Codes of Conduct – constitutional chains or a living breathing document?

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➤ **Contextualizing Codes of Conduct**

- <u>Codes of conduct/ ethics</u> are an integral part of company accountability framework – they communicate expected values and standards of behaviour to all stakeholders (employees, consultants, suppliers etc.,)

- Need to be part of the company's compliance program and based on individual risk profiles e.g. different sectors, geography will play a role

- Need to be linked to other company elements: *company values*, *business strategy* and the overall *compliance* and *risk programmes*.

- Codes need to allow the company to achieve at least two goals: (1*)* *encourage* ethical behaviour and (2) *sanction* breaches/ ethical failures

  → *Codes are the written moral compass of an organization!*

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➢ **Is your Code of Conduct fit-for-purpose?**

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1. <u>Ensuring strong culture and values</u> – "*living" breathing document*

2. <u>Risk assessment</u> – is it assisting mitigation? And, ultimately prevention of ethical failures?

3. <u>Designing ethical incentives</u> – is it rules based or principles based?

4. <u>Embedding ethical incentives</u> – what are the business processes?

5. <u>Monitoring and evaluation</u> – review cycle (mandatory/ discretionary)

(Incentivising Ethics, Managing Incentives to encourage good and deter bad behaviour, Transparency International, October 2016)

→ *This is a continuous process, as ultimately the company's own institutional experience will be the driving force for successful change.*

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➢ **Embedding Codes of conduct internally**

• *"Creating an environment where people can comfortably discuss any concerns and actively encouraging teams to discuss ethical dilemmas in a safe environment are considered the two most effective ways of fostering ethical behaviour" ACCA Survey, 2014*

• Setting the "tone from the top" – is your senior management engaged? Are they part of the continuous messaging loop? Are they prepared to set an example through their personal behaviour?

• Continuous messaging, on relevant ethical topics is an essential part of internal dialogue – how are ethical issues *identified, assessed* and *actioned* internally? And, how are they reported?

→ *Using "Nudges" – positive reinforcement and indirect suggestions work better than forced compliance*

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> **Consult, consult, consult … then communicate!**

- Key stakeholders should feel they "own" the document; senior management buy-in is essential

- Build-in time for meaningful discussion and feedback

- Is it being seen as an important internal policy document? Why?

- Communicate the code of conduct in the way most appropriate for the company. For example, online blog posts, forums, publications, town halls etc., and ensure effective (case-based) training

→ *Stakeholders should realise that codes of conduct are one of the most important internal policy instruments and treat them as such*

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> **How are "ethical failures" captured?**

- Does everybody understand the consequences of a Code breach?

- Are the obligations contained in the Code of Conduct actionable?

- Does the Code apply consistently across the organization, including senior management? More importantly, is it seen to apply equally?

- Is the company's risk management system capturing "ethical failures"? And, if so any lessons learnt from such failures?

- Is the company's whistleblower protection programme in place and, if so, is it robust?

→ *Perception is stronger than reality, so it is important that the code of conduct is "seen" to be working by all levels of the organisation.*

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Questions?