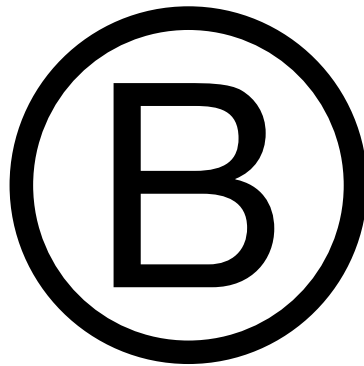


Certified



Corporation[™]

bcorporation.net

B Resource Guide:
Creating a Code of Ethics



B Resource Guide: *Creating a Code of Ethics*

What's in this Guide:

- I. Definition
- II. Why Have a Code of Ethics?
- III. Generic Template/Outline
- IV. How to Implement a Code of Ethics
- V. Some Advice on Developing a Code of Ethics
- VI. Links to Code of Ethics Examples, by Industry
- VII. More Resources

I. Definition

A Code of Ethics (also known as a Code of Conduct) is a formal document that establishes behavioral expectations for the company and the people who work there.

II. Why Have a Code of Ethics?¹

- to define accepted/acceptable behaviors;
- to promote high standards of practice;
- to provide a benchmark for members to use for self evaluation;
- to establish a framework for professional behavior and responsibilities;
- as a vehicle for occupational identity;
- as a mark of occupational maturity;

III. Generic Template/Outline:²

Codes can take various forms. We've included here a generic outline that can be customized. A more detailed template is available at about.com.

I. Preface or Introduction

(signed by the Chairman or Chief Executive Officer or both)

Start with a sentence on the purpose of the Statement - mention the values that are important to the top management in the conduct of the business such as integrity, responsibility and reputation. Describe the leadership commitment in maintaining high standards both within the organization and in its dealings with others.

Set out the role of the company in the community and end with a personal endorsement of the code and the expectation that the standard set out in it will be maintained by all involved in the organization.



B Resource Guide: *Creating a Code of Ethics*

2. Key areas to include

A. The Purpose and Values of the Business

The service, which is being provided – a group of products, or set of services – financial objectives and the business' role in society as the company sees it.

B. Employees

How the business values employees. the company's policies on: working conditions, recruitment, development and training, rewards, health, safety & security, equal opportunities, diversity, retirement, redundancy, discrimination and harassment. Use of company assets by employees.

C. Customer Relations

The importance of customer satisfaction and good faith in all agreements, quality, fair pricing and after-sales service.

D. Shareholders or other providers of money

The protection of investment made in the company and proper 'return' on money lent. A commitment to accurate and timely communication on achievements and prospects.

E. Suppliers

Prompt settling of bills. Co-operation to achieve quality and efficiency. No bribery or excess hospitality accepted or given.

F. Society or the wider community

Compliance with the spirit of laws as well as the letter. The company's obligations to protect and preserve the environment. The involvement of the company and its staff in local affairs. The corporate policy on sponsorship as well as giving to education and charitable appeals.

G. Implementation

The process by which the code is issued and used. Means to obtain advice on potential breaches. Awareness raising examples (Q & As) Training programs for all staff.

H Assurance, reporting and reviews

Suggest ways of knowing if the code is effective. Report to the board or board committee at least annually. Review procedures for updating the code.

IV. How to Implement a Code of Ethics

How you engage your employees in the writing and implementation of your Code is as important as what you put



B Resource Guide: *Creating a Code of Ethics*

in it. Below are 12 Steps for Implementing a Code, taken from The Institute for Business Ethics' publication: "Developing a Code of Business Ethics."

TWELVE STEPS FOR IMPLEMENTING A CODE

1. Endorsement

Make sure that the code is endorsed by the Chairman and CEO

2. Integration

Produce a strategy for integrating the code into the running of the business at the time that it is issued.

3. Circulation

Send the code to all employees in a readable and portable form and give it to all employees joining the company.

4. Personal Response

Give all staff the personal opportunity to respond to the content of the code. An employee should know how to react if he or she is faced with a potential breach of the code or is in doubt about a course of action involving an ethical choice.

5. Affirmation

Have a procedure for managers and supervisors regularly to state that they and their staff understand and apply the provisions of the code and raise matters not covered by it.

6. Contracts

Consider making adherence to the code obligatory by including reference to it in all contracts of employment and linking it with disciplinary procedures.

