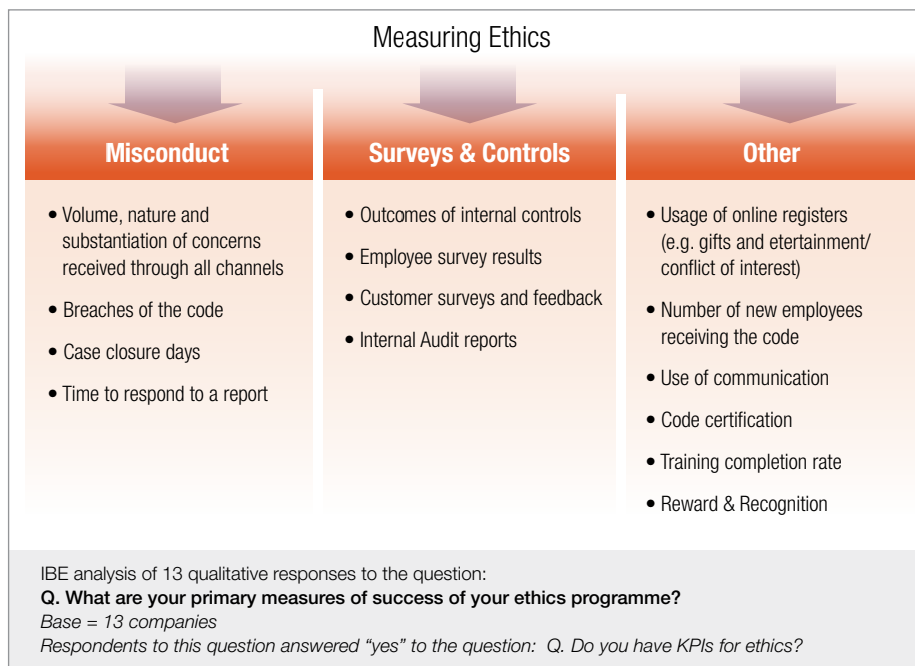
Monitoring the ethics programme is a powerful tool to ensure it works and continues to improve. However, some organisations might still find the definition of appropriate monitoring mechanisms a challenge, as it might be difficult to find metrics to measure ‘soft’ elements such as values and behaviours. The most frequently reported metrics are shown in Figure 24.

Figure 24 Most frequently used metrics to monitor the effectiveness of an ethics programme



48% of 31 companies have set specific **Key Performance Indicators** (KPIs) to measure ethics. Figure 25 illustrates examples of KPIs used by respondents to measure the success of their ethics programme.

Figure 25 KPIs to measure the success of an ethics programme



The majority of respondents seek **external assurances** of their ethical performance (53% of 30). The Dow Jones Sustainability Index (57% of 14), the UN Global Compact (43% of 14) and the FTSE4Good Index (29% of 14) are the most frequently cited external standards.



Consistent with previous years, of the 20 responses from FTSE 350 companies, four in five monitor their ethics programme. However, only 68% (of 19) conduct an ethics and compliance risk assessment.

Respondents from FTSE 350 companies were then asked how their companies conduct the monitoring. As in 2013, the use of “*speak up data*” is the most common indicator. For the first time since 2007 when this question was introduced, “*questions in staff surveys on ethical standards*” is the second most popular method. Another indicator reported more frequently this year is the “*percentage of employees receiving ethics training*”. Figure 26 illustrates the changes reported over time.

Figure 26 How to monitor an ethics programme



	2007	2010	2013	2016
Other (please specify)	44%	9%	21%	7%
Dedicated ethics survey	n/a	n/a	n/a	27%
External audit processes (previously 'External assurance provision')	25%	21%	35%	33%
Engagement with external stakeholders	n/a	26%	38%	40%
Code sign-off rate	n/a	n/a	n/a	40%
Board receives reports on ethical violations/misconduct	64%	79%	79%	60%
Recording the percentage of employees receiving ethics training	n/a	n/a	62%	73%
By use of internal audit	n/a	84%	58%	73%
Questions in staff surveys on ethical standards	51%	62%	59%	80%
Use of speak up/hotline data	56%	71%	88%	87%

Q. How do you monitor the effectiveness of your ethics programme to ensure that your values are embedded throughout the organisation? (Tick all that apply.)

