How to Build a Great Code of Conduct that Works for Your Organization

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- 25+ years in ethics and compliance
- Helped to develop or update many codes of conduct for a range of organizations
- Regularly review and benchmark codes of conduct and policies
- Recently conducted a review of third-party codes of conduct

What We’ll Talk About

- Legal Value of a Great Code
- Business Value of a Great Code
- A Great Code of Conduct Program
- 5 Foundations of a Great Code Program
- 5 Functions of a Great Code
- 14 Elements of a Great Code
- Anatomy of a Topic

- Topics to Consider
- Code Launch
- Code Reinforcement
- Typical Workplan
- Project Considerations
Legal Value of a Great Code

- Mitigate federal criminal sentences
- Win and address regulatory or court orders (NPAs, DPAs, CIAs, consent decrees)
- Stave off DOJ prosecution

- Demonstrate expectations regarding directors' duties
- Meet regulators' expectations for ethics and compliance management
- Avoid or mitigate regulatory civil penalties

Business Value of a Great Code

- A Great Code of Conduct Program

Code Publication

Code publication
The type of publication(s) is the starting point for a successful code program. But a document alone will not achieve the goal of making its standards live in the hearts and minds of employees.
A Great Code of Conduct Program

How the code is delivered to employees and others establishes an important precedent for how the company and its leadership will reinforce and support the code and employees’ actions regarding it.

Leadership should not assume or expect that employees will instinctively understand, appreciate and know how to apply the code simply from reading it. To obtain the best value from the code, a company should effectively educate employees (and others) to it.

Just as with an ethics and compliance program, leadership must continue to reinforce the code – its purpose, importance, application – and the systems that support it for it to maintain lasting value.
A Great Code of Conduct Program

- Code Publication
- Code Launch
- Code Education
- Ongoing Reinforcement
- Metrics & Improvement

Metrics & improvement
A code and related efforts can be assessed for effectiveness and improvement opportunities. A code should respond to business changes to ensure it remains viable.

5 Foundations for a Great Code Program

- A Great Code of Conduct
  - Ethics and compliance process supports
  - Approach to policies
  - Executive leadership commitment and support
  - Mission-focused, values-oriented culture
  - Understanding of risk

5 Functions of a Great Code

- Effectively Articulates Company’s Standards
- Reinforces Company’s Ethical Culture
- Reinforces the Ethics and Compliance Infrastructure
- Builds Employees’ Decision-Resolution Skills
- Provides Valuable, Relevant Resources
Code of Conduct Maturity Ladder

13

- Protect company
- Inform employees
- Strengthen reputation with stakeholders
- Improve business performance
- Foster employee engagement
- Better enable employee competencies
- Build and reinforce ethical culture
- Foster employee engagement
- Better enable employee competencies
- Inform employees
- Strengthen reputation with stakeholders
- Improve business performance
- Foster employee engagement
- Protect company

14 Elements of a Great Code

1. Leadership commitment
2. Responsive format
3. Cultural fit
4. Operational fit
5. Unifying concept
6. Aspirational tone
7. Clear expectations
8. Compelling principles
9. Decision guidance
10. Policy coordination
11. Inclusion of "tools"
12. Writing style
13. Visual design
14. Leadership demonstrably communicates its commitment to the code's standards and its support for employees who follow the code.

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12. Visual design
13. Risk approach
14. 3. The publication reflects and reinforces elements of the company's culture, such as its mission, values, perspective, heritage, style, priorities, rituals, and identity/branding, among others.

4. The publication addresses the company's business activities both to put the standards in organizational context and to relate its contents to employees' daily activities.
5. The publication’s disparate contents are woven together by a unifying concept that runs throughout the code and ties back to the company’s culture and aspects of its business success.

6. The code presents an affirmative, aspirational tone that inspires employees and others with respect to the way that the company conducts its business and follows its mission.
The publication establishes clear expectations regarding the conduct of employees and others, with further clarity regarding individual accountability and the consequences of non-adherence to its standards.

The code and its contents are based on meaningful principles or values that establish a tone for the way that the organization conducts business and serve as the ethical standards to which the company aspires.

The code's contents respond to the company's understanding and prioritization of its business risks as exemplified in the selection and emphasis of the code's topics and supporting content.
14 Elements of a Great Code

1. Leadership commitment
2. Responsive format
3. Cultural fit
4. Operational fit

10. Company policies that relate to the code's contents are appropriately referenced to aid employees in identifying and accessing these important expectations.

11. The code includes various tools that help readers to better understand and apply the code's standards and supporting content and appreciate the value that the company's commitment has regarding its success.