7. Regular Review

Have a procedure for regular review and updating the code

8. Enforcement

Employees and others should be aware of the consequences of breaching the code

9. Training

Ask those responsible for company training programs at all levels to include issues raised by the code in their programs.

10. Translation

See that the code is translated for use in overseas subsidiaries or other places where English is not the principal language



B Resource Guide: *Creating a Code of Ethics*

11. Distribution

Make copies of the code available to business partners (suppliers, customers etc.), and expect their compliance

12. Annual Report

Reproduce or insert a copy of the code in the Annual Report so that shareholders and a wider public know about the company's position on ethical matters

V. Some Advice on Developing a Code of Ethics³

1. Focus on business practices and specific issues. What actually ends up in a company's code of ethics will differ from one firm to the next. However, these are things to consider including: conflicts of interest to avoid, accuracy of financial statements, sexual harassment, workplace safety, environmental standards, and rules and regulations specific to your industry and company. "A good rule of thumb is that ethics codes should call attention to key domestic and international regulations that apply to the organization," says Diane Swanson, professor of management at Kansas State University.

2. Tailor it to fit your business. Codes of ethics are not cookie cutters — one size definitely does not fit all. While you can gain a sense of what your company's code might include by looking at other companies', keep your thinking as singular as possible.

"It's really critical that the code of ethics fits the values and mission of the specific company," says Alice Peterson, president of Listen Up Group, a Chicago provider of services for confidential employee reporting of wrongdoing. "That also means you should never go to somebody else's Web site and copy theirs."

3. Include employees in developing a code of ethics. Nothing may be more ineffective than a code of ethics that comes down as an executive mandate. When considering those issues that should be part of your code of ethics, ask others throughout your company what they think is important. Not only will that strengthen the overall scope of the code of ethics, but employees will also be more accepting of ethical guidelines into which they had input.

4. Train your people to be ethical. Even the most thoughtful code of ethics is of little use if a company doesn't know what it really means. That makes employee training particularly important. Arrange for classes, seminars or meetings to lay out the specifics of your code of ethics and what it means to everyone's daily activities. "Ethics training should include vignettes and stories that come from the company, so that the subject is real for everybody — everyone from the mailroom to the corner office," Peterson says.

5. Post your code of ethics internally, and set up a reporting system. While you don't want to encourage a



B Resource Guide: *Creating a Code of Ethics*

network of snitches and informants, employees will need a way to let someone know about any ethics breaches they may see. Peterson recommends a two-tier system. First, she suggests a complete open-door policy so that employees know that information is always welcome. Moreover, consider accepting anonymous reports. That, too, may help overcome some employees' reticence to report ethics code violations.

6. Consider appointing a compliance person. Obviously, a company's ethics should be of concern to everyone within the organization. But, if it's feasible, it can be advantageous to appoint a compliance officer whose responsibilities include investigating ethics problems. If nothing else, that can make it much simpler to know to whom employees should pass along suspected ethics missteps.

7. Follow up on any ethics violations you uncover. Just like failing to publicize and promote your code of ethics to your employees and others renders it virtually meaningless, failing to act on ethics violations will disable even the best intentioned of company efforts. When drawing up your code, specify what range of penalties go with certain missteps and violations. Lay out an appeals process. Make sure everyone in your company knows the ramifications of violating the code. "Holding people to ethical conduct is something many people are very poor at," says Sun. "It requires some confrontation and a lot of leadership skills."

8. Live it from the top down. It's critical that no one person in a company ever appears to be above a code of ethics. That means it's particularly important that executives and top managers also adhere to the guidelines of an ethics code. If managers say one thing but do something else, that's nothing more than a license for the rest of the company to follow suit. "Good role modeling by top managers is a must," Swanson says. "Without it, ethics codes can be seen as mere window dressing."

VI. Links to Code of Ethics Examples, by Industry

- Finance
- General
- Administrative Staffing
- Auditing
- Grocery
- Manufacturing
- Finance
- Investment
- Banking
- Franchising
- Online / E Business

VII. More Resources



B Resource Guide: *Creating a Code of Ethics*

- Business ethics links
- Codes of ethics
- Case studies
- Ethisphere Magazine

¹ <http://www.ethicsweb.ca/codes/coe2.htm>

² <http://www.ibe.org.uk/contentcode.html>

³ http://www.microsoft.com/smallbusiness/resources/management/leadership_training/put_it_in_writing_your_business_has_ethics.aspx