Base = 15 FTSE 350 companies



What is an external assurance engagement?

A process that results in the assurance provider expressing a conclusion about the evaluation or measurement of sustainability disclosures against reporting criteria. The assurance engagement may involve assessing not only the accuracy and reliability of what is disclosed, but also the processes for deciding what issues and data are disclosed. ²⁸

²⁸ Global Reporting Initiative (2013) *The external assurance of sustainability reporting*



Summary and Conclusion

Ethical dilemmas very rarely have a straightforward solution. Similarly, it is difficult to identify beyond doubt the most appropriate answer to the many ethical issues that organisations face in their day-to-day business practice.

Rather than suggesting the right way of doing things, this survey aims to promote a debate around key elements of ethical culture in business and encourage organisations to share good practice and maintain it.

Three important issues can be inferred from the results of this survey – they deserve particular attention:

- **Engagement of senior leaders**

In the past, some argued that boards of directors should focus exclusively on financial risks, while ethics was often translated into a number of add-on activities to improve the company's image. This survey suggest a significant shift in perception by many organisations. According to 86% of respondents, ethics, values and culture are regularly discussed in board meetings. Board engagement appears to have grown stronger, particularly in FTSE 350 companies where the percentage of respondents who say that these topics are regularly discussed at board level has increased by over 30% since 2013.

- **Employee ethics training on a regular basis**

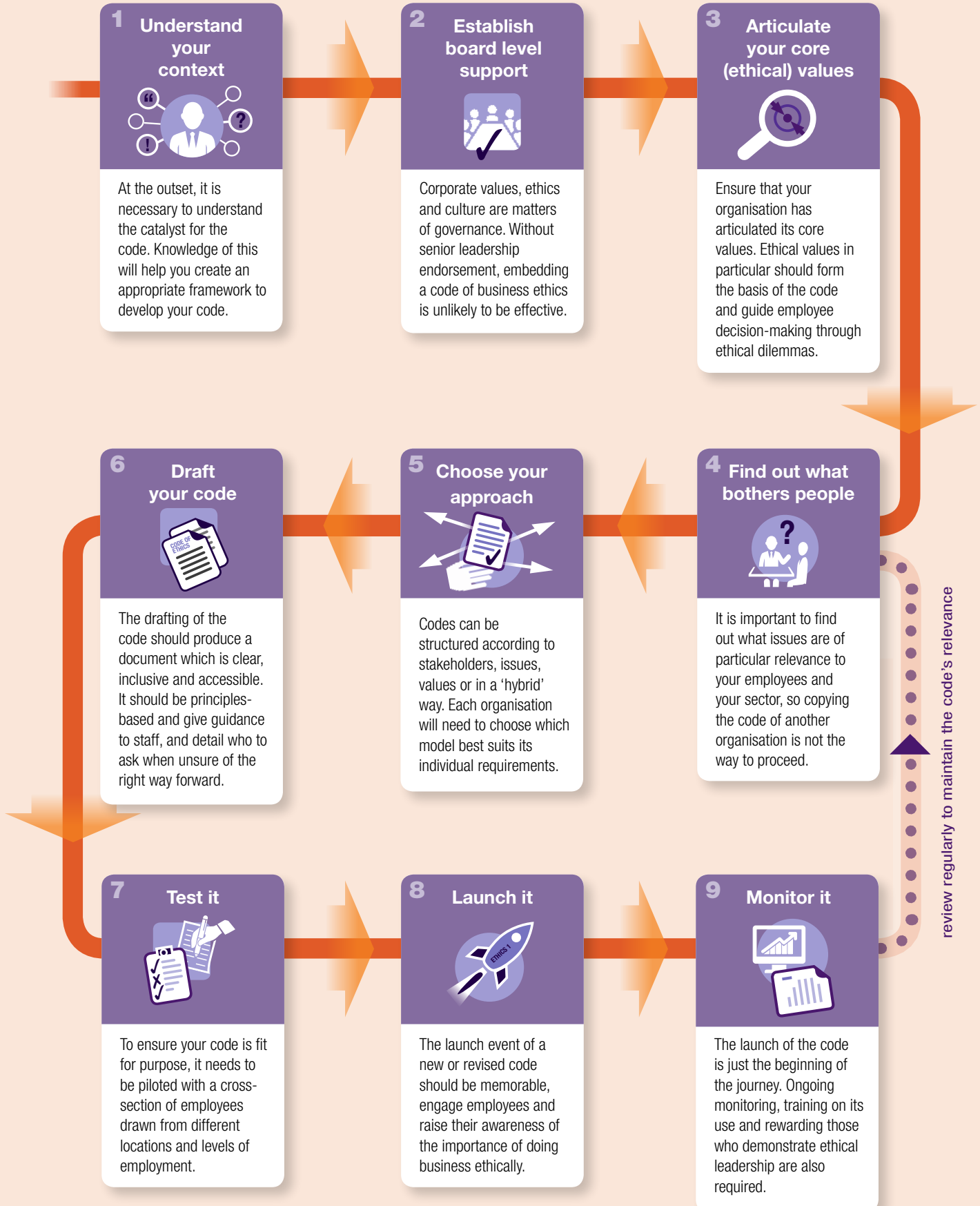
Respondents often stress the importance of providing appropriate ethics training for their employees on a regular basis. Among FTSE 350 companies, ethics training tends to be delivered more regularly than in 2013, particularly to senior leaders and managers.