Tools - Examples

- A-Xerox
- B-Morgan Stanley
- C-LG Electronics
- D-Air Products & Chemicals
- E-Verizon
- F-Waste Management
- G-Pfizer
- H-Marriott
- I-Noble Energy
- J-GE
- K-TJX
12. The code includes guidance to help employees make decisions or find the right response when the contents do not provide easy solutions or regarding ambiguous issues.

13. The writing is clear, understandable, direct and easy to read, reflects the company's communication style and helps to set an affirmative, aspirational tone.

14. The visual style is engaging, ties with the code's unifying concept, reflects the company's style, identity and branding and makes the code easy to navigate and use.
### Anatomy of a Topic

<table>
<thead>
<tr>
<th>Topic/Title</th>
<th>Bribery &amp; Corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>Bribery and corruption refer to any action intended to improperly influence another’s business judgment or create an unfair advantage.</td>
</tr>
<tr>
<td>Definitions</td>
<td>Bribery: providing or offering anything of value to improperly influence another’s business judgment.</td>
</tr>
<tr>
<td>Subtopics</td>
<td>Fraud, Bribery &amp; Corruption, Government Corruption, Commercial Corruption, Other Regulatory Schemes.</td>
</tr>
<tr>
<td>Examples</td>
<td>Third parties requesting excessive payments that could be a facilitating payment to any government official.</td>
</tr>
</tbody>
</table>

#### Bribery & Corruption

- Bribery: an offer, promise or giving of anything of value to influence a specific action or decision. 
- Corruption: use or misuse of property or authority in a manner inconsistent with law or the public interest. 
- Government Corruption: bribe or bribe attempt directed to any governmental action. 

#### Rationale

- Bribery & Corruption Policy: A facilitating payment typically involves a minor payment to a lower-level government official for completing a routine task. |

#### Examples

- Third parties requesting excessive payments that could be a facilitating payment to any government official. |

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### Topics to Consider

#### Employee Relations

- Diversity
- Compensation
- Disability/leave
- Social Security

#### Use of Resources

- Physical resources
- Equipment
- Technology/communications

#### Confidentiality

- Commercial
- Intellectual
- Confidential

#### Use of company employment for outside activities

- Solicitations and distribution of materials
- Use of company employment for outside activities |

#### Personal Relations

- Corporate Opportunities
- Financial Interests
- Business presentations and speeches

#### Corporate Opportunities

- General Code Content Topics
- Code Acknowledgment
- Miscellaneous

#### Local customs, cultures

- General legal compliance
- Corrective action
- Non-retaliation

#### Use of Information

- General Code Content Topics
- Code Acknowledgment
- Miscellaneous

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### Topics to Consider, II

#### Political Activity

- General Code Content Topics
- Code Acknowledgment
- Miscellaneous

#### Anti-Bribery & Corruption

- Poltical Activity
- General Code Content Topics
- Code Acknowledgment
- Miscellaneous

#### Code of Conduct

- General Code Content Topics
- Code Acknowledgment
- Miscellaneous

#### Code of Integrity

- General Code Content Topics
- Code Acknowledgment
- Miscellaneous

#### Code of Ethics

- General Code Content Topics
- Code Acknowledgment
- Miscellaneous
Code Launch

Does your code’s launch:
• Ensure all employees receive the code and in a timely manner? (including new hires and staff from acquisitions)
• Instruct leaders and other managers about how to communicate about and reinforce the importance of the code to staff?
• Instruct employees about their important responsibilities for the code (and for reviewing it)?
• Link the relevance of the code to employees’ daily work?
• Reinforce to employee the importance of the code as a problem resolution aid?
• Include communications that reinforce key code messaging?

Code Reinforcement

Does your code program:
• Keep employees informed on timely topics that arise in the business throughout the year?
• Remind leaders and managers to keep the code and its standards and resources top of mind for employees?
• Reinforce the code’s value as a problem resolution “toolkit”?
• Regularly link the value of the code with the organization’s operations and success?
• Help employees balance other incentives or pressures to meet certain business goals?

Typical Code Development/Revision Workplan
Project Considerations

1. **Revision** – Degree of anticipated revision (e.g., minor, significant)?
2. **Team** – Use of a staff team for a) project oversight, b) content review.
3. **Code assessment** – Level of effort desired to meet revision degree? Level of leadership and staff engagement? (e.g., interviews, focus groups, survey). Documents to support assessment?
5. **Audience** – Employees, Board, SFOs, third parties?
6. **Standards** – Interest in revising expectations that are being set?
7. **Policies** – Need policy review and/or coordination?
8. **Risk assessment** – Any to align with?
9. **Benchmarking** – Against peers? Other organizations? Degree of effort (topic, subtopic, standard)?
10. **Detail** – Anticipated length of revised code?
12. **Design** – In-house team? Level of investment?
13. **Code launch** – Expected need and effort?

**Questions?**