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

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➢ Contextualizing Codes of Conduct

• Codes of conduct/ ethics 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?

1. Ensuring strong culture and values – “living” breathing document

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

3. Designing ethical incentives – is it rules based or principles based?

4. Embedding ethical incentives – what are the business processes?

5. Monitoring and evaluation – 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?