


**Organisational Ethics:  
Making the intangible tangible**

Sally March and Jane Mitchell  
25<sup>th</sup> March 2018

 **SCCE**<sup>™</sup>  
Society of Corporate  
Compliance and Ethics

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1

**“It is not an adequate ethical standard to aspire to get through the day  
without being indicted.”**

Richard Breeden,  
former chairman of the Securities and Exchange Commission

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2

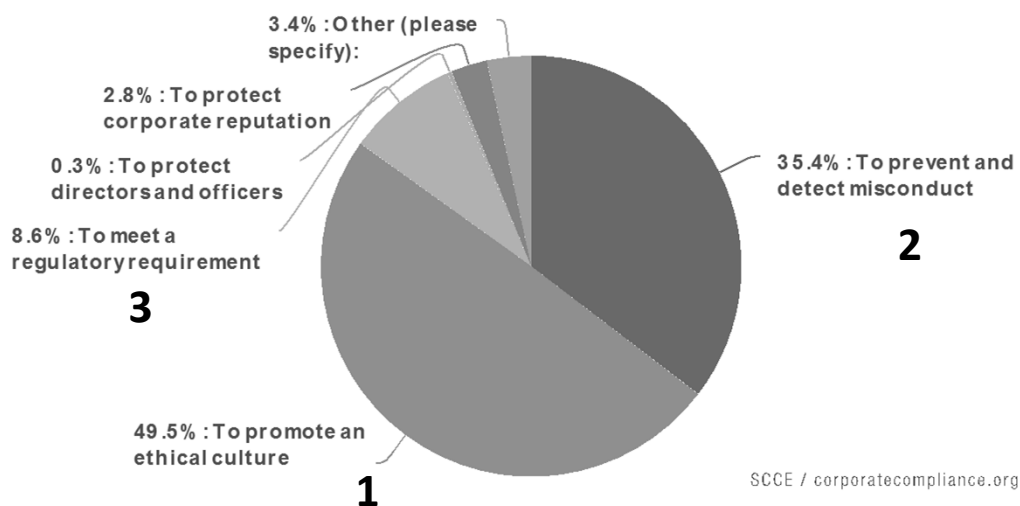
## Board of Directors

“One of the key roles for the board includes establishing the culture, values and ethics of the company. It is important that the board sets the correct ‘tone at the top’. The directors should lead by example and ensure that good standards of behaviour permeate throughout all levels of the organization. This will help prevent misconduct, unethical practices, and support the delivery of long-term success.”

*Preface to UK Corporate Governance Code*

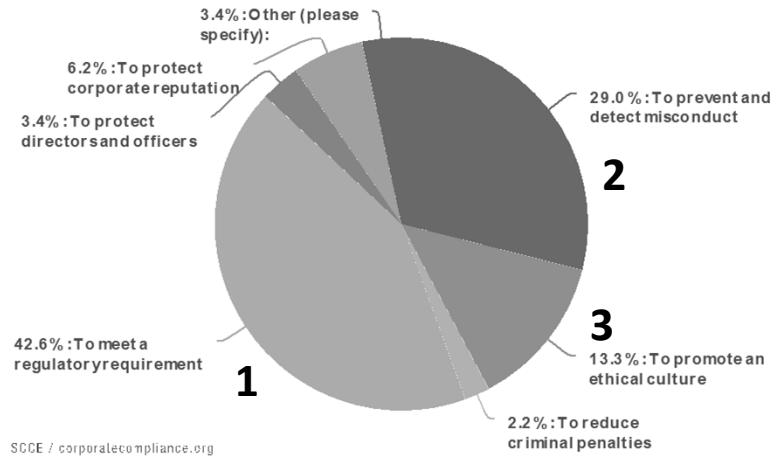
## YOU

*What do you see as the primary objective of your ethics & compliance program?*



## MANAGEMENT

*What do you think your organization's management sees as the primary objective of your ethics & compliance program?*

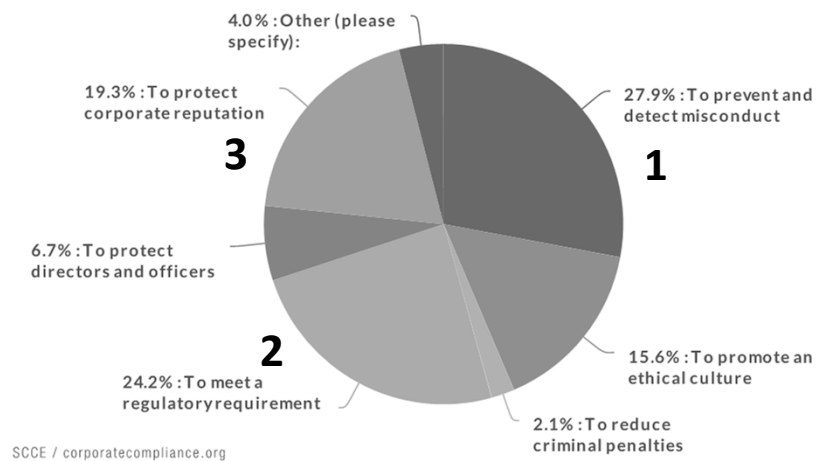


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5

## THE BOARD

*What do you think your organization's board of directors sees as the primary objective of your ethics & compliance program?*



