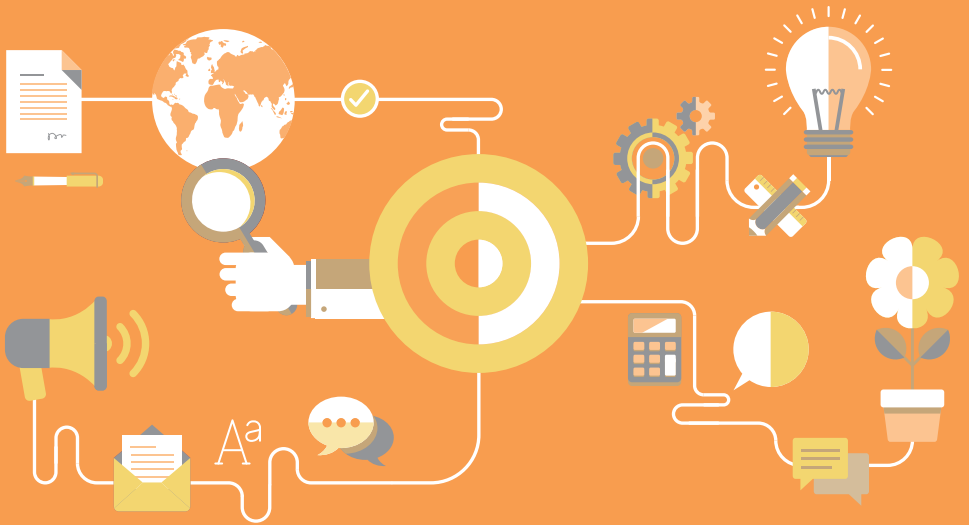


CGMA[®] TOOLS

Implementing an effective corporate ethics policy



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1 Code of ethics



The essential elements of a code include assurances of support for the policies from organisational leadership, practical guidance on what is expected regarding ethical issues, commitments concerning stakeholder relationships, example Q&As, scenarios or decision trees, details of how the code will be implemented and monitored, and the consequences of misconduct. Signposts to further support, advice and other relevant policies should also be included.

Code of ethics for CGMA designation holders

The code of ethics for CGMA designation holders recognises their commitment to upholding high standards of professionalism and to acting ethically. As such, CGMA designation holders play a key role in supporting leadership and other colleagues in setting, communicating and embedding an ethical performance culture.

www.cgma.org/ethicscode

Questions and notes

| QUESTION | YES/NO | NOTES |
|---|--------|-------|
| Q1 Does your organisation have an ethical statement, code or policy? If yes, does it reflect your professional obligations? | | |
| Q2 Does your organisation have an anti-bribery and/or other policies supporting responsible business? If yes, are they promoted and enforced, and how? | | |
| Q3 If your organisation has an ethical code or statement, is it supported by tools such as Q&As, scenarios or decision trees? | | |

2 Communication and awareness campaigns

This is a continuous process. Communication of a company's ethics policy never ends. Quality is key, as constant communication that lacks focus or relevance is more likely to irritate than persuade. The most successful ethical organisations embed high-quality communications across the business.

To do so, ensuring it becomes far more than a box-ticking exercise, it is essential to have strong backing and leadership from the top, effective and resilient two-way communication channels, and an open culture of reassurance that gives employees the confidence to raise concerns.

Case study:

Cisco Systems

To engage employees and raise awareness of ethical decision making, Cisco Systems created "Ethics Idol", a cartoon parody of the reality television singing contest American Idol. In each episode, animated contestants sang about a particular ethical dilemma or situation, which was then commented on by a panel of Idol-esque judges.

After watching the show on the company's intranet, viewers were asked to vote on which of the judges had given the appropriate response to the situation. At the end of each section, the organisation's ethics officer revealed the correct answer based on official compliance standards.





Questions and notes

| QUESTION | YES/NO | NOTES |
|---|--------|-------|
| Q1 Does your organisation currently communicate its ethical business practices and commitment to responsible business to key stakeholders (both employees and external stakeholders)? If yes, how? | | |
| Q2 Does your organisation have an ethics champion to turn to for questions? | | |
| Q3 Would you know what steps to take if you are asked to do something that challenges your ethical standards? <i>Refer both to your employer's policies and your professional code</i> | | |

“ Research shows that most companies' efforts tend to fail after step two. ”



3 Training and reinforcement

Most organisations now offer online anti-bribery training. On its own, this is not enough; companies shouldn't be comforted by a tick-the-box mentality.

There is no substitute for face-to-face, qualitative training with wider discussion and debate of understanding and practical application.

Case study:

Stryker

Discussion of scenarios can help employees explore ethical issues in training sessions. For example, Stryker, a medical device producer, reviewed events that had taken place within its industry and built a set of fictionalised scenarios based on them. To provide context, Stryker created a hypothetical organisation with a back story, mission and an organisation chart. Employees were presented with a scenario

based on this background and were asked to go through the company's code of ethics to identify which of the standards were being broken in that case. After the discussion, it was revealed to participants that all of the scenarios had actually taken place in the sector in the past, helping to bring the training home.





