

BUSINESS ETHICS PROGRAMMES

WHAT IS THE STATE OF PLAY IN LARGE EUROPEAN LISTED COMPANIES?

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ABOUT THE IBE

The IBE was established in 1986 to promote **high standards of business behaviour based on ethical values.**

- Advice
- Forums
- Publications
- Research
- Training
- Education



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ABOUT THE SURVEY

PURPOSE

- **Understand current practice** in corporate ethics programmes and use this to **bridge potential gaps** in their ethics programme
- **Track recent developments** in perspectives on business ethics and **prepare for future ethical challenges**

METHOD

- **Desktop research** on the publicly available ethics-related information of 242 listed companies.
- **Online survey** of 35 senior ethics and compliance professionals.
- **In-depth interviews** with 14 ethics and compliance professionals.

CONTENTS

1. What has changed?

Main changes in the approach to applied business ethics

2. Is ethics discussed in the boardroom?

Effective ways to put ethics on the board agenda

3. Looking ahead

Main emerging challenges for E&C practitioners

1. WHAT HAS CHANGED?

CODES OF ETHICS: THE FOUNDATION

- All survey respondents said that their company **has a code of ethics**, compared to 43% in 1995.

Diffusion of codes

France – CAC 40	97%
Germany – DAX 30	87%
Italy – FTSE MIB 40	97%
Spain – IBEX 35	100%
UK – FTSE 100	75%
Total	87%



RULES BASED OR VALUES BASED?



COMPLYING WITH THE LAW

- External standards
- Black and white
- Mandatory
- Enforcement mechanisms
- Sanctions

MEETING OUR ETHICAL VALUES

- Set by us
- Grey areas, requires judgement
- Reflects how we do business
- Supported by our culture
- Judged by people we trust

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COMPLIANCE IS NOT ENOUGH



Important to stop people doing the wrong thing

Focus of compliance programmes

Also vital to empower and encourage people to do the **right** thing

Focus of ethics programmes

Important to do **both**, in an integrated and coordinated way

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COMPLIANCE IS NOT ENOUGH

*“The main strength of our ethics programme is that it is **driven by values, rather than by compliance**. We focus much more on what is the right thing to do, rather than on what we have the right to do. We have always believed that an ethics programme based on compliance only is a failure of the mind. This doesn’t mean that we are not developing the compliance side as well, but we created the ethics mission long before we created the compliance department.”*

Interviewee from CAC 40 – industrial sector

SETTING THE TONE

Corporate Culture

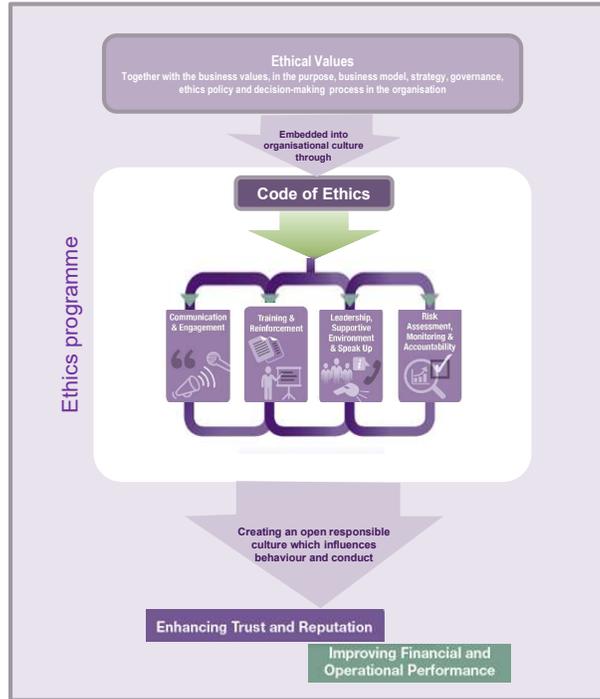
“The way things are done around here”

What types of behaviours are encouraged and promoted by leaders in the organisation?