- **Importance of cross-function collaboration to improve effectiveness**

In its 30 years of activity, the IBE has witnessed an increasing number of companies setting up internal departments specifically dedicated to ethics. However, this survey suggests that these functions are not expected to shoulder the responsibility of running an ethics programme on their own. Collaboration with other key departments and functions are vital to the effective implementation of each building block of an ethics programme.

Appendix 1

The IBE 9-Step Model for developing and embedding a code of business ethics





Appendix 2 Survey Questionnaire

PERSONAL INFORMATION

- What is your name?
- Which company do you work for?
- Which organisation invited you to participate in this research?
 - IBE – UK
 - Forética – Spain
 - CEA – France
 - Sodalitas – Italy
- What is your job title?
- What is your email address?
- Are you individually responsible for your company's ethics programme? [Yes/No]
- How many years of experience do you have working in ethics/compliance?
 - Less than a year
 - 2-4 years
 - 5-9 years
 - 10+ years

COMPANY INFORMATION

- In which country is your company's headquarter?
- Is your company publicly listed? [Yes/No]
- If your company is publicly listed, on which index(es)? (Tick all that apply)
 - UK FTSE 100
 - UK FTSE 250
 - France CAC 40
 - Germany – Dax 40
 - Italy – FTSE MIB 40
 - Spain – IBEX 35
 - Bourse de Luxembourg
 - Other (please specify below)
- If your company is not publicly listed, what is your ownership structure?
 - Employee owned
 - Privately owned
 - Family owned
 - Partnership
 - State owned
 - Other (please specify below)
- How many employees does your company have globally?
 - Less than 100
 - 101-500
 - 501-1,000
 - 1,001 – 10,000
 - 10,001 – 100,000
 - More than 100,000
- Which primary sector does your company operate in?

1. YOUR COMPANY'S ETHICS PROGRAMME

- Does your company have an ethics programme (i.e. processes, policies and tools for ensuring that it operates in accordance with its values)?
 - A network of 'ethics ambassadors' (or equivalent)
 - External stakeholder engagement
 - Internal reporting on ethics performance
 - An ethics monitoring programme
 - External reporting on ethics performance
 - A board level committee
 - Other (please specify)
- [Yes/No] – if yes continue, if no jump to **CORE VALUES**
- Does your programme include any or all the following? (Tick all that apply)
 - A global code of ethics (or equivalent document)
 - Employee training on ethics
 - A management level ethics committee
 - A speak up (whistleblowing) line
- What are currently the THREE main priorities for your ethics programme?