Questions and notes

| QUESTION | YES/NO | NOTES |
|--|--------|-------|
| Q1 Does your organisation include a session on ethics and responsible business in its induction programme for all staff? | | |
| Q2 Is it also featured in ongoing training? | | |
| Q3 Have you undertaken professional development in order to maintain and/or improve your confidence in ethical decision making? Are you encouraged by your employer to do this? | | |

“ There is no substitute for face-to-face, qualitative training with wider discussion and debate. ”



4 Supporting context and culture

This involves having the “ethical architecture” in place to support a living, breathing code. That architecture includes outlining policies and regulations in employee contracts and supplier agreements, identifying individuals and boards who are accountable for outcomes, creating ongoing awareness-raising programmes, opening discussions with feedback and having oversight and monitoring procedures in place.

Taking action against wrongdoing and communicating the action taken to staff is an important element of this.

More companies are including ethics-related criteria in performance reviews. For example, management accountants might be asked whether they challenged or raised and resolved an issue or an area of concern that could lead to fraud. For managers, does your team escalate issues and ask for clarification?

Case study:

Siemens

Siemens’s strategy is to focus on bridging the communication gap between senior management and employees at the lower levels of the company. In the 2013 financial year, the company introduced “integrity dialogues” in which compliance refresher training is cascaded down through the company. Compliance officers provide training to the senior management of each business unit, who then train their own direct reports and so on. Individual operating units within the company

enhance their training activities with additional topics that address challenges specific to them. In this ongoing part of the practice, leaders talk about integrity and explain how they themselves “walk the talk” in terms of how they do business. The dialogue is carried through to every sales meeting to bring about an open discussion on ethical issues and how they should be handled.

Read more about ethical culture change at Siemens:

www.cgma.org/culturechange





Questions and notes

| QUESTION | YES/NO | NOTES |
|--|--------|-------|
| Q1 Does your board/ Chief Executive/Chief Financial Officer take responsibility for ethical performance? If no, what role should they take? | | |
| Q2 Does your management team lead by example? | | |
| Q3 Are staff rewarded and/ or disciplined in relation to ethical performance? | | |

“ More companies are including ethics-related criteria in performance reviews. ”



5 Monitoring and accountability

Effective speak-up arrangements, such as anonymous helplines, through which employees, contractors and other third parties can raise concerns in confidence about unsafe, unethical or unlawful practices are an important element of good corporate governance. A key component of these arrangements is that staff feel comfortable that they can raise issues without fear of retribution.

Some companies report the number and nature of queries raised internally to the board and executive committee and include the information in company newsletters. Some provide a breakdown of the reports by country and as a percentage of the workforce. Enlightened companies now communicate internally about disciplinary actions taken when wrongdoing occurs.

Case study:

Diageo

Beverage company Diageo's annual sustainability report details the number of suspected breaches of the company's code of ethics (743 in 2013), how many of these were later substantiated (376) and whether they were reported through the speak-up hotline (242) or raised directly with a line manager or the compliance department, for example. The report also states that 116 people exited the business in 2013 as a result of breaches of the company's code or policies.

Reporting in this way provides evidence that the company has procedures in place that are actually used and are effective in managing ethical misconduct. According to the report, Diageo routinely shares examples of breaches that have recently occurred or testimonials from colleagues who were tempted to do the wrong thing yet made the right decision. The company also keeps track of employees' perceptions of integrity within the company through asking questions in a values survey.





Questions and notes

| QUESTION | YES/NO | NOTES |
|---|--------|-------|
| Q1 Does your organisation have a whistle-blowing or speak-up line? If yes, how is it communicated and acted upon? | | |
| Q2 Does your organisation report on the number and nature of queries raised? | | |
| Q3 Does ethical management information, including queries raised through helplines and identified cases of misconduct, help inform business decisions? | | |

“ A key component of these arrangements is that staff feel comfortable that they can raise issues without fear of retribution. ”



The litmus test

The real litmus test of whether your ethics policy is working and embedded is if an employee feels comfortable enough to speak up if he or she has a concern and whether he or she believes the company will respond and, if need be, take appropriate action.

Once an ethics policy is securely embedded in your company, you also have to take into account the wider value chain.

Today's complex and extended supply chain has significant implications for organisations' ethical, governance and risk-management policies and practices.

Therefore, it is advisable to conduct due diligence on new and existing suppliers alike, engaging them in ongoing discussions regarding your standards and contractual expectations.

Case study:

Marks & Spencer

To engage a supplier base spanning 70 countries, UK-based retailer Marks & Spencer holds regular face-to-face meetings with partners as well as an annual

conference. The company has a website where suppliers can access tools, guidance and incentives.





Questions and notes

| QUESTION | YES/NO | NOTES |
|--|--------|-------|
| Q1 Does your organisation have an open door policy between management and other employees to promote openness and transparency? | | |
| Q2 Do you feel confident that you and your team can maintain objectivity and integrity as well as avoid conflicts of interest? What steps can you take to ensure you do? | | |
| Q3 Is the wider value chain taken into account to ensure responsible business practices don't stop at the doors of your organisation? | | |

“ Helping to raise standards and awareness through the chain is beneficial for all. After all, good companies keep good company. ”



Further reading

- Code of Ethics for CGMA designation holders
www.cgma.org/ethicscode
 - CIMA code of ethics
www.cimaglobal.com/codeofethics
 - AICPA code of professional conduct
www.aicpa.org/newcode

- CIMA and Institute of Business Ethics Guidance, including
 - Embedding ethical values
 - Business ethics for SMEswww.cimaglobal.com/ethicsguidance

- Managing responsible business – a global survey on business ethics
www.cgma.org/responsiblebusiness

- CGMA Briefing: Ethical performance – driving value from an ethical culture
www.cgma.org/ethicalperformance

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June 2015

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