- Implicitly or explicitly
- Good or bad



CODES OF ETHICS: NECESSARY BUT NOT SUFFICIENT



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COMMUNICATING ETHICS INTERNALLY

- In 2019, only 3% of survey respondents say that their company **does not have a comms strategy on ethics** (compared to 26% in 2016)



Ethical dilemmas – what happened when...

Ethics in action

...a BT person registered their charity work as a potential conflict of interest?

What happened?

A BT colleague volunteering for a charity that does similar work to BT wanted to clarify if their volunteering role could be a conflict of interest with their BT role.

What does *The Way We Work* say?

"We avoid an interest or situation that conflicts, or may appear to conflict, with our duty to BT."

How did we find out?

The individual registered the potential conflict and asked for advice.

What's happened since?

In this case there was no actual conflict of interest and the individual was able to volunteer for the charity having registered it as a potential conflict.

What have we learned?

Everyone must register anything that could be a potential conflict as well as telling your line manager. As in this case, where there was no *actual* conflict, having it noted on the system provides the transparency necessary should there be any questions in the future. For further guidance, have a look at the [conflict of interest web pages](#).

© IBE Source: BT Case Study in IBE (2017), Encouraging a Speak Up Culture

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ETHICS AMBASSADORS ARE KEY

*“We send them a monthly email with the latest news from the central ethics team and **we ask them to tailor these messages for their local audiences utilising the most appropriate channels**, such as performance boards, team meetings, yammer sites. This could be in the form of a **case study**, sharing a real example of something that has happened in our business or discussing an ‘ethics moments’, or dilemma to understand how views may differ, this can be followed with an overview of the advice that would be given in these situations and also promote the use of our Code where additional supporting information can be found. We have a library of related material that is accessible to our ethics champions and we encourage them to refer to this for when developing their local plans.”*

Interviewee from FTSE 100 services provider

CHALLENGES

- As one survey respondent said, *“comms campaigns have been difficult to **co-ordinate across the business**”*
- **Lack of specific information:** 37% of respondents say that their company does not report any of the chosen indicators to employees other than those on the board, the executive team and managers/supervisors.
- **This would be important to:**
 - create positive reinforcement
 - encourage employees to speak up

2. IS ETHICS DISCUSSED IN THE BOARDROOM?

ENGAGING WITH SENIOR LEADERS

- **Senior level engagement** is seen as crucial to ensure the effectiveness of the ethics programme.
- **This is reflected in the changes in reporting lines:**
 - E&C practitioners are now more likely to report directly to the CEO (31% in 2019 compared to 20% in 2016)
 - They are less likely to report via the general counsel (26% in 2019, compared to 35% in 2016).

WELLS FARGO VALUES

Our values

Five primary values guide every action we take:

- **What's right for customers.** We place customers at the center of everything we do. We want to exceed expectations and build relationships that last a lifetime.
- **People as a competitive advantage.** We strive to attract, develop, motivate, and retain the best team members – and collaborate across businesses and functions to serve customers.
- **Ethics.** We're committed to the highest standards of integrity, transparency, and principled performance. **We do the right thing, in the right way, and hold ourselves accountable.**
- **Diversity and inclusion.** We value and promote diversity and inclusion in all aspects of business and at all levels. Success comes from inviting and incorporating diverse perspectives.
- **Leadership.** We're all called to be leaders. We want everyone to lead themselves, lead the team, and lead the business – in service to customers, communities, team members and shareholders.

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Source: Company website



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Source: CNN (2016), broadcast 21 September 2016



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BRINGING ETHICS IN THE BOARDROOM: THE CHALLENGE



- Fewer respondents say that ethics, values and culture are **regularly discussed** in board meetings:

2019	69%
2016	86%

- Just under half of respondents report that the board does receive **mandatory training** on ethics (46%)
- A quarter say that ethics does not play a part in the **performance appraisals** of board members (24%).