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6

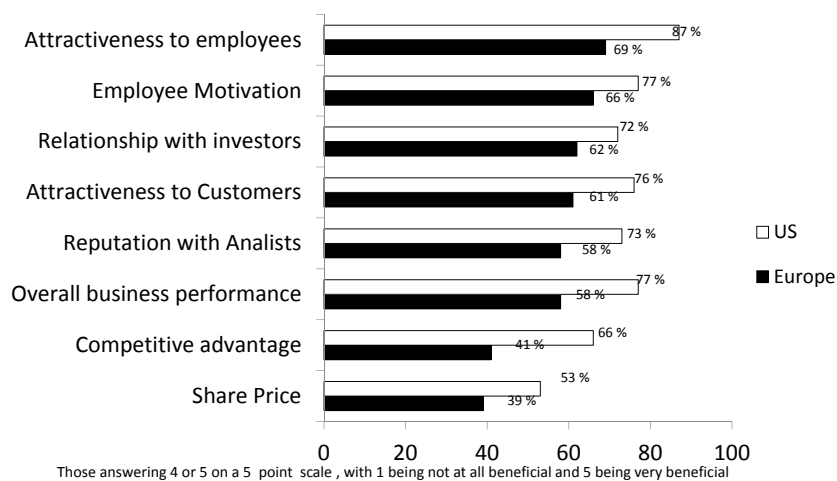
## South Africa's King Code of Governance

Governance Element	Principle	Recommended Practice
1. Ethical Leadership	and corporate	citizenship
Responsible Leadership	1.1 The board should provide effective leadership based on an ethical foundation	Ethical leaders should: 1.1.1. direct the strategy and operations to build a sustainable business; 1.1.2. consider the short- and long-term impacts of the strategy on the economy, society and the environment; 1.1.3. do business ethically; 1.1.4. do not compromise the natural environment; and 1.1.5. take account of the company's impact on internal and external stakeholder

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7

## How Beneficial Is An Ethical Culture?

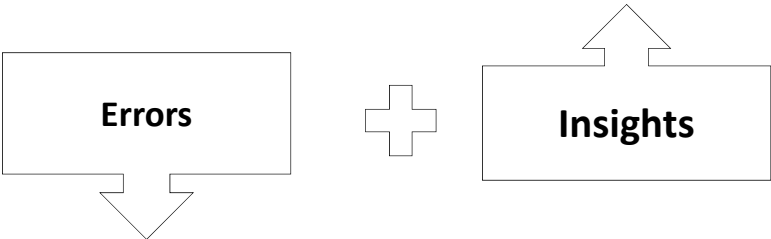


Source: CFO Europe Research Services -


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8

Performance Improvements =




Source - ©GaryKlein: Seeing What Others Don't





Trust

We work hard to earn trust and respect



Core elements	Core behaviours	do's for everyone	do's for those managing people	do's for our leaders
Deliver on our promises	Deliver Consistent	I do what I say I will, try my best and see things through I consistently provide the highest standards of customer service	I make sure that we deliver on the promises we make to our customers and to each other I resolve issues fairly, quickly and professionally	I inspire and lead colleagues to anticipate and respond to our customers' needs I stand by difficult decisions and openly acknowledge errors I anticipate the pressures where we might struggle to deliver and take action to avoid problems
Open, straightforward and honest	Transparent Open Honest	I have a can-do, will-do attitude I am open and honest I communicate truthfully, clearly and concisely	I clearly communicate our actions and decisions to customers I seek others' opinions and encourage people to challenge I summarise complex information to make it understandable	I create a culture of openness, trust and transparency I lead and encourage open communication across Serco I ensure our objectives are clearly aligned to Serco's purpose and goals
Do the right thing	Fair Truthful Integrity	I aim to always do the right thing and never compromise our values I think through the consequences of my decisions I speak out when I see something wrong	I live by Serco's values, lead by example and reflect them in the decisions I make I have the important conversations to achieve the right outcomes I only ask people to do something I would do myself	I lead by example, and role model Serco's values, inspiring colleagues and customers I ensure decisions made are informed, reflect our values and standards and take account of their potential impact I hold people to account, but ensure they are treated fairly and consistently without fear of reprisal
Take responsibility for getting things done	Responsible Committed Accountable	I understand who my customers are, listen to them and act upon their feedback I challenge assumptions in an appropriate way I acknowledge when I make mistakes and take responsibility for correcting them	I empower others by giving them responsibility and holding them to account I create a no-blame culture by focusing on solutions not problems I listen to customer complaints and resolve them effectively and in a timely way	I engage customers and colleagues and consult with appropriate groups when formulating strategies I evaluate resources, options and consequences in my decision making and communicate the decision openly



