**OVERVIEW**

The CIMA Training and Development accreditation scheme, which recognises and promotes employer support for lifelong learning includes a requirement for employers to provide an ethics policy/code of conduct and training in this area.

*These are the basic elements for embedding ethical values into business behaviour.*

- **If your organisation already has a code in place, this leaflet can direct you to resources which will help you address what else you can do to embed ethical values and make the code effective.**

- **If your organisation currently doesn’t have a code, this leaflet will help you find the right resources and support to draw up your own code and how to begin to embed ethical values into your corporate culture.**
All CIMA members and students are obliged to uphold and are supported by the CIMA Code of Ethics throughout their working lives, and are bound by its five fundamental principles:

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality
- Professional behaviour.

The CIMA Code is based on the IFAC Code of Ethics, published by IESBA (the International Ethics and Standards Board). IFAC is an umbrella organisation for accounting standards worldwide and the Code and its principles are shared by bodies globally.

Support
This leaflet is produced by CIMA in association with the Institute of Business Ethics.

CIMA
CIMA provide a wide range of ethics and professionalism resources which can be used for office training and continued learning for finance professionals. Find out more in the Ethics Support Guide on www.cimaglobal.com/ethicsresources. In the back pages of the document you are also able to find suggested outlines for training.

IBE
A list of publications that may assist you can be found on the IBE website: www.ibe.org.uk.

The IBE is a charity set up by business for business. It raises public awareness of the importance of doing business ethically and collaborates with other UK and international organisations with interests and expertise in business ethics. It helps organisations strengthen their ethics culture and encourage high standards of business behaviour based on ethical values. It assists in the development, implementation and embedding of effective and relevant ethics and corporate responsibility policies and programmes.

Guidance on developing a Code of Ethics
CIMA is a subscriber to the IBE. For a copy of ‘Developing a Code of Business Ethics’ by the IBE, please visit www.ibe.org.uk. Quote ‘CIMA’ and your membership number to obtain the subscriber price.
EMBEDDING ETHICAL VALUES

KEY QUESTIONS

1. Why take ethics seriously?

The past few years have highlighted the costs of acting unethically, with a spate of business failures, public distrust and, increasingly, public protest against corporate and government misdemeanours. Businesses that want to succeed in the long term have to reflect both upon ethical challenges in their own operations and take action to avoid integrity risks.

Research and activity in the field of business ethics and sustainability, the growing influence of investors, consumers, employees and wider society, all point to the necessity of embedding ethical considerations into strategy and performance measurements.

2. How does a company start to ensure that business behaviour reflects ethical values?

If an organisation wants to take ethics seriously, it first needs to identify the core values to which it is committed and wishes to be held accountable.

Core ethical values are those regarded by a company as non-negotiable – they form the foundation for a set of corporate ethical standards and commitments and the organisation’s approach to corporate responsibility.

Commonly used value words found in introductions/preambles to codes of ethics include: responsibility, integrity, honesty, respect, trust, openness, fairness and transparency. Organisations may also articulate a set of business values, such as quality, profitability, efficiency, reliability and customer service.

3. Why produce a code?

The best way to start translating core values or business principles into action is by producing a code of ethics, or similar document, e.g. ‘The way we work’, ‘How we do business’ etc (see Figure 1 opposite). Doing this will help companies to understand and address the ethical challenges material to their long term success. A code of ethics explains the organisation’s approach to the ethical issues relevant to it, sets out its ethical commitments to its stakeholders, and provides guidance to staff on how to handle ethical challenges and dilemmas.

Codes of ethics are critical to preventing misconduct and should not be developed merely as a reaction to a reputation crisis. They provide guidance for all employees on what is expected of them and how to act responsibly in different circumstances. Critically codes should be live documents that are referred to regularly by management to promote and support an ethical culture.
FIGURE 1: DEVELOPING A CODE OF BUSINESS ETHICS

Board agrees that a statement of corporate values and code of ethics is required

Board asks a senior manager to develop the statement of values and corporate code of ethics

Senior manager consults with board members and employees at all levels about core values

Consults other business/experts on best practice

Consults with employees and other stakeholders to find out what ethical challenges and issues are material

Collates existing company policies on ethical issues

Works out an implementation programme

Senior manager produces first draft of values statement and corporate code of ethics and implementation programme

Circulates for comment to senior management

Has comparisons made with other company statements and codes

Organises cross company and all level ‘focus’ groups to comment on the draft

Considers standardising against an outside benchmark

Final (draft) version goes to the board

When approved, a programme of familiarisation and integration is set in motion

Ethical issues incorporated into all company training programmes

Regular reports to the board on how the code is working

Annual reporting process is put in place and a committee of the board is given overall oversight of the policy

Based on Developing a Code of Business Ethics guide, p16, IBE, 2003
There is no one-size-fits-all code of ethics. They should be tailored to the target audience and reflect the challenges and risks to the organisation and its employees. Some are based around relationships with different stakeholders, such as investors, customers, employees, suppliers and business partners. Some offer guidance around the key issues facing the company and explains how staff should behave in these circumstances. Some do both. Examples of codes of ethics can usually be found on company websites.

Figure 2 provides a content checklist for a code. For a list of issues typically covered in corporate codes of ethics, see: IBE Illustrative Code of Business Ethics (2008).