continues

continued

- What THREE things currently occupy most of your time?
- Which THREE of the issues below are you currently most concerned about in your company?
(Tick a maximum of THREE)
 - o Bribery and corruption
 - o Discrimination, harassment or bullying
 - o Safety and security in the workplace
 - o Human rights
 - o Supply chain/sourcing
 - o Tax policy
 - o Environmental responsibility
 - o Managing conflict of interest
 - o Speaking up/whistleblowing
 - o Responsible marketing/advertising practices
 - o Work-home balance for employees
 - o Executive remuneration policies
 - o Exploitative labour & modern slavery
 - o Product development
 - o Use of social media
 - o Use of big data
 - o Other (please specify)
- What was the last significant change you made to your ethics and compliance programme and why?
- Which department or function has primary responsibility for implementing your company's ethics programme?
 - o Legal
 - o Ethics (as an independent function)
 - o Compliance
 - o Ethics and compliance (as a joint function)
 - o CSR/CR/sustainability
 - o HR
 - o Internal audit/finance
 - o Corporate/external affairs
 - o Other (please specify)
- What is the reporting line for your company's ethics department? (e.g. do you report to the CEO, Company Secretary, General Counsel, Head of Legal, etc.)
- How does the board of your company take responsibility for the ethics programme?
 - o Through a nominated individual
 - o Through a dedicated committee
 - o Collectively
 - o They don't take responsibility for the ethics programme
 - o Not applicable
- Is ethics, values and culture a regular agenda item in full board meetings? [Yes/No]
- If yes, how frequently are these matters discussed? (e.g. in every board meeting, once a year, etc.)
- How many people do you have dedicated to ethics in your organisation? (Excluding ethics ambassadors or equivalent)
 - o Full-time employee headcount
 - o Part-time employee headcount
- Does your approach to managing ethics include a network of ethics ambassadors (or equivalent)? [Yes/No]
- If yes, what do you call them in your company and how many do you have?
- In the last three years, has financial investment in your company's ethics programme...
 - o Increased
 - o Stayed the same
- Which primary sector does your company operate in?

2. CORE VALUES

- Has your company made its core values explicit? [Yes/No] – if yes continue, if no jump to **CODE OF ETHICS**
- What are the values of your company (please list below)
- Have these values ever been refreshed? [Yes/No]

3. CODES OF ETHICS (OR EQUIVALENT)

- Does your company have a code of ethics (or equivalent document)? [Yes/No] – if yes continue, if no jump to **COMMUNICATION AND ENGAGEMENT**
- What are the main purposes of your code? (Tick a maximum of THREE)
 - o A public commitment to ethical standards
 - o Providing guidance to contractors and other business partners
 - o Guarding reputation
 - o Reducing operational risk
 - o Helping to secure long-term shareholder value
 - o Creating a shared and consistent company culture
 - o Decreasing liability in the case of misconduct
 - o Improving the company's competitive position
 - o Providing guidance to staff
 - o Other (please specify)
- How does your company communicate the existence of the code to EMPLOYEES? (Tick all that apply)
 - o Posted on the company intranet
 - o Included as part of staff manual/handbook
 - o Produced as a standalone guide/booklet
 - o Through internal social media
 - o Discussion in internal newsletters
 - o Code specific training
 - o Manager-led team discussions
 - o Included as part of the induction for new joiners
 - o Other (please specify)
- Is the code publicly available or is it an internal document?
 - o It is publicly available
 - o It is an internal document
- How long has your company had a code?
 - o Less than 1 year
 - o 2-4 years
 - o 5-9 years
 - o 10+ years
- When was the last time the code was updated?
 - o Less than 1 year ago
 - o 2-4 years ago
 - o 5-9 years ago
 - o 10+ years ago
 - o Our code has never been updated
 - o Other (please specify)
- What format(s) does your code take? (Tick all that apply)
 - o Hard copy/booklet
 - o PDF
 - o Website
 - o App
 - o Other (please specify)
- Is your code interactive in any way? [Yes/No]
- If yes, please explain the ways in which your code is interactive
- What have you found to be the most effective way of embedding your code throughout your organisation?
- Are employees required to sign against the code on an annual basis?
 - o The board [Yes/No]
 - o The executive team [Yes/No]
 - o Managers, supervisors [Yes/No]
 - o Other employees [Yes/No]
 - o Business partners [Yes/No]
- Is conformity to your code included in contracts of employment by your company? [Yes/No]
- Has a breach of your code led to any employee dismissals in the last three years? [Yes/No]