# Risk Management



## PEOPLE RISKS

### Failure to act with integrity 🚩🚩🚩🚩

Being found to have engaged in a significant corrupt or dishonest act (bribery, fraud, misreporting, cheating, and lying) leads to customers being reluctant to do business with such organisations. Such behaviour might arise through the actions of rogue employees or as a result of pressures individuals feel they are being placed under (culture). Such acts might lead to the loss of existing business; restrictions on our ability to bid or win new business; our ability to attract high-quality people or partners; and an adverse impact on shareholder, investor and financial institutions' confidence in Serco.

#### Key risk drivers:

Failure to communicate – if we do not define and communicate our Values and expected standards adequately, our staff and third parties will fail to understand these, which may result in inappropriate leadership actions and low engagement with our Values.

Our ways of working do not align with our Values – staff or third parties being unaware of and/or not reflecting our Values may result in poor decision making, unacceptable business conduct, and unethical or illegal behaviour bringing our operations into disrepute.

Direct or indirect contribution to human rights abuse – staff either directly or indirectly contributing to human rights (including slavery and forced labour) abuses may result in a breach of laws/regulations.

#### Material controls:

- Top level commitment/tone from top.
- Strong, meaningful and understood Values.
- Code of Conduct.
- Corporate Governance with oversight by the Corporate Responsibility Committee (CRC).
- Delegated Authority Register (DAR).
- Serco Management System (SMS).
- Financial controls and processes, with segregation of duties for core financial controls.
- Gifts and Hospitality process and registers.
- Risk management procedures.
- Third party due diligence.
- Leadership Academy.
- People development and remuneration.
- Speak Up process (Independent provider).

#### Mitigation priorities:

- Implementation of on-line Conflict of Interest registers.
- Refinement of divisional compliance risk assessment.
- Clarification of ethics roles and investigation responsibilities.
- Embed the new third party due diligence tool.
- Refresh Serco Essentials Plus training.
- Continue with divisional Anti-bribery and Corruption reviews.

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11

# Risk Management



## LEGAL AND COMPLIANCE RISKS

### Material legal and regulatory compliance failure 🚩🚩🚩🚩

Serco is subject to numerous laws and regulations as a result of the complexity and breadth of the sectors and jurisdictions in which it operates. Failure to comply with laws and regulations may cause significant loss and damage to the Group including exposure to regulatory prosecution and fines, reputational damage and the potential loss of licences and authorisations, all of which may prejudice the prospects for future bids and the retention of existing business. Defending legal proceedings may be costly and may also divert management attention away from running the business for a prolonged period. Uninsured losses or financial penalties resulting from any current or threatened legal actions may also have a material adverse effect on the Group.

#### Key risk drivers:

Lack of governance and oversight – may result in a failure to identify potential or actual breaches to legal requirements and result in a failure to respond appropriately, or weaken our ability to confirm compliance with legal and regulatory requirements.

Failure to comply with the SMS and contractual obligations – may result in compliance failures for Group-wide material legal and regulatory requirements.

Failure to identify and respond to material changes in legal and regulatory requirements – may result in key subject matter experts within the business not remaining up to date and we then fail to comply with material legal and regulatory obligations.

Lack of awareness by employees of the legal and regulatory requirements placed upon them – may result in lack of identification and subsequent compliance to requirements.

Inadequate provision of systems and tools – may result in ineffective methods to support the management of legal and regulatory compliance.

#### Material controls:

- Automated alerts on material legal and regulatory obligations and changes.
- Investment Committee process and governance.
- Third party due diligence.
- Serco Management System (SMS).
- Legal Tracker case management software.
- Gift and Hospitality process and registers.
- Legal training.
- Serco Essentials training.
- Compliance Assurance Programme (CAP) reviews.
- Business Lifecycle Review Team (BLRT) process and governance.
- External regulatory audit.
- Bi-annual reporting to Board and Executive Committee on new laws across the Group.
- Speak up process and case management system (EthicsPoint).