Simply drawing up and publishing a code is never enough to influence behaviour and decision making (see Figure 3). Ethical values must be strongly embedded in an organisation’s culture. For this to be effective a code should be supported by a programme of communication and training as well as leadership example (see Figure 4). Ethical commitments need to be reflected through core business activities and policies and processes e.g. recruitment, appraisal, tendering, marketing, speak up etc. The organisation also needs to establish a monitoring programme which will assure its governing body that it is living up to its values.
FIGURE 3: MAKING CODES OF ETHICS EFFECTIVE

<table>
<thead>
<tr>
<th>Good practice</th>
<th>Poor practice</th>
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<tbody>
<tr>
<td>Root the code in core values e.g. trust, integrity</td>
<td>Just pinning the code to the notice board</td>
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<td>Give a copy to all staff</td>
<td>Failing to obtain board commitment to the code</td>
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<tr>
<td>Provide a way to report breaches in a confidential manner</td>
<td>Leaving responsibility for the code’s effectiveness to HR or any other department</td>
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<td>Include ethical issues in corporate training programmes</td>
<td>Failing to find out concerns of staff at different levels</td>
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<td>Set up a board committee to monitor the effectiveness of the code</td>
<td>Failing to feature the code in induction training and management development activities</td>
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<tr>
<td>Report on the code’s use in the annual report</td>
<td>Having no procedure for revising the code regularly</td>
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<td>Make conformity to the code part of a contract of employment</td>
<td>Making exceptions to the code’s application</td>
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<tr>
<td>Make the code available in the language of those staff located overseas</td>
<td>Failing to follow up on breaches of the code’s standards</td>
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<tr>
<td>Make copies of the code available to business partners, including suppliers</td>
<td>Unhelpful example by corporate leaders</td>
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<tr>
<td>Make a named individual responsible for code implementation</td>
<td>Neglecting to have a strategy to integrate corporate values and standards into the running of the business</td>
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<tr>
<td>Review code in light of changing business challenges</td>
<td>Treating the code as confidential or a purely internal document</td>
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<tr>
<td>Make sure senior staff ‘walk the talk’</td>
<td>Making it difficult for staff to have direct access to the code or the person who is responsible for it</td>
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from Developing a Code of Business Ethics, IBE, 2003
FIGURE 4: ELEMENTS OF AN EFFECTIVE ETHICS PROGRAMME – THE IBE MAP

Ethical Values

Embed values → influence behaviour
6. Ethical Management Checklist

CGMA.org has a checklist of reflective questions for finance professionals relating to the management of ethics. It can be found in the Essential Tools for Management Accountants www.cgma.org.

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<tr>
<th>CGMA Ethical management reflection checklist</th>
<th>Y/N</th>
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<tr>
<td>1 Does your organisation have an ethical statement/code of conduct/code of ethics? If yes, does it reflect your professional obligations?</td>
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<td>2 Does your organisation currently communicate its ethical business practices and commitment to responsible business? If yes, how?</td>
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<td>3 Are your statements for responsible business monitored and verified? If yes, how and by whom?</td>
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<td>4 Does your organisation include a session on ethics and responsible business in its induction programme for all staff?</td>
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<td>5 Is this featured in ongoing training?</td>
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<td>6 Are you aware of what categories of ethical information are gathered in your organisation? If yes, are there any omissions?</td>
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<td>7 Do you know who in your management team uses ethical data? Who else might benefit from using ethical data and how do you work together?</td>
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<td>8 Does your board/chief executive/CFO take responsibility for ethical performance? If no, what role should they take?</td>
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<td>9 Are staff rewarded or disciplined in relation to ethical performance?</td>
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<td>10 Do you have a role in gathering or analysing ethical performance information?</td>
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<td>11 Does ethical data gathered within your organisation help inform business decisions and business success?</td>
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<td>12 Does your organisation have an anti-bribery policy? If yes, is your anti-bribery policy promoted and enforced and how?</td>
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<td>13 Does your organisation have a whistle blowing/speak up line? If yes, how is it communicated and acted upon?</td>
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<td>14 Does your organisation have an open door policy between management and other employees to promote openness and transparency?</td>
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<td>15 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?</td>
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<td>16 Would you know what steps to take if you are asked to do something that challenges your ethical standards?</td>
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<tr>
<td>17 Have you undertaken professional development in order to improve your skills in gathering, understanding and using non-financial information to benefit your organisation? If yes, what other professional development in regard to ethical performance would you benefit from?</td>
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CGMA.org, 2013
FURTHER INFORMATION AND RESOURCES

IBE
Access resources for drafting and implementing a code of ethics, and embedding ethical values.

• Developing a Code of Business Ethics (IBE, October 2003)
• Illustrative Code of Business Ethics (IBE, September 2008 update) - to use in conjunction with 'Developing a Code of Business Ethics'
• Making Business Ethics Work – the foundation of effective embedding (IBE, 2006)
• Living up to our values (IBE, 2006)
• Good Practice Guides e.g. Speak up Procedures, Ethics Ambassadors etc.

www.ibe.org.uk

CIMA Ethics
Access the CIMA Code of Ethics, and a range of ethics resources.

www.cimaglobal.com/ethics

IFAC
The International Federation of Accountants has a range of global resources related to Ethics including the IFAC Code of Ethics for professional accountants and Defining and Developing an Effective Code of Conduct for Organizations.

www.ifac.org/global-knowledge-gateway

UN Global Compact
The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

http://unglobalcompact.org/index.html

OECD Guidelines for Multinational Enterprises
The OECD Guidelines for Multinational Enterprises are the most comprehensive set of government-backed recommendations on responsible business conduct in existence today.

http://mneguidelines.oecd.org

CIPD – HR resources
The Chartered Institute of Personnel and Development have a range of online resources including fact sheets outlining policies, such as discrimination or data protection, that would be referred to in a Code.

www.cipd.co.uk/hr-topics