4. COMMUNICATION AND ENGAGEMENT

- Does your company have a communications strategy when it comes to internal messages about ethics, values and culture? [Yes/No]
- What messages are being communicated regarding ethics in your organisation?
 - o Face-to-face
 - o In print
 - o Electronically
 - o In the workplace (i.e. posters, etc.)
 - o 'Town Hall' style meetings
 - o Company conferences
 - o Other (please specify)
- How do you communicate these messages to employees? (Tick all that apply)
 - o Face-to-face
 - o In print
 - o Electronically
 - o In the workplace (i.e. posters, etc.)
 - o 'Town Hall' style meetings
 - o Company conferences
 - o Other (please specify)

continues

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- Who is responsible for these communications?
 - o The ethics function
 - o Ethics working with internal communications
 - o An external agency
 - o Other (please specify)
- What information do you report on regarding ethics to the following EMPLOYEE groups? (Tick all that apply)

	Ethics training completion rates	Code sign off rates	Number of disciplinary actions taken against the code	Number of speak up (whistleblowing) contacts	Number of speak up (whistleblowing) contacts leading to disciplinary action	Number of supplier/other business contracts terminated for ethical reasons	Other (please specify)
The Board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Executive team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managers, supervisors, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- o Please specify if there are any other employee groups with which you communicate? Or any other information you share with them
- Which of your communication initiatives have created the most impact amongst your employees?
- Have you tried anything that really didn't work? (If so, what?)

5. ETHICS TRAINING

- Does your company offer some training on ethics? [Yes/No] – if yes continue, if no jump to **LEADERSHIP, SUPPORTIVE ENVIRONMENT AND SPEAK UP**
- Is your ethics training incorporated into other training streams, or does it stand alone?
 - o We provide dedicated/standalone ethics training
 - o Our ethics training is incorporated into other employee training
- Is the training mandatory or voluntary for the following employee groups?
 - o The board [mandatory/voluntary]
 - o The executive team [mandatory/voluntary]
 - o Managers, supervisors, etc. [mandatory/voluntary]
 - o Other employees [mandatory/voluntary]
 - o Business partners [mandatory/voluntary]
- Does the induction process include training on ethics for the following groups?
 - o The board [Yes/No]
 - o The executive team [Yes/No]
 - o Managers, supervisors, etc. [Yes/No]
 - o Other employees [Yes/No]
 - o Business partners [Yes/No]
- How frequently do you deliver ethics training to the following employee groups? (Tick all that apply)

	More than once per year	Annually	Less than once per year	As required	Once only	Never	Other (please specify)
The Board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Executive team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managers, supervisors, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- Which method do you use for the majority of your training?
 - o Face-to-face
 - o Online
 - o Both used equally
 - o Other (please specify)
- What training tools are used? (Tick all that apply)
 - o Games dilemmas/scenarios
 - o Multimedia (e.g. videos)
 - o Apps
 - o Other (please specify)
- Who conducts the training?
 - o The ethics function
 - o Other internal department (please specify)
 - o Local managers
 - o An external specialist
- Which internal department conducts the ethics training?
- What are the main topics of focus for your ethics training?
- How long does training typically last?
 - o Less than an hour
 - o One hour
 - o Two hours
 - o Half day
 - o Full day
 - o More than one day
 - o Other (please specify)
- Do you have any training techniques or resources that you have found to be particularly valuable?

6. LEADERSHIP, SUPPORTIVE ENVIRONMENT AND SPEAK UP

- In your opinion, does your company have a supportive environment for ethics? [Yes/No]
- How would you rate the engagement of your SENIOR LEADERSHIP with ethics?
 - o 1 - Extremely disengaged
 - o 2 - Very disengaged
 - o 3 - Somewhat disengaged
 - o 4 - Neither engaged nor disengaged
 - o 5 - Somewhat engaged
 - o 6 - Very engaged
 - o 7 - Extremely engaged
- How would you rate the engagement of your OVERALL WORKFORCE with ethics?
 - o 1 - Extremely disengaged
 - o 2 - Very disengaged
 - o 3 - Somewhat disengaged
 - o 4 - Neither engaged nor disengaged
 - o 5 - Somewhat engaged
 - o 6 - Very engaged
 - o 7 - Extremely engaged
- Is there a formal mechanism for employees to raise ethical concerns/ask questions confidentially? (i.e. a speak up/whistleblowing system) [Yes/No] – if yes continue, if no jump to **RISK ASSESSMENT, MONITORING AND ACCOUNTABILITY**
- Do your speak up arrangements include a helpline/hotline/advice line? [Yes/No]
- Does your system allow concerns to be raised anonymously? [Yes/No]
- Approximately what percentage of contacts does each of the following channels account for?
 - o Phone
 - o Email
 - o Online reporting
 - o In person
 - o Other channels
- Does your company have a non-retaliation policy to protect those who raise their concerns? [Yes/No]
- Do you have a formalised approach to monitoring whether there has been any retaliation against those who have raised their concerns? [Yes/No]
- If yes, how do you ensure non-retaliation against those who have raised their concerns?