TRAINING THE BOARD ON ETHICS



*“On top of our mandatory ethics training, we provide **additional guidance** to our senior executives and board members because of their additional [regulatory] responsibilities; they are possibly more in the line of fire – it is more likely that somebody may write to them with a complaint or a concern so they need to be able to handle it properly.”*

Interviewee from FTSE 100 company in the financial sector

*“In the case of the board of directors, we don’t have mandatory ethics training sessions. Board members are very experienced so we feel they don’t need to be trained. However, they do need to be kept informed so we run **regular awareness sessions** with them to cover the main ethical issues that the business is facing and other aspects of our ethics programme.”*

Interviewee from a service provider in the IBEX 35

ROLE OF BOARD LEVEL COMMITTEES



Ethics committees in companies

- 51% of respondents say that their company has a committee at **board level**
- 31% of respondents say that their company has a committee at **sub-board level**
- 17% of respondents say that their company **does not have a committee**

The presence of board-level committees seems to help with the inclusion of ethics, values and culture on board agendas:

- 58% of survey respondents who say that these topics are regularly discussed in the boardroom also say that their company has a dedicated board-level committee.

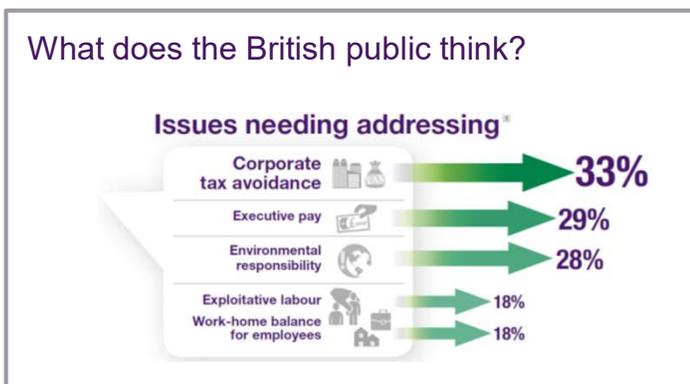


3. LOOKING AHEAD

CURRENT ISSUES OF CONCERN

Survey respondents' three most commonly chosen **ethical issues of most concern** for companies have changed over time:

2019	2016
Data privacy and use of big data (49%)	Bribery and Corruption (50%)
Bribery and corruption (43%)	Speaking up/whistleblowing (43%)
Discrimination, harassment or bullying (34%)	Supply chain/sourcing (41%)



© IBE Source: IBE (2019) Attitudes of the British Public to Business Ethics

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ETHICS GREY AREAS: DIVERSITY AND INCLUSION

An interviewee explains that **diversity and inclusion** has received new attention in a context that is broader than business (e.g. in schools, on online platforms, etc.) and it is important that business addresses societal challenges.

"As our CEO puts it, we will be judged on our actions today by the standards of tomorrow. What we do has to stand the test of time".

In their organisation, they have asked people to **intervene immediately** if they see instances of bullying, rather than report them as they would do for other types of unethical behaviour.

"We have asked people to intervene there and then when they see conduct or behaviour that is offensive, hostile or intimidating – for whatever reason. I'm aware that this is easy to say sitting in our headquarters in London, but it's not as easy elsewhere. We try to stay true to our values wherever we operate – it's about creating an inclusive workplace for us all. I'm proud of the fact that we visually celebrate Coming Out Day in all our offices, including in countries in which homosexuality is still forbidden and it's a punishable offence. It may cause unpopular reactions in some countries, but this is part of our culture, our respect for people."

Interviewee from a FTSE 100 company operating in the industrial sector

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LOOKING AHEAD

*“The main challenge for us is that there is a lot of work to do! We need to **avoid moral relativism** to ensure that, wherever we are in the world, we do things in the same way, that we adhere to our principles whatever is the local context and the local environment. **Management of change is a big issue**. The impact of frequent and badly managed change on people can be quite tough. Change needs to be managed with clarity, support and dialogue.”*

Interviewee from a CAC 40 company in the industrial sector

CONCLUSION

KEY TAKAWAYS

- The E&C landscape (and profession) **has evolved** significantly since the survey started in 1995. However, challenges remain
- The 'E' (ethics) has become **increasingly prominent** and independent from the 'C' (compliance)
- However, more could be done to ensure that ethics is **discussed at board level**
- Looking ahead, there is an **important role that E&C practitioners can play today** to lay the foundations of tomorrow's business environment.