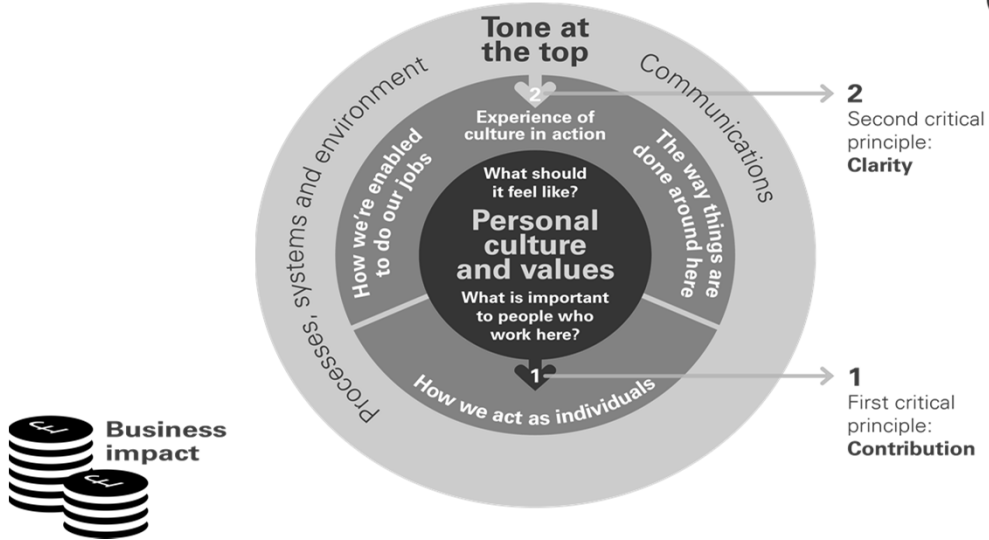
#### Mitigation priorities:

- Use of trend analysis and analytics from Legal Tracker software.
- Launch of revised Code of Conduct and Supplier Code of Conduct.
- Complete and embed General Data Protection Regulation (GDPR) readiness programme.
- Refresh Serco Essentials training programmes.
- Implement revised Group Standard Operating Procedures (GSOP).
- Develop and implement new GSOPs including export controls, parental guarantees and conflicts of interest.
- Continue with contract and compliance assurance reviews.
- Embedding and sustaining the Corporate Renewal Program.

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12

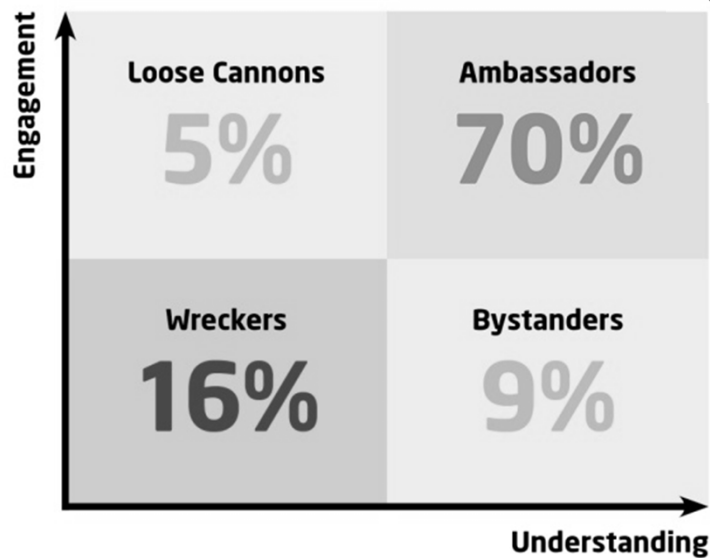
## The Dimensions Of Cultural Analysis



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13

## Engagement Matrix



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14

## Sources for more information

**Slide 3** – UK Corporate Governance Code – [www.frc.org.uk](http://www.frc.org.uk)

**Slides 4-6** – SCCE: [www.Corporate Compliance.org](http://www.CorporateCompliance.org)

**Slide 7** – King report on Corporate Governance: <http://www.iodsa.co.za/?kingIII>

**Slide 8** – Benefits of an ethical culture  
[http://www.accaglobal.com/documents/corporate\\_ethics\\_europe.pdf](http://www.accaglobal.com/documents/corporate_ethics_europe.pdf)

**Slide 9** – Gary Klein-Seeing what others don't: <https://www.gary-klein.com>

**Slides 10-12** – [www.Serco.com](http://www.Serco.com)

**Slides 13/14** – [www.karianandbox.com](http://www.karianandbox.com)