7. RISK ASSESSMENT, MONITORING AND ACCOUNTABILITY

- Does your company monitor the effectiveness of your ethics programme? [Yes/No] – if yes continue, if no jump to **ENGAGING WITH THIRD PARTIES**
- If yes, does this include an ethics/compliance risk assessment? [Yes/No] – if yes continue, if no jump to 'How do you monitor the effectiveness ...' below
- What is the intended purpose of your risk assessment processes?
- What is the scope of your risk assessment? (issues, locations, etc.)
- Who does the risk assessment?
- Who else do you collaborate with (internally and externally) to provide a comprehensive assessment of risk?
- How frequently do you conduct the risk assessment?
- How do you monitor the effectiveness of your ethics programme to ensure that your values are embedded throughout the organisation? (Tick all that apply)
 - o By use of internal audit
 - o Questions on ethical standards in staff surveys
 - o Board reports
 - o Use of speak up data
 - o Engagement with external stakeholders
 - o Percentage of employees receiving ethics training
 - o Dedicated ethics surveys
 - o Code sign off numbers
 - o External audit processes
 - o Other (please specify)
- Do you have KPIs for ethics? [Yes/No]
- If yes, what are your primary measures of success of your ethics programme?
- Do you seek external assurances of your ethical performance or the effectiveness of the ethics programme? [Yes/No]

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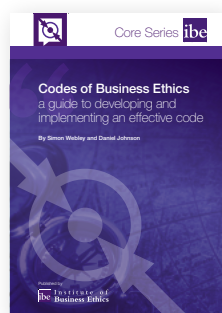
- If yes, which external benchmarks or standards do you use? (Tick all that apply)
 - o Investing in Integrity (Iii)
 - o Good Corporation Standard
 - o BITC (Business in the Community)
 - o CR Index
 - o FTSE4Good Index
 - o AA1000 (accountability standard)
 - o BS 10500 (anti-bribery standard)
 - o Dow Jones Sustainability Index
 - o (DJSI)
 - o ISO 26001
 - o UN Global Compact
 - o Other (please specify)
- Does ethics play a part in your company's recruitment process? [Yes/No]
- Do performance appraisals in your company include reference to ethical behaviour?
 - o The board [Yes/No]
 - o The executive team [Yes/No]
 - o Managers, supervisors, etc. [Yes/No]
 - o Other employees [Yes/No]
 - o Business partners [Yes/No]
- Is ethical behaviour included in the remuneration criteria of your organisation?

8. ENGAGING THIRD PARTIES

- Are you seeking to engage third parties with your organisation's ethics programme? [Yes/No] – if yes continue, if no jump to the end
- If yes, who do you include in your definition of third parties?
- How does your company communicate the existence of its CODE to EXTERNAL STAKEHOLDERS? (Tick all that apply)
 - o Direct distribution
 - o Posted on company website
 - o Mentioned in annual report
 - o Mentioned in corporate responsibility (or similar) report
 - o Discussion in newsletters
 - o Supplier training
 - o Through external social media
 - o Other (please specify)
- Apart from employees, which others do you ask to live up to the standards of your code? (Tick all that apply)
 - o Joint ventures
 - o Non-operated joint ventures
 - o Business partners
 - o Suppliers
 - o Other (please specify)
- Does your company have a separate supplier code? [Yes/No]
- Do you do due diligence on suppliers and other business partners for ethical standards? [Yes/No]
- Can non-employees raise their concerns through the speak up system? [Yes/No]
- What information do you report on regarding ethics EXTERNALLY?
 - o The existence of the code
 - o Number of disciplinary actions taken against the code
 - o Number of speak up (whistleblowing) contacts
 - o Number of speak up (whistleblowing) contacts leading to disciplinary actions
 - o Number of supplier/other business contracts terminated for ethical reasons
 - o Other (please specify)

Related IBE Publications

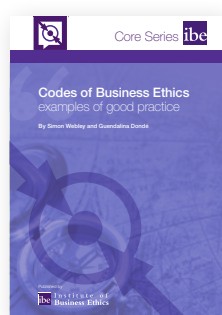
IBE publications provide thought leadership and practical guidance to those involved in developing and promoting business ethics, including senior business people, corporate governance professionals and ethics and compliance practitioners. Some recent publications related to this topic which you might be interested in include:



Codes of Business Ethics: a guide to developing and implementing an effective code

Simon Webley and Daniel Johnson

New guidance from the IBE on how to develop and implement an effective code of ethics. This Core IBE Report addresses many of the questions that arise when organisations wish to provide support and guidance to staff in ethical decision-making. It is intended to apply to organisations of any size, regardless of the sector in which they operate and will assist those charged with implementing or updating their organisation's code of ethics. Codes of Business Ethics follows the IBE 9-Step Model and shares examples of good practice.



Codes of Business Ethics: examples of good practice

Simon Webley and Guendalina Dondé

This companion publication to *Codes of Business Ethics: a guide to developing and implementing an effective code* draws on the wording of a number of current corporate codes which address the most common concerns encountered in doing business today. There are potentially 108 issues which codes of ethics can cover. These include new issues, such as personal relationships at work; treating customers fairly; social media; protection of the company's brand; risk management and prioritising ethics over profits which did not exist when the guidance was last updated in 2003.



Culture by Committee: the pros and cons

Peter Montagnon

Shifting perceptions of risk have increasingly encouraged companies to form special board committees to deal with broad questions of corporate responsibility, sustainability and ethics. This IBE Survey Report looks at the nature and role of these board committees, and also at the way companies that choose not to have such committees handle this growing range of non-financial risks. The idea of having a committee dedicated to the task of overseeing culture and ethics is relatively new. This survey report is intended to benchmark what is happening in the UK, providing a valuable insight into how companies are approaching the task, and helping companies decide on the right approach for them in an increasingly complex world. This survey was prepared in collaboration with ICASA: The Governance Institute and Mazars.

Other IBE Resources



Investing in Integrity Charter Mark

Is there a way to prove a company's integrity? The IBE has developed a charter mark in association with the Chartered Institute of Securities and Investment (CISI) to help businesses and organisations know if their ethics programme is embedded throughout their organisation.

The **Investing in Integrity** (Iil) charter mark gives an assurance of trustworthiness to clients, customers, investors and other stakeholders doing business with the organisation. The real strength of the Iil framework is that it tests an organisation's ethical conduct against its statements of values to ensure those values are properly embedded. It can help them identify whether or not the company is truly living up to its values, from the boardroom to the shop floor.

The testing uses a self assessment management questionnaire and third party audit by Iil partner **GoodCorporation** whose methodology has been adapted for the Iil chartermark.

To find out more visit www.investinginintegrity.org.uk



Say No Toolkit

The IBE Say No Toolkit is a decision making tool to help organisations encourage employees to make the right decision in difficult situations. The Say No Toolkit delivers immediate guidance to employees on a wide range of common business issues, especially those that could lead to accusations of bribery.

Employees tap through a series of questions about the situation they face and the tool will provide the right decision to take: Say No, Say Yes or Ask. The answer also makes it clear why it is important to make that decision so your employees can have the confidence and the knowledge to respond correctly.

Organisations can use both the IBE Say No Toolkit app and website for free. The app can be downloaded onto any smartphone or tablet.

You can start using it for free now. Simply go to www.saynotoolkit.net

The Say No Toolkit can be customised and branded to suit your organisation's needs and detailed procedures. For more information email info@ibe.org.uk or call the IBE office on +44 20 7798 6040.

For details of all IBE publications and resources visit our website www.ibe.org.uk

Corporate Ethics Policies and Programmes

2016 UK and Continental Europe Survey

How do organisations make sure that employees share their core values and feel empowered to do the right thing? How can ethics become an integral part of doing business?

This triennial survey, now in its eighth edition, provides a picture of how ethics is embedded within large organisations that operate in the UK and Continental Europe.

It is based on the IBE Business Ethics Framework to build an ethical culture in business. By following this model, organisations can influence their employees' behaviour and decision-making, ensuring that they are shaped by the company's core values. This will help them to achieve and fulfil their purpose, promoting